

RESPONSIBLE PEOPLE

Annual
Report 2015



Success stories

**INTERVIEWS
WITH TOP MANAGERS
OF TVEL JSC**

**EFFECTIVE
DEVELOPMENT
STRATEGY**

About TVEL Fuel
Company

Strategy of TVEL
Fuel Company

Efficiency Management

Efficiency in Results 2015

RESPONSIBLE PEOPLE

Annual Report 2015

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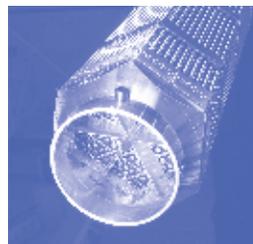
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In 2015 the Russian nuclear industry managed to reach the target levels in all indicators

ALEXANDER M. LOKSHIN

Chairman of the Board
of Directors of TVEL JSC

First Deputy Director General
for Operational
Management of ROSATOM
State Corporation




The year 2015 was definitely successful for TVEL JSC: The Company fulfilled unexceptionally all contractual commitments to Russian and foreign customers. Leadership positions of the Company are confirmed by the highest quality products and the latest technological solutions.

In 2015 the Russian nuclear industry met all the targets, and even managed to exceed the expectations for some of the indicators.

Despite the difficult economic conditions, ROSATOM proceeded with increasing the portfolio of foreign orders. Following the year results, the orders portfolio for the ten-year period made USD 110.3 bln (against USD 101.4 bln in 2014), while the projects portfolio reached the number of 34 NPP Power Units worldwide. Proceeds of ROSATOM from foreign contracts increased by more than 20% and amounted up to USD 6.26 bln.

TVEL Fuel Company entered into new agreements and contracts in 2015. Particularly, the signed ten-year contract provides for fuel supplies and related services for prospective Power Units No. 5 and No. 6 of the Paks Nuclear Power Plant in Hungary. The new signed commitments ensure opportunities to deliver the Russian low-enriched nuclear fuel and its components for research and power reactors in Argentina.

The year 2015 was definitely successful for TVEL JSC: the Company fulfilled unexceptionally all contractual commitments to Russian and foreign customers. Leadership positions of the Company are confirmed by the highest quality products and the latest technological solutions.

The year 2015 can be justifiably considered as the year of the beginning by Russian nuclear experts to develop and master a whole range of new technologies for the nuclear power of the future, and, primarily, the technology of closed nuclear fuel cycle that allows generating electric power without irradiated fuel disposal problems. Within the framework of the "Proryv" ("Breakthrough") project, TVEL Fuel Company launched the construction works of the mixed nitride

uranium-plutonium fuel fabrication module for BREST-OD-300 reactor in Seversk industrial site.

The world's largest uranium enrichment plant, Urals Integrated Electrochemical Plant JSC, placed into operation two new units of 9th generation gas centrifuges, as well as testing of 9+ centrifuges has started. These achievements can significantly improve the efficiency of the uranium enrichment process.

The first Federal Target Program on Nuclear and Radiation Safety Assurance was completed in the past year. In the course of this program accomplishment the potentially dangerous facilities of the nuclear "heritage", that are primarily associated with spent nuclear fuel and radioactive waste, were transferred into a stable, controlled status.

The Russian nuclear industry shall steadily face new challenges of 2016. One of the key factors ensuring ROSATOM global leadership positions is innovative and technological development of TVEL Fuel Company. Success on the global market, development of new business lines, financial results prove that the Company is headed in the right direction.

I am sure that knowledge, competence, experience and professionalism of the workers will allow TVEL Fuel Company to guarantee high-quality solutions to its all ambitious targets and to remain the flagship of the nuclear industry further on, taking its rightful place in the Russian economy! ●

The year 2015 that passed under the sign of the 70th Anniversary of the Russian nuclear industry was notably a success. Against the background of the difficult market conditions we managed to fully accomplish our plans for production and supply of products, significantly increase productivity and efficiency, strengthen our position in the traditional markets and enter the new ones.

The key events of our foreign trade activities include signing the additional agreement to the fuel contract with the Chinese corporations JNPC and CNEIC for the Tianwan NPP 3,4 Power Units transition to the 18-month fuel cycle operation mode. The contract with the Department of Atomic Energy of India, ensures supplies of enriched uranium fuel pellets for the nuclear fuel complex in Hyderabad.

In 2015 we exported a batch of nuclear fuel with secondary neutron sources (SNS) to the Temelin Nuclear Power Plant (Czech Republic). Despite the fact that SNS are not used in VVER reactors in Russia, TVEL JSC having an effective scientific and technological complex in its reserve coped with the challenging order of the Czech partners.

Against the background of the difficult market conditions we managed to fully accomplish our plans for production and supply of products, significantly increase productivity and efficiency, strengthen our position in the traditional markets and enter the new ones.

The Company delivered new age TVSA-12 fuel to the Kozloduy NPP. Now the Bulgarian Nuclear Power Plant will be operated on the fuel with higher consumer properties and thus with improved economic efficiency.

TVEL pays unchangingly considerable attention to development of non-nuclear business lines. In 2015 a number of new areas of the general industrial activities showed convincing results. Sales growth in comparison with 2014 on such non-nuclear products as titanium milling, calcium and calcium injection wire, lithium compounds and automotive catalysts is more than 35%.

TVEL Fuel Company is fully aware of its responsibility for environmental safety both of its personnel and of the relevant territories. The year 2015 marked the completion of the Federal Target Program "Nuclear and Radiation Safety Assurance for 2008 and up to 2015". There were accomplished 37 activities in seven sites of the Company for the total amount RUB 9.6 bln.

Being a socially responsible company, TVEL Fuel Company takes an active part in supporting socially significant projects organized in the cities of its business operations. In 2015 TVEL JSC and its subsidiaries sponsored a number of charitable initiatives in the total amount of more than RUB 139 mln.

TVEL Fuel Company is one of the world leaders in nuclear fuel production. We hold 17% of the world fabrication market and deliver fuel to 14 countries. The share of TVEL JSC accounts for one third of ROSATOM total revenue.

The strategic goals of the Company include growth in the markets of the front end nuclear fuel cycle, development of general industrial production, increase in operational efficiency, social and environmental acceptability. Within the next two or three years we need to achieve 30% increase in orders portfolio and revenue, labor productivity, while reducing expenditures and production costs.

Our plans remain unchangingly ambitious. Maintaining leadership is a challenging task. But only the most daring initiatives impart driving force to business development. ◆

Being a leader is a tough job

YURI A. OLENIN

President of TVEL JSC




1996



TO
TVEL 20TH
ANNIVER-
SARY

STORY OF SUCCESS

At the time of TVEL Fuel Company incorporation, the market of reactors of Russian design was occupied by competitors. The Russian nuclear industry was about to lose its position in the global nuclear fuel market, and this fact gave particular relevance to forming up the effective work in foreign markets and, certainly, increased the importance of such issues as corporate and industrial transformations. As a result, by the mid-2000s TVEL Fuel Company managed to regain its position in all regional markets and began to solve the objectives not only to preserve and strengthen its positions on traditional markets, but also to break into new segments of the global nuclear fuel market.

Open Joint Stock Company "TVEL" was established on September 12, 1996 in conformity with the Decree of the President of the Russian Federation dated February 8, 1996 No. 166 "On management improvement of the nuclear fuel cycle enterprises" in order to achieve optimal management structure for the enterprises dealing with the front end nuclear fuel cycle, as well as to increase the efficiency and competitiveness in the global market.

The authorized capital of TVEL OJSC includes shares of the following enterprises on fabrication (production) of nuclear fuel (NF):

- Mashinostroitelny Zavod OJSC (49% shares), Elektrostal, Moscow region;
- Chepetsky Mechanical Plant OJSC (51% shares), Glazov, the Udmurt Republic;
- Novosibirsk Chemical Concentrates Plant OJSC (38% shares), Novosibirsk;
- Chemical-Metallurgical Plant OJSC (51% shares), Krasnoyarsk.



The collapse of the USSR led to the fact that some countries of the former socialist state changed their political vector, giving preference to cooperation with Western companies. Our enterprises faced threat of losing their traditional markets. For example, in 1993 the Westinghouse Electric Corporation (USA) won the contract for the completion of constructing the Temelin Nuclear Power Plant in Czech Republic (the station had been constructed in accordance with the Russian technologies and equipped with the Russian reactors VVER-1000) and its supplying with fuel. After TVEL OJSC incorporating and combining the assets, the enterprises apart from working under a single brand now received an opportunity to advance the the frontiers of their development. Innovative activities, development of new technologies, production and financial and economic solutions came to the foreground. Among the first major contracts for nuclear fuel supply the following should be noted:

- the Tianwan NPP (China) in 1997;
- the Paks NPP (Hungary) in 1999;
- the Dukovany NPP (Czech Republic) in 2001.

2000s

By the early 2000s TVEL OJSC increased its share in its subsidiaries, created support infrastructure companies, as well as consolidated sectoral mining assets, which subsequently formed the basis for incorporation of the uranium mining company Atomredmetzoloto OJSC.

2001

In 2001 with participation of TVEL OJSC the Ukrainian-Kazakh-Russian joint venture UKRTVS CJSC was established and in 2003 the Tripartite Intergovernmental Agreement on Assistance in the Joint Venture Activities was signed. As part of the cooperation implied by this project, TVEL OJSC transferred to the Ukraine the steel components production technologies for the fuel assembly of alternative design (TVSA) which was successfully mastered by the Ukrainian enterprises.

By the mid 2000s TVEL OJSC established itself firmly on its traditional markets despite the difficulties in competing with foreign producers.



2006

In 2006 within the global tenders the contracts were concluded for NF supplies to the Temelin NPP (Czech Republic) due to TVEL OJSC overcoming Westinghouse (USA) and to the Loviisa NPP (Finland) till the end of its operation due to TVEL OJSC overcoming the British company BNFL.

2007

In 2007 open joint stock company "Atomenergoprom" became the sole shareholder of TVEL OJSC and combined the assets of the Russian nuclear industry. In accordance with the Federal Law d/d December 1st, 2007 No. 317-FZ "On the State Atomic Energy Corporation "Rosatom", the shares of Atomenergoprom OJSC (100%) located in federal ownership were transferred to ROSATOM as the asset contribution of the Russian Federation.

In 2007 the enterprises included in TVEL OJSC management system launched "Novy Oblik" ("New Image") program aimed at increasing work efficiency and labor productivity. It was the transition to a qualitatively new level. TVEL OJSC set the goals to increase the competitiveness of the plants by reducing costs, optimize the functional structure of the enterprises, diversify the production while ensuring high product quality and safety. The main phase of TVEL OJSC restructuring was completed in 2012. Following the results of "Novy Oblik" program realization for the period 2007-2012 the cumulative economic effect obtained was more than RUB 12 bln.

In 2007 the specialists of TVEL OJSC completed the unique project at the Parks NPP (Hungary) — liquidation of the acci-



12

RUB bln
Total economic effect
of the New Image
program implemented in
2007-2012

In 2008 Vice-Presidents of TVEL OJSC, Petr Lavrenyuk, Vasily Konstantinov and Konstantin Sokolov, were awarded with the high state award of the Republic of Hungary — the Knight's Cross Order — for success in elimination of the accident.

dent consequences in the cooling pond of one of the power units. The accident happened at the Hungarian Nuclear Power Plant in 2003. Successful completion of works on power unit restoration in the Hungarian NPP proved the high level of the Russian nuclear technologies, the Company's responsibilities in a critical situation and professionalism of TVEL OJSC employees. In 2008 Vice-Presidents of TVEL OJSC, Petr Lavrenyuk, Vasily Konstantinov and Konstantin Sokolov, were awarded with the high state award of the Republic of Hungary — the Knight's Cross Order — for success in elimination of the accident.

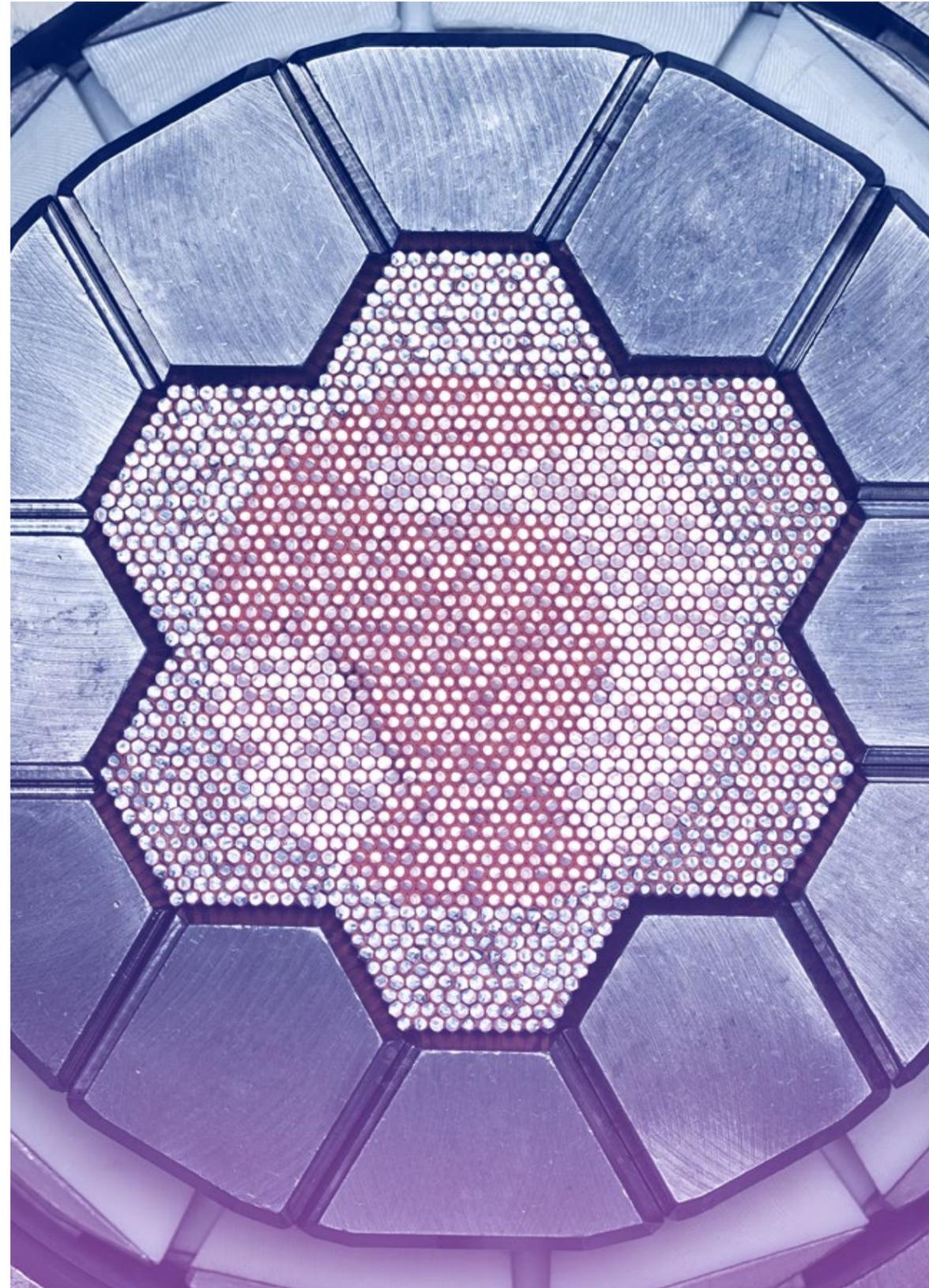
2008

In 2008 the Agreement on the Russian fuel fabrication was signed for all Slovakian power units of the NPP till the end of their operation life. The first Nuclear Power Plant in India, the Kudankulam NPP, received the first batch of fuel for its commissioning.

In the mid 2008 the Company concluded with CNEIC, the Chinese corporation, a contract for construction of IV Stage of the Gas Centrifuge Plant for Uranium Enrichment in Hanzhong, as well as the respective long-term contract for enriched uranium product supplies till 2020.

2009

In September 2009 ROSATOM decided to create the Fuel Company of ROSATOM based on TVEL OJSC. The Fuel Company combined the Russian large enterprises for nuclear fuel fabrication, separation-sublimation complex and gas centrifuge complex, as well as the organizations responsible for developing and planning technology processes, tools and equipment located in the regions of the Russian Federation. In this and the following years a number of new markets were opened for the Russian nuclear export: Brazil, Argentina, Mexico, Japan, South Korea, Republic of South Africa, China, the United Arab Emirates. The old positions were strengthened and there appeared the new ones in Europe: in Germany, Finland, Sweden, Spain. Most significant is the establishment of direct contractual relationship with Électricité de France (France) — the end consumer



In 2009 Chepetsky Mechanical Plant (Glazov, Republic of Udmurtia) launched superconductors production within the execution of the Russian commitments to participate in construction of International Thermonuclear Experimental Reactor (ITER) and ensuring superconductor materials supply. Accomplishment of this task is an example of the country's industrial potential revival, since superconductor production line was created at TVEL OJSC nearly from the ground up.

of the Fuel Company's products — while retaining long-term commercial cooperation with the French company Areva. While achieving its strategic objectives, TVEL OJSC became actually the global provider of nuclear fuel cycle services and acquired the reputation of a reliable and trustworthy partner in the global market.

In 2009 TVEL OJSC and Department of Atomic Energy of India, entered into contracts for nuclear fuel components supply. Over the recent years, TVEL OJSC supplies on a regular basis naturally enriched uranium dioxide pellets for the nuclear fuel complex in Hyderabad, where our colleagues from India manufacture fuel assemblies using such pellets for the Rajasthan Atomic Power Plant with pressurized heavy water reactor (PHWR) and pellets of enriched uranium dioxide for boiling-water reactor (BWR), located at the Tarapur Atomic Power Station. Expansion of the product line allowed TVEL OJSC to occupy a new niche in the Indian market and load the excess production capacities of MSZ OJSC for a long-term period.

In 2009 the fuel delivery started in order to completely replace the American fuel in the first power unit of the Temelin NPP (Czech Republic).

In 2009 Chepetsky Mechanical Plant (Glazov, Republic of Udmurtia) launched superconductors production within the execution of the Russian commitments to participate in construction of International Thermonuclear Experimental Reactor (ITER) and ensuring superconductor materials supply. TVEL OJSC was commissioned to solve this task. ChMP OJSC, the subsidiary company of TVEL OJSC, having metallurgical, forging and rolling equipment, was elected as the enterprise capable of creating a unique high technology, technically and technologically complex production. TVEL OJSC and ChMP OJSC managed to successfully fulfil the assigned task. ChMP OJSC within the International Project ITER produced near 107.6 tons of niobium-tin strands for toroidal field conductor and 128.6 tons of niobium-tin for poloidal field conductor of the future plant. Accomplishment of this task is an example of the country's industrial potential revival, since superconductor production line was created at TVEL OJSC nearly from the ground up.

2010s

In 2010 within the frameworks of accomplishment of the initiative by Russian President Vladimir Putin dated January 26, 2006 on creation of the system of international centers of NFC services under the Agreement between the Russian Government and IAEA there was formed and located at the territory of AECC OJSC in Angarsk the guaranteed reserve of low-enriched uranium (120 tons). At present moment the founders of International Center of Uranium Enrichment OJSC apart from Russia include Kazakhstan, Ukraine and Armenia.

In 2010 in the city of Krasnoyarsk members of the technical committee of ROS-ATOM and TVEL OJSC signed the act of decommissioning the nuclear facility for production of low enrichment uranium dioxide ceramic powders in the territory of Chemical-Metallurgical Plant (previously included in TVEL Fuel Company). This document marked the final stage in the history of the Russia's first project of decommissioning the nuclear and radiation-hazardous facility and its transition to a state of "green lawn". The Committee confirmed officially that this site can be used for industrial or social needs without any restrictions. The unique project lasted 4 years.

In 2010 President TVEL OJSC Yu.A. Olenin and President of the State Enterprise National Nuclear Energy Generating Company Energoatom Yu. A. Nedashkovski signed the new long-term contract for nuclear fuel supplies to the Ukrainian NPP. In the same year TVEL OJSC won the contest in selection of the technology and partner to organize the construction of the nuclear fuel production for VVER-1000 reactor in the Ukraine.

4 years was required to implement Russia's first project on decommissioning a nuclear and radiation hazardous facility and returning the site to greenfield status. The commission officially released the site for industrial and social use without any restrictions.



2011

In 2011 within the official visit of Russian President Dmitry Medvedev to the Czech Republic the documents were signed to create the Center of Technological Services in the Form of Joint Venture ALVEL JSC. The Center is aimed to assist the existing and the future customers of TVEL and ALTA from the European Union countries. By the decision the Czech operator ČEZ JSC there was performed pre-term discharge of the American fuel assemblies from the power unit No. 1 in Temelin NPP and their replacement with the Russian fuel assemblies. Nuclear fuel produced by TVEL Fuel Company was loaded to the nuclear core of the second power unit in Temelin NPP. After the end of works on loading and launching the second power unit, the Czech NPP is completely operated on the Russian fuel.

2012

In 2012 the Company started serial production of 9th generation gas centrifuges to modernize the separation enterprises of TVEL Fuel Company. Commissioning of the first industrial unit of 9th generation gas centrifuges at PA ECP OJSC is considered as the milestone event. The new development allowed to significantly increase the GS performance due to the unique structural solutions and use of new materials. This was an important event not only for TVEL OJSC but for the whole nuclear industry in Russia.

In 2014 the pilot lot of four TVS-KVADRAT (fuel assemblies of Western design) was loaded to the power unit reactor in one of the European NPP for pilot operation. The TVS-KVADRAT design is based on long experience in manufacturing and operation of nuclear fuel in VVER-1000 reactors. The developed TVS-KVADRAT fuel allows to enter the most capacious and competitive fuel market segment — PWR.

2014

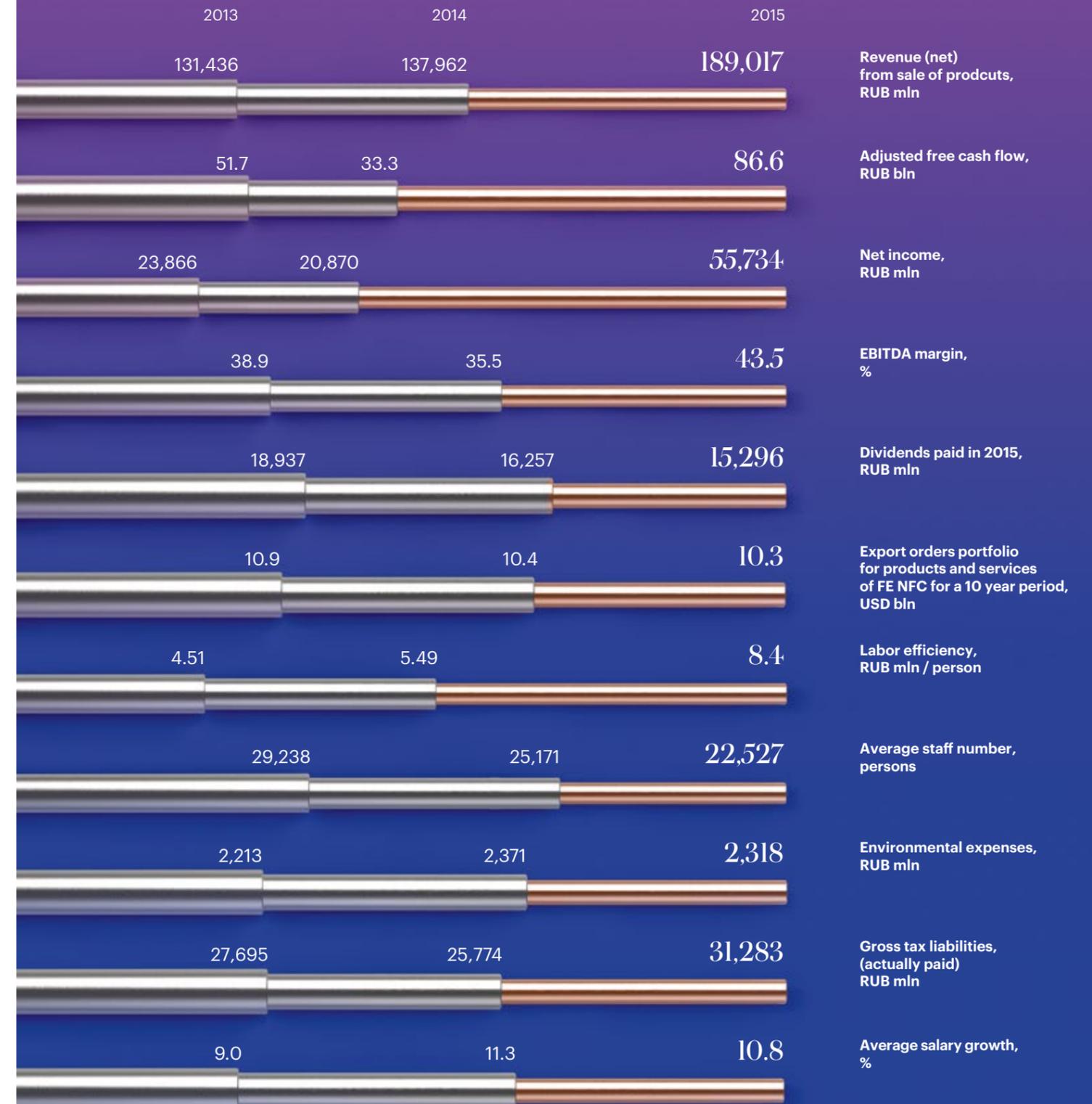
In 2014 the pilot lot of four TVS-KVADRAT (fuel assemblies of Western design) was loaded to the power unit reactor in one of the European NPP for pilot operation. The decision about developing fuel assemblies of own design for the reactors of Western design (PWR) was adopted by the management bodies of TVEL OJSC in 2002. The TVS-KVADRAT design is based on long experience in manufacturing and operation of nuclear fuel in VVER-1000 reactors. The developed TVS-KVADRAT fuel allows to enter the most capacious and competitive fuel market segment — PWR.

In 2014 Novosibirsk Chemical Concentrates Plant OJSC and Nuclear Research and Consultancy Group Petten (NRG Petten) signed the contract for supply of low-enriched fuel assemblies made by NCCP PJSC for high-flux research reactor HFR (Petten, the Netherlands) Signing of this contract meant expansion by ROSATOM into new foreign fuel markets for Russia and opened up opportunities for TVEL OJSC participating in international tenders for low-enriched plate fuel supplies for research reactors of Western design. ▲

2013

- Completion of the qualification of TVEL OJSC (ChMP OJSC) by Candu Energy Inc., the Canadian company, as pressure pipes supplier for the CANDU reactors.
- Completion of the transaction on acquisition of the shares in Urals Integrated Electrochemical Plant OJSC by the joint Russian-Kazakh enterprise, UEC CJSC. Delivery within the UEC project of the first batch of products in the amount of 300,000 separative work units (SWU).
- Signing of the contract with Fennovoima, the company from Finland, on nuclear fuel supply for the first loading of the new Hanhikivi NPP and its operation within 10 years with the chances of the contract prolonging for further operation.
- Signing the contract to extend fuel supplies to the Dukovany NPP (Czech Republic) from 2014 till 2028.
- Signing the contract in Beijing with Jiangsu Nuclear Power Corporation (JNPC) and China Nuclear Energy Industry Corporation (CNEIC) for fuel supply for the initial zone of 3 and 4 Power Units in the Tianwan NPP, as well as six packaged refuelings of 3rd unit and the contract for components supply to produce fuel at Yibin Fuel Factory for all four power units. The contract provides for regular supplies of TVS-2M fresh nuclear fuel and components till 2025.
- Signing of the four-party memorandum under the "Zero Failure" project by TVEL Fuel Company and the operators from Czech Republic, Bulgaria, Ukraine and Russia.
- Completion of the HEU-LEU contract. The four separation enterprises of the Fuel Company — UEIP OJSC, SGCHE OJSC, PA ECP OJSC and AECC OJSC — accomplished successfully the task within the twenty years historic intergovernmental agreement for low-enriched uranium delivery to the USA, produced from the Russian weapon-grade uranium, — the contract is known as the HEU-LEU contract. During these years the works on the material, which would serve as the fuel for the US nuclear power plants, were carried out by the separation enterprises of TVEL Fuel Company.

Key Results of TVEL Fuel Company



2015 Highlights



04

April

An alternative aviation route for fuel delivery to the Kozloduy NPP (Bulgaria) was organized.

TVEL JSC signed Memorandum of Understanding with The National Commission for Atomic Energy of Argentina and with INVAP S.E., the industrial company from Argentina.

ZEP LLC at Gazprom transgaz Ekaterinburg LLC conducted a series of preliminary acceptance tests of independent current sources on solid oxide fuel cells as part of gas pipeline system cathodic protection block-container.

With the view of developing electrolyte production for chemical current sources, SGCHE JSC and AIN SPA OJSC concluded the contract for products supplies (lithium tetrafluoroborate based electrolyte) for the period 2015–2016.

05

May

The efforts of VNIIM JSC in the metrology support of MOX fuel production were recognized with a gold medal at the Moscow International Innovative Forum “Precision measurements — the basis of quality and safety 2015”.

03

March

Signing of the contract for fuel pellets supply to the BWR reactor of the American design to the Tarapur Atomic Power Station in India.

UEIP JSC placed into operation the power unit No. 58 of the separation production updated pursuant to modern 9th generation gas centrifuges.

“Factory Process” project was launched in Mashinostroitelny Zavod JSC.

TVEL JSC was recognized as the leader in terms of the productivity and as the most efficient division in ROSATOM.

Within the framework of the diversification of the core production, ChMP JSC mastered the production technology and moved on to industrial production of titanium welding wire. The share of ChMP JSC in the Russian titanium wire market reached 50% within the first year of industrial supplies.

January

Mastering the production of new product — calcium injection wire for metallurgical melts treatment — on the basis of the existing calcium metal production in ChMP JSC. Production of the full cycle of this product in Russia was not available before.

02

February

Start of works under the long-term contract for fuel supplies to the power units being constructed in the Paks Nuclear Power Plant in Hungary.

Center of Energy Efficiency INTER RAO UES LLC completed the large-scale project on development and introduction of the energy management system into TVEL Fuel Company.

06

June

Under the “Proryv” project the construction works started on the mixed nitride uranium-plutonium fuel fabrication module, the design documentation for power unit construction with BREST-OD-300 reactor and the SNF processing module were prepared; four experimental FA with nitride fuel were elaborated and transferred to testing in FN-800.

The ecological report made by UEIP JSC became the winner in “Ecological Culture in Industry and Energy” category of the V.I. Vernadsky International Project Fund “Ecological Culture. Peace and Harmony”.

07

July

Signing of the additional agreement to the fuel contract with JNPC and CNEIC on the Tianwan NPP 3, 4 Power Units transition to the 18-month fuel cycle operation mode will allow to increase the portfolio of foreign orders for the engineering services to the amount about USD 6 mln.

UEIP JSC as part of the scientific and industrial consortium “Additive Technology” became the industrial partner in development and creation of multi-laser automated complex of layer-by-layer synthesis conducted in the line of the Ministry of Education and Science of the Russian Federation.

Conducting the acceptance tests of new age fuel TVSA-12 possessing the improved technical and economic features and substantiated for operation with the power of 104% of the nominal power.

Successful completion of the next stage of the international research project on production of new age mass standard “Kilogram-2” made of high-purity highly enriched silicon 28Si. In continuation of the works under the project PA ECP



11

November

Signing of contracts for FA and zirconium components supplies to the research reactor “Maria” (Poland).

TVEL JSC was included in the top three of Performance Rating for Russian State Companies, as determined by the international group of companies INTALEV.

TVEL JSC was recognized as the winner of the Russian Regional Networks Rating on Integrated Reporting “Corporate Transparency of the Largest Russian Companies — 2015”.

Annual report of TVEL JSC for 2014 was acknowledged as the four-time winner of MarCom Awards 2015.

12

December

Accomplishment within the shortest time limits the contract for removal of enriched uranium product from Iran in exchange for the Russian natural uranium supplies.

Completion of the large scale project on de-commissioning and rehabilitation of the nuclear “heritage” facilities — research building “B” of VNIIM JSC.

The enterprises of sublimation-separation complex of TVEL FC — UEIP JSC, PA ECP JSC and SGCHE JSC — completed decommissioning of 5th generation GC.

An experimental prototype of FA with MOX-fuel for RU FN-800 was produced.



On-line versions of TVEL FC 2015 Annual Report and prior reports are available at http://tvel.ru/wps/wcm/connect/tvel/tvelsite/finance/annual_report/.

GRI G4-7 TVEL JSC is a parent company of TVEL Fuel Company of ROSATOM. TVEL JSC was registered by Moscow Registration Chamber on September 12, 1996. In 2015 a new edition of the Articles of Association with the new name of the company TVEL Joint Stock Company (TVEL JSC) was approved in order to bring the Articles of Association of TVEL OJSC in accordance with applicable Civil Code of the Russian Federation (Federal Law as amended on May 5, 2014 under No. 99-FZ).

The core activity of the Company is uranium enrichment, development and production of gas centrifuges and the associated equipment, development, fabrication and sale (including export) of nuclear fuel and related non-nuclear products.

GRI G4-4 TVEL Fuel Company produces fuel assemblies for all types of operating Russian power units (VVER, RBMK, EGR, FN), research and marine reactors, PWR and BWR reactors in Western Europe in cooperation with AREVA, and TVS-KVADRAT fuel of proprietary design for PWR reactors of Western design.

1.1. TVEL Fuel Company

TVEL Fuel Company (TVEL FC, the Company) is presently one of the major players on the global market of front end nuclear fuel cycle (FE NFC).

Chapter 1.

About TVEL Fuel Company

TVEL JSC. General information		GRI G4-3, G4-5
The full name in the Russian language	Акционерное общество "ТВЭЛ"	
The abbreviated name in the Russian language	АО "ТВЭЛ"	
The full name in the English language	TVEL Joint Stock Company	
The abbreviated name in the English language	TVEL JSC	
Address of location	49 Kashirskoe Highway, Moscow 115409, Russian Federation	
Legal address	24 Bolshaya Ordynka St, Moscow 119017, Russian Federation	
Internet address	http://www.tvel.ru	
E-mail	info@tvel.ru	
Telephone	+7 (495) 988-82-82	
Fax	+7 (495) 988-83-83 ext. 6956	

All activities are in strict compliance with safety requirements: nuclear, radiation, industrial, fire, environmental, labor safety, physical protection of nuclear facilities and readiness for emergency response.

Apart from its core products, the Company supplies non-nuclear products to the Russian and global markets in four main directions: Metallurgy, Machine building, Instrumentation, Chemistry and Power Engineering, including:

- zirconium
- isotopes
- lithium
- polishing powders
- calcium
- titanium products
- zeolite catalysts
- fluorohydrogen compounds
- rare-earth metals
- superconductor materials

The enterprises of TVEL Fuel Company have proprietary research and development design divisions that contribute to

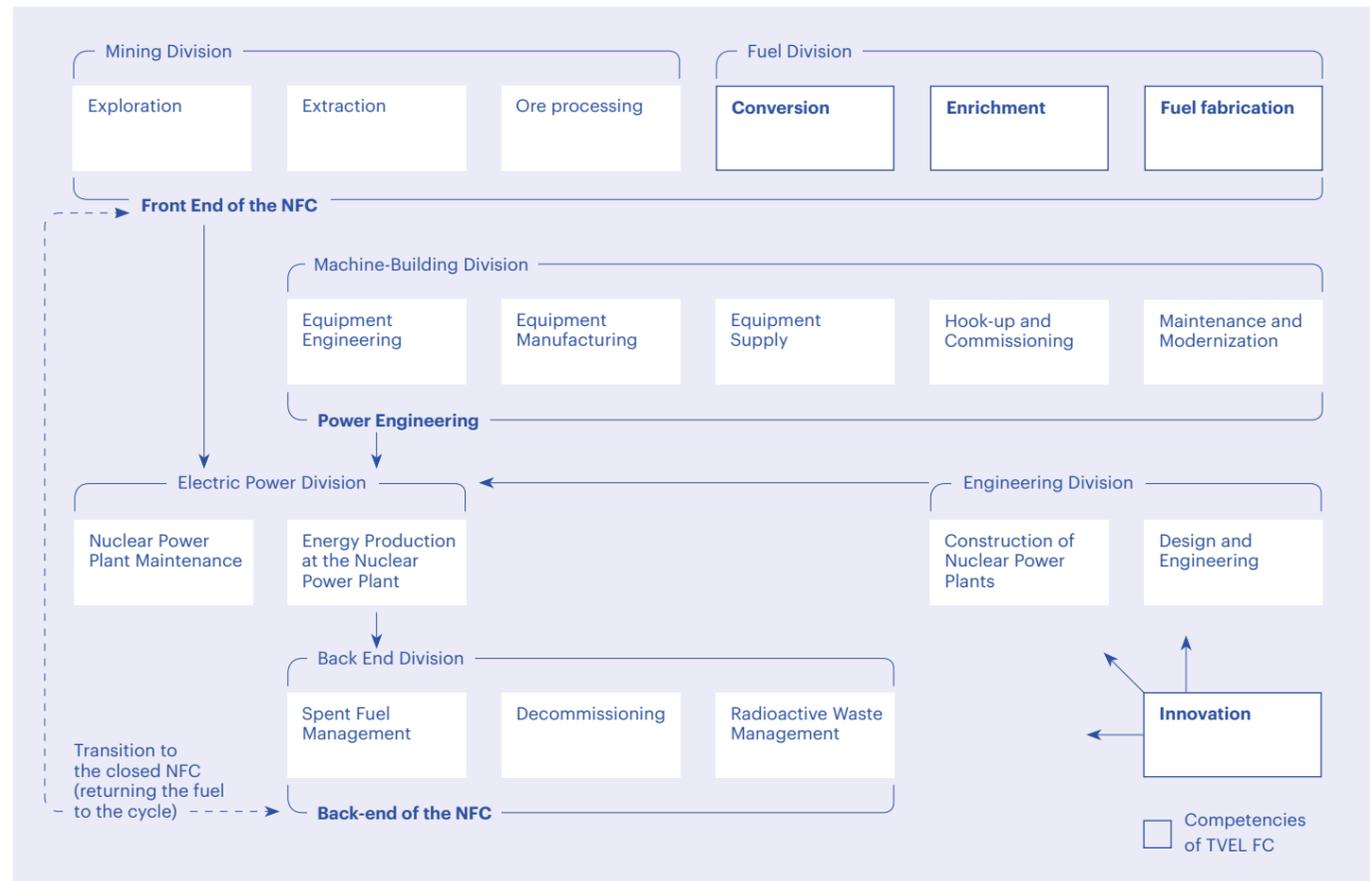
successful operation of hydrometallurgical, metalworking, machine-building and rolling facilities.

TVEL Fuel Company takes a central place in the structure of ROSATOM for the front end nuclear fuel cycle.

TVEL Fuel Company is the single supplier of nuclear fuel to Russian nuclear power plants. It provides with nuclear fuel 78 power reactors in Russia, European and Asian countries, research reactors in 9 countries worldwide and transportation reactors of the Russian Nuclear Powered Fleet. One out of every six power reactors in the world operates with fuel manufactured by TVEL Fuel Company.

TVEL JSC (the Holding Managing Company) is the management center for TVEL Fuel Company's operations.

Position of TVEL Fuel Company in Nuclear Technological Chain



Regions of Presence of TVEL Fuel Company



17 Enterprises located in 17 regions of the Russian Federation

Specific nature of the social environment of TVEL FC operations is that three enterprises of the Company are located within Closed Administrative Territorial Units (CATU): Seversk, Novouralsk, Zelenogorsk and one is located within a mono-town (Glazov). These enterprises are town-forming organizations and major taxpayers.

The enterprises of TVEL Fuel Company are located in 11 regions of the Russian Federation. Information about the Company's representative offices abroad is available on the website http://tvel.ru/wps/wcm/connect/tvel/tvelsite/about/structure/foreign_offices/.

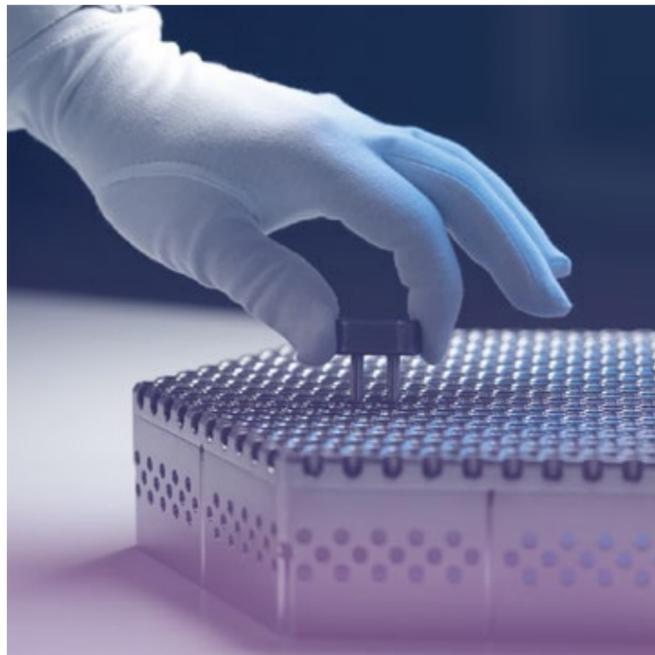
The Fuel Company consists of four complexes for type-specific production of the front end of nuclear fuel cycle (FE NFC).

Separation-Sublimation Complex (SSC) — a group of integrated plants engaged in enrichment and conversion of uranium.

Nuclear Fuel Fabrication Complex (NFFC) — a group of subsidiary industrial enterprises that manufacture nuclear fuel for various reactors.

Gas Centrifuge Complex (GCC) — a group of subsidiary industrial enterprises producing gas centrifuges (GC) and accessories for enterprises of the separation-sublimation complex¹.

Research and Engineering Complex — the merger of R&D and technological competences of gas centrifuge design bureau (NRDC LLC, OKB-Nizhny Novgorod JSC, Branch of NRDC LLC — Centrotech-SPb JSC) and production facilities (UGCMP LLC) took place in 2015. That was the first stage of Research and Production Association (RPA) establishment in TVEL Fuel Company aimed at R&D improvement and provision of the product full life cycle (from marketing to disposal). The second stage in 2016 will combine ZEP RPA LLC and Uralpribor LLC (Novouralsk CATU).

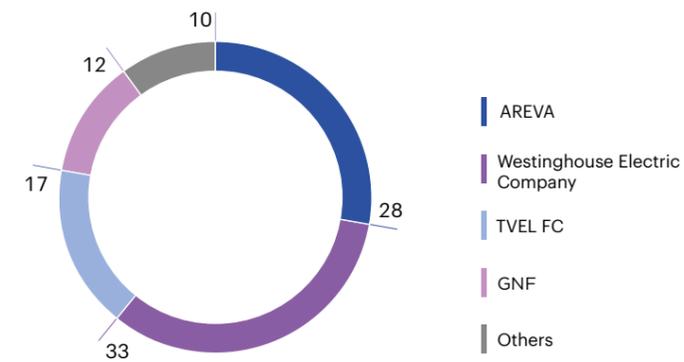


1. In the course of GCC Enterprises Reorganization project accomplishment, the Company carried out rebalancing of GCC enterprises production capacities in 2014. GC Production was primarily located in KMP PJSC and partially in UGCMP LLC. VPA Tochmash JSC replaced the GC production with civilian and special production, as well as the production of accessories for enterprises of the nuclear industry.

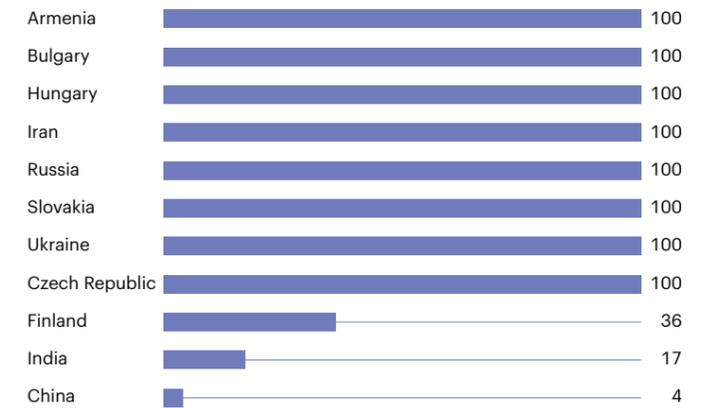
1.2. Position of TVEL FC in the World Market of the Front End Part of the Nuclear Fuel Cycle

TVEL Fuel Company is a global leader in nuclear fuel production. The Company's share in the global market of fuel fabrication in 2015 reached 17%. TVEL jointly with Technabexport JSC take one third of the world market services on uranium enrichment.

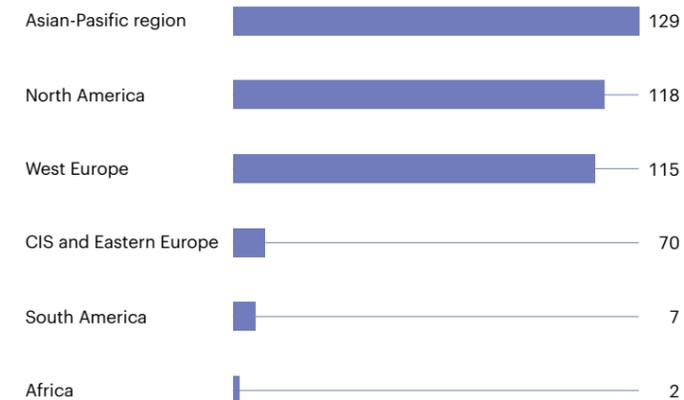
Key Competitors of the Nuclear Fuel Fabrication Market in 2015, %



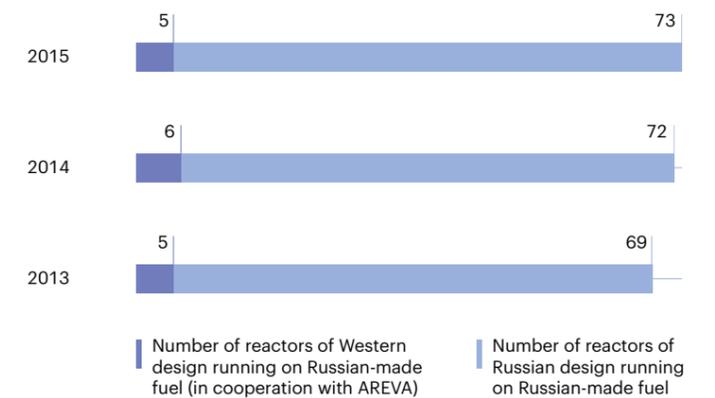
Share of NPP running on Russian fuel, %



NPP Units in Operation as of the End of the Reporting Year



Provision of NPPs of foreign/Russian design with nuclear fuel and FA



Global nuclear fuel market highlights 2015

78

Reactors supplied with domestically produced fuel

16

Countries where nuclear power plants are currently under construction

10.3

bIn USD portfolio of export orders for Front End NFC products and services for the next 10 years



1.6

bIn USD proceeds from exports of TVEL Fuel Company in 2015

441/35

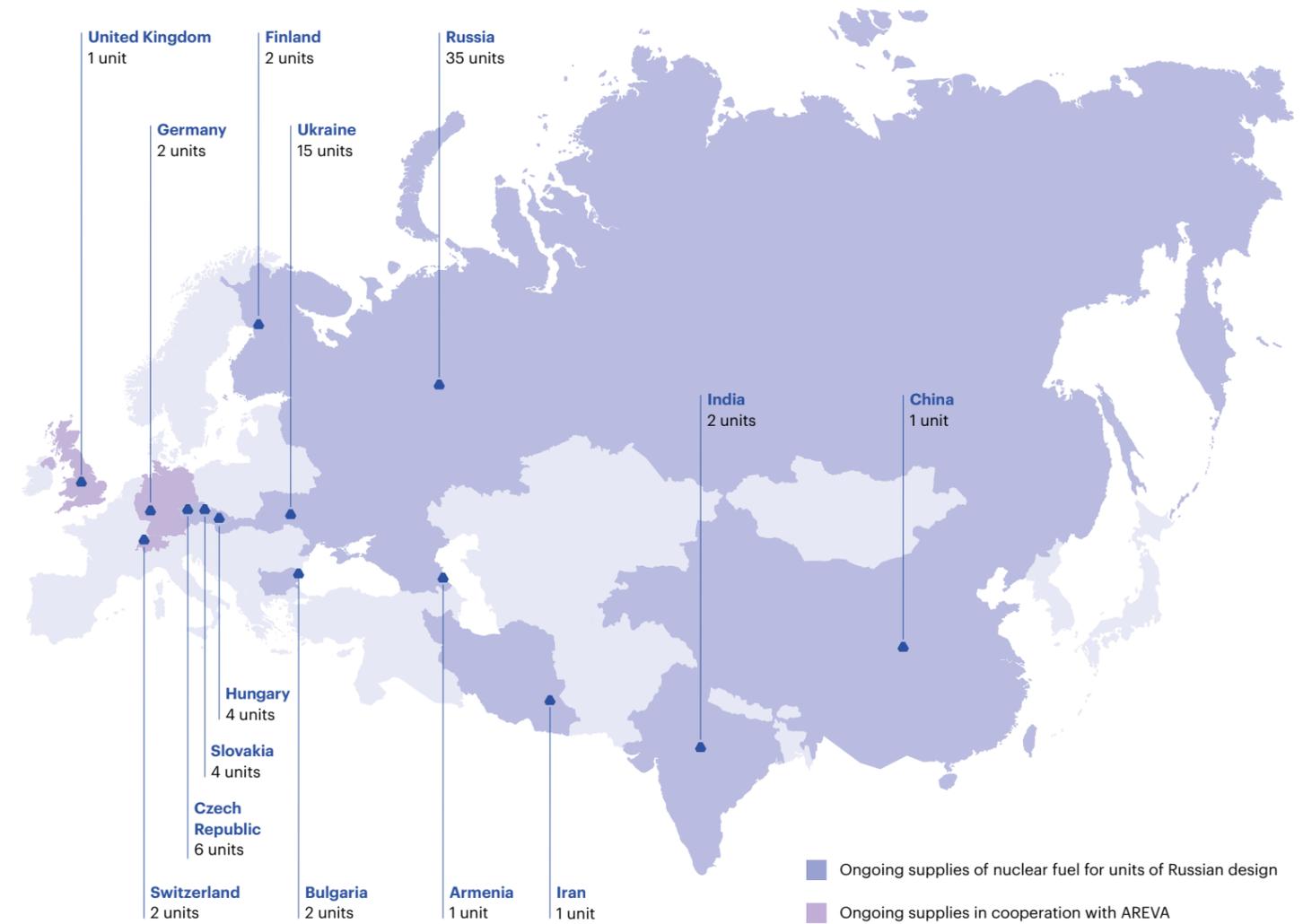
Nuclear power units operational globally/in Russia, as of 31 December 2015¹.

67/7

Nuclear power units currently under construction globally/in Russia, as of 31 December 2015²

1. Including unit 4 of the Beloyarsk NPP.
2. According to IAEA, excluding floating nuclear thermal power plants and the Beloyarsk NPP.

TVEL Fuel Company in the Global Market of Nuclear Fuel for Power Reactors



Major points of presence

35 units in Russia

15 units in Ukraine

6 units in the Czech Republic

4 units in Slovakia and 4 units in Hungary

Supplies of nuclear fuel for power reactors by TVEL Fuel Company

Country	Operations	NPP which is supplied	Project status
Czech Republic	Nuclear fuel supply and related services	Dukovany NPP No. 1, 2, 3, 4 Temelin NPP No. 1, 2	In progress
Hungary	Nuclear fuel supply and related services	Paks NPP No. 1, 2, 3, 4	In progress
Hungary	Nuclear fuel supply and related services	Paks NPP No. 5, 6	Prospective
Slovakia	Nuclear fuel supply and related services	Mochovce NPP No. 1, 2 Bohunice NPP No. 3, 4	In progress
Slovakia	Nuclear fuel supply and related services	Mochovce NPP No. 3, 4	Prospective
Bulgaria	Nuclear fuel supply and related services	Kozloduy NPP No. 5, 6	In progress
Ukraine	Nuclear fuel supply and related services	Rovensnaya NPP No. 1, 2, 3, 4 Khmelnitskaya NPP No. 1, 2 Zaporozhskaya NPP No. 1, 6 South-Ukrainian NPP No. 1, 3	In progress
Finland	Nuclear fuel supply and related services	Loviisa NPP No. 1, 2	In progress
Finland	Nuclear fuel supply and related services	Hanhikivi NPP No. 1	Prospective
India	Nuclear fuel supply and related services	Kudankulam NPP No. 1, 2	In progress
India	Nuclear fuel components supply	Rajasthan NPP Tarapur NPP	In progress
Iran	Nuclear fuel supply and related services	Bushar NPP No. 1	In progress
Iran	Nuclear fuel supply and related services	Bushar NPP No. 2, 3	Prospective
China	Nuclear fuel and its components supply and related services	Tianwan NPP No. 1, 2	In progress
China	Nuclear fuel supply and related services	Tianwan NPP No. 3, 4	Prospective
Armenia	Nuclear fuel supply and related services	Metsamor NPP No. 2	In progress
Belarus	Nuclear fuel supply and related services	Ostrovets NPP	Prospective
Vietnam	Nuclear fuel supply and related services	Ninh Thu NPP	Prospective
Switzerland	Nuclear fuel supply	2 Power Units	In progress
Germany	Nuclear fuel supply	2 Power Units	In progress
United Kingdom	Nuclear fuel components supply	1 Power Unit	In progress

Review of FE NFC World Market from TVEL Fuel Company Perspective

Basic factors having influence on the global market of FE NFC products and services are the state and trends in development of the global fleet of nuclear power reactors. Despite the Fukushima meltdown in 2011 that had affected the plans of a number of countries for commissioning of new nuclear power-generating facilities, nuclear industry is still an integral part of the global power sector.

The international market of nuclear power generation is expected to grow primarily owing to China, India, South-East Asia (Vietnam), Middle East (Saudi Arabia, the United Arab Emirates) and Africa (the Republic of South Africa). The European market will remain stable mainly by replacing the outdated decommissioned facilities with the new ones. The U.S. market is now being flooded by affordable shale gas energy carriers, causing the active expansion of the share of gas-fired power plants. According to optimistic scenario, the U.S. nuclear power sector will retain its share, or will start shrinking under the opposite scenario.

According to the forecasts, the capacity of nuclear power market will approach 380 GW by 2017.

URANIUM CONVERSION AND ENRICHMENT MARKETS

The price of SWU commenced its decline in 2011 and continued in 2015. By the end of the reporting period it dropped to USD 72 per SWU under the long-term contracts. The emerging market conditions and current geopolitical environment give rise to aggravation of competition on the global market of uranium enrichment.

Competitive advantages of TVEL Fuel Company: operation excellence, hi-tech, powerful research cluster, continuous fuel improvement.

In this connection current and potential customers are offered additional attractive options which will help to both preserve the leading positions of ROSATOM on the global market of uranium enrichment and expand the market share.

Major events on the market of uranium conversion and enrichment in 2015

By end of 2015 the Georges Besse II plant gained approximately 97% of the project capacity. Achievement of the target value 7.5 mln SWU/year at AREVA enterprise (France) is scheduled for 2016.

The plant URENCO in New Mexico, USA, reached the capacity of 4.7 mln SWU/year. Construction of the third stage will be carried out according to the schedule. Achievement of the target value 5.7 mln SWU/year is scheduled for the year 2022.

Aimed at self-sufficiency in products and services throughout the whole nuclear fuel cycle chain, China expands its conversion and enrichment capacities, focused on the development of domestic reactor park.

By the end of 2015, the main China's separation facilities were distributed at four sites (more than 4.5 mln SWU/year). According to estimates in 2020 they will exceed 9 mln SWU/year. Thereat China plans to expand capacities due to the use of centrifuges made in China.

In 2015 the operating Lanzhou conversion works continued expansion, as well construction of a new conversion works in Hengyang has started. Their aggregate capacity may reach in 2020 17 mln kgU/year as compared to 5 mln kgU/year in 2015.

Growth of AREVA and URENCO production capacities at enrichment plants will result in increased competition at the global enrichment market.



**PETR I.
LAVRENUK**

Senior Vice-President
for Scientific and Technological
Activities, Technology
and Quality

Today it is uncontroversial that the creation of TVEL JSC was the only right way forward. Since its first days, the Company has addressed such challenges as building an effective management system, increasing the robustness and improving the competition capacity of enterprises while giving the priority to the modernization of production, technical re-equipment and introduction of advanced technology.



NUCLEAR FUEL FABRICATION MARKET

Due to real competition growth in the fuel fabrication market, the initiatives of TVEL Fuel Company on improvement of technical and economic features of the fuel, making its production more attractive for customers both on traditional fuel market for reactors of Russian design, and in fuel market of PWR reactors of Western design, are extremely important.

Major events on the market of NF fabrication in 2015

- Increased competition in the market of nuclear fuel for PWR reactors of Western design:
 - the number of operators interested in qualification of Russian fuel TVS-KVADRAT for PWR reactors throughout the world;
 - NAC Kazatomprom (Kazakhstan) and CGN (China) signed an agreement for commercial engineering and construction of TVC manufacturing plant up to 200 tons/year for Chinese NPP in Kazakhstan and on joint development of uranium deposits in Kazakhstan;
 - The U.S. Nuclear Regulatory Commission (NRC) performed expert examination and admitted an application of the Korean Consortium headed by Korea Electric Power Co. for consideration and the design certification of the Korean reactor PWR APR-1400 and fuel PLUS7TM 16X16 in the USA.
- Increased competition in the market of nuclear fuel for reactors of Russian design:
 - The Ukraine loaded the first batch of modified fuel by Westinghouse in the Power Unit No.3 of the South-Ukrainian NPP.

This company from the USA also undertakes attempts of entering the VVER segment in EC countries, including through the grants system allocated by the European Commission. Alongside with the increasing political pressure, the necessity increases to reduce the power dependence on Russia, diversification of supply sources, which can be used as a means of competition restraint.

Customer satisfaction is of highest priority for TVEL Fuel Company.

The assets of TVEL FC in all process cycles of nuclear fuel fabrication offer its customers package deals at NF market with flexible terms and conditions.

Distribution of TVEL FC assets in different regions of Russia renders effective cooperation in a wide range of issues and aspects.

Foreign Economic Activities of TVEL Fuel Company

TVEL Fuel Company comprises the enterprises engaged in separation-sublimation and fabrication cycles enabling the Company to offer FE NFC products and services in the form of package deliveries. Ultimately, it contributes to flexible contract pricing and optimized transport logistics. With a number of enterprises in each FE NFC cycle, the Company is able to make highly reliable deliveries.

TVEL Fuel Company is sufficiently competent to supply fuel for reactors designed in Russia, light-water Western-design reactors (PWR and BWR), and components for pressurized heavy water reactors (PHWR) abroad. The Company successfully manufactures nuclear fuel from reprocessed uranium in compliance with the European regulations for manufacturing technology and the products manufactured.

Within the framework of operations on expansion of TVEL JSC positions in global markets of nuclear fuel cycle in 2015, a number of documents were signed with nuclear agencies of Argentina, Indonesia and the Republic of Korea, providing a background for cooperation in the sphere of NFC with the said countries.

Furthermore, the Company proceeded implementation of a number of international cooperation projects in the sphere of FE NFC cycle (see table 6), aimed at retention and expansion of the Company's presence in nuclear fuel markets and potential expansion into new markets.

Foreign economic and research and technical cooperation with all foreign partners of TVEL Fuel Company is carried out within the current international contractual basis.

TVEL JSC fully complied with the international and Russian legal requirements in the sphere of export control in 2015.

For the purpose of implementation of foreign economic contracts on nuclear materials supply to foreign consumers and their importation in the Russian Federation in the reporting year, the Federal Service for Export Control of the Russian Federation issued 59 single-use licenses by requests of TVEL JSC. Besides, nuclear fuel supplies were performed under the previously issued General License of the Federal Service for Export Control of Russia. The Federal Customs Service of the Russian Federation supervises the execution of the licenses issued by TVEL JSC. No violations were detected at year-end.

Main objectives for 2016 and in the midterm:

1. Development and strengthening of cooperation with companies and organizations interested in TVS-KVADRAT project promotion on all target markets.

2. Further expansion of the Company's positions on the international markets of NFC, through promotion of fuel components produced in conformity with the Russian or foreign technologies.

3. Further extension of cooperation with foreign partners on fabrication of nuclear fuel and components from reprocessed uranium.

4. Further cooperation with foreign partners on fuel supplies for research reactors designed in other countries.

The Fuel Company boasts a number of properties indicative of its long-term sustainability in conditions of increasing competition on the international market of FE NFC products and services.

The leadership position of the Fuel Company

OLEG A. GRIGORIEV

Vice-President for Commerce and International Cooperation

What countries are more attractive for TVEL Fuel Company from the perspective of long-term cooperation?

We believe these are China and India.

China is the most dynamically growing economy; it has very ambitious plans to develop domestic nuclear power industry, and it is the largest market. At the moment, the Middle Kingdom operates a total of around 30 commercial reactors; this number is expected to increase to 50 by 2020, and by 2030 the country will have more than 100 power units. Notably, neither the Fukushima disaster, nor the global economic crisis could shake China's resolve, and the country managed to maintain the nuclear power industry growth rate.

Currently TVEL Fuel Company has contracts for the supply of nuclear fuel and zirconium-based components for units 1-4 of the Tianwan Nuclear Power Plant.

In addition, we have transferred to a Chinese company the technology of producing fuel for UTVS and TVS-2M VVER reactors, and have supplied China with fuel for its CEFR, China's Experimental Fast Reactor. We can see a colossal cooperation potential, a cooperation that may well reach beyond our internal markets and continue to the markets of third countries. The scope is vast, the two countries have enjoyed friendly relations, this is to say, the environment is quite favourable.

We have no fear of healthy competition in the global nuclear fuel market, and we have won many contracts in fair contest, solely due to our technological and commercial advantages.

Most of the above equally applies to our potential cooperation with India. At the moment, TVEL Fuel Company supplies fuel for the Kudankulam Nuclear Power Plant, as well as enriched pellets and natural enriched pellets. The level of cooperation and trust between the two countries is so high that it is beyond any doubt that the cooperation will continue on a mutually beneficial basis.

Have the political sanctions affected the international cooperation of TVEL Fuel Company?

We should bear in mind that there have been no direct sanctions against the Russian nuclear

power industry. On the one hand, it is a blessing. On the other hand, it is a curse. The positive aspect is that we do not have to act under any restrictions. Meanwhile, certain implicit restrictions may be applied to our products, and these are extremely hard to predict. This is to say, we do not always know the game that is played on the foreign markets.

It is especially true for Europe, with its different quantitative restrictions on Russian products and services.

In the recent two years, the European Union has introduced new requirements to the operators, demanding the diversification of the imported sources of nuclear fuel.

We respect any decision of our partners, if such decisions are honest and transparent, and if they contribute to the development of global nuclear power industry. Nuclear power industry is a delicate matter, safety should be the priority, and this is clearly no place for politics.

We regard the current political situation in the world primarily as a window of opportunity. For a year now, to meet the new European requirements on diversification, we have actively cooperated with our partners in Europe on creating nuclear fuel reserves. We have already signed the first contracts, and we intend to continue our efforts.

We have no fear of healthy competition in the global nuclear fuel market, and we have won many contracts in fair contest, solely due to our technological and commercial advantages. We have worked hard to create new modifications of nuclear fuel and have managed to preserve these advantages. Importantly, all the new nuclear fuel modifications must receive reference in Russia before they are supplied to our foreign partners.

We have most ambitious goals and objectives in terms of increasing our presence on foreign NFC markets in the mid-term. We realize that the VVER markets alone will not be enough for us to carry our plans to fulfillment. Therefore, our growth drivers will be the promotion and commercialization of our TVS-KVADRAT fuel and expanding our cooperation in Southeast Asia.

Last year we made great progress with our TVS-KVADRAT fuel for reactors of Western design that has already been used in real life. The new fuel uses all the best technology solutions that that we developed for our TVS VVER reactors. ▲



List and characteristic of international alliances and projects with foreign partners, as well as the key results in the reporting year

Project	2015 results
Cooperation with AREVA	TVEL JSC continues its cooperation with AREVA concerning production by MSZ PJSC of nuclear fuel and components from reprocessed uranium using AREVA technologies for European NPPs with PWR and BWR reactors. During the operation of FA made by MSZ PJSC under the contract with AREVA NP, no loss of containment has ever been registered
TVS-KVADRAT Project	Continued cooperation with foreign partners on TVS-KVADRAT fuel promotion to nuclear fuel markets for research reactors of Western design. Continuation of pilot operation of TVS-KVADRAT in Swedish PWR reactor. A number of NPP operators with PWR reactors throughout the world show active interest in qualification of the Russian fuel
Center for Technology Services ALVEL a.s. JSC Joint Venture	Continued successful accomplishment of the Russian-Czech Joint Project "Center for Technology Services". Key operation areas: <ul style="list-style-type: none"> • experimental and analytical research under contract with VNIINM JSC; • coordination and administration of Move to Zero Fuel Failure project; • promotion of general purpose industrial products
Uranium Enrichment Center Project	Successful implementation of joint Russian-Kazakhstan project on Uranium Enrichment Center establishment
UKRTVS Joint Venture CJSC	Development of bilateral cooperation in nuclear fuel fabrication. TVSA end components were used to fabricate FA for the Ukrainian NPP
Project "Fabrication Plant in Ukraine"	Within the year 2015 the project of nuclear fuel production set up in the Ukraine was frozen. No practical measures were put into effect due to lack of finances of Ukrainian partner. Nevertheless, TVEL JSC considers that the project is in the best strategic interests of both Company and the Ukrainian party, and is prepared to continue the project fulfillment on the previously agreed terms

Agreements and contracts signed in 2015

1.

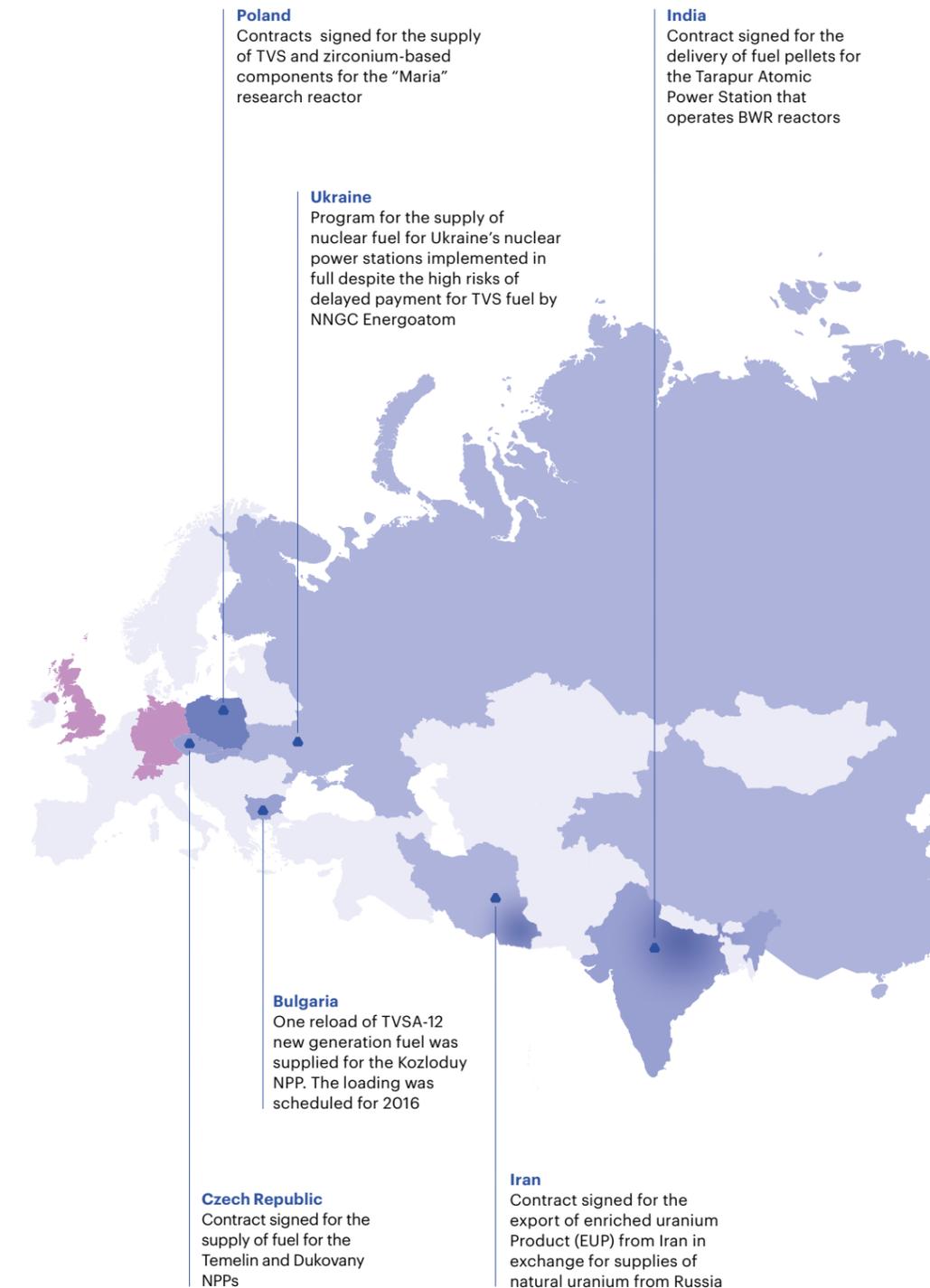
Increased number of nuclear power plant operators in different parts of the world that have expressed their interest in the qualification of the Russian-made TVS-KVADRAT fuel intended for use in PWRs of Western design

2.

Memoranda of understanding signed with nuclear agencies of Argentina and Indonesia providing for the development of cooperation with the two countries in the field of nuclear fuel cycle

3.

Increased cooperation with foreign partners on the promotion of fuel and its components in a number of countries that use research reactors of Western design



- Ongoing nuclear fuel supplies for power units of Russian design
- Ongoing supplies in cooperation with AREVA
- Areas where the situation has changed

Chapter 2.

Strategy of TVEL Fuel Company

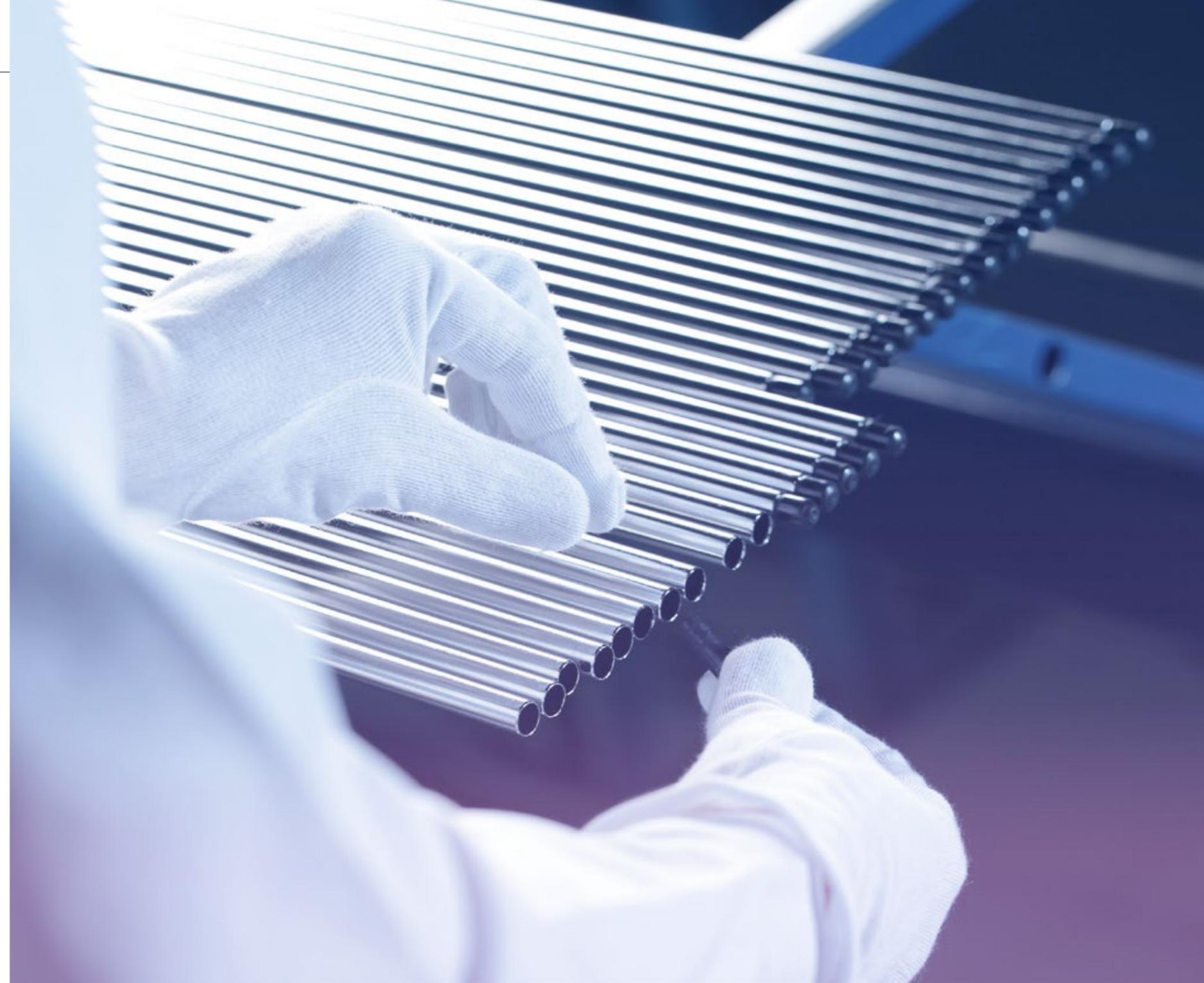
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2.1. Mission and Values

Mission of TVEL Fuel Company: Meeting the requirements of the customers of TVEL Fuel Company both in the sphere of nuclear fuel cycle and in the related sectors, in strict compliance with requirements of safety, security, environmental and social awareness*.

Strategic Vision of TVEL Fuel Company: Fuel Division is the global leader in FE NFC and the related spheres.

Values that the employees of TVEL JSC are guided by are the ones that are shared by all the organisations and enterprises within ROSATOM. These core Values were formed throughout the history of development of the nuclear sector in Russia and conform with global approach to determination of the fundamental principles of the sector activity.



* Mission as a part of Development Strategy of the Fuel Company was approved by the Strategic Board of ROSATOM State Corporation.

In 2014 TVEL Fuel Company accomplished the pilot project of ROSATOM for translation and strengthening of ROSATOM's Values in the corporate culture of TVEL Fuel Company (for details please refer to the Annual Report of TVEL JSC for 2014).

Structure of values of TVEL Fuel Company

Efficiency

We always look for the best solution. We are efficient in everything we do. When faced with a task, we use the company's resources as rationally as possible and always seek to improve the work processes. No obstacle can prevent us from finding the most effective solution.

Safety

Safety comes first. In our activities our top priority is to ensure full safety of people and environment. When it comes to safety, every little thing matters — we know our safety rules, strictly follow them and never hesitate to crack down on safety violations.



Respect

We respect our customers, partners and suppliers. We always listen to and hear each other regardless of the positions and jobs that we any of us may have. We respect the history and traditions of the industry. The achievements of the past inspire us to new levels of success.

A united team

We are ROSATOM. We have common goals. Working as a team of likeminded colleagues, we can achieve truly extraordinary results. Together we stand stronger and we can meet our most ambitious goals. The achievements of our employees are the achievements of the Company.

One step ahead

Our ambition is to be a leader in the global markets. We are always one step ahead in terms of technology, knowledge and qualifications of our employees. We can tell what tomorrow will bring and we stand prepared today. We are always learning and developing. Every day we attempt to do better than we did yesterday.

Taking responsibility for the result

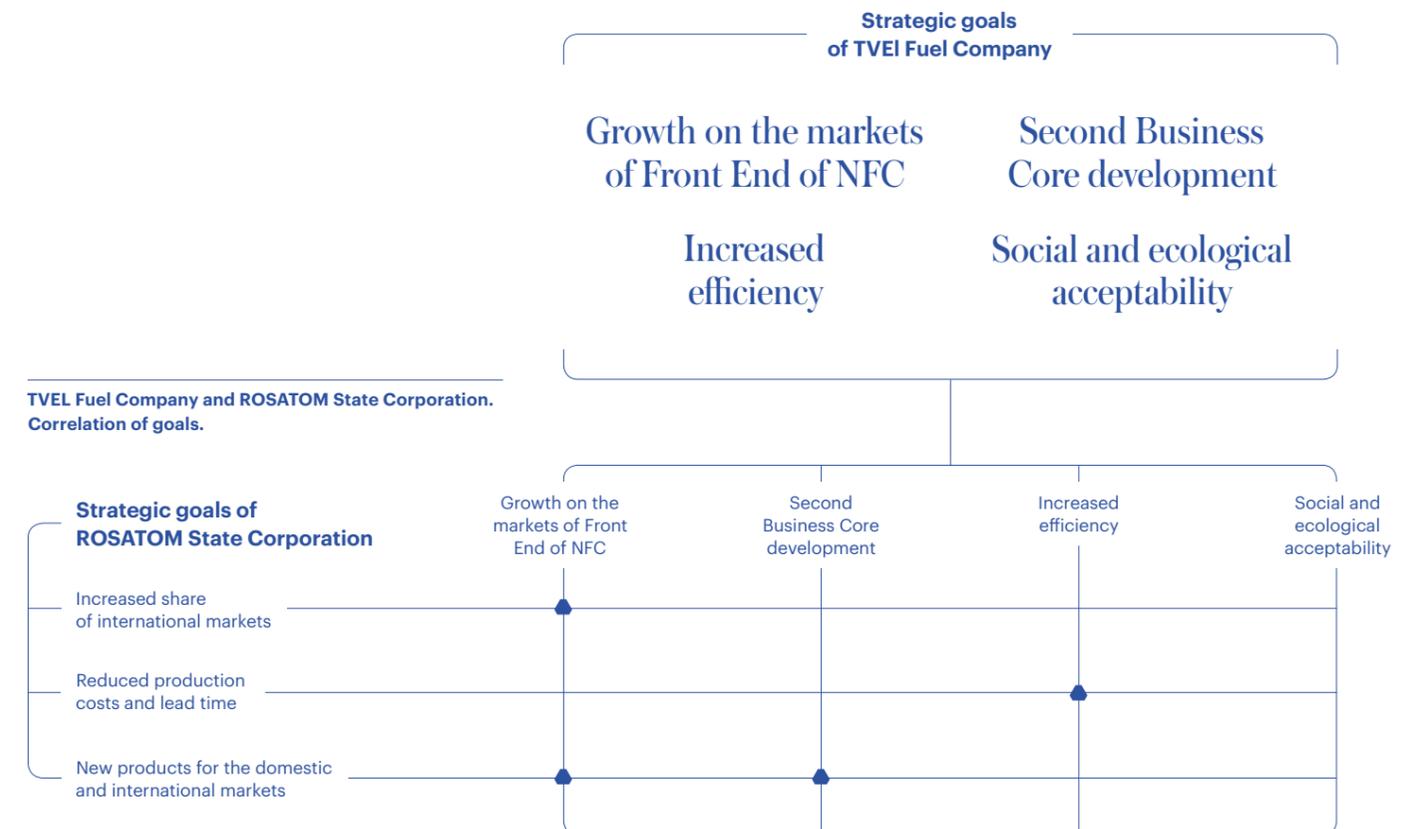
Each of us bears personal responsibility to the state, the industry, the colleagues and the customers for the result and quality of our work. We require excellence in everything we do. We praise the result, not the effort. A good result is the basis of our further progress.

2.2. Strategy

Strategy and Business Plan of TVEL Fuel Company for 2015–2019 were approved by the Strategic Board of ROSATOM. The strategy established core performance indicators for mid-term and long-term periods till 2030.

Under the current conditions on the FE NFC markets, as well as with restricted investment recourse, the continuous efficiency improvement is a key condition to preserve leadership by TVEL Fuel Company in the international field. Effective execution of research and development (R&D) and realization of production capacities modernization are aimed to ensure multiple growth of the key financial and economic indicators by the year 2030.

Adequate management of the enterprises' resources, ensuring flexibility of technological conversions in accordance with the market conditions and continuous increase of labor efficiency contribute to the image of TVEL Fuel Company as the most efficient division of ROSATOM.





×10
 Tenfold growth of revenue in non-nuclear directions (including established businesses) in comparable terms of 2014.

Growth in the FE NFC markets implies development of relations with existing and new consumers and retention of the current positions owing to unconditional performance of contractual obligations under executed contracts. TVEL Fuel Company provides its partners with the products that combine the best performance characteristics and the guarantee of safe operation. The Company implements a number of projects for long-term development of nuclear technologies, including the projects providing nuclear fuel cycle closure due to mixed nitride uranium-plutonium fuel fabrication modules (MNUP fuel) development and spent nuclear fuel (SNF) reprocessing.

To meet objectives of the Second Business Core Development, TVEL Fuel Company organizes production in related spheres, successfully using accumulated competences in design and production of high-quality and precision prospective products. The projects of the Second Core that are ensured by the Fuel Company strategy shall guarantee exponential growth of the Company earnings in 2030 perspective with consistently high labor productivity.

To provide social and environmental acceptability, TVEL Fuel Company's strategy presupposes strict commitments with respect to the nuclear "heritage" problems, funds allocation to charity and social projects, as well as establishment of substituting high-tech enterprises for qualified personnel discharged during restructuring.

The strategy of TVEL Fuel Company implies the achievement of the following indicators by the year 2030:

- Enrichment market share gain to 42% (including 20% supply through JSC Tekhsnabexport), nuclear fuel fabrication — up to 22% owing to manufacture of traditional products having good consumer properties, and entry to new nuclear markets;
- Twofold growth of the revenue in comparable terms of 2014;
- Tenfold growth of revenue in non-nuclear directions (including established businesses) in comparable terms of 2014;
- Threefold growth of labor efficiency in comparable terms of 2014.

Contribution of the results 2015 in achievement of the strategic goals of TVEL Fuel Company

Target GROWTH ON NFC MARKETS

Project Creation of conceptually new fuel types

Goals / Indicators Nuclear fuel for fast neutron reactors (MNUP fuel), REMIX.

Results of 2015 Within the frameworks of NF substantiation 4 experimental fuel assemblies with the mixed nitride uranium plutonium fuel were produced and placed for testing in FN-600 reactor.

Effect Development prospects.

Project Creation of Experimental Demonstration Energy Complex

Goals / Indicators Construction of reactor facility BREST-OD-300, MNUP fuel fabrication modules and SNF reprocessing module.

Results of 2015 The license for Fabrication/Refabrication Module (FRM) construction was granted and construction works were started;

SGCHE JSC officially obtained the status of an operating organization for Experimental Demonstration Energy Complex facilities; Design documentation for power unit construction with RU BREST-OD-300 passed the state expertise and was approved by ROSATOM.

Completion of elaboration of the design documentation for non-standard equipment of FRM;

Full-scale FA models stand tests for BREST-OD-300 reactor were developed, produced and carried out;

SGCHE JSC completed the construction of experimental facilities complex for testing of FRM prototype equipment.

Effect Development prospects.

Project MOX-fuel production

Goals / Indicators Completion of MOX-fuel production mastering for RU FN-800 and reaching the design properties of productivity.

Results of 2015 Execution of works on processing of manufacture technology of FA with MOX-fuel for RU FN-800, experimental prototype of FA.

Effect Development prospects.

Project TVS-KVADRAT

Goals / Indicators Entry to the market of nuclear fuel for Western design reactors.

Results of 2015 The pilot lot TVS-KVADRAT was operated in power unit core of one of the European NPPs. During the first one-year operation phase, no fuel cell was depressurized.

Effect Market development.

Project Creation of fuel with new consumer properties

Goals / Indicators VVER-1000: TVSA-12, TVS-4A, TVS-4M, VVER-440: RK-3, RBMK: TVS-C.

Results of 2015 Completion of supporting materials development for TVSA-12. Launching into production. Full make-up shipment to Kozloduy NPP.

Acceptance tests of new age fuel TVSA-12 were conducted, that has the improved technical and economic features and is substantiated for operation on power of 104% from the nominal one.

In Czech Republic the construction of TBCA-T.mod.1 with optimized hydraulic and mechanical characteristics for Temelin NPP was licensed.

Effect Market retention.

Project Fabrication Plant in Ukraine

Goals / Indicators Organization of nuclear fuel production in the Ukraine.

Results of 2015 No practical measures were put into effect in 2015 due to lack of finances of Ukrainian partner. TVEL JSC is ready to continue its realization on earlier coordinated conditions.

Effect Market retention.

Target SECOND BUSINESS CORE DEVELOPMENT

Project New Energy

Goals / Indicators Entry into the market of energy storage systems and fuel elements.

Results of 2015 ZEP LLC conducted a series of preliminary acceptance tests on independent current sources on solid oxide fuel cell as part of a block-container of gas pipeline system cathodic protection.

Effect Entry to new markets.

Project New businesses**Goals / Indicators**

- Expansion at Russian metallurgy market and entry to international markets;
- Expansion at chemical machinery and products market;
- Anchoring at precision engineering market

Results of 2015 UEIP JSC as part of the consortium with the leading scientific organizations became the industrial partner in development and creation of multi-laser automated complex of layer-by-layer synthesis conducted in the line of the Ministry of Education and Science of the Russian Federation.

In the framework of production diversification VPA Tochmash JSC mastered the series production of nuclear reactor core component parts for NPP RU RBMK, the commitments under the 3-year contract with Rosenergoatom Concern JSC were fulfilled.

First export contract for delivery of 70 tons of calcium injection wire by one of the countries of Asia-Pacific Region was signed by ChMP JSC.

For execution of a foreign contract NCCP PJSC created the production line for lithium 7 hydroxide monohydrate of high purity (99.99%).

Increase of sales volume of non-nuclear production amounted to 26% against 2014.

Effect Entry to new markets.

Target EFFICIENCY IMPROVEMENT**Project ROSATOM Production System, efficiency improvement projects****Goals / Indicators:**

- Implementation of sectoral, divisional RPS projects, as well as the enterprises' projects;
- Lead time decline, increase in labor productivity, manufacture cost reduction, achievement of optimal scale and topology.

Results of 2015 Labor productivity increased to 53.1%.

MSZ PJSC, KMP PJSC, UEIP JSC and TVEL JSC became pilot companies to introduce the industry-specific automated system "Factory of Ideas".

1,500 RPS projects were opened and accomplished that were aimed at process efficiency increase.

In 2015 workers of the Fuel Company sold over 108,000 suggestions for improvement with economic effect RUB 379.2 mln.

Effect Efficiency improvement.

Project Energy performance

Goals / Indicators Optimization of power resources consumption by TVEL FC enterprises.

Results of 2015 The first five-year period of Energy Saving and Efficiency Improvement Program was completed.

Reduction of energy consumption at TVEL FC enterprises (under comparable conditions of 2009) in monetary terms amounted to 31%.

Effect Efficiency improvement.

Target SOCIAL AND ENVIRONMENTAL ACCEPTABILITY**Project Liquidation of the nuclear "heritage" facilities**

Goals / Indicators Execution at the sites of TVEL FC the activities related to nuclear radiation safety.

Results of 2015 The First Federal Target Program "Nuclear and Radiation Safety Assurance For 2008 and up to 2015" (FTP NRS-1) was completed.

Decommissioning of research building B of VNIINM JSC.

AECC JSC continued works of refrigerating station reconstruction with installation of 8 refrigerating machines in building 805.

NCCP PJSC completed decommissioning of buildings 22, 65 and 17 produced by TVEL for industrial uranium-graphite reactor (IUGR).

ChMP JSC completed decommissioning of building 7 earlier used for production of fuel for IUGR.

PA ECP JSC conducted modernization with transition to ozone-safe freon 134a of the refrigerating machine in building No. 10A.

Effect Maintenance of environmental security and social awareness in the cities of TVEL FC presence.

Project Formation and preservation of social accord environment in the regions of presence of TVEL FC**Goals / Indicators**

- Attraction of private investments;
- Growth of business support projects;
- Social infrastructure development in the cities of TVEL FC presence.

Results of 2015 Concepts of advancing social and economic development within Closed Administrative Territorial Units (CATU) of the Company's presence were approved and directed for expert consideration to the Ministry of Finance of the Russian Federation and Ministry of Economic Development of the Russian Federation. Entrepreneurship Support and Development Funds are operating in CATU.

Sports and social infrastructure facilities were built in the cities of presence.

Effect Maintenance of environmental security and social awareness in the cities of TVEL FC presence.

2.3. Business Model and Value Creation

The value generated by TVEL Fuel Company is not only marketable products and increase of profitability of the Company, but also in a great variety of economic, social and environmental effects of their activities.



TVEL Fuel Company holds an important place in the national economy and has a considerable impact on the regions of its presence. The Company is seeking to maximize positive effects of its activities. The Company activity is marked with a specific uncontaminating environmental impact of its production facilities and indirect environmental impact of its key products, in particular, at the back end of the nuclear fuel cycle.

TVEL Fuel Company activity depends on a great number of external and internal factors and is conducted in close cooperation with stakeholders.

This cooperation is characterized by the fact that tangible and intangible resources used by the Company (financial, environmental, manufactured, human,

social and intellectual capitals¹⁾, are controlled both by TVEL Fuel Company and its stakeholders. Conversion of capitals in the course of activities is of great importance to the Company and its stakeholders.

Business model describes the TVEL Fuel Company value creating activities as a system where capitals flow, production and business processes are conducted, products and services are provided and results are obtained. The business model is aimed at achieving the strategic goals through implementation of competitive advantages. The business model takes into account the risks and possibilities typical for the activities of TVEL Fuel Company, as well as its' capabilities to manage them.

1. According to the International Integrated Reporting Framework, "capitals" mean resources and relations being the sources and the results of value creation processes.

Business model of TVEL Fuel Company

The business model reflects the capitals (resources and relations) used by TVEL Fuel Company, the products and services, as well as operating results that have an impact on the capitals, including increment of resources used and strengthening the relations with the interested parties.

RESOURCES

Financial capital

- Proceeds, reserves
- Funds from the Federal Target Program
- Loans

Natural capital

Raw materials, such as uranium, zirconium, etc.

Production capital

- High-technology production base
- Social infrastructure

Intellectual capital

- Patents, know-hows
- Domestic and industry-specific technologies

Human capital

- Employees
- Potential employees, students

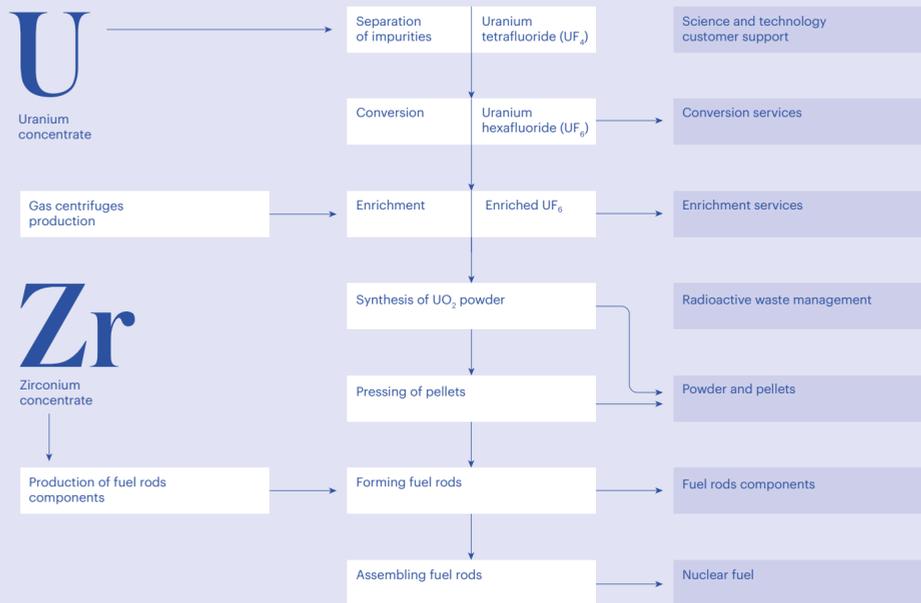
Social capital

- Brand, reputation
- Corporate culture
- Relations with customers and suppliers

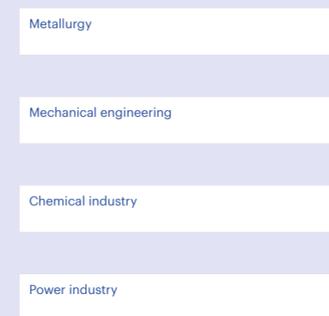
Internal capitals

External capitals

FRONT END NFC PRODUCTION CHAIN



SECOND CORE



MAIN PRODUCTS



SERVICES AND PRODUCTS

2015 RESULTS

Financial capital



Natural capital



Production capital



Intellectual capital



Human capital



Social capital



Financial Capital is the most vital in the activities of TVEL Fuel Company. Capital gains ensure current operations and promote investments thereby generating growth of other capitals used by the Fuel Company.

Natural Capital is transformed in the course of productive activities of TVEL Fuel Company. The business model scheme represents detailed nuclear production chain: from uranium concentrate processing to nuclear fuel assemblies and customers servicing. The Second Business Core includes the main activities and key products.

The relationship between TVEL Fuel Company and its stakeholders determines the **Social Capital** which has a considerable impact on the business. The most important elements of social capital are relationships in supply chain, interaction with authorities and local population in terms of development of regions of presence, positioning of the Company in the global information space, integrated communications with different targeted audiences, among which are public, scientific, educating and environmental organizations, investors, shareholders, creditors, distributors, customers in nuclear and non-nuclear spheres.

Being a socially responsible company and striving to harmonious relationships with the environment, TVEL Fuel Company generates both the value for the Company and the value for its stakeholders.

One of the most important factors ensuring efficient business of TVEL Fuel Company is availability of high technology base, modern equipment, machinery and materials (**Manufactured Capital**) that enable timely and full implementation of production plans.

Research and development activities (**Intellectual Capital**) related to improvement of the industrial and technological base have considerable impact on TVEL FC business and the entire nuclear industry and Russian science on the whole.

Priorities for the nuclear industry involve development and enhancement of personnel qualification (**Human Capital**). Human Capital is the key capital of TVEL Fuel Company. It is impossible to overestimate the degree of business dependence on competent staff and impact of human capital on the Company.

Being a socially responsible company and striving to harmonious relationships with the environment, TVEL Fuel Company generates both the value for the Company and the value for its stakeholders.

The positive effects of TVEL Fuel Company's activities on the stakeholders:

- dividends;
- taxes and deductions;
- development of sectoral research and fundamental science;
- contribution to development of educational, cultural and educational spheres;
- awareness of the international community and the Russian society about activities of the Russian nuclear fuel producer;
- development of personnel within the regions of presence;
- provision of business activities on the territories of presence.

By the year 2015 there have evolved a number of new external and internal conditions governing the Company activities.

In 2015 the Company has taken measures aimed at efficiency improvement.

ROSATOM raised the requirements to dynamics of the key performance indicators (KPI) — the objectives set for a 5-year period must be achieved within 2–3 years. ROSATOM sets a challenging task to TVEL Fuel Company to increase free cash flow and labor efficiency by 30% and to reduce production costs, semi-fixed costs and resources by 30%.



Chapter 3.

Performance management

Reduction of production cost is the only way to preserve the Company profitability under the conditions of fall in the SWU global prices. At the moment there is a gap between target and estimated indices of production costs till 2018; this gap must be closed to achieve the set objectives.

In 2015 TVEL Fuel Company (as well as KMZ JSC, UEIP JSC, and MSZ PJSC) became the pilot division in RPS-project of ROSATOM “Complex Manufacturing Optimization of Enterprises of Nuclear Industry” for development of objective trees and Hoshin Kanri Matrices (X-matrices).

- With the purpose:
- to search and elaborate decisions to close the “gaps” between the target and the estimated indices,
 - to ensure common vision of the situation, decisions and plans,
- the decision was made to conduct the workshops — the collaborative efforts of the key heads of the Company aimed at elaboration of important strategic decisions. The workshops have become basic tools in the search for measures to close the gaps between the target and estimated indices of the Company.

New approaches and tools were used to focus the efforts of the management in the search for the required solutions:

- “Objective Trees” — decomposition of strategic initiatives of the Company to the level of production manager of enterprise;
- “Hoshin Kanri Matrix” — maintenance of full accordance of targets, directions, tactical programs, monitoring indicators between different levels of management.

Results of the workshops 2015:

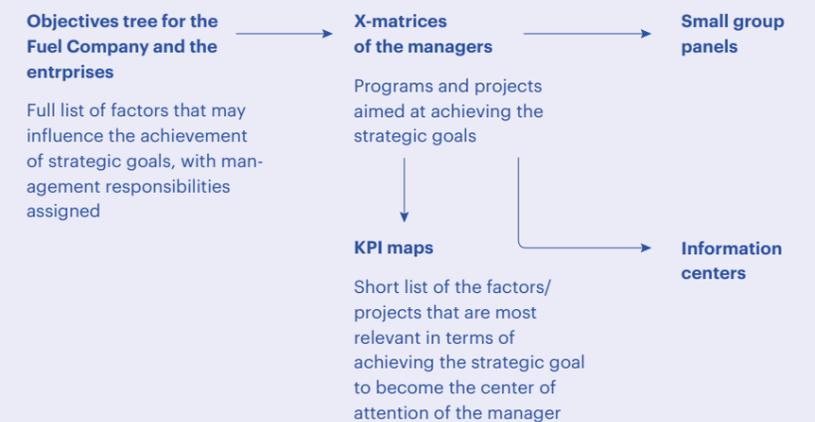
- development of the Objective Trees of TVEL Fuel Company and its enterprises;
- development of X-matrix (tactical plans) of the heads of TVEL Fuel Company and its enterprises;
- activities have been planned to compensate the gap between the target and estimated values of indicators;
- based on the X-matrix — development of KPI and monitoring indicators of Directors General and Deputies Directors General for economics and finance, production, technology, commerce, personnel;
- adoption of the command KPI of the heads of TVEL Fuel Company — Adjusted Free Cash Flow indicator and command KPI of each enterprise.

Communication of management information and receiving feedback

250 **3**

meetings of the top management with 3 teams

days to communicate information



Measures adopted to maintain business stability of TVEL FC

Increasing the competitive strengths of our products

Increasing the quality of our products

Introducing new fuels with improved characteristics

Ensuring prompt response of our plants to customer demands

Thus, by the beginning of 2016 the targets and directions for efficiency increase have been specified, responsibility for targets achievement has been allocated. The decision has been taken to form within the Objective Tree a single branch for efficiency increase, and to avoid separation on current activities and future periods activities, long-term horizon period has been defined for 10 years. By now the activities for efficiency increase represent both short-term steps, for instance, activities that do not require any investments (reduction of stock, semi-fixed costs, optimization of process time) and ambitious reforms both in terms of time and volume, that require attraction of investments (production modernization, establishment and development of new productions, R&D establishment, etc.).

The most significant directions of efficiency increase in 2016:

- cost saving (cost of production, nuclear products cost price, semi-fixed costs);
- reduction of stock;
- asset management (development of industrial sites, non-core assets management, service asset management);
- increase of operating performance (profitability for groups of products);
- concentration and modernization in production;
- establishment of R&D at the premises of three design engineering departments and the enterprise of gas centrifuge production;
- process improvement (suggestions for improvement realization, implementation of RPS-projects).

Realization of efficiency improvement goals

Long-term objectives within the Strategy for 2015–2030	Key projects	Efficiency indicators included in the KPI of the heads	Record of Achievements of TVEL FC in 2015
<ul style="list-style-type: none"> • Measures for optimization and concentration of production; • Program for separation plants modernization; • Preparation to transition to new enrichment technology platform (new generation gas centrifuges); • Large-scale implementation of RPS projects and involvement of all functional services in its development. 	<ul style="list-style-type: none"> • Projects for operational efficiency improvement; • Projects for improvement of long-term efficiency of future periods; • Nuclear products stock optimization; • Material assets stock optimization; • Sites development concept; • R&D establishment; • Energy consumption optimization; • RPS adoption. 	<ul style="list-style-type: none"> • AFCF; • Labor efficiency; • Prime cost of enrichment and fabrication; • Semi-fixed costs; • Reserves. 	<ul style="list-style-type: none"> • Reduction of semi-fixed costs by 10% by the year 2014; • 53% increase of labor efficiency (in current prices) by the year 2014; • Completion of conversion process stage at SGCHE JSC; • 3 sites were granted the status of RPS-enterprises, and there are 4 enterprises-candidates; • Implementation of nearly 1,500 personal RPS-projects, which is about 1,300 projects higher than in 2014. Economic effect is RUB 1,475 mln; • Employees of the Company filed more than 108,000. SFIs with economic effect equal to RUB 388.7 mln; • Start of works on R&D establishment at Novouralsk site.

The foundation that the effectiveness of TVEL JSC rests upon

1.

Competitive level of SWU net cost, even compared to the new Western production facilities

2.

Successful implementation of measures aimed at increasing production efficiency

3.

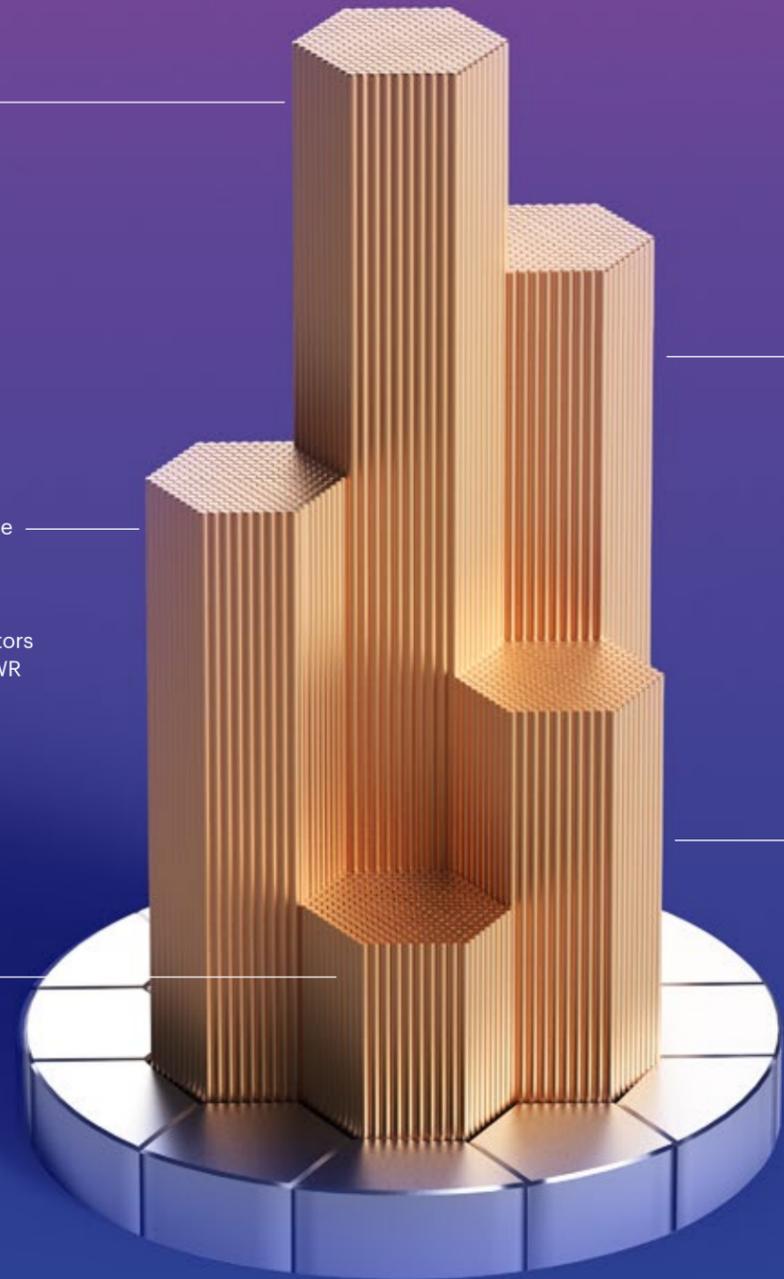
Development of a wide range of products and mastering of new technologies (nuclear fuel for research reactors of Western design, BWR fuel pellets)

4.

Introduction of state-of-the-art and efficient gas centrifuges

5.

Successful implementation of RPS (ROSATOM Production System) projects



“New Image” Program (2007–2014)

In 2007 the enterprises of TVEL JSC started implementation of the program “New Image” aimed at improvement of operation efficiency and labor efficiency increase.

TVEL JSC established a task to increase competitive abilities of the enterprises and to maintain safety and high quality of products. The solution involved:

- cost reduction,
- corporate structure optimization,
- production diversification.

The program was implemented in close cooperation with trade unions, local governments and regional authorities. TVEL JSC participated actively in social projects and development of the regions of presence. The enterprises conducted regular meetings with labor collectives, veterans and youth, open discussions of different issues connected with restructuring.

As a result, the enterprises of fabrication, separation-sublimation and gas centrifuge complexes achieved remarkable success. For instance, performance of MSZ PJSC increased 3.5 times, and economic effect of reorganization in production of powder and fuel pellets amounted to RUB 3 bln. In 2006 average salary at the factory amounted to RUB 15,000, and in 2010 — more than RUB 43,000.

Gemba Offices

Information centers for production management (Gemba offices) were established in the shops of the enterprises. These offices make it possible to observe and to estimate the influence of each worker on production cost and financial performance of the whole enterprise. This creates an important channel for visualization of involvement of each worker in cost management.



Reserves Identification Project

Implementation of the large-scale project for identification of the reserves in conversion, separation and fabrication cycles of ROSATOM State Corporation is a significant direction in efficiency improvement. Main efforts are focused on the following areas:

- improvement of efficiency in power facilities and power consumption;
- optimization of consumption of outsourced services and services rendered by own departments;
- optimization of the costs related to personnel;
- optimization of the costs related to non-nuclear materials;
- optimization of the costs related to administration and maintenance activity;
- reduction of stock material assets and incomplete production;
- optimization of floor efficiency (i.e. non-core assets);
- optimization of receivables and payables ratio.



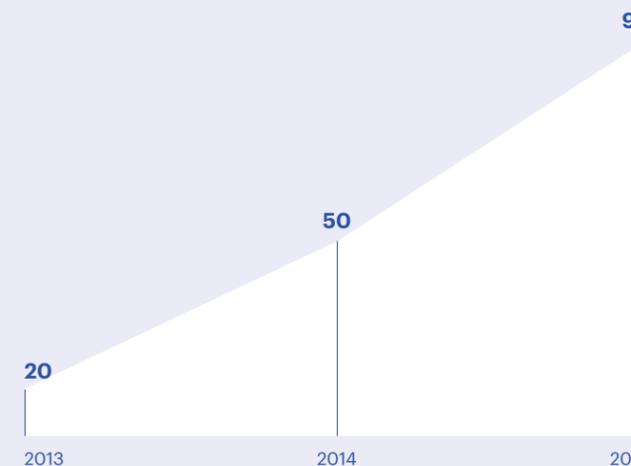
Production Cost Management Concept (2014–2015)

The Company has been running the system production cost management since 2014. Cost management system was adopted as the Concept for nuclear products prime cost management; it is reflected in KPI 2015.

Starting from 2015 responsibility is divided into production costs directions. Responsibility is assigned for each cost element on an individual basis in the form of clear and particular goals — from the level of the senior vice-presidents and on, vertically, to all specialists, including each “minor group leader”.



Level of costs control through KPI system, %



3
RUB bln
Economic effect of the reorganization in the production of powder and pellets

93%
costs controlled through the system of KPIs in 2015

What are the medium- and long-term objectives of TVEL JSC?



NATALIA V. NIKIPELOVA

Senior Vice-President for Finance, Economy and Corporate Management

Given the global market challenges faced by ROSATOM, I would say TVEL JSC will have to work hard in the mid- and long-term perspective. In the two or three years to come TVEL will have to meet some extremely difficult targets in terms of increasing the labor efficiency, the portfolio of orders, proceeds, speed of production processes and free cash flow, as well as reducing the production costs and stocks. The increase of efficiency will be achieved both through short-term measures aimed at improving business processes and utilization, and with the help of investment programs. ●



ALEKSEY A. GRIGORIEV

Senior Vice-President for Strategy and Marketing

In the recent decade, despite the intense open competition, TVEL has won every contract for supplying fuel to the nuclear power plants in Eastern Europe. The most illustrative and high-profile case was when TVEL JSC won the contract for the supply of nuclear fuel to the Temelin nuclear power plant, and the Czech operator replaced all the Westinghouse fuel rods with the Russian nuclear fuel ahead of schedule.

The mid-term objectives of TVEL JSC are defined by the strategic goals of the Company and the current situation that is characterized by market threats and intensified competition. The priorities will be maintaining the markets in Eastern Europe, further expansion to the Chinese market and Second Business Core development. One of the key objectives for the entire industry is closing the nuclear fuel cycle under the "Proryv" ("Breakthrough") project.

In the longer term, we aim not only to maintain the market presence but also to acquire a significant market share for reactors of Western design. We are planning to achieve this aim by actively promoting our next generation TVS-KVADRAT fuel relying upon the standard requirements of the majority of energy companies that there must be alternative suppliers. Achieving these objectives will enable us to fulfill the strategic goals on maintaining our position as a global supplier in the fuel fabrication market. ●

The priority will be maintaining the markets in Eastern Europe, further expansion to the Chinese market and Second Business Core development.

3.1. Corporate Governance System

The principal direction for corporate governance improvement is maintenance of rapid decision-making by management bodies along with detailed consideration of the matters, which ensures efficient activities of TVEL JSC and its subsidiaries. The objective lies in reduction of decision-making process and quality improvement of the documents submitted to the management bodies.



In corporate governance TVEL JSC adheres to the policy of compliance with Russian and international standards, as well as with ROSATOM corporate governance practice. Improvement of the corporate governance system is aimed at increase of efficiency, reliability, transparency of the Company activities and management.

Measures taken by TVEL JSC to improve the corporate governance:

- exclusion to the extent possible of the circulation of paper media used for convening meetings and for submission to the Board of Directors of materials on the agenda. The decision-making process by the management bodies is implemented through the Uniform Industry-Specific Electronic Document Management System;
- local regulatory acts are being amended with the purpose to reduce the time and improve the quality of corporate paperwork.

In the reporting year the system of corporate governance in the Fuel Company was focused on improvement of interaction between the management bodies, increase of their efficiency, and exclusion of wrong decisions. Similar plans have been also determined for the next year.

Implementation of the corporate policy implies coordination and supervision over scientific and research, investment, financial, selling, social and HR activities, and pricing policy of the subsidiaries. Legal relations between TVEL JSC and

subsidiary companies in decision making procedures in the process of production economic activity are based on the approved regulations on interaction of the ROSATOM with TVEL JSC and of TVEL JSC with its subsidiaries.

TVEL JSC and its subsidiaries have placed already into practice some provisions of the Corporate Governance Code recommended by the letter of the Central Bank of Russia d/d April 10, 2014, with due regard to specific character of the legal status of ROSATOM set by legal regulatory acts of the Russian Federation, providing for unity of nuclear industry enterprises management; these provisions are reflected in the number of local regulatory acts.

TVEL JSC on a voluntary basis, assuming no obligations on regular and required disclosure, discloses all the required information on the website <http://www.e-disclosure.ru/portal/company.aspx?id=400>, namely:

- Articles of Association, amendments and supplements thereto;
- Annual Reports;
- Annual Financial Statements, notices of approval of the annual financial statements, explanatory notes to the annual financial statements;
- Audit Reports;
- List of affiliates, changes made to the list of affiliates, notices of disclosure of the list of affiliates, and other information stipulated by the Regulation Concerning Disclosure of Information by Issuer of Emission Securities.

Scheme of TVEL JSC Corporate Governance Bodies

The supreme governance bodies of subsidiaries — participants of TVEL Fuel Company are the General Meetings of Shareholders (Members). The procedure of decision-making at general meetings of shareholders (members) in the subsidiaries included in TVEL Fuel Company is determined by the internal regulations on these bodies.

The management bodies of TVEL JSC and its subsidiaries include the Boards of Directors and the Sole Executive Bodies acting on the ground of relevant regulations approved by the general meetings of shareholders.

In 2015 Atomenergoprom JSC, the Sole Shareholder of TVEL JSC, adopted nine decisions including but not limited to:

- approval of the Annual Report 2014;
- approval of the Annual Financial Statement 2014;
- approval of the auditor of the Accounting (Financial) Statements 2014;
- election of the members to the Board of Directors, the auditing committee;
- distribution of income for 2014 and dividend payment following the results of half-year and nine-months periods of 2015 financial year.

GRI G4-40, 42 BOARD OF DIRECTORS

The Board of Directors plays a key role in strategic management of TVEL JSC and the Fuel Company in general. The Board of Directors is formed by the Sole Shareholder of TVEL JSC — Atomenergoprom JSC (AEP JSC) with due regard to qualification and expert knowledge that are required to solve the specified problems.

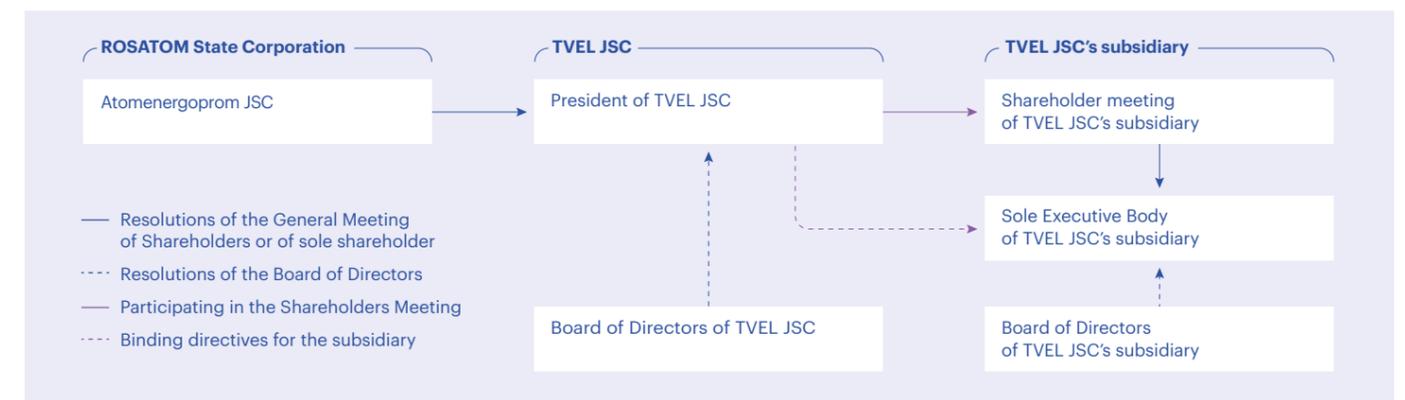
The Board of Directors consists mainly of outside directors (not the employees of the Company), professionals who have wide experience in the industry and understanding of the specifics of the nuclear industry and the Company activities.

By the decision of the Sole Shareholder of TVEL JSC No. 25 dated June 30, 2015 the following six members were elected to the Board of Directors:

- Lyudmila Mikhailovna Zalimskaya, Director General of TENEX;
- Kirill Borisovich Komarov, Deputy Director General for Development and International Business of ROSATOM;
- Vladislav Igorevich Korogodin, Director for NFC and NPP Lifecycle Management of ROSATOM;
- Aleksandr Markovich Lokshin, First Deputy Director General for Operational Management of ROSATOM, Chairman of the Board of Directors of TVEL JSC;
- Nikolay Iosifovich Solomon, First Deputy Director General for Corporate Affairs — Senior Finance Director of ROSATOM;
- Yuri Alexandrovich Olenin, President of TVEL JSC.

Structure of TVEL JSC Corporate Governance Bodies

GRI G4-34, GRI G4-35





GRI G4-41, G4-51, G4-52, G4-53 Members of the Board of Directors are not shareholders of TVEL JSC. Information on TVEL JSC shareholding must be disclosed by the candidates to the position of the member of the Board of Directors at the time of filling the consent form for election

There are no independent members in the Board of Directors within the meaning of the Corporate Governance Code of TVEL JSC.

In accordance with the Articles of Association of TVEL JSC decision on payment of remuneration to the members of the Board of Directors of the Company falls within the competence of the General Meeting of Shareholders (decision of the Sole Shareholder of TVEL JSC — AEP JSC).

GRI G4-44 No remuneration and compensation of the expenses related to performance of obligations were provided for the members of the Board of Directors of TVEL JSC in 2015. All members of the Board of Directors of the Company get salary according to the place of their primary business. No assessment (including self-assessment) of the activity of the Board of Directors was performed.

No committees and commissions operated within the Board of Directors of TVEL JSC during the reporting period.

REPORT OF THE BOARD OF DIRECTORS OF TVEL JSC ON THE RESULTS OF THE COMPANY DEVELOPMENT IN THE PRIORITY FIELDS

GRI G4-50 In 2015 the Board of Directors held 11 meetings and made decisions on the most important issues of TVEL FC activity, including:

- approval of the budget and scheduled financial-economical indicators of activity of TVEL JSC;
- approval of organizational structure of TVEL JSC;
- decision on participation of TVEL JSC in Autonomous Non-Profit Organization for Sports and Recreation “Atom-Sport”;
- approval of recommendations to the Sole Shareholder for net income distribution following the results 2014;
- approval of recommendations to the Sole Shareholder for dividend payment following the results of the half-year and nine-months periods of the reporting year.

In 2014 TVEL JSC made no transactions classified by law as major transactions

and interested party transactions, subject to preliminary approval by the Governance Bodies of TVEL JSC.

GRI G4-39 SOLE EXECUTIVE BODY

In accordance with the decision of the Sole Shareholder the functions of the Sole Executive Body are imposed on the President of TVEL JSC — Yuri Alexandrovich Olenin.

Yu. A. Olenin does not hold any shares of TVEL JSC.

In accordance with the contract concluded between TVEL JSC and the President of TVEL JSC the amount of his remuneration following the year results shall be determined by the resolution of the Board of Directors according to financial-economic performance of the Company.

GRI G4-51, G4-52, G4-53 Key Performance Indicator (KPI) Card of the President of TVEL JSC includes 12 indicators. For information concerning achievement of indicators please refer to the Section “Financial Performance”.

Detailed information about yearly income of the President of TVEL JSC Yuri Alexandrovich Olenin in 2015 is disclosed on the website of ROSATOM¹.

SHARE CAPITAL STRUCTURE

GRI G4-EC4 The Company’s authorized capital is formed from nominal value of the Company’s shares held by the Sole Shareholder — AEP JSC.

The Company’s authorized capital amounts to Twenty-two million nine hundred sixty-one thousand six hundred and seventy (22,961,670) rubles.

The Company distributed registered common shares with nominal value of one (1) ruble per each in the amount of Twenty-two million nine hundred sixty-one thousand six hundred seventy (22,961,670) pieces.

All shares of the Company are issued in non-documentary form.

GRI G4-13 The share capital structure was not changed during the reporting year. 

3.2. Risk Management

GRI G4-2 Risk Management of TVEL Fuel Company is based on continuous monitoring of its external and internal environment, complex analysis of threats and opportunities affecting achievement of both economic and social goals of the Company.



Main goal of TVEL JSC Corporate Risk Management System (CRMS) is identification, assessment and minimization of threats that may affect the results of activities of the Company.

GRI G4-14 Main CRMS objectives are the following:

- timely identification of risks that may affect the achievement of the goals by the Company;
- support of stable financial environment of the companies of TVEL Fuel Company with due consideration of the risks;
- continuous monitoring of risks and control over implementation of the plans of arrangements aimed at reduction of likelihood of risks occurrence and minimization of the consequences of such occurrences.

GRI G4-47 Analysis of the risks affecting achievement of target values of financial and economic activities of TVEL JSC and the companies forming the TVEL Fuel Company’s management system shall be carried out at the stage of development of the budget and medium-term plans, and at the stage of their control and performance forecast.

Regulatory documents aimed at CRMS development of the Fuel Company, approved in 2015:

- Methodological guidelines for credit risks management of TVEL JSC and the companies forming the management system of TVEL Fuel Company;
- Procedure and methodological guidelines for financial risks management of TVEL JSC and the companies forming the management system of TVEL Fuel Company.

Participants of TVEL FC Risk Management Processes and Their Roles

GRI G4-45, G4-46

CRMS Participants	Functions of CRMS members during risk management procedures
President of TVEL JSC	<ul style="list-style-type: none"> • Approval of the list of key risks; • appointment of holders of key risks and distribution of responsibility for risks management; • approval of the limits for particular risks, strategies, programs for particular risks management; • consideration of the issues related to distribution of authorities and responsibilities for particular risks management
Risk holders (Responsible for risks management)	<ul style="list-style-type: none"> • Identification and assessment of risks; • development of strategies, programs for particular risks management; • implementation of arrangements aimed at particular risks management
TVEL JSC Risk Officer	<ul style="list-style-type: none"> • Methodological support of risk identification; • assessment of possible deviations from tolerance for risk when exposed to risks; • consolidation of information concerning the state of risks management arrangements

Risk Map of TVEL Fuel Company



1. <http://www.rosatom.ru/about/protivodeystvie-korrupsii/svedeniya-o-doxodax-rabotnicov/>

Risk	Risk factors	Risk management mechanisms	Brief results of risks management in the reporting year	Trends in likelihood of risk occurrence in the reporting year	Trends in risk significance in the reporting year
1 Risk of NFC product/service sale volumes reduction	<ul style="list-style-type: none"> Delays in commissioning of power units; Transition to NF production with increased long-term performance; Appearance of new players on the world service market for Uranium enrichment; Politically motivated decisions on products/services substitution 	Improvement of technical characteristics of fuel and introduction of new types of fuel, improvement of economic characteristics of fuel; KPI determination for "Foreign orders portfolio for 10 years"	Pellets production was started upon confirmation by the Indian part of its readiness to contract execution. Production to intermediate container with subsequent refueling the customer's containers. The product was delivered in due time	○	○
2 Price risk	<ul style="list-style-type: none"> Reduction of prices for the products and services of the Fuel Company due to changes of market prices for natural uranium and its conversion and enrichment services; Reduction of prices for the products and services of the Fuel Company due to changes of prices deflator indices 	Including in the contracts of the Fuel Company of the hedging mechanisms aimed to smooth market prices fluctuation; Including in the contracts of the Fuel Company of the deflator indices basket with account of specific nature of the regional markets of nuclear fuel having independent publication sources	There has been provided partial hedging of risks of changes in market prices for natural uranium and NFC services	○	○
3 Currency risk	<ul style="list-style-type: none"> Mismatch in assets and liabilities denominated in the same currency; Growth of volatility courses of the main world currencies (Euro, dollar) 	Hedging (including natural): export proceeds of TVEL JSC, denominated in currency, exceed greatly the amount of short-term currency credits raised to cover operating cash deficiency in 2015; Foreign orders portfolio diversification	Amount of the credits raised in 2015 has decreased: in Euro — by 63.14%, in USD — by 100% as compared to 2014	↗	○
4 Risk of failure on the part of counter-parties (suppliers, customers) to fulfill obligations in full and on time	<ul style="list-style-type: none"> Decreased financial-economic stability of customers/suppliers 	Provision in the contracts of payment methods and/or methods of securing obligation to reduce the credit risk level, including without limitation: letter of credit, advance payment (100% if possible, but no less than 10%), funds reservation, provision by the counterparty of bank guarantee or guarantee of payment equal to the amount of the granted trade credit under the contracts providing for deferred payment for the delivered products/services; Monitoring of financial standing of the counterparties with the purpose to detect any signs of changes in financial standing, leading to changes in the level of the credit risk and/or the measures of the credit risk management	Obligations to pay for the works, services, products were settled in due time as provided by the contract	○	○

5 Risk of growth of expenses for NFC services and products	<ul style="list-style-type: none"> Changes in service tariffs of natural monopolies, sole suppliers; Reduced equipment loading level; Weak points in production chain, shortage of resources 	Application of the principles of the Uniform Industrial Procurement Standard of ROSATOM; Application by the enterprises of pulling production management systems, RPS, implementation of the program "RPS-Division"; Implementation of the long-term programs and investment projects aimed at optimization of engineering and production processes; Adoption of production cost management concept in order to personalize the costs; Long-term forecasts of the demands and production capacity balance (together with ROSATOM and relative divisions of ROSATOM); Operational monitoring of stocks and production with application of the lean-production tools — gemba-offices and kanban cards	Partial recovery of inflationary costs increase was provided	↗	○
6 Risk of nuclear, radiation safety	<ul style="list-style-type: none"> Violation of requirements in environment protection and nuclear radiation safety; Insufficient level of emergency preparedness; Lack of resources for safety measures, etc 	Modernization of hazardous objects; Deactivation (liquidation) of sources of hazard; Professional development of personnel; Constant monitoring of nuclear, radiation, industrial and fire safety; Setting of tasks and objectives, and elaboration of measures aimed at reduction of risks in the field of environment protection, NRS; Complex and technical inspections	No INES events; No excess of the set level of radiation exposure of personnel, population and environment; Outside emergency response teams subject to attestation in the reporting year have confirmed their availability in emergency situations	○	○
7 Risk to environmental safety	<ul style="list-style-type: none"> Violation of requirements in environment protection; Insufficient level of emergency preparedness; Lack of resources for safety actions implementation 	Implementation of actions aimed at safety improvement using special reserve funds of ROSATOM; Comprehensive environmental monitoring and public opinion survey; Improvement of the integrated professional (labor safety), industrial and environmental safety management system (ISO 14001: 2004; OHSAS 18001:2007); Setting of tasks and objectives, and elaboration of measures aimed at reduction of risks in the field of environment protection; Complex and technical inspections	Reduction of the significance of environmental risks connected with water consumption, emission of polluting and ozone-depleting substances, production of radioactive and non-radioactive waste	○	↘
8 Risk of labor safety	<ul style="list-style-type: none"> Lack of resources for safety measures 	Safety culture improvement; Improvement of the integrated professional (labor safety), industrial and environmental safety management system (ISO 14001: 2004; OHSAS 18001:2007); Setting of tasks and objectives, and elaboration of measures aimed at reduction	LTIFR indicator in 2015 is 0.14, which is lower than the target value 0.34 established in KPI	○	↘
9 Risk of industrial safety	<ul style="list-style-type: none"> Insufficient level of emergency preparedness; Lack of resources for safety measures 	Emergency response drills; Performance review of outside emergency response teams; Improvement of the integrated professional (labor safety), industrial and environmental safety management system (ISO 14001: 2004; OHSAS 18001:2007); Setting of tasks and objectives, and elaboration of measures aimed at reduction of risks in the field of industrial safety; Complex and technical inspections	No accidents and incidents that are subject to registration in Rostekhnadzor	○	○

Risk	Risk factors	Risk management mechanisms	Brief results of risks management in the reporting year	Trends in likelihood of risk occurrence in the reporting year	Trends in risk significance in the reporting year
10 Reputation risk	<ul style="list-style-type: none"> • Social strain growth in areas of business presence, CATU; • Large-scale accidents in nuclear sector; • Distribution of negative information about ROSATOM, its enterprises; • Mass protests against nuclear power engineering; • Election campaigns in the cities of presence; • Construction of burial 	<p>Measures aimed at formation of positive public opinion about nuclear technologies development;</p> <p>Improvement of information transparency and stakeholders engagement;</p> <p>Elaboration and adoption of Uniform information policy of TVEL Fuel Company of ROSATOM;</p> <p>Implementation of the communication project "Say YES to the Accord!";</p> <p>Implementation of the target communication programs "TVEL-progress" and "Formation of corporate culture values";</p> <p>Cooperation with local and regional public authorities with respect to the concept of the territories' development, the growth of regional taxes and maintenance of social and economic stability;</p> <p>Social programs at the enterprises and in the cities of presence, development of social partnership with RUNPIW;</p> <p>Building multi-level internal and external communications;</p> <p>Implementation of the project on countering radiophobia in the regions of presence (international initiative "Peace to the World!" marking 120 years following discovery of radioactivity, talk show "Say NO to radiophobia", professional holidays of radiological safety officers, etc.);</p> <p>Public forums-dialogues in the regions of presence;</p> <p>Establishment of information conciliatory committees in municipal districts</p>	<p>The balance of positive and negative public opinion of nuclear power development programs in the Russian Federation increased in 2015 by 4.4% (2014 — 55.8%, 2015 — 60.2%).</p> <p>Number of publications in 2015 has increased by 27% as compared to 2014, including publications naming TVEL JSC in titles — by 65%.</p> <p>Rate of public response to corporate values has increased by 2 point and has made 0.7</p>	○	○

The mentioned key risk management measures are planned to neutralize (minimize) the key risk impact on implementation of strategic goals of the Company and to achieve target values of the main performance indicators within the acceptable deviations set by ROSATOM for 2015–2019.

1. Rate of public response to values is an indicator introduced by TVEL JSC to measure effect of emphasis on ROSATOM Values in informational messages concerning activities of TVEL Fuel Company on the level of citation in mass media. In 2015 all press releases of TVEL JSC and the enterprises of the Fuel Company were made with a reference to a particular Value of ROSATOM, and have been followed by corresponding tags, which enables formation of the value-based trend in implementation of the Uniform Information Policy of the Company.

3.3. Improvement of the Assets Protection System

The management of TVEL Fuel Company fully shares the anti-corruption policy implemented by the government of the country. In order to create conditions for reduction of corruption and embezzlement, the enterprises of the Fuel Company adopted a local regulatory document "Concerning implementation of complex program for anti-corruption and anti-embezzlement in TVEL JSC and companies of the management system of the Fuel Company".

8-800-100-07-07, 0707@rosatom.ru — contacts of the corporate hot line of ROSATOM State Corporation for anti-corruption and anti-embezzlement in nuclear sector. For details visit ROSATOM website <http://www.rosatom.ru/en/about-us/anti-corruption-policy/>, and TVEL Fuel Company website <http://tvel.ru/wps/wcm/connect/tvel/tvelsite/about/theft/>.

The document is based on "Complex Program for Anti-Corruption and Anti-Embezzlement in the Nuclear Industry for 2014–2015" approved by ROSATOM.

Within the implementation of the Complex program ROSATOM approved "Plan for Anti-Corruption Actions Improvement in ROSATOM".

GRI G4-57, G4-58, SO4 To arrange a system for prevention of illegal behavior the following was established in TVEL Fuel Company:

- Security Unit (at the level of TVEL JSC), including department of economic security, commercial secrecy safety department and Group of information and analytical support;
- Assets Protection Subdivisions (at the SC level).

GRI G4-SO3 Structural subdivisions of TVEL FC for prevention of unlawful behavior perform continuous monitoring of assets flow, analysis of factors and terms that contribute to external and internal threats (risks) to assets and economic interests of TVEL JSC and SC, implement measures for prevention, combating and neutralization of their negative consequences. In 2015 the analysis covered all subsidiaries of TVEL Fuel Company.

TVEL JSC implemented the Standard Industry-Specific Instructional Guidelines on Assessment of Corruption Risks in Organizations of ROSATOM. Accordingly, all subdivisions analyzed their business-processes, with specification of critical points and description of probable corruption offences. Based on the analysis the Company elaborated the cards of the corruption risks and developed measures aimed at risks mitigation.

System for combating unlawful behavior in TVEL FC





VICTOR F. SHALAEV

Vice-President of Security

The challenges that the Security Unit faces are addressed by highly trained professionals, many of whom are also experienced nuclear experts. Thanks to their commitment, knowledge of the situation at the facilities, their integrity and alertness, the Security Unit can effectively prevent and deter serious incidents. All members of the Unit spare no effort knowing only too well that they have no margin for error.



In 2015 “ROSATOM Corporate Academy” ANO trained 100% of workers of TVEL JSC under the program “Anti-Corruption Policy in the Organization”.

Besides, TVEL Fuel Company has its own industry-specific program on anti-embezzlement and anti-fraud; for prompt decision-making the hot line was opened within the framework of this program. The program provides for material remuneration and protection of workers participating in the Program.

All suppliers and contractors are informed on anti-corruption policy and measures through procurement documents and contract provisions.

KEY RESULTS 2015:

- 583 inspections (476 in 2014) were arranged and performed to prevent damage and loss of assets. More than 100 appeals to law enforcement agencies, resulting in initiation of more than 30 criminal cases. 146 workers were brought to disciplinary actions, 22 of whom were dismissed.
- 120 inspections were carried out with regard to information on irregularities and violations received via specialized communication channels “Hot line”; in 32 cases the information was confirmed (in 2014 there were confirmed 18 cases of violation out of the 101 checked).
- The amount of prevented and reimbursed damage resulted from measures for economic safety and assets protection was RUB 689 mln (against RUB 397 mln in 2014).
- There are no completed legal actions against the organization or its employees in relation to corruption.

PLANS 2016:

- identification and settlement of situations connected with the conflict of interests;
- estimation of corruption risks in main business processes.

3.4. Internal Control System

The Internal Control System (ICS) of TVEL Fuel Company is an interconnected integral complex of organizational structures, processes, their rules, and characteristics of management system that continuously or from time to time performs internal control function and ensures internal control goal achievement.

Special Department of Internal Control (SDIC) is a subdivision of TVEL Fuel Company's organization engaged in activities for implementation of the group of processes “Internal control and internal audit”:

- control and auditing activity;
- internal audit;
- functions of controlling authority for competition policy;
- interaction with the stakeholders regarding the internal control issues;
- management of coordination, planning and methodology of monitoring.

SDIC of TVEL JSC (a unit of the Director for Internal Control and Audit) operates in accordance with regulatory legal acts of the Russian Federation, local regulations of TVEL JSC and ROSATOM.

According to local regulations of TVEL JSC and ROSATOM, Special department for internal control of TVEL JSC provides functional guidance of 8 SDIC companies forming the management system of TVEL Fuel Company; AECC JSC, VNIINM JSC, KMZ JSC, MSZ PJSC, NCCP PJSC, SGCHE JSC, UEIP JSC, ChMP JSC.

KEY RESULTS 2015:

- The workers of the Unit of the Director for Internal Control and Audit carried out 31 arrangements, including participation in two corporate inspections of ROSATOM: “Check of efficiency of application of the delegated powers” and “Execution of state contracts operating in 2015 by organizations of ROSATOM for the years 2013–2015”.
- There were carried out 5 reviews of SDIC efficiency in the companies of the management system of TVEL Fuel Company: AECC JSC, KMZ JSC, SGCHE JSC, UEIP JSC, ChMP JSC. No material violations were revealed in SDIC activity.
- NCCP PJSC created the Internal Control Unit consisting of 3 persons.
- VNIINM JSC introduced the post of the chief auditor.

PLANS FOR 2016:

It is planned to change the working environment of SDIC: improvement of internal control system and development of internal audit function.

Structure of Internal Controls at TVEL JSC



Number of Control Activities Conducted by the Specialists of the Director's Unit for Internal Control and Audit of TVEL JSC

Indicator	2013	2014	2015	Δ 2015/2014, %
Number of control activities under the plan, including:	51	52	31	-40
with Audit Committees	27	25	7	-72
audit of financial and economic activities, including procurement and personnel record management	16	21	18	-14
internal audit	8	6	6	0

3.5 Procurement Efficiency Management

TVEL Fuel Company supports, respects and protects basic human rights and builds its external business relationship on the principles of honesty, integrity and openness.

More than 90% of competitive procurement procedures are carried out through on-line sales platforms. This promotes openness and transparency of the Company and saves labor and financial resources. Procurement procedures are implemented using the following electronic platforms: United Electronic Market Place JSC, Fabrikant LLC and Economics Development Center JSC.

Total amount saved by the subsidiaries of the Company in 2015 through the procurement procedures made RUB 2,852 mln.

In 2015 total volume of warehouse material assets reduction at the enterprises of TVEL Fuel Company amounted to RUB 2,094 mln.

The largest procurement groups are the following: the products and services purchased from the companies of nuclear industry, power supply. These are the largest categories in procurement from sole supplier.

Basic groups of competitive procedures:

- materials and equipment,
- construction and installation works,

- manufacture of components,
- repair and maintenance of equipment,

Pursuant to provisions of the Uniform Industrial Procurement Standard of ROSATOM the Company may not provide any preferences to the suppliers on a territorial basis. The exception is only envisaged for outsourcing companies founded during the restructuring of TVEL Fuel Company. UIPS guarantees to such companies certain volumes of orders over a period of five years from the date of incorporation in the following way: the first year — 90%, the second year — 75%, the third year — 60%, the fourth year — 40%, the fifth year 25% of total annual demand of the client.

GRI G4-EC9 Local suppliers participate in competitive procedures on a common basis; specific approaches to local suppliers are not applied. The Company maintains no special records for such suppliers.

Some of the key suppliers and contractors of the Company enjoy monopolist position on the market. Under the provisions of UIPS (Uniform Industrial Procurement Standard of ROSATOM) no tender is provided for such contractors (natural

monopoly entities), only the "Procurement from Sole Supplier" procedure.

In the reporting year the works within the framework of the Project "Optimization of the Fuel Company Logistics Management System" were continued; this project is planned for implementation till 2016. Purpose of the project:

- introduction of category management¹;
- reduction of stock reserves (works for optimization of uncalled stock and reduction of their level);
- optimization of warehouse infrastructure and material flows (optimization of material flows both in the internal logistics scheme of the enterprises, between the subsidiaries of the Company, and between enterprises of various divisions of the ROSATOM).



1. Category management as it pertains to procurement means the operations plan to promote efficient management of procurement, supplies, stock and interaction with suppliers of each specific category of purchased products. By introducing the category management, TVEL FC intends to minimize involvement of go-between companies and to enter into long-term contracts directly with manufacturers.

In 2015 the Arbitration Committee of TVEL JSC received 109 complaints concerning procurements procedures of the Fuel Division (please refer to Diagram 6). This is about half the number of complaints received during the previous year. 22 complaints were recognized as reasonable and partially reasonable.

Main documents regulating procurement and establishing the criteria for the selection of suppliers and contractors of TVEL Fuel Company:

- Federal Law 223-FZ of 18 July, 2011 "On Procurement of Goods, Works and Services by Certain Types of Legal Persons";
- Unified Industrial Standard of Procurement, ROSATOM;
- Corporate Standard of TVEL JSC "Procurement Process".

Structure of TVEL FC Procurement:

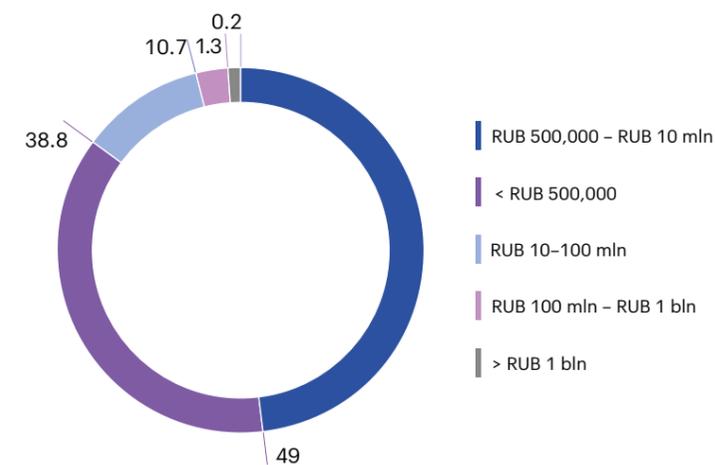
Indicator	2013	2014	2015	2016 (plan)
Share of procurement through public competitive procedures under the UIPS, %	95	95	97	94
Total amount of procurement of TVEL FC	161,200	168,962	130,632	123,060
Total amount saved by subsidiaries of TVEL FC from procurement through public competitive procedures, RUB mln	2,534	2,601	2,852	minimum 2,000

Structure of Suppliers and Contractors of TVEL FC

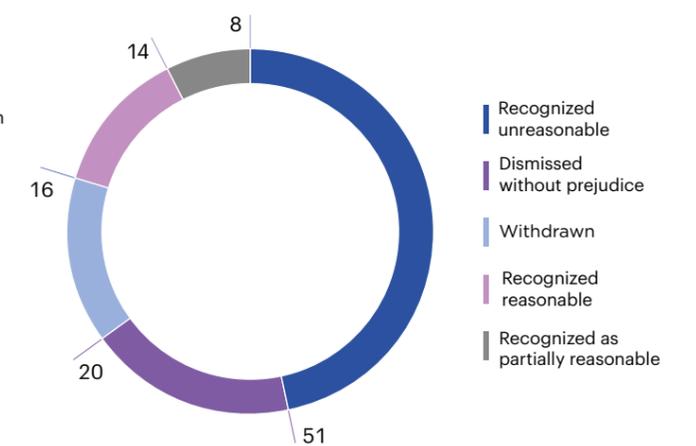
GRI G4-12, G4-13

	Russia	Non-residents	Total
Total Suppliers and Contractors	3,398	34	3,432
Competitive procurement procedures	1,785	13	1,798
Non-competitive procurement procedures	1,613	21	1,634

Procurement structure according to cost criterion, %



Complaints received by the Arbitration Committee of TVEL JSC in 2015



Chapter 4. Efficiency In Results 2015



4.1. Financial Capital

FINANCIAL POLICY

Financial management is maintained in accordance with the approved Financial Policy of TVEL Fuel Company to be agreed upon with ROSATOM.

Basic principles in Financial Policy of TVEL Fuel Company:

- conservative approach to select financial institutions;
- diversification of funding sources, subject to an acceptable level of financial risks;
- single treasurer's office;
- full disclosure.

Budgeting in the subsidiaries of TVEL Fuel Company is set in accordance with the unified budgeting procedure and standards of ROSATOM.

Budgets of the subsidiaries of TVEL Fuel Company are approved at the meetings of the Board of Directors of SC based on the results of consideration of the consolidated budget of the Company by the budget committees of TVEL JSC and ROSATOM.



FINANCIAL RESULTS

In 2015 all KPI¹ and target production indicators applied to evaluate performance of TVEL Fuel Company were achieved.

1. KPI "New products order portfolio of FC for 10 years" was accomplished at a lower level.
2. Financial and economic indicators are given in accordance with consolidated management statements of TVEL Fuel Company.

* To be determined on the basis of such indicators of investment projects implemented by the Company as net present value, internal rate of return, adjusted in accordance with their volume and other calculation factors.

** Adjusted free cash flow — free cash flow with specific adjustments.

*** The indicator includes income and new products order portfolio for 10 years List of goods and services classified as new products shall be annually agreed with ROSATOM. 100% target value is determined in planning; this means complete performance of the target values subject to both components of the indicator.

**** Lost time injury frequency rate — number of lost time incidents divided by total hours worked for the reporting year and rated as 1 mln man hours.

Achievement of Major KPI and Production Indicators of TVEL FC in 2015²

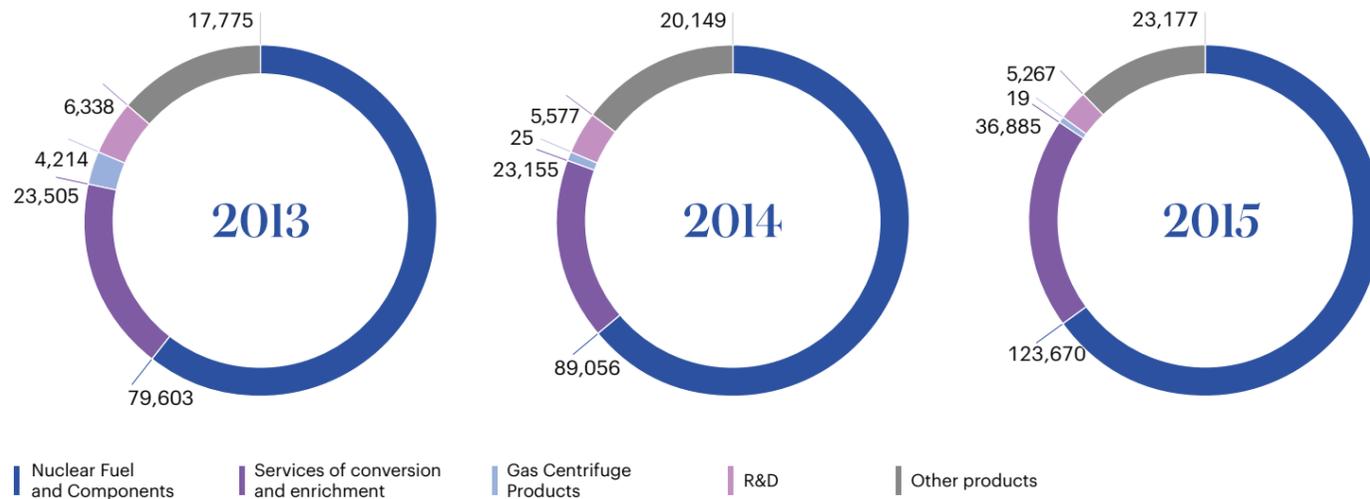
Indicator	Target	Actual value	Deviation, %
Investment activity integrating efficiency indicator*, %	100	105	4.5
AFCF of TVEL FC, RUB bln**	78.6	86.6	10.2
Labor efficiency (TVEL Fuel Company + TECHSNABEXPORT JSC), RUB mln /person	13	14.2	9.3
Semi-fixed costs, RUB bln	38.9	35.9	-7.7
Foreign orders portfolio for 10 years, USD bln	10,300	10,305	0.0
Foreign proceeds, USD mln	1,572.0	1,608.9	2.4
IRR for portfolio of new business projects, %	12	70.1	>100
Integral indicator for new products***, %	100	91	-9.0
Proceeds on new products beyond and within the profile on a competitive basis, RUB mln	4,151	4,230.6	1.9
New products order portfolio of FC for 10 years, RUB mln	16,325.4	13,078.4	-19.9
LTIFR****	0.34	0.14	-58.8
No INES incidents at level 2 with personnel radiation exposure exceeding 50 mSv annually	No incidents	No incidents	No incidents
No industry-based INES incidents of above level 2	No incidents	No incidents	No incidents
Completion of state orders, %	100	100	0.0

Key financial and economic indicators of TVEL JSC

GRI G4-9

Indicator	2013	2014	2015	Δ 2015/2014, %
Revenue (net) from sales, RUB mln	131,436	137,962	189,017	37.0
Gross profit, RUB mln	39,628	44,663	79,553	78.1
Ratio of gross profit to sales revenue, %	30.2	32.4	42.1	-
Share of general and administration costs in revenue, %	2.3	2.3	1.7	-
Business Expenses	2,224	2,267	2,939	29.6
Administrative expenses	2,989	3,144	3,232	2.8
EBITDA, RUB mln	51,163	48,959	82,130	67.8
Net income, RUB mln	23,866	20,870	55,734	167.1
Free cash flow, RUB mln	1,801	4,202	-6,959	-265.6
Net assets, RUB mln	579,708	590,006	633,678	7.4
Return on sales, %	18.2	15.1	29.5	-
Return on equity %	4.2	3.6	9.0	-
Return of assets (ROA), %	3.6	3.1	7.9	-
EBITDA margin, %	38.9	35.5	43.5	-
Ratio of borrowed and own funds	0.14	0.15	0.14	-6.7
Absolute liquidity ratio	0.26	0.32	0.62	93.8
Current liquidity ratio	2.75	2.95	3.15	6.8
Return on basic production capacity	0.92	0.98	1.31	33.7
Gross tax liabilities, (accrued) RUB mln	16,110	15,020	23,468	56.2
Gross tax liabilities, (actually paid) RUB mln	27,695	25,774	31,283	21.4
Reduction of costs due to accomplishment of Non-Investment Activities Plan, RUB mln.	-	-	3,472	-
Receivables turnover period, days	81	91	80	-12.1
Stock turnover period, days	244	264	188	-28.8

Distribution of Consolidated Revenue by Types of Products, RUB mln



1,532
mln USD
Proceeds from
exports in 2015

Distribution of Export Revenue by Types of Products, USD mln

Types of products	Volume of sales			Δ 2015/2014, %
	2013	2014	2015*	
Nuclear fuel and components	1,437	1,452	1,447	-0.3
Engineering services	6	12	8	-33.3
Lithium products	13	13	18	38.5
Calcium, titanium, zirconium	12	15	11	-26.7
Isotope products	10	10	11	10
Other products	26	22	37	68.2
Total	1,505	1,523	1,532	0.6

* The data are presented without adjustments for multiplying factor of the adjusted net foreign exchange position.

Dividend payout, RUB mln

Indicator	2013	2014	2015	Δ 2015/2014, %
Dividends paid to ATOMENERGO-PROM JSC, RUB mln	18,937	16,257	15,296	-5.9
Dividends paid to TVEL JSC from subsidiaries	4,151	3,046	1,930	-36.4



In 2015 the export products were sold to the total amount of USD 1,532 mln. Sales of nuclear fuel and its components amounts to 94.4% — the largest share in the export revenue. Revenue of TVEL Fuel Company increased by RUB 51 bln in the reporting year. The revenue increase was influenced by both macroeconomic factors (increase in rates of major currencies) and increase in sales of production, specifically:

- increase in sales of nuclear fuel and its components for foreign NPPs (RUB +9,174 mln), particularly in 2015 refueling for Bushehr (Iran) in total volume RUB 3,527 mln) was completed;
- nuclear fuel components (enriched fuel pellets) were sold to India in the amount of RUB 2,804 mln;
- revenue increased by RUB 2,843 mln due to nuclear fuel sales to other foreign customers.

Changes in sales of nuclear fuel and its components for Russian NPPs had positive impact on revenue of 2015 in volume RUB 1,883 mln, particularly in 2015 the initial fuel loading was done on the new power unit of Leningrad NPP.

2015 recorded the growth of uranium concentrate supplies and services of uranium conversion and enrichment — changes in sales volume in this direction of TVEL Fuel Company activities influenced increase of the revenue by RUB 9,703 mln.

Changes in sales volume of other products, works and services affected positively the revenue in total volume of RUB 753 mln.

Changes in contract prices and tariffs as compared to 2014 had positive impact on the results of the year 2015 and the revenue increased by RUB 2,268 mln.

Significant changes of macroeconomic factors (rates of major currencies against the ruble) resulted also in increase of 2015 revenue by RUB 27,274 mln as compared to 2014.

The main factors of net profit growth are increase in revenues, cost optimization, increase in other income and changes in foreign exchange rates.

Dividend policy of TVEL JSC with regard to subsidiary and associated companies is established in compliance with the need for investment in production, its reconstruction and improvement of technical facilities.

TVEL Fuel Company carries out its investment activities in line with the Uniform Industry-Specific Policy of ROSATOM and its organizations. Investments management system of TVEL Fuel Company is based on the principle of efficiency.

INVESTMENT ACTIVITIES

TVEL Fuel Company carries out its investment activities in line with the Uniform Industry-Specific Policy of ROSATOM and its organizations. Investments management system of TVEL Fuel Company is based on the principle of efficiency.

The Investment Committee (further "the Committee") is the permanent collegiate advisory board acting under the guidance of the Chairman of the Committee and following the principles of the investment policy of ROSATOM and its organizations.

Primary objective of the Committee is to reach common agreement on the following:

- investment priorities in order to implement the Business strategy of ROSATOM and TVEL Fuel Company;
- composition, structure, parameters of projects portfolio and amendments thereto;
- solutions contributing to realization of projects and achievement of the expected results;
- control of projects execution on each stage of life cycle through preventive and corrective actions.

Results 2015

TVEL JSC Investment Committee held 32 meetings in 2015. The investment projects financing volume made RUB 29,125 mln (see Table 21 and 22). Since TVEL Fuel Company implements over 250 investment projects simultaneously, the amount of funding tends to vary year to year, depending on combination of various stages of projects life cycles.

Funding of industrial and technological base of primary production accounts for the biggest share in overall investment outlay.

Assessment of Investments Efficiency

Efficiency of investment operations in TVEL Fuel Company is estimated using an Integrating indicator of investment activity efficiency. This indicator contains several elements (indicators)

characterizing the efficiency of investment activity (further "IA") in several areas:

Investment activity efficiency integrating indicator = NPV (30%) + IRR (30%) + key events performance indicator (40%).

1. Short-term efficiency of IA is estimated by NPV indicator for the period of years 2015–2019. This indicator is used to assess profitability of the portfolio on a short-term horizon and it is a kind of "barrier" for inclusion in the Company's portfolio of long term repays projects. Target value of NPV indicator for 2015–2019 is set to the amount of RUB 19.3 bln, actually the value reached following the results 2015 the level of RUB 9.4 bln, which made 151.3% of the performance relative to the planned value.

2. Long-term efficiency of IA is estimated using IRR of the portfolio for 2015–2030. Value of this indicator is set as 39.4%, actually the performance percentage made 128.9% (IRR for 2015–2030 made 50.9% on actual basis).

3. Quality of execution of the most importance projects of the Company is estimated by the performance indicator of key events for the current year. List of the projects, key events of which are selected to be included into Investment activity efficiency benchmark, is approved by ROSATOM on the basis of top level schedules that represent the "goal plan" status of the project. An event can be proved as complete based of the defined list of supporting documents, including but not limited to certificate of completion, act of assets acceptance for accounting, etc. Performance indicator of the key events subject to the results 2015 made 82.3%.

The events considered as incomplete include the following:

- Commissioning of control and measuring devices and automatic equipment (CMD&A) on AKSU-3 of 4 units bldg 3001 (UEIP JSC);

29,125

RUB mln
Funds allocated to investment projects in 2015

1,617

RUB mln
budget optimization of TVEL Fuel Company as part of technical and economic examination in 2015

- Commissioning of station control system KPW 25F (No. 2) (ChMP JSC);
- Modernization of site for defluorinated zirconium hydroxide production (ChMP JSC).

Regarding the decision of ROSATOM management concerning changes in project boundaries and/or implementation deadlines, TVEL Fuel Company did not succeed in establishment of a 100% SC in Europe as a front office and fuel qualification service (TVEL JSC).

Subject to the year results the value of Investment activity efficiency integrating indicator is 117%, which corresponds to the indicator's performance higher than the target level set by ROSATOM.

The efficiency of IA in TVEL Fuel Company is affected by allowed over-expenditures on costly projects which reduce AFCF. In 2015 TVEL Fuel Company established the base on costly projects in amount of RUB 4,376 mln, and subject to the results of work the base on costly project was lowered by 23%. Actually the costly projects received RUB 3,369 mln in 2015, which resulted in no effect for AFCF and in escalation of IA efficiency in TVEL Fuel Company.

Tools to improve the efficiency of investment activity

The following organizational arrangements are held to increase the profitability of TVEL Fuel Company investment portfolio:

1. Optimization of investment demand on the projects, which primary tool is projects feasibility study or technical and economic audit (TEA). The procedure for TEA includes several stages:
 - analysis of the existing needs (in conformity with the approved passport);
 - ratio of the existing needs with the current situation in terms of ensuring the fixed assets with production volumes and so forth;
 - identification of reserves to reduce the investment needs.

The following measures can serve to reduce the needs: replacing the new fixed assets acquisition procedure with overhauls of the existing equipment; reducing the number of the equipment acquired based on the assessment of potential load in production capacity analysis; purchase of equipment with lower capacity or similar equipment from other producer). Based on the results of TEA 2015, the fuel optimization in TVEL Fuel Company made RUB 1,617 mln.

2. Identification of needs in prospective products. Within this framework the Portfolio of TVEL Fuel Company took the projects which had a positive impact on its profitability, both on a short and long term horizon. Such projects include:

- carbonate processing (NCCP PJSC);
- development and creation of layer-by-layer synthesis automated systems (UEIP JSC);
- creation of niobium and tantalum oxides production (AECC JSC).

3. Identification and recognition of the economic effects of the projects already functioning. Such projects may include the projects with research and development (GC-9, GC-10, GC-11). These projects were referred earlier to the costly projects (at initial stages of implementation), but after commissioning the aggregates and installation of aggregates on industrial complexes (GC-9), the effects which previously had an "estimated" status were confirmed and included when forming the Portfolio of TVEL Fuel Company (+1.2% to portfolio yield).

Amount of Financing for TVEL FC Investment Projects by Directions, RUB mln

Direction	2013	2014	2015	Share in amount of investments for 2015,%	2016 (plan)
Nuclear industry	17,582	17,295	18,553	63.7	21,818
Development of general industrial activities	931	536	1,070	3.7	1,434
Development of infrastructure	3,585	1,245	1,212	4.2	3,554
Safety and encumbrances	4,128	2,645	7,982	27.4	14,462
Other	10,694	7,745	309	1.1	1,114
Total for TVEL FC	36,920	29,466	29,125	100.0	42,383

4.2. Manufactured Capital

The need to expand an order portfolio to achieve strategic objectives, as well as severe and ever-growing competition in global markets always required from TVEL Fuel Company special approaches to production and management processes and development of performance efficiency management system

BUSINESS PERFORMANCE ASSURANCE

Rosatom Production System

ROSATOM Production System (RPS) means culture of lean manufacturing and continuous improvement of processes to ensure a competitive advantage on a global scale.

RPS is based on five principles which encourage the employees:

- to be attentive to customer’s requirements;
- to solve problems as they occur;
- to incorporate quality into the process and produce no defective products;
- to identify and eliminate any loss (excess inventory, decoupling stocks, downtime, unnecessary movements, etc.);
- to be an example to colleagues.

These principles were formulated on the basis of the best examples of domestic and foreign experience, especially, the system of scientific organization of labor, production and management of the USSR Ministry of Medium Machine Building and Toyota Production System of Toyota, the Japanese automobile company.

RPS is aimed at strategic targets of ROSATOM, while the industry-based RPS projects are focused on productivity growth, cost reduction and increased quality of production. Knowledge of RPS tools and ability to apply such tools are obligatory for professional growth of employees engaged in nuclear industry.

In the beginning of 2015 ROSATOM decided to apply a systematic approach in RPS deployment. There were selected 10 pilot enterprises of the industry (with in TVEL Fuel Company — MSZ PJSC, KMP PJSC, UEIP JSC) to implement currently the single package of RPS measures:

- setting clear objectives to the level of small group leaders based on the objectives of the enterprise,
- teaching RPS methodology to senior management and project participants,
- implementation of RPS projects in the office and production on a single methodology,
- introduction of the industry-specific automated system “Factory of Ideas”
- incentive program for employees of different levels.

Much attention is paid to involvement of the staff in RPS. Having achieved the goals established, the pilot enterprises will become exemplary one and in 2016 they will carry out internships, advise and provide methodological support to enterprises of the second stream. Thus, RPS will be replicating in the industry.

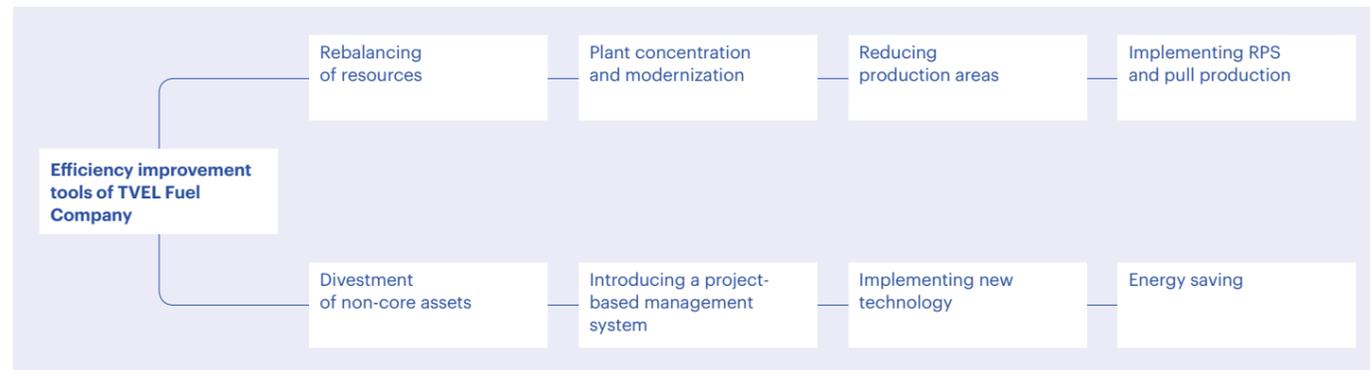
In systematic deploying of the production system, the company, included into ROSATOM profile, receives the status of a RPS enterprise. According to RPS development concept all RPS enterprises are divided into three levels:

- RPS Leaders
- RPS Candidates:
- RPS Reserve

RPS enterprises in 2016

- | | |
|---------------------|------------------------|
| RPS Leaders: | RPS Candidates: |
| • MSZ PJSC, | • NCCP PJSC, |
| • KMP PJSC | • SGCHE JSC |
| • UEIP JSC | • ChMP JSC |
| | • PA ECP JSC |

Efficiency Improvement Tools of TVEL FC



Process Factory

Enterprises that are RPS Leaders receive the package of privileges including the following: visits of a business coach to the enterprise, possibility of employees travelling to share experience in Russian and foreign advanced enterprises, family tickets, certificates for training in ROSATOM Corporate Academy, participation in Workspace Design project, etc.

In 2015 MSZ PJSC, KMP PJSC, UEIP JSC and TVEL JSC became pilot companies to introduce the industry-specific automated system “Factory of Ideas”.

In the reporting year TVEL Fuel Company opened and accomplished 1,497 RPS projects aimed at process efficiency improvement. This is 6.4 times more than in 2014. About 96% of managers of 1 to 3 level were covered by the project activities. Projects impact on business goals of the enterprise was assessed on the basis of top managers’ projects.

“Process Factory” represents Lean Laboratory simulating the production chain of company. This is a modern classroom divided into several zones: warehouse, industrial, instrumental and advisory. The main objective of the project is to give participants an opportunity to practice ROSATOM Production System in a form of business game simulating the industrial chain.

Participants of the one-day training must simulate the full cycle of production assembly using the RPS tools and, to the extent possible, reduce production losses: reduce the area, minimize costs, gain profit, etc. Participants simulate several conventional shifts during which they need to release the planned number of products. The goal for participants is to conduct analysis of production, giving suggestions for improvement to optimize the work flow and eliminate losses, and eventually do the work as efficiently as possible. Tasks in “Process Factory” are deliberately drafted taking into account the stress situations and errors that are inevitable in the course of works.

The uniqueness of “Process Factory” lies in the fact that it is a learning platform in which the most part of RPS tools can be applied in practice and evaluated in terms of their efficiency in actual production conditions. Trainings organized in “Process Factory” enable the employees

to change their thinking and attitude towards lean manufacturing.

“Process Factory” proved its success in ChMP JSC, UEIP JSC, MSZ PJSC and KMP PJSC. About 2,000 employees of TVEL Fuel Company passed such trainings.

On February 19, 2016 participants of the dialogue with stakeholders, held in preparation of the annual report of the Company for 2015, had the opportunity to personally take part in “Process Factory” business game.



Examples of RPS projects in 2015 and the results

Enterprise	Project	Results
TVEL JSC	“Optimization of promising products development”	<ul style="list-style-type: none"> • Reducing the process time (PT) to produce and test samples by 53%; • increase in satisfactory output by grey cast iron from 70 to 90%
MSZ PJSC	“Optimization of manufacturing flow of TVEL and FA FN in production concentration in the block 274”	<ul style="list-style-type: none"> • Reduction of incomplete production (RIP) within the flow by 40%; • Increase in labor efficiency by 16%; • Economic effect RUB 250 mln
NCCP PJSC	“Production smoothing of FA VVER 1000”	<ul style="list-style-type: none"> • Reduction of PT for FA manufacturing by 17%; • Increase of labor efficiency from 0.35 FA/person per shift up to 0.45 FA / person per shift (22%); • Total economic effect for NCCP PJSC and TVEL JSC on related projects made RUB 84 mln
UEIP JSC	“Optimization of an across value stream for production of enriched uranium product in UEIP JSC	<ul style="list-style-type: none"> • Reduction of across PT on EUP flow from 210 up to 130 days and nights; • Reduction of RIP in the flow on average till and after enrichment by 38%

A team that stands strong and united



VLADIMIR V. ROZDESTVENSKY

Senior Vice-President
for Production

Today we develop and introduce new technology, modernize the companies to retain the leadership positions on the global market. I strongly believe that the young people who will join the Fuel Company in the coming decades will have just as many reasons to be proud of the gains achieved by the previous generations of nuclear experts.

Do you think ROSATOM Production System has played an important role in increasing the competitiveness of the Fuel Company?

The effect from the implementation of RPS at the plants has been quite significant. During my latest visit to the Novosibirsk Chemical Concentrates Plant (NCCP), they showed me around the plant that had been newly modernized in line with the requirements of RPS, and I must say, the positive difference was immediately noticeable.

The main thing is, we managed to engage the employees in the process. At the initial stage of the RPS implementation, the perception of it by workers varied from hostility and skepticism to enthusiasm. However, being able to test the RPS tools 'on the job', as well as being part of the process, has clearly made a difference. Statistics shows that there has been a dramatic increase in the number of suggestions for improvement filed, which means that the majority of the plants' workers have actively contributed to the development of RPS. As the result, the process time has been significantly reduced for most of the products, and so were the production areas and the warehousing stocks. In contrast, the labor efficiency has increased... This is an ongoing process — new ideas appear, they are implemented, give the expected result. And then there are new ideas, and in fact they often arise in areas where you would think there is no room left for improvement.

Mr. Rozhdestvensky, as you may know, General Director of ROSATOM State Corporation Sergey Kiriyenko has been heard say that the industry's true wealth are its people. What do you think are the main qualities an employee must have to work at the main plants of the enterprises?

Being responsible, disciplined and well-qualified would be the best assets. I would like to use the opportunity and extend my sincerest thanks to the pioneers who were there when the first nuclear companies were created, the veterans who laid the foundation of the entire industry and the companies that are now part of the Fuel Company, and who managed to preserve the finest traditions of nuclear experts and hand them down to the current generation. For the Fuel Company as ROSATOM's Fuel Division that is a single, globally recognizable brand, the main wealth is its employees. Our employees have always been noted for their sense of responsibility and mission, the passion they have for their job and their commitment, they were the ones who have preserved the legacy of the industry veterans and increased the potential that they had created. Today we develop and introduce new technology, modernize the companies to retain the leadership positions on the global market. I strongly believe that the young people who will join the Fuel Company in the coming decades will have just as many reasons to be proud of the gains achieved by the previous generations of nuclear experts. ◆

Achievement of efficiency indicators for the reporting period

Direction	Results
"Decomposition of Goals"	<ul style="list-style-type: none"> The goals were decomposed to the level of shop chiefs by flows and process — 100% completed in TVEL FC; Information Centers (IC) were organized at the level of DG/DDG/shop/site — 100% completed in TVEL FC. There were also organized small groups control panels, pilot IC in the office, pilot IC in TVEL JSC — in the block of Senior Vice-President for Production V.V. Rozhdestvensky
"RPS-Flows"	<ul style="list-style-type: none"> 80% flows/processes of creating the key products achieved the results — completed in RPS-enterprises 2015; 90% workplaces were rated as "good" — completed in RPS-enterprises 2015
"Projects Management"	<ul style="list-style-type: none"> Each leader of DG level, as well as of 1st to 3rd management line has personal RPS-project — completed. 96% of TVEL JSC leading personnel were covered by the project activities; Analysis of the results was done and post-project monitoring mechanism was defined. The process of controlling and synchronizing organizational RPS-projects is established in the guidelines
"RPS Training"	<ul style="list-style-type: none"> Training of 100% personnel of DG level, as well as of 1st to 3rd management line — completed in RPS-enterprises 2015; 90% participants were trained the tools of RPS-projects — completed; Distribution of RPS brochures and posters inside the company — completed
"Motivation of RPS Participants"	<ul style="list-style-type: none"> RPS Leaders were identified — information was collected and the results of assessment will be announced in March 2016. Preparation of Regulations on RPS competitions is ongoing; Percentage of positive responses regarding the RPS implementation exceeds 50% — completed in RPS-enterprises 2015

Realization of RPS-Division Program



Suggestions for Improvement

The Company provides regulated payments for suggestions for improvement (SFI):

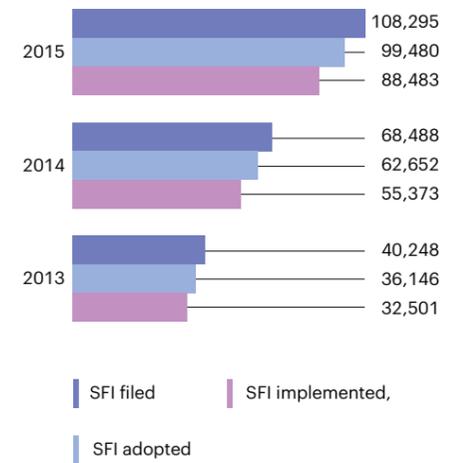
- SFIs adopted: payments equal to RUB 300/700/1,000 for submitting SFIs of various categories and economic value;
- SFIs implemented with economic effect: payment upon introduction of a percent of the resulting economic effect;
- contributing to implementation of SFIs with technical solutions (rationalization proposals): up to 30% of the amount paid to the authors.

In 2015 there were filed more than 108,000 SFIs, out of which 91.9% — accepted for realization and 81.7% — implemented. One of SFIs process efficiency indicators is the indicator SFIs' quality to be calculated as the ratio of the adopted SFIs to the submitted ones. SFIs' quality is improved from year to year.

In 2015 the winners of the sectoral SFI competition and RPS realization projects among specialists of ROSATOM State Corporation are the following persons:

- in nomination "The most active worker on SFIs submission": Dmitri Viacheslavovich Maksimov, Process Engineer in ChMP JSC, who filed 188 suggestions for improvement;
- in nomination "The most active sectoral organization on SFIs submission and realization": UEIP JSC, filed over 14,000 SFIs and implemented — about 13,000 SFIs;
- in nomination "Quality Improvement": Grigori Konstantinovich Udod, Senior Engineer in ChMP JSC.

Work with Suggestions for Improvement in TVEL FC in 2013-2015



>9,000
employees trained in efficiency management

108.3
thousand SFI filed by employees

89%
SFI was implemented (of the total SFI filed)

227
RUB mln operating bonuses paid to small groups for the effect from the innovation proposals and SFI

5.02
average SFI filed by 1 employee (+39%)

379.2
RUB mln economic effect from innovation proposals and SFI

45
RUB mln individual bonuses paid for the effect from innovation proposals and SFI

80%
of the employees file SFI

In 2015 all plans on products and services realization were fulfilled to the full extent, which ensured compliance with all contractual commitments of the Company to Russian and foreign customers.

PRODUCTION AND ECONOMIC RESULTS

Considerable increase of labor efficiency in TVEL Fuel Company over the period from 2013 to 2015 proves the growth of production efficiency. Increase in production efficiency was achieved primarily through the introduction of ROSATOM Production System and increase in revenues of the Company, as well as owing to headcount optimization during the Fuel Company restructuring.

The tasks set to the management of TVEL JSC subsidiaries for the next few years:

- further transformation of industrial relations;
- organization of small groups as a dynamic form of production control covering 100% of direct workers;
- increase in workload;
- building a system of cooperation between all management levels through controlled performance indicators;
- development of internal communications.

Production Results of FE NFC

Stable long-term relations with the end-product consumers allow development of long-term production and scientific plans, ensuring orders for subsidiaries and research establishments of TVEL Fuel Company. Portfolio of foreign

orders is formed in the amount of USD 10,304 mln up to the year 2025 and comprises commitments on nuclear fuel and its components supplies for foreign reactors of Russian design, as well as commitments on supplies for European reactors BWR, PWR in production cooperation with AREVA NP, for reactors PHWR and BWR in the context of cooperation with Nuclear Power Department of the Government of India.

Separation — Sublimation Complex

In 2015 the plan of SSC enterprises on EUP production and achievement of the fixed utilization coefficient for installed capacity was accomplished to the full extent.

Major events 2015:

- transfer of the separation production AECC JSC to production mode for primary uranium hexafluoride (UHF);
- EUP production of RS-E grade to use in NF production for foreign NPPs (Temelin, Tianwan);
- disabling the fifth generation GC in accordance with the planned schedule;
- works in PA ECP JSC on highly enriched raw material to produce metallic uranium for Munich-II reactor;
- UEIP JSC supplied additionally primary UHF to China.

1. Small group means limited (6 to 10 persons) industrial formations responsible for various tasks aimed at products manufacturing and works execution in their divisions.

Production and Economic Results

Name of parameter	2013	2014	2015	Δ 2015/2014, %
Average headcount, persons	29,238	25,171	22,527	-10.5
Labor efficiency, RUB mln / person	4.51	5.49	8.40	53.1
Revenue + Recognition of costs undertaken by external financing, RUB mln	131,820	138,281	189,284	36.9

* Except for costs undertaken by the special reserve fund of ROSATOM State Corporation.

Labor efficiency dynamics of the separation-sublimation complex, RUB mln/person

Subsidiary companies	2013	2014	2015	Δ 2015/2014, %	2016 (plan)
SGCHE JSC	2.82	3.41	3.88	13.9	4.25
AECC JSC	4.45	3.52	4.54	29.2	5.41
PA ECP JSC	4.79	5.52	5.77	4.6	6.48
UEIP JSC	5.91	7.78	9.40	20.8	9.62

Revenue from FA sales, RUB mln

Indicator	2013	2014	2015	Δ 2015/2014, %
Revenue from FA sales	73,595	81,055	109,299	34.8

Main objectives for 2016 and in the midterm:

- preparation and beginning of implementing measures aimed at optimizing the conversion production in ChMP JSC and SGCHE JSC in 2015–2016;
- release of EUP in SGCHE JSC to store at the warehouse of the International Center Uranium Enrichment (under IAEA control).

Nuclear Fuel Fabrication Complex

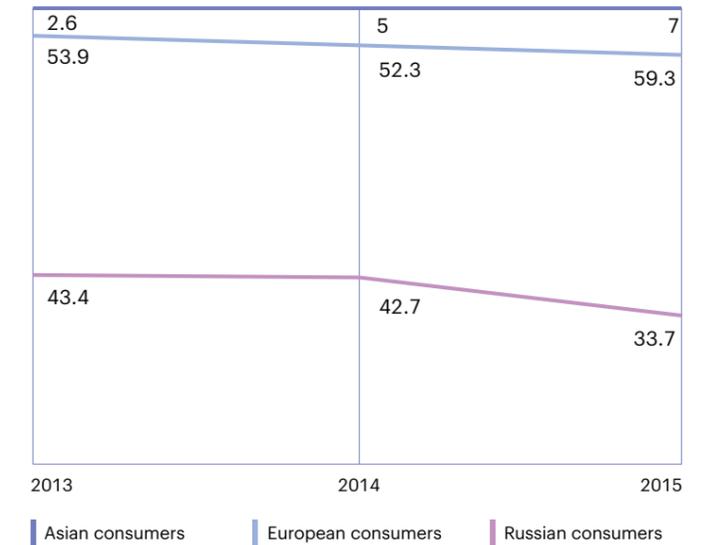
The main activity of TVEL Fuel Company is production and sales of fuel assemblies for power and research reactors.

For the period from 2013 till 2015 the revenue from FA sales increased by 1.5 times (including all categories of consumers) and made RUB 109,299 mln.

Consumption structure of the products of this complex subsidiaries is not changed materially and main consumers are Russian and European NPPs.

In 2015 the plan of TVEL Fuel Company on nuclear fuel production was accomplished to the full extent, production capacities on nuclear fuel fabrication made 1,750 tHM.

Distribution of revenue from nuclear fuel sales by consumers' geography, %



Production volume of the fabrication complex enterprises, ea

Product	2013	2014	2015	Δ 2015/2014, %	2016 (plan)
FA VVER-1000	1,222	1,339	1,343	0.3	1,120
FA VVER-440	1,750	1,487	1,756	18.1	1,700
FA RBMK-1000	2,680	3,221	3,220	-0.03	3,410
FA FN-600, FN-800	485	291	286	-1.7	406
FA EGR-6	144	144	144	0	144
FA for research reactors	79	0	96	-	74
FA PWR, BWR	337	352	104	-70.5	84
TOTAL FA	6,697	6,834	6,949	1.7	6,938
Ceramic fuel pellets, tU	1,480	1,508	1,605	6.4	1,386

Labor efficiency dynamics of the fabrication complex, RUB mln/person

Subsidiary companies	2013	2014	2015	Δ 2015/2014, %	2016 (plan)
MSZ PJSC	3.56	4.49	5.20	15.9	5.33
NCCP PJSC	3.85	3.18	4.83	52.0	4.67
ChMP JSC	2.94	3.34	4.02	20.5	4.42

Major events 2015

MSZ PJSC:

- mastered the production of absorbers based on boron carbide and dysprosium titanate and Control and Protection System Regulatory Body (CPSRB) for all types of power plants;
- mastered production of fuel pellets for reactors VVER, RBMK and FN on dry circuit (with a new plasticizer);
- completed within short time frames works on modernization FA FN-800 at Belyarsk NPP;
- achieved reduction in uranium-containing stocks for RUB 570 mln, due to implementation of RPS project on production flows of FA RBMK.

NCCP PJSC:

- achieved productivity on uranium dioxide powder and fuel pellets in one line in the amount of 500 tons per year;
 - manufactured and prepared metallic uranium for Munich-II research reactor for shipment.
- Main tasks for the year 2016:
- achievement of the established standards on the indicator “satisfactory output” during implementation of zirconium products manufacturing process on 3-rolling scheme at ChMP JSC;
 - mastering the production of FAAD-12 for Kozloduy NPP (Bulgaria) and FAAD plus for Kalinin NPP in NCCP PJSC (FA delivery to the customer in January 2016);
 - completion of mastering the production of the rest part of CPSRB for transport plants in MSZ PJSC.

Labor Efficiency Dynamics of the Gas Centrifuge Complex, RUB mln/person

Subsidiary companies	2013	2014	2015	Δ 2015/2014, %	2016 (plan)
KMZ JSC	2.63	2.42	2.33	-3.6	2.89
UGCMP LLC	2.28	3.48	2.99	-14.0	4.32

Gas Centrifuge Complex

Main consumers of the products of the gas centrifuge complex are companies of the separation and sublimation complex. Production plans on GC-9 and pilot batches of new advanced GC were accomplished to the full extent.

Major events 2015:

- The first batch of purifying gas centrifuges PGC-200 for PA ECP JSC was manufactured in the territory of KMZ JSC;
- Gas centrifuges manufacturers, KMZ JSC and UGCMP LLC, carried out preparations for mass production of new GC-9+.

Main objectives for 2016:

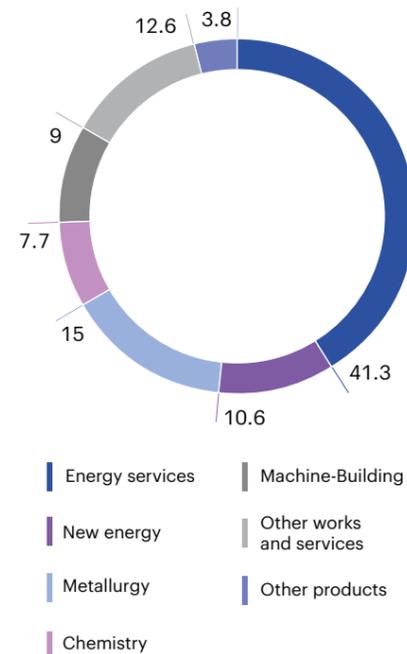
- Manufacturing of GC-9+ pilot batch with the purpose of testing in current production of UEIP JSC.

Second Business Core Production Results

TVEL Fuel Company develops production of competitive, high-tech products for nuclear and other industries. Development of general industrial activities (production of non-nuclear products and services for non-nuclear subjects) is based not only on the need to develop new markets outside NFC, but also the need to create substituting high-tech production for the released in the process of restructuring qualified personnel. Detailed information about innovations in the field of general industrial activity see Sect. “Second Business Core Development”.

Following the results of the year 2015 volume of sales from general industrial activities achieved RUB 12,628 mln, which is equal to 12.3% of the consolidated revenue of TVEL Fuel Company.

Structure of Revenue from General Industrial Activities in 2015, %



Revenue from general industrial activities, RUB mln.

Indicator	2013	2014	2015	Δ 2015/2014, %	2016 (plan)
Revenue from general industrial activities, including energy services	11,669	12,136	12,628	4.1	14,429
energy services	7,094	6,517	5,212	-20.0	5,579

Non-Nuclear Products Manufacturing

Direction	Major events 2015	Main objectives for 2016 and in the midterm
Development of calcium production	The production of new high-tech product — calcium injection wire for metallurgical melts treatment — was mastered on the basis of the existing calcium metal production. Production of the full cycle of this product on the Russian territory was not available before. Works on further formation of the domestic market for monolithic calcium wire contributed to stable growth of demand	The generated portfolio of orders for the first half-year of 2016 was two times higher than the volume of sales for the same period in 2015. In 2016 the development of overseas market is planned, as well as due to supplies of calcium wire by ChMP JSC for testing in foreign companies
Lithium Production	Works were actively pursued to expand sales markets of stable isotope 7Li that is used in existing and developed nuclear reactors. First batches of high purity 7Li in the form of hydroxide monohydrate were produced and delivered. Execution of works on international expansion of the new product 7Li for nuclear medicine and, potentially, for space exploration goals	Increase of sales volume of commercial lithium products and international expansion is planned in 2016. Plans include developing investment projects on modernization and enhancement of lithium production safety, further implementation of measures aimed at improving production efficiency, costs reduction due to mechanization of a number of operations and development of autonomous electrolyzers of lithium metal. Market conditions will be reviewed to increase production volumes
Titanium Production	Production of hot-rolled seamless titanium pipes of large diameter was mastered. Moreover, ChMP JSC mastered industrial production of titanium welding rod with unique characteristics (compared to competitors): low hydrogen content and high surface quality. Completion of mastering of melting ingots made of titanium-based intermetallic alloys, used in production of parts of perspective aviation gas turbine engines developed in Russia	In 2016 the works on mastering new assortment of titanium products, including production of titanium wire for aviation, and mastering production of new types of titanium alloys were continued
New Energy (Energy Storage Units)	Lithium cobaltate based cathode material was produced and delivered to Russian LIC producers for space industry. Series of preliminary acceptance tests were performed on independent current sources on solid oxide fuel cell as part of a block-container of gas pipeline system cathodic protection	Replicating in nuclear industry of the successful experience of introducing lithium-ion cells (LIC) to intraplast electric transport will continue in 2016. Lithium cobaltate based cathode material will be also further produced and delivered to Russian LIC producers for space industry. In 2016–2016 market conditions will be reviewed to increase production volumes of cathodic for LIC and production of pilot batches of independent current sources on solid oxide fuel cells for gas transmission infrastructure objects of Gazprom PJSC
Additive Technology	UEIP JSC acted as an industrial partner in the project on creation of domestic metal 3D printer by the consortium of the leading Russian research institutes, including Giredmet JSC and RPA CNIITMASH JSC entering the group of ROSATOM. The consortium participants began works on designing and developing separate elements of 3D printer	In 2016 development of domestic metal 3D printer will be continued by the consortium of the leading Russian research institutes (Giredmet JSC, RPA CNIITMASH JSC, The National University of Science and Technology MISiS, St. Petersburg Polytechnic University) with participation of UEIP JSC as an industrial partner. Also the plans include the possibility to organize production on provision of 3D printers with domestic metallic powders. In 2017 works on 3D printer designing and development are scheduled for completion

TVEL JSC recognizes that the quality of the product being supplied affects safety and efficiency of operation of the facilities using these products.

The main strategic objective of TVEL JSC in the aspect of quality is a permanent increase of the product quality, aimed at maximum satisfaction of customers and allowing to extend the markets, ensure sustainable development of its subsidiary companies and to obtain global leadership.

Excerpt from the TVEL JSC Quality Policy

QUALITY MANAGEMENT

The Company's Quality Management is based on the principles specified in international standards ISO 9000. TVEL Fuel Company uses the Integrated Quality Management System (QMS), certified in accordance with the requirements of international standard ISO 9001:2008, ISO 14001:2004, ISO 50001:2011 and BS OHSAS 18001:2007 in TUV International Certification. The system includes complete cycle of design, development, production, storage, delivery and scientific and technical assistance in work with FA and components of nuclear reactor cores, as well as with materials and accessories thereto.

From 2005 through to 2015 TVEL JSC implemented, certified and distributed in all its subsidiary companies (within the framework of an integrated management system) four management systems (ISO 9001:2008, ISO 14001:2004, ISO 50001:2011 and BS OHSAS 18001:2007).

In 2015 compliance of the integrated management system of TVEL JSC and subsidiary companies with the international standards was confirmed by TÜV International Certification company. Witness audits are planned in 2016 and 2017.

TVEL JSC performed management system audits at all companies of the Fuel Company's management profile in the reporting period. The companies obtained Good marks as a result of the auditing.

GRI G4-PR1 In 2015 NF producers underwent management system audits and manufacture control visits (MSZ PJSC, NCCP PJSC, ChMP JSC) from the part of Buyers (Paks Nuclear Power Plant (Hungary); Kozloduy Nuclear Power Plant (Bulgaria); Slovenské Elektrárne (Slovakia); NRG (the Netherlands); EDF (France); Fortum (Finland); Oy Fennovoima (Finland); CEZ (Czech Republic); State Enterprise National Nuclear Energy Generating Company "Energoatom" (Ukraine); JNPC (China); Institute of Nuclear Physics of the National Nuclear Center, Republic of Kazakhstan (Kazakhstan); NFC (India). The audits did not reveal any critical non-conformities.

There were no claims or complaints filed by the customers in 2015.

Number of revealed non-conformities of NF and GC products by QC departments and Customer's representatives at manufacturing plants decreased by 8%.

ENERGY EFFICIENCY

Energy Saving and Efficiency Improvement Program

The project on energy consumption reduction and energy efficiency improvement in industrial companies of ROSATOM is one of the major projects aimed to improve competitiveness in the specific industry.

TVEL Fuel Company is one of the leaders in introduction of automated systems for accounting of energy resources and methods to improve energy efficiency in the nuclear industry, including processes of energy inspections, formation of long-term investment, organizational and technical programs and specific activities for energy efficiency. The Company's organizations have been involved in Energy Saving and Efficiency Improvement Program (further "the Program") as pilot participants since 2011. The Pro-

gram was approved subject to the results of energy and thermovisional inspections held at the Company's organizations.

The Program events were defined by the Federal Law d/d November 23, 2009 No. 261-FZ "Concerning Energy Conservation and Energy Efficiency Improvement" and the order of ROSATOM d/d August 09, 2011 "On approval of target indicators of energy consumption reduction by organizations of this sector in 2011-2015".

Major projects of the Program that were accomplished in 2011-2015:

- creation of automated energy accounting systems (Automated Measuring and Information System for Electric Power Fiscal Accounting, Automated Measuring and Information System for Electric Power Technical Accounting, Automated Measuring and Information System for Electric Power Accounting, Type Test Certificate, Data Acquisition and Processing Center);
- installation of frequency-regulated drives of various systems with replacement of electric drives;
- modernization of lighting systems with switching to energy saving equipment and with the possibility of automatic activating (APCS);
- replacement and modernization of energy-intensive technological and power equipment;
- decentralization of compressor park;
- implementation of energy management system ISO 50001;
- winterization of enclosure structures in buildings and facilities;
- replacement and modernization of engineering networks (water supply, steam supply, air supply) with replacement of insulating coatings of pipelines surfaces, fittings, etc.

The first five-year period of realizing the Program events terminated in the reporting year. The total volume of the Program financing in 2011-2015 made RUB 9,364 mln.

In 2015 the enterprises of TVEL Fuel Company performed the repeated energy inspections through a designated company, Center of Energy Efficiency INTER RAO UES LLC. Within the context of energy audit there were developed new events and activities for 2016-2020.

The Program established target values for reduction of energy consumption (as compared to the reference year 2009) in monetary terms. As a result of the implemented activities these values were achieved and exceeded (see Diagram 12). In 2015 energy consumption by the Company's subsidiaries was reduced by 27.2%, heat energy — by 40.3% as compared to the reference values of 2009 under comparable conditions¹.

GRI G4-ENG Over the period 2011-2015 the energy saving as a result of implementation of activities on reduction of energy consumption and energy efficiency increase in money terms under comparable conditions made RUB 8,120 mln.

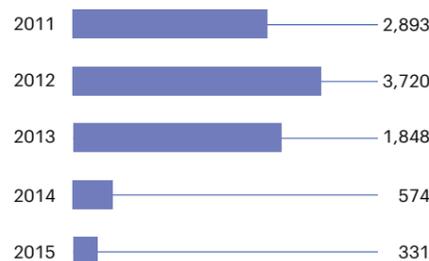
Reduction of energy consumption is not related to reduction in the production program volumes of TVEL Fuel Company; it was achieved through implementation of the activities under the Program.

Energy Consumption

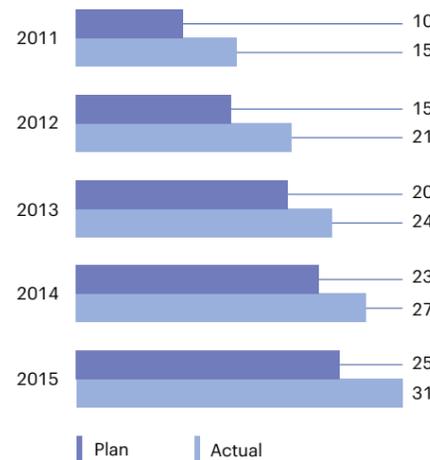
GRI G4-EN3 Realization of Energy Saving Program ensured annual decrease in energy consumption. The enterprises of TVEL Fuel

Hereinafter calculation of saving is carried out in accordance with the approved by the order of ROSATOM State Corporation Methods for calculation of cost saving gained from reducing the energy consumption, as well the own methods for TVEL FC companies to be approved by TVEL JSC and coordinated with ROSATOM State Corporation.

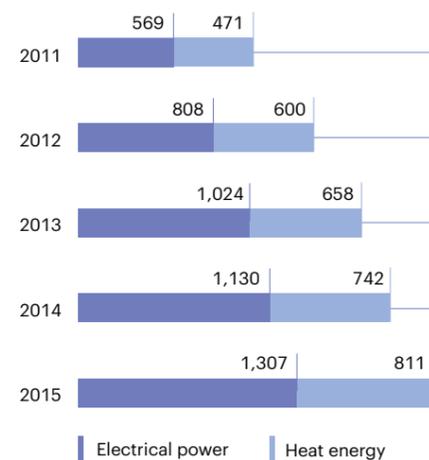
Amount of Financing for Energy Saving and Efficiency Improvement Program, RUB mln



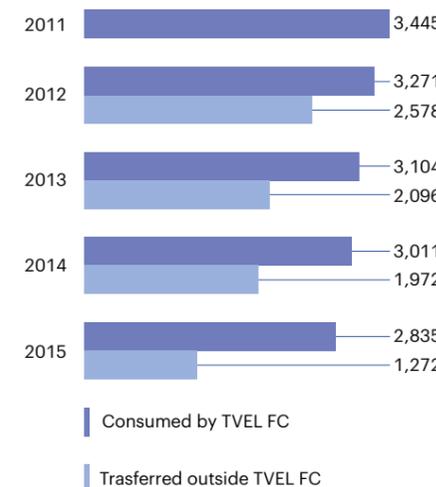
Reduction of energy consumption at TVEL FC (as compared to 2009 under comparable conditions) in monetary terms, %



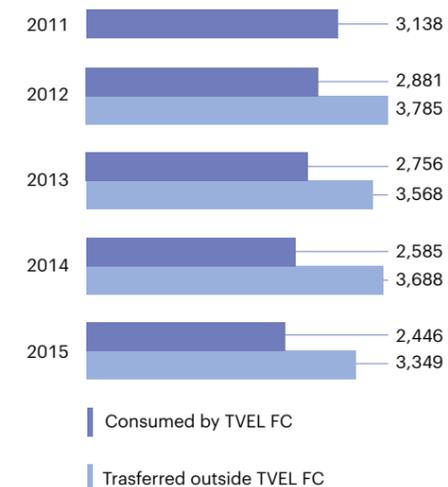
Total amount of energy saved by efforts to reduce energy consumption and improve energy efficiency, in money terms under comparable conditions, RUB mln



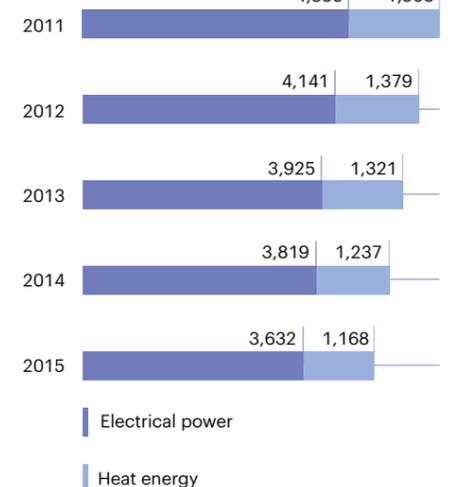
Electric power consumption and transfer to outside organizations, mln kW*h



Heat energy consumption and transfer to outside organizations, thous. Gcal



Electric power and heat energy consumption by TVEL FC enterprises in money terms under comparable conditions, RUB mln





ALEXEY B. DOLGOV

Head of Science and Technology Department

We have learned to be more flexible in our work, listen to our customers and, more importantly, hear what they have to say. We have learned to understand and even anticipate the customers' needs and match them with the right hardware. To achieve this, we have made forward thinking research and development our priority, creating a pool of technology solutions and innovations that we may draw upon. Our prototype assemblies are pilot-tested in the reactors of the Russian nuclear power plants — Rosenergoatom Concern has always been quite forthcoming in permitting their pilot operation thus extensively contributing to the development of a domestic nuclear fuel at large.



Company used 44,873 thous. GJ of primary energy sources, which is 16.4% less as compared to 2014. Indirect energy consumption at the Company's enterprises made 16,294 thous. GJ. Amount of consumption of electric power and heat energy in monetary terms made RUB 3,632 mln and RUB 1,168 mln respectively.

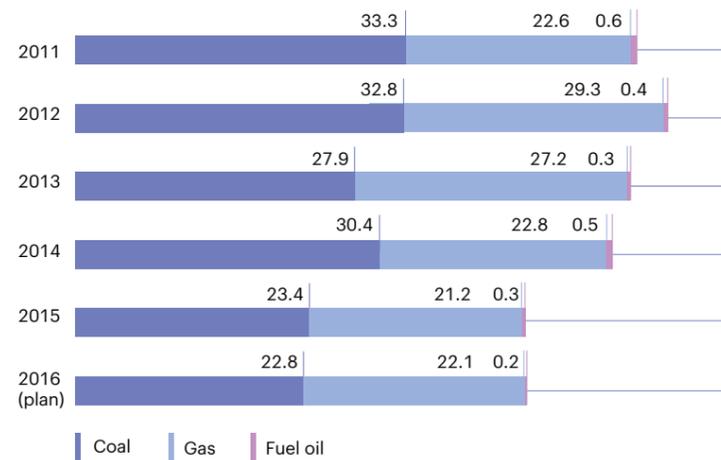
In line with the decision of the Operations Committee of ROSATOM State Corporation, on 1 January 2015 the enterprises of TVEL Fuel Company signed energy supply agreements with the newly appointed Atomenergopromsbyt industry distribution company.

To reduce the cost of energy (power) for certain enterprises of TVEL Fuel Company, TVEL JSC and Atomenergopromsbyt JSC negotiated an additional discount (to the existing discount of RUB 10 for MW/h that is applied to all the entities of TVEL FC).

Plans for 2016

- reduction of energy consumption by the Company's enterprises (under comparable conditions versus 2015) by 3%;
- continuation of implementation of the Energy Saving and Efficiency Improvement Program at the Company's enterprises;
- integrated management system audits for compliance with the international standard ISO 50001:2011 in TVEL JSC subsidiaries and structural units.

Primary energy sources consumption, mln GJ



Dynamics of energy saving by the enterprises of TVEL FC under comparable conditions as compared to 2009 on an accrual basis as a result of efforts to reduce energy consumption and energy efficiency increase

GRI G4-ENG

Indicator	2011	2012	2013	2014	2015
Total amount of saved electric power, mln kW*h	447	622	787	880	1,057
Total amount of heat energy, thous. Gcal	958	1,214	1,339	1,511	1,649
Total amount of electric power and heat energy, thous. GJ	5,623.2	7,325.9	8,443.6	9,499.1	10,714.5

4.3. Intellectual Capital

Scientific and technical activities of the Company are focused on:

- ROSATOM State Corporation Program for Innovative Development and Technological Modernization for the period up to 2020 (in the public part);
- Long-Term Program "Nuclear Fuel and Effective Fuel Cycles at Russian NPPs for 2012–2016 and up to 2020".

The main goal of the scientific and technical work is to ensure competitiveness of the products and safety of production and operation.

Main provisions of scientific and technical activities of TVEL Fuel Company:

- improvement of characteristics and technology of nuclear fuel production;
- design and technological development of the separation-sublimation complex;
- innovative activities in the non-nuclear industry.

INNOVATIVE ACTIVITIES IN THE NUCLEAR INDUSTRY

Services and products of FE NFC form the basis of subsidiaries' activities of TVEL Fuel Company (more than 80% of revenue following the results 2015), and that is why innovative activities in nuclear industry are essential to ensure long-term competitiveness and sustainability of the Company.

As for operating and new power units of NPP, works are aimed to increase the discharge burn-up range, increase service life of FA, improve operational reliability of nuclear fuel, prove the working efficiency of FA in terms of increased capacity of power units (104–107% of N nominal) with unconditional security. Works on optimizing the design of TVS-KVADRAT assemblies (for PWR), new fuels for the RR, floating power units, new cores for NPIB offer many innovations and ensure the strategy of entering new markets.

Main R&D projects are as follows:

- design and improvement of nuclear fuel and reactor cores of the Russian design (primarily VVER-1000/1200/1300);
- design of nuclear fuel for Western reactors (PWR);
- design of nuclear fuel for low-capacity nuclear power stations, research reactors and nuclear-powered icebreaker (NPIB).

Results of activities on improvement of nuclear fuel properties and production technologies in 2015:

Design and adaptation of nuclear fuel and cores for Russian power reactors

- Completion of supporting materials development for TVSA-12; Launching into

production; Full make-up shipment to Kozloduy NPP;

- Completion of licensing procedure for TVS-2M with profiled fuel cells to reach the power 107% of the N nominal value. Launching into production; Full make-up shipment to Power Unit 2 of Balakovo NPP;
- Development, start of production and delivery of secondary neutron source units to Temelin NPP.
- Start of operation of the second generation fuel with high enrichment in 15-month fuel cycle under conditions of the increased capacity (to 1,485 MW) on one of the Units of Paks NPP;
- TVS-2M nuclear fuel was put into operation in 18-month fuel cycle on Power Units 1 and 2 of Tianwan NPP (in make-up volumes)
- Addendum to the Front End Design of TVSA-T for the Temelin NPP was elaborated in connection with the introduction of modernized version of the fuel assembly — TVSA-T.mod.1 (optimization of spring cartridge, support grid and first spacer grid); Launching into production; Fuel was produced and delivered to NPP in full make-up volume.

Design of nuclear fuel for Western reactors

- The pilot lot TVS-KVADRAT was operated in power unit core of one of the European NPPs. During the first one-year operation phase, no fuel cell was depressurized.

Design of nuclear fuel for low-capacity nuclear power stations, RR, NPIB

- Conducting acceptance tests of two experimental fuel assemblies IRT-3M with low-enriched uranium-molybdenum fuel for research reactors;
- Issue of Front End Designs of a fuel element and core 14-15-1 with highly enriched intermetallic fuel for a nuclear-powered icebreaker with RU RITM-200;
- Start of production of FE, AE, BPR, start-up neutron sources and emergency shutdown rods for the core 14-15-1.

Investments into R&D by TVEL JSC, RUB mln

3,476 2013

1,514 2014

1,494 2015

Plans for nuclear fuel design and improvement in 2016:

- Completion of licensing of TVSA-12 in Bulgaria.
- Start of operation of the first core of NPP-2006 Project (Power Unit 1 of Novovoronezh NPP-2);
- Development of supporting materials for the implementation of TVS-2M from first charges of Units 3 and 4 of Tianwan NPP;
- Development of materials for preliminary substantiation of safe operation of Hanhikivi NPP;
- Manufacture of equipment for the inspection and repair bench of the European country, where a pilot lot of TVS-KVAD-RAT is operated;
- Issue of Front End Designs of a fuel element and core 14-15-1 with highly enriched intermetallic fuel for a nuclear-powered icebreaker with RU RITM-200;
- Continuation of reactor testing of an experimental fuel assembly with low-enriched cermet fuel for the core 14-15-2 of nuclear-powered icebreaker with RU RITM-200.

“Proryv” Project

The Strategic Investment Project “Proryv” of ROSATOM is carried out within the framework of the Federal Target Program “New Age Nuclear Energy Technologies for the Period 2010–2015 and up to 2020” and aimed at creation of the closed nuclear fuel cycle that allows generating energy without irradiated fuel disposal problems. The project includes the construction of an Experimental Demonstration Energy Complex (EDEC) on the basis of SGCHE JSC.

EDEC includes Fabrication / Refabrication Module (FRM), power unit with reactor BREST-OD-300 and module of spent nuclear fuel (SNF) processing BREST-OD-300.

FRM is intended for production of mixed nitride uranium plutonium fuel (MNUP fuel) for start load and reload of the BREST-OD-300 reactor. Spent mixed nitride uranium plutonium fuel is transferred to the SNF processing module for extraction (SNF PM) of 99.9% of nuclear materials for the purpose of using such for production of MNUP fuel again. Construction of three facilities such as FRM, BREST-OD-300 and SNF PM will demonstrate the closure of the nuclear fuel cycle, that was not succeeded in any other country in the world.

The Operation Headquarters for EDEC facilities construction, created in 2015, includes representatives of ROSATOM, TVEL JSC, SGCHE JSC, VNIINM JSC, Private Institution of ROSATOM SC Innovation and Technology Center for “Proryv” project, Atomproject JSC, SverdNIHim-mash JSC, YaVA Stroi LLC, Nil CJS and other organizations of the State Corporation. The main objective of the Headquarters is organization of cooperation and coordination of EDEC participants.

Results 2015:

- SGCHE JSC obtained the status of an operating organization for EDEC facilities setting;

- the license for FRM construction was granted and construction works started;
- completion of elaboration of the design documentation for non-standard equipment of Fabrication/Refabrication Module (FRM);
- within the frameworks of NF substantiation there were produced and placed for testing in FN-600 reactor the eleven experimental fuel assemblies with the mixed nitride uranium plutonium fuel (6 full-scale experimental FA with nitride fuel and 5 composite fuels (oxide and nitride fuel));
- full-scale FA models stand tests for BREST-OD-300 reactor were developed, produced and carried out;
- SGCHE JSC completed the construction of experimental facilities complex for testing of FRM prototype equipment;
- SGCHE JSC completed the construction of affination stand to test SNF hydrometallurgical processing technologies BREST.

Creation of Fast Neutron Reactors Line

Currently only two fast neutron (FN) power reactors are operated in the world and the two both are located in Russia — FN-600 and FN-800. FN-600 is operated with uranium fuel and FN-800 will be operated with MOX-Fuel in the production facility to be established in the end of 2014. Thus, ROSATOM holds a 100% share of the MOX-Fuel market for Fast Neutron Power Reactors.

Within the context of constructing the power unit with BREST-OD-300 reactor with lead coolant, the design documentation for power unit construction was approved by ROSATOM and state expertise in 2015. The works on reactor construction are carried out in compliance with the schedules.

Within the context of constructing the industrial energy complex with RU FN-1200, the works on optimization of project solutions continued in 2015 and ROSATOM conducted the Scientific and Technical Council (STC) to consider the reactor project, as a result of which the Company obtained recommendations for its further optimization. All RU project development must be completed by the year 2017



Main areas for TVEL FC new business development



SECOND BUSINESS CORE DEVELOPMENT

In order to create new knowledge intensive industries aimed at development of the second core business of TVEL Fuel Company, the projects are implemented on four programs of innovative development: New Energy, Machine Building, Metallurgy, Chemistry.

The Company’s subsidiaries are the basis for construction of the industrial centers (clusters) as growth points for innovative non-nuclear production. Creation of the new innovative technologies will create more jobs, give employment to highly qualified staff released due to restructurization, as well as attract young professionals, form the business environment in the cities of presence of TVEL Fuel Company, improve living standards and attractiveness of the territories.

Grounds for development of the second core business:

- competencies in each of the innovative development programs;

- availability of infrastructure for distribution of new production facilities — buildings, railways, co-generation plants, sewage treatment plants, etc.;
- qualified personnel;
- good manufacturing practice.

Total revenue from the sale of innovative projects in non-nuclear sphere in 2015 reached RUB 7,334 mln, which is 21.0% higher than in 2014.

Within the recent years, TVEL JSC is increasing its investment in development of general industrial activities. In 2014 the investments (Company’s own funds) in general industrial activities amounted around RUB 300 mln on account of own funds, and the investments of 2015 made more than RUB 400 mln, since the beginning of 2016 more than RUB 450 mln was spent.

Accomplished within this period investment projects made a major contribution to the development and increase of sales volume on key non-nuclear products (increase by 2.4 times over the period 2012–2015).

Revenue from Innovative Projects in the Non-Nuclear Industry, RUB mln

7,334

6,059

4,819

Mr. Kudryavtsev, what do you think are the main achievements and successes, as far as the development of general industrial activities is concerned?

The development of general industrial activities is driven not only by the necessity to enter new markets outside the nuclear fuels cycle, but also by the appearance of substitution high-technology production units and new jobs. This strategy enabled us to achieve serious progress in the development of non-nuclear activities. For instance, the proceeds from our key non-nuclear products increased 2.4-fold between 2012 and 2015. The main growth drivers are lithium and lithium products, calcium and calcium wire, titanium products, isotope products and autocatalysts.

How are the general industrial activities structured within the Fuel Company? How are they developed?

To create new innovational production units and develop second core business of the Fuel Company, we have implemented projects in four key areas: New Energy, Machine-Building, Metallurgy and Chemistry. As I've already said, setting up new high-tech production units at the enterprises of the Fuel Company will help not only create new jobs, but also form a positive business environment in our cities of presence, increase overall living standards and the social appeal of the territories.

Setting up new high-tech production units at the enterprises of the Fuel Company will help not only create new jobs, but also form a positive business environment in our cities of presence, increase overall living standards and the social appeal of the territories.

Which enterprises of TVEL JSC would you name as the most successful in terms of developing general industrial activities?

We focus on developing general industrial activities at all of our enterprises. However, the enterprises have different potentials for growth. Naturally, several enterprises can be singled out as leaders in this field, in particular the Novosibirsk Chemical Concentrates Plant PAO and Chepetsky Mechanical Plant JSC. By the way, in the recent years the Novosibirsk Plant has significantly increased the range of lithium products, and in 2015 it started to master the production of a new promising product, metallic lithium highly enriched in the stable ⁷Li isotope, that is used in nuclear medicine to treat cancer. As to the Chepetsky Plant, in addition to developing new products and introducing them into production (for example, in 2015 it was hot-rolled titanium tubes of large diameter, titanium welding and spring wire and intermetallic products), the facility also showed a significant increase in the sales of general industry products. Most significantly, the new products and the expansion of non-nuclear production enabled the Chepetsky Plant to preserve around 200 jobs and ensure employment for qualified personnel which is especially important in the single-industry town where ROSATOM State Corporation is present.

The enterprises of the Novouralsk site also have a significant growth potential. Despite the tough situation in the Russian automotive market (namely, a serious decline in the passenger car sales), Ekoalyans CJSC, an enterprise of the Novouralsk site, managed to increase the proceeds from the sales of autocatalysts by more than 30%.

Our strategic goal in terms general industrial activities, as set by ROSATOM State Corporation, is exponential growth of proceeds and achieving a share of no less than 15% of the total proceeds of the Fuel Company. Meanwhile, we should not overlook the social aspects that are associated with rapid growth and ensure a decent life for every employee who contributes to the achievement of the said goal. ◆

Innovation clusters of the second core business



YURY A. KUDRYAVTSEV

Senior Vice-President
for Development
of New Businesses



99.995%

NCCP PJSC mastered the production for high purity lithium-7 hydroxide monohydrate (LHM-7) with purity 99.995%. Within the framework of the relevant investment project the possibility was confirmed to achieve high degree enrichment of lithium-7 isotope. The first batches of high purity LHM-7 were supplied to the customer.

Superconductive Materials

Within the framework of the Russia's participation in ITER International Project under TVEL JSC control the superconducting materials technology was developed and its production was launched on the basis of ChMP JSC since 2009.

In the course of the technology development, its developers, employees of VNIINM JSC, solved a number of difficult technical problems. Novelty of the developed technical solutions, their relevance and practical value were confirmed by 18 patents.

The uniqueness of superconductors production in ChMP JSC lies in the fact that their manufacture takes place in the same enterprise, starting from raw materials (niobium, niobium-titanium alloy, high tin bronze) to the final product: superconducting strands — wires of less than 1 mm in diameter with the number of superconducting fibers more than 18,000 (for Nb₃Sn strands).

With the view of further development of superconducting materials, ChMP JSC continued the development of structures and technology for superconducting wires manufacture for advanced directions of science and technology: medical computed tomography and magnetic systems of particle accelerators, including for the Russian project NICA.

Scope of superconductive materials application:

- medicine — NMR scanners;
- transportation — water, air, land (magnetic levitation trains);
- electric power — energy storage devices;
- industries — magnetic separators;
- research in chemistry and biology — nuclear magnetic scanners;
- research laboratories — high field pulsed magnets;
- telecommunications systems;
- geological exploration, mining and processing of minerals.

Current Products by New Businesses of TVEL FC

New businesses	Current products		
	Products	Basic enterprises	Scope
New Energy	Lithium and Lithium-Based Materials	Lithium Hydroxide-7, Lithium Metal, Lithium Chloride	NCCP JSC Transportation, Electric Power, Industries, Telecommunications Systems
	Materials for Li-Ion cells	<ul style="list-style-type: none"> • Lithium Ferrophosphate • Lithium Cobaltate 	NCCP JSC / Cathode Materials LLC (Subsidiary of NCCP JSC)
	Accumulators and generators, fuel elements	<ul style="list-style-type: none"> • Special purpose (military and space machinery) electrochemical power sources (alkaline fuel cells) • Electrochemical power sources for solid oxide fuel cells 	ZEP (Electrochemical Converter Plant) LLC (Subsidiary of NCCP JSC) Electric Power, Telecommunications Systems
Metallurgy	Special metallurgy	<ul style="list-style-type: none"> • Zirconium alloys • Titanium alloys • Hafnium • Calcium metal and Calcium injection wire 	ChMP JSC Electric Power, Engineering, Medicine, Metallurgy
	Special tube rolling	Titanium alloys rolling (tubes, rods)	ChMP JSC Engineering, Medicine
	Nanometallurgy	Superwires and DMA-based wires	ChMP JSC Electric Power, Industries, Medicine, Transportation, Telecommunications Systems
		Nickel filtering elements, powders	UEIP JSC Industries
	Production of stable isotopes	Production of 95 isotopes of 19 chemical elements: Ar, W, Ge, Fe, Ir, Cd, Si, Kr, Xe, Mo, Ni, Sn, Os, Pb, Se, S, Te, C, Zn	<ul style="list-style-type: none"> • PA ECP JSC • SGChE JSC Industries, Medicine, Research in the sphere of new generation elementary particles characteristics, Agriculture, Metrology, Research in the sphere of Geology, Biology, Oceanology
Chemistry	Catalysts	Autocatalysts	Ecoalliance LLC (Subsidiary of UEIP JSC) Industries, Transportation
		Zeolite catalysts for petroleum chemistry	NCCP JSC Industries
	Fluorine compounds	Extra Pure Fluorine Hydrogen	<ul style="list-style-type: none"> • ECP JSC • SGChE JSC Nuclear, Oil extraction, Chemicals, Transportation
Machine Building	Instrument making	Car electrical equipment	VPA Tochmash JSC Electric Power, Industries, Transportation
		<ul style="list-style-type: none"> • Static frequency converters • Dosimeters, radiation meters • Controllers • Printing plates • Junction boxes 	Uralpribor LLC Electric Power, Industries
	Nuclear fuel cycle equipment	<ul style="list-style-type: none"> • Ball- and screw-type plugs • Stop valves • Units and components for gas centrifuges 	VPA Tochmash JSC Electric Power, Industries
	Mining industry equipment	Oil-fields equipment	UGCMP LLC Geological exploration, mining and processing of minerals

DEVELOPMENT OF RESEARCH COMPLEX

Modernization and Technical Upgrade of Research and Development Complex

TVEL FC continues modernization and development of infrastructure of its R&D complex within the framework of the projects of technical upgrade of the enterprises comprising the complex and in accordance with Federal Target Program “New Age Nuclear Energy Technologies for the Period of 2010–2015 and up to 2020” (FTP NANET). The purchased new equipment will help to solve the problems more effectively. For example, technical upgrade in VNIINM JSC will allow to increase the level of safe operation of equipment, engineering systems and to increase the performance on contractual obligations associated with improved technical parameters and upgraded equipment of scientific and engineering units.

Results 2015:

- commissioning works on TP-10 substation, construction and installation works on TP-11 substation;
- purchased: VU-VSM 1200/6 (MESH 70) for application of double-layer “insulator-metal” coating with the layer of 15 mcm thick, Alctronik-16c machine, HITACHI TM 3030 microscope;
- supplied: APC Smart-UPS single-phase uninterruptible power supply, options for transmission electron microscope Tecnai G2 20 TWIN, circular grinding machine with PLC G20P-50NC;
- completed: construction and installation work on modernization of special ventilation systems in buildings 29, 29a, 34;
- executed: contracts for supply of input ventilation systems, refrigeration equipment, control cabinets.

Training of Personnel

VNIINM JSC implements training of research and scientific-pedagogical personnel (while continuing to work) in accordance with the license to conduct educational activities.

VNIINM JSC implements training of graduate students in the following directions and specialties:

- 22.06.01 — materials technology,
- 18.06.01 — chemical technology,
- 14.06.01 — nuclear, thermal and renewable energy and related technologies.

Two dissertation councils are available. Since 2015 VNIINM JSC offers an opportunity of further education in postgraduate studies

for young perspective specialists (ChMP JSC, MSZ PJSC, NCCP PJSC and etc.)

In 2015 VNIINM JSC trained 225 persons on the following directions:

- Managerial personnel reserve,
- Training with the purpose of approval documents,
- Accounting, control and security of nuclear materials use,
- Advanced training for the purpose of licensing and certification of metrology laboratories,
- ISO Certification, etc.

Details regarding education of employees in Section HR Development.

Involvement of Universities in Implementation of Investment Projects

National Research Nuclear University MEPhI (Moscow Engineering Physics Institute), Moscow Institute of Steel and Alloys (MISA), branch of MEPhI NRNU in Seversk, Ural Federal University and other institutions were also involved by sub-contracting with branch organizations (VNIINM JSC, ChMP JSC) in the development of mathematical models of processes, investigations of the properties of different materials, etc.

Amount of investment for R&D in higher educational establishments was equal to RUB 20 mln.

INTELLECTUAL PROPERTY

TVEL Fuel Company owns 1,812 items of intellectual property as of the end of 2015. About 20 applications for protected intellectual activity are filed annually (for 100 researchers and developers).

Among the objects protected by law there are inventions, utility models, production secrets (know-hows), software for electronic computing machines, databases (DB), trademarks and industrial designs.

Intellectual Property Identification and Legal Protection System as it applies to the items created by the Company’s enterprises is implemented in accordance with applicable laws of the Russian Federation, Standard Industry Methodological Recommendations and by local regulations.

Functions to identify and secure legal protection of the items of intellectual property are assigned to the Patent and Licensing Department of TVEL JSC, as well as to technical departments, devel-

Number of applications for inventions, utility models, software and databases, production secrets (know-how)

Application	2013	2014	2015
Applications for inventions: Russian	68	54	34
Applications for inventions: foreign	1	2	7
Applications for utility models: Russian	13	7	3
Applications for utility models: foreign	1	0	1
Applications for software and DB: Russian	19	57	18
Applications for software and DB: foreign	0	0	0
Applications for production secrets (Know-hows)	60	76	92

Number of registered inventions, utility models, industrial designs and production secrets (know-how)

Items of intellectual property	2013	2014	2015
Russian Inventions	65	52	53
Foreign Inventions	7	4	3
Russian Utility Models	12	9	6
Foreign Utility Models	0	0	1
Russian Industrial Designs	0	0	0
Foreign Industrial Designs	0	0	0
Production Secrets (Know-hows)	97	83	96

opment design offices, intellectual property protection teams and patent-information departments of the Company’s enterprises.

159 items of intellectual property were registered in 2015, out of which the major part is registered for VNIINM JSC (81 items).

TVEL Fuel Company owns 42 patents of foreign countries (countries of the European Union, USA, Japan, etc.) for items of intellectual activity as of December 31, 2015.

As of the end of 2015 the number of publications in peer-reviewed publications worldwide in the field of nuclear energy amounted to 39 pc. (100 researchers and developers per year).

INTRODUCTION OF NEW INFORMATION TECHNOLOGIES

With the view of increasing the efficiency and optimizing business processes, TVEL Fuel Company uses up-to-date information technologies (IT) and solutions.

Department of Information Technologies develops and introduces new information systems in accordance with Information Technologies Transformation Program of ROSATOM and the needs of TVEL JSC Management with due account for the development plans of TVEL Fuel Company.

Results 2015:

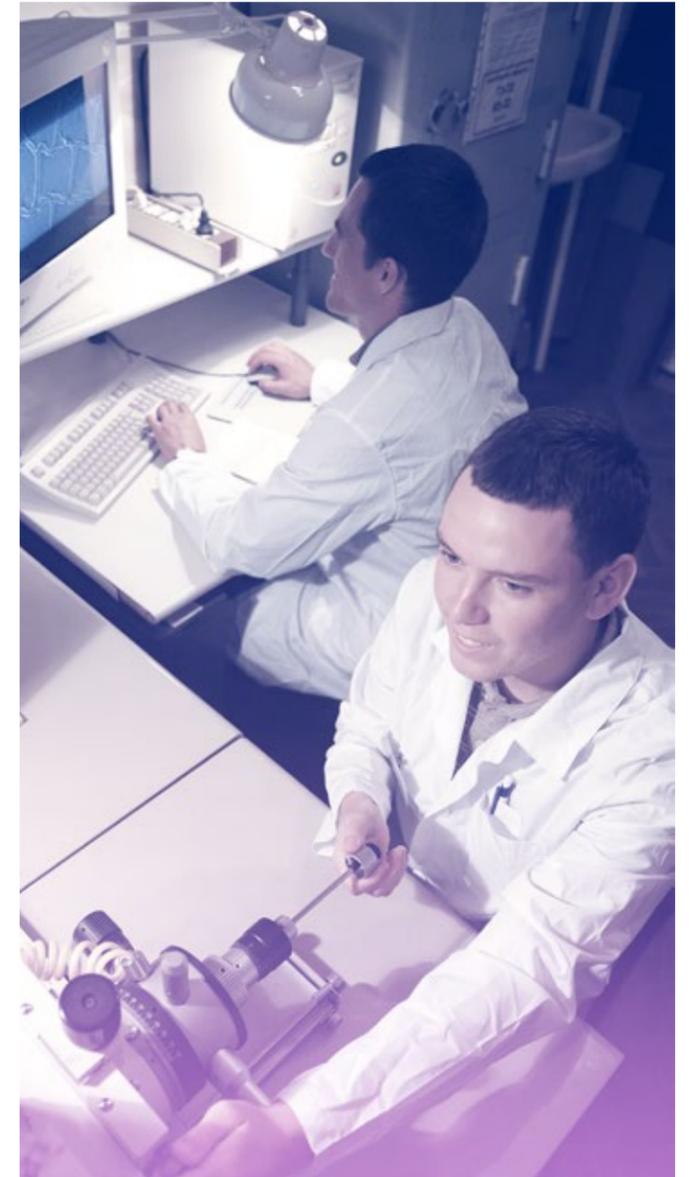
1. Prominnovatsii CJS completed successfully the replication project for company resource management on SAP ERP base. The system was placed into commercial operation on 01.01.2016. Following the results of this project the Company’s SAP ERP system obtained the centralized solution on substantive technical support.

2. In December 2015 the Laboratory Information System of ChMP CSJ was transferred to pilot commercial operation.

3. System Design stage was completed under the project “Introduction of Automated Control System for Design Engineering Pre-Production (ACS DEP) in Tochmash JSC”.

4. Completion of pilot introduction of Development of Concept for Integrated Design Management System (IMSD) at CPTI JSC on the following directions:

- development of methodology and implementation of the basic functionality of the detailed planning in Corporate Project Management System (Line 2),
- creation of the basic functionality of computer-aided design of IMSd (Line 3).



1,812

intellectual property items owned by TVEL Fuel Company, as of end-2015.

5. Following the results of Development of Operating Activity Automation Concept for VNIINM JSC named after A. A. Bochvara there was formed the Target Architecture of Information System of VNIINM and technical project for VNIINM Engineering and Experimental Data.

6. Target Values 2015 for engineering data management in ACS DEP were fulfilled by the enterprises.

4.4. Social Capital



Publicity Capital (public image property, reputation capital) is qualitative and quantitative totality of all information related to TVEL JSC and known within public communications space. Growth of the publicity capital volume means increase public confidence, strengthening of a positive image, formation of increasingly favorable public opinion, escalation of political weight, etc.

INCREASE OF PUBLICITY CAPITAL

Publicity capital provides a means for TVEL Fuel Company to position itself as a global technology leader, as a global player in the front-end part of the nuclear fuel cycle, as a strong, competitive and diversified company in mechanical engineering and nuclear industries.

Publicity capital growth was encouraged in 2015 by the integrated communications model implemented by the company, the adopted Uniform Information Policy, the target communications support of advancement on the world market of a wide range of non-nuclear products, the new PR strategy "TVEL-Progress".

In 2015 the organizations of TVEL Fuel Company applied a systematic approach to enhance the communicative function (public relations) with the view of improving the efficiency of its impact on business results and ensuring the publicity capital growth:

- with the assistance of the Russian Public Relations Association the performance appraisal was carried out of all employees involved in the communications sector (totally — 91 persons) for compliance with the Professional Standards;

- proposals were submitted for reorganization of the Public Relations Department of TVEL JSC into Information Policy and Communications Department, centralization of communication functions, transfer of public relations departments in the subsidiaries (totally — 11) into immediate subordination of Director General;

- for the convenience of coordinated delivery to the media and target audiences the information concerning the activities of TVEL JSC and subsidiaries, ensuring public acceptance and openness for wide public, TVEL JSC and its subsidiary companies developed and introduced the Uniform Information Policy of TVEL Fuel Company, the basic principles of which are as follows:

- regularity,
- promptitude,
- availability,
- reliability,
- completeness,
- balance,
- equal rights,
- security of corporate information resources;

14,214
mentions of TVEL Fuel Company in the Russian mass media in 2015

- the technology of target communication support of specific business objectives and commercial projects. Totally TVEL Fuel Company enterprises elaborated and implemented more than 20 transient target communication programs, including 8 ones on non-nuclear products.
- following the results of strategic sessions of top-management it was decided to include into the Tree of Objectives of TVEL Fuel Company as an independent objective "Increase of Publicity Capital", to adopt the metrics in the form of target communication strategy for the period up to 2020 and the "information favored index" (IFI) " (the indicator was measured in a pilot mode, IFI monitoring and index calculation on a permanent basis is assumed to begin from 2016–2017);
- in 2015 the target communication program was realized to confirm by the international and Russian public attitudes the reputation of TVEL as the "company of continuous improvement" and the "company of advanced technological development", according to which program there were published more than 1,500 information materials in foreign and domestic media. The balance of positive and negative assessments of the programs to develop nuclear power industry, that were formed by the RF population under the information influence, increased in 2015 by 4.4% (2014 — 55.8%, 2015 — 60.2%), thus ensuring the growth of the publicity capital of the Russian nuclear power industry and proving the operating efficiency of communication subdivisions of TVEL Fuel Company.

References to TVEL JSC and its Subsidiaries in the Russian Media

The number of publications in 2015 increased by 27% against 2014, including the publications with "TVEL" brand in headings — by 65%. The number of publications covering with the production results of TVEL Fuel Company increased by 85%.

Totally 14,214 references to TVEL JSC and enterprises of TVEL Fuel Company were recorded in the Russian media in 2015. Dynamics of the activity of the information field is characterized as smooth, without strong outbursts and critical slowdowns.

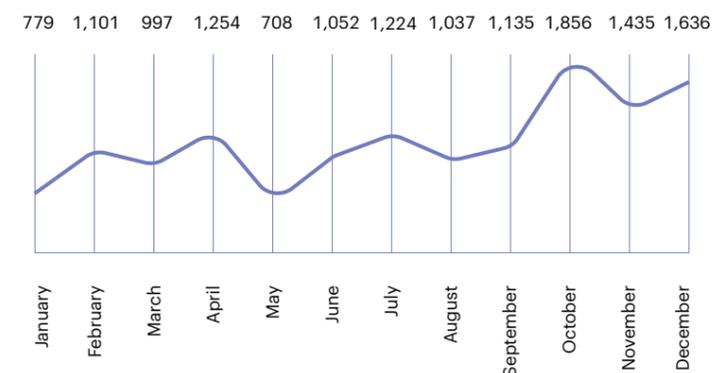
The following tendencies were revealed: regardless of the number and specificity of the newsworthy information the most popular format of information presentation was news, and while in distribution by media types in the leading role took federal web-based media and the sectoral media. Tonality of the major number of messages was positive and neutral. Negative references were related to staff reduction as part of restructuring and identified thefts within TVEL Fuel Company (regarding the circumstances five years ago).

The growth of public (information) popularity of the Company in 2015 is directly dependent on the Uniform Information Policy adopted by TVEL JSC, according to which standards for information generation and promotion were introduced; the course of increasing the share of production news in the structure of the information content was defined, all informa-

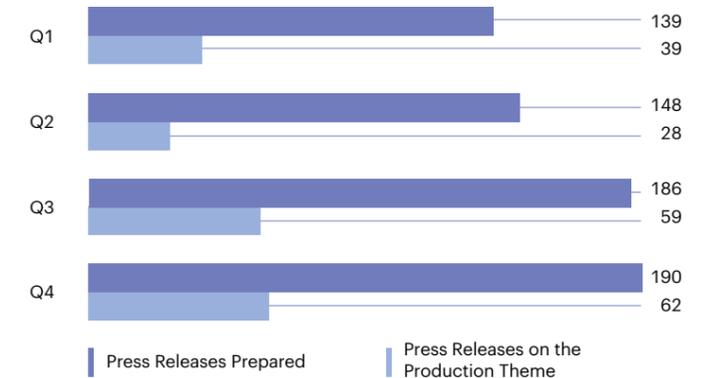
tion messages were tagged by values of ROSATOM, which in its turn had a positive effect on references to TVEL JSC and its subsidiaries in the mass media.

As shown in the diagram 35, over the year 2015 there were produced totally 663 press releases, out of which 92 information messages (13%) were prepared by the managing the company's press service. The company's every third press release contains reference to TVEL JSC in its title. Production news take 28% of the information content. 23% of the posts covering the production theme are devoted to non-nuclear production, thereby making possible for the target audiences and the wide public to consider the TVEL Fuel Company not only as the global leader for front-end part of the nuclear fuel cycle, but also as an exclusive developer and manufacturer of a wide range of high-tech non-nuclear products. Every third message contains an expert's quote and 80% of such information shall be subjected to an external evaluation, which contributes to the growth of publicity and reputation capital, increase of reliance toward the information provided by TVEL Fuel Company.

Media References to TVEL Fuel Company in 2015



Dynamics of information content production, number of press-releases



Participating in international events creates a positive image and helps maintain a good business reputation

Exhibition Activities of TVEL FC in 2015



13,000

Starting from the year 2008 about 13,000 children and almost 1,000 teachers took part in the "First Step to the Nuclear Project" program, more than 400 excursions to the museums, information centers and similar events were organized.

"First Step to the Nuclear Project" Program

TVEL JSC and its subsidiaries have been cooperating with ANO "Nuclear Power Information Centers" since 2010.

Within the framework of cooperation TVEL JSC provides continual charitable support for educational initiatives in the field of nuclear energy.

One of the main directions of such cooperation is the information and training program "First Step to the Nuclear Project" that is being accomplished in regions of presence of the Company since 2008. Program organizers and participants: TVEL JSC, SCs, educational and public agencies in regions of presence of TVEL Fuel Company's enterprises, Nuclear Power Information Centers, the community.

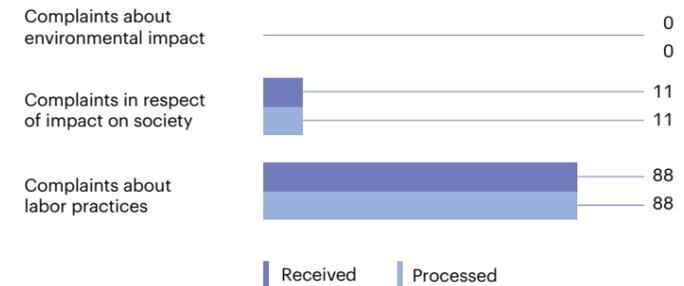
- achieving public acceptance of nuclear technology development;
- strengthening the positive image and reputation of TVEL JSC in presence regions and partner countries;

- demonstration of TVEL Fuel Company and its enterprises as innovative and high-tech safe facilities that are attractive to employment by young people;
- development of social partnership for improving the system of professional orientation of pupils;
- increasing the prestige of the Russian nuclear technologies and scientific knowledge.

The second closing ceremony of TVEL Fuel Company information and training program "First Step to the Nuclear Project" was held in December 2015. The program overgrew the framework of municipal educational event and became interregional, uniting schoolchildren from more than 5 regions. 19 teams participated in the game: winners of municipal stages from six cities of presence of the Company (Novosibirsk, Seversk (Tomsk region), Zelenogorsk (Krasnoyarsk territory, Novouralsk (Sverdlovsk region), Vladimir and Kovrov (Vladimir region)). Contests were held online in regional Nuclear

Handling customer complaints in 2015

GRI G4-SO11, G4-EN34, G4-LA16



Power Information Centers, in a teleconference bridge format. The organizers of the game: TVEL JSC and enterprises of the Fuel Company: SGCHE JSC, UEIP JSC, KMZ JSC, VPA Tochmash JSC, PA ECP JSC. The partners were Autonomous Non-Profit Organization "Nuclear Power Information Centers" and Information Centers in Novosibirsk, Tomsk, Krasnoyarsk, Vladimir, Ekaterinburg and Ulyanovsk, that ensured reliable technical support in the event organization.

Complaints and Appeals Handling

Complaints and appeals handling in TVEL JSC is performed in conformity with the Federal Law "On procedure for handling the appeals from citizens of the Russian Federation" No. 59-FZ d/d February 2, 2006. Feedback is compulsory: every appeal shall be registered, as well as every response.

To establish direct communication between an employee and President of TVEL JSC, in all subsidiaries of the Company the so called "post boxes" were installed, thus any employee may address the top management of TVEL Fuel Company confidentially.

Awards Obtained by TVEL Fuel Company

Numerous awards and letters of appreciation granted to the subsidiaries in 2015 prove public recognition of TVEL Fuel Company's active position in this regard. These are awards for environmental safety, occupational culture and labor safety, charitable activities and social programs in the regions of presence, work with young people and participation in exhibitions. Within the reporting period the Company's subsidiaries won more than 50 various awards.

ENSURING SOCIAL ACCORD IN THE TERRITORIES OF PRESENCE

Achievement of strategic objectives by TVEL Fuel Company is impossible without social accord in the territories of presence or compliance with social and environmental acceptability requirements. Social strain in regions and on territories of presence may cause reputation damage to TVEL JSC which has the image of a reliable supplier of nuclear fuel and uranium enrichment services, and therefore may cause re-orientation by foreign partners towards the Company's competitors (see also Section Risk Management).



TVEL JSC is a member of All-Russian Industrial Association of Employers "Association of the Employers of the Nuclear Industry, Energy and Science of Russia" (President of the Company is a member of the Board), and National Association of Procurement Institutes (NAPI).

GRI G4-16

Monitoring social and political situation in the cities of presence



Monitoring purpose: reduction of social strain risks and possible impact of protest moods. The findings help to develop and to correct plans of preservation of social cohesion environment in regions of presence of the Fuel Company.

TVEL JSC developed strategic initiatives and target projects on social and economic development of the regions / territories of presence and ensuring their social stability. TVEL JSC and its subsidiaries elaborated and approved the Program "Formation and preservation of social accord environment in the regions of TVEL Fuel Company's presence" which systematizes the Company's experience in this area and includes three groups of projects:

- cooperation with local and regional public authorities with respect to the concept of the territories development, the growth of regional taxes and maintenance of social and economic stability for the years 2016–2018;
- social programs at the enterprises and in the cities of presence, development of social partnership with RUNPIW;

- building multi-level internal and external communications.
- Since 2014 the Company carries out weekly monitoring of social and political situation in CATU (Zelenogorsk, Seversk, Novouralsk) and Glazov providing for 29 scenarios of social and political crises and their relevant indicators:
- inter-elite conflicts;
 - emergency situations;
 - growth of social strain.

GRI G4-2, EC7, EC8, SO1

DEVELOPMENT OF THE REGIONS OF PRESENCE

Agreements on cooperation with the regions

In 2012 TVEL JSC initiated the drawing up and signing of Agreements on Cooperation between ROSATOM and public

Direct economic value generated and distributed, RUB mln*

GRI G4 EC1

Indicator	2013	2014	2015
Direct economic value generated	162,789	159,539	222,908
Economic value distributed, including:	142,265	142,142	171,828
• Operating costs	84,316	89,224	106,200
• Employee wages and benefits	21,958	20,632	26,000
• Payments to providers of capital	19,711	17,021	16,021
• Community investments	170.3	245.3	139.3
• Gross tax payments**	16,110	15,020	23,468
Economic value retained	20,524	17,397	51,080

* The data from the Consolidated Financial Statement of the Fuel Company prepared under the Russian Accounting Standards were used for estimations. IFRS reporting shall be prepared later.

** Amount of main tax liabilities due and payable to the budgets of different levels for the reporting period, including: taxes included in expenses; payments to extra-budgetary funds; corporate profit tax.

authorities of the territorial entities of the Russian Federation.

Now there are agreements with Sverdlovsk region, Tomsk region, Krasnoyarsk territory and the Udmurt Republic.

The key point of each Agreement is understanding on the return of regional taxes surplus from operation of enterprises of ROSATOM in the territory of a constituent entity of the Russian Federation to the municipal budget for activities aimed at social and economic development of nuclear power cities. Moreover, the agreements determine the terms of co-funding of Entrepreneurial Development and Supporting Fund and establishment of Physical and Mathematical Lyceums.

In pursuance of Agreements, in 2013 the Entrepreneurial Development and Supporting Fund was organized and Physical-Mathematical Lyceum was opened in CATU Zelenogorsk with the aid of TVEL JSC, local and regional authorities. The Entrepreneurial Development and Supporting Funds and Physical and Mathematical Lyceums also operate in CATU Seversk and Glazov.

CATU Development Programs

In 2014 the working teams of TVEL Fuel Company's subsidiaries developed the Integrated Development Programs (IDP) of CATU Zelenogorsk, Seversk, Novouralsk. IDP were approved by local and regional authorities, and submitted for inspection and approval to the Government of the Russian Federation.

IDP are aimed at consistent, stage-by-stage sustainable development of CATU economics and social sphere, rational use of production and technological potential of the city-forming enterprises, social and economic, potential as well as natural resource potential of cities.

At the end of 2014 the Federal Law No. 473-FZ "About the territories of advanced social and economic development in the Russian Federation" was adopted. IDP will form the basis of the concept of the Territory of Advanced Social and Economic Development (TASED) of nuclear industry in CATU.

Work groups of TVEL JSC and ROSATOM considered the following:

- appraisal of the projects being offered to include into the concept of TASED creation;
- scheme of industrial organizations' lands transfer to TASED Management Company in CATU;
- possible financing schemes for the projects being planned within TASED;
- suggestions in terms of considering within the investment process of ROSATOM of the specific nature of projects implementation in TASED.

Within the framework of TASED creation in CATU, TVEL JSC Management organized meetings with representatives of regional authorities: representatives of the Government in Sverdlovsk region, with the Governor of Tomsk region Sergey Zhvachkin, the Governor of Krasnoyarsk territory V.A. Tolokonski, with the authorized representative of Presidential Pleni-

potentary Envoy to the Siberian Federal District.

In December 2015 the work groups met the representatives of the Government in Sverdlovsk and Tomsk regions and the Administrations of Novouralsk and Seversk cities. The examined concept projects of TASED creation within Closed Administrative Territorial Units (CATU) were approved and directed for expert consideration to the RF Ministry of Finance and the RF Ministry of Economic Development. As of the beginning of 2016 these projects are to be finalized taking into account the comments of the ministries; the proposals (applications) to create TASED will be formulated and directed to the authorized federal executive authority.

Goals and objectives of IDP are focused on:

- economic and social development,
- municipal administration improvement,
- urban environment development.

TASED is the part of a territorial entity of the Russian Federation with the special legal regime for entrepreneurial and other activities.

Working-age population employed by subsidiaries of TVEL FC

City (enterprise)	Region	% of working-age population employed by subsidiaries of TVEL FC
Angarsk (AECC JSC)	Irkutsk region	0.71
Vladimir (VPA Tochmash JSC)	Vladimir region	0.66
Kovrov (KMP PJSC)	Vladimir region	1.34
Glazov (ChMP JSC)	The Udmurt Republic	5.75
Zelenogorsk (PA ECP JSC)	Krasnoyarsk territory	6.13
Novouralsk (UEIP JSC)	Sverdlovsk region	4.09
Seversk (SGCHE JSC)	Tomsk region	6.01
Elektrostal (MSZ PJSC)	Moscow region	4.46

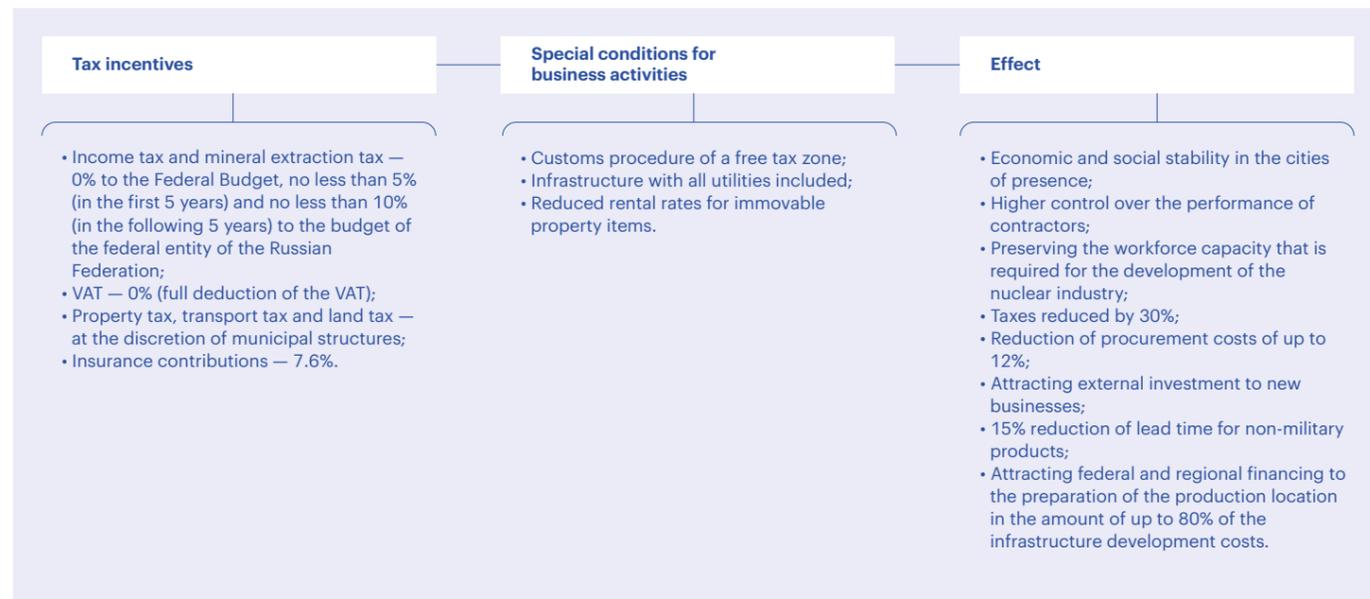
*Program for social and economic development of the cities of presence of TVEL Fuel Company, 2015

City	Scope of finance, RUB mln	Events
CATU Novouralsk	215	"Safe City" Project Accomplishment. Repairing and equipping of the Concert-Sports Complex building.
Glazov	361	Capital repair of the Ice Sports Palace. Support for sports teams.
CATU Seversk	89	Construction of multi-sports complex
TOTAL	665	

Measures on the development of TASED projects



The effect from creating TASED in CATU



The Effect of TASED Creation in CATU

CATU	Number of new jobs	Scope of investment, RUB mln
Zelenogorsk	242	647
Seversk	840	8,280
Novouralsk	874	2,638

Charitable Activity and Support of External Social Programs

TVEL Fuel Company's contribution to social and economic development of the regions of presence implies not only participation in the regional and local budgets income base, but also realization of the whole body of social and charity programs.

Since 2012 the Charity Council has been working within TVEL JSC; its functions include to determine purposes and priority areas of charitable activity, approve the budget and charity events, assess the efficiency of charitable activity in TVEL Fuel Company, etc.

The Charity Council comprises managers of TVEL JSC in charge of economics, finance, HR, regional and social work, public relations. Scheduled meetings of Charity Council are held on a monthly basis and consider appeals on financial assistance from individuals and organizations.

The principles of charitable activity:

- Support for charitable programs and projects in the cities of the Company's subsidiaries presence (social projects contests);
- backing-up common values (promotion of business environment, creation of new jobs, development of the education-

al, health-care, culture and sports infrastructure);

- co-funding of charitable programs jointly with the local authorities and central government bodies of the Russian constituent entities.

Creation and development of Physics and Mathematical Lyceums

One of the primary areas of TVEL Fuel Company's charitable activity is creation and development of Physics and Mathematics Lyceums for training of future skilled specialists for the nuclear industry.

This project is designed to create conditions for children's self-expression, to reveal and support talented schoolchildren, bring up of the prospective scientists.

Presently the project is implemented in three cities: CATU Seversk, CATU Zelenogorsk and Glazov under the terms of co-funding with the local authorities and government bodies of the Russian constituent entities.

The Coordination Board for physics and mathematics lyceums development

coordinates their work and serves a site where teaching staff and managers of TVEL Fuel Company can exchange ideas. All-Russian Training Conference for Physics and Mathematics Lyceums is held on a quarterly basis; the teachers discuss essential problems of education in the sphere of physics and mathematics and possible ways to solve them in an actual teaching practice.

On September 11, 2014 the Coordination Board formulated plans for further realization of the project throughout 2016, particularly School Technoparks will appear.

Atomclasses

The cities of the Company's presence have the so called "atomclasses" (Angarsk, Glazov, Zelenogorsk, Kovrov, Nizhny Novgorod, Novouralsk, Seversk, Elektrostal). The Atomclasses are specialized classes in the best schools of the cities with advanced teaching of physics and mathematics. The specific feature of such classes is the profound study of nuclear physics and nuclear technolo-

gies. The important part of the project is procurement of the advanced laboratory equipment for teachers to demonstrate innovative physical presentations, and for students to have their training laboratory courses and to carry out research works. Such advanced training will help the students to succeed in academic competitions, contests, school children's academic achievements festivals. Further on the Atomclasses graduates will be able to continue their education in relevant technical universities.

Funding of charity and social initiatives of TVEL FC in 2015, RUB mln

No.	Events (Projects)	Scope of Finance
1	Support of pensioners, the social order mass cultural events, financial support of sports and youth, "Baikal Stars" Festival, The Baikal Economic Forum (under an agreement with the Governor of Irkutsk region)	41.6
2	Improving the material equipment and working conditions in children's kindergartens in Glazov and Kovrov	1.5
3	Support of social facilities transferred to municipal ownership	4.4
4	Support to Atomclasses activities in the cities of TVEL FC presence	6.0
5	Support to the activities of the nuclear industry information centers in the regions of TVEL FC subsidiaries presence (ANO "Data Center of Nuclear Field")	2.0
6	Support to international social and environmental initiatives in the cities of TVEL FC subsidiaries presence	5.6
7	Aid to Russian Orthodox Church parishes	11.5
9	Support to the sports activities in the cities of presence of TVEL FC subsidiaries	23.5
10	Participation and holding of a contest "Businessman of the year" in the cities of presence of TVEL FC subsidiaries	1.2
11	Support to social and cultural events in the regions of TVEL FC subsidiaries presence	3.1
12	Organization of the youth camp and support to international children's events of environmental focus	1.0
13	Support to non-governmental organizations, orphanages, boarding schools, veterans, persons with disabilities, persons who are in difficult life situation, in the cities of presence of TVEL FC subsidiaries	2.4
14	Support to educational institutions in the regions of TVEL FC subsidiaries presence	3.4
15	Grants following the results of the social and charity projects contests in the cities of presence of TVEL FC subsidiaries	16.7
16	Other projects of TVEL JSC and subsidiary companies of TVEL JSC	15.5
TOTAL		139.3

TVEL JSC has always focused on sustainability and increasing the living standards in the territories of its presence. Gennady N. Lisavkin, Director of the Program for Regional Development at TVEL JSC, speaks on the measures taken by the Fuel Company in this area.

To ensure social acceptability of the business, TVEL JSC has implemented a number of social initiatives through centralized funds and with support from the enterprises. For example, the Company built an eight-apartment house for teachers in CATU Zelenogorsk (Krasnoyarsk Territory) and provided 10 apartments for health care workers in CATU Novouralsk (Sverdlovsk Region) as a measure of attracting subspecialists to the city. In Glazov (Republic of Udmurtia) the central Svoboda Square was renovated and equipment was purchased for the public utilities. Urban development measures were also financed in the two cities.

In February 2012 we drafted three agreements between ROSATOM State Corporation and the governors of the Sverdlovsk and Tomsk Regions and the Krasnoyarsk Territory. The agreements provided for the cooperation between the nuclear industry and the constituent entities on the development of nuclear power in the regions, and also for the support by ROSATOM of the regions' education, investment and innovation projects. Under the agreements, the difference between the taxes to the regional budget that may arise from ROSATOM's new policy aimed at increasing their efficiency, implementing new products and introducing new products and the taxes for the base year will be returned to the Fuel Company's cities of presence where these funds will be allocated to socially conscious investment in particular to Novouralsk, Glazov, Zelenogorsk and Seversk. In 2013, in line with the agreements, the first social projects were financed in the said cities. In the three years (between 2013 and

2015) additional social projects worth RUB 2.6 bln were financed through the regional budgets — quite a large amount of money. Last year alone, this money was used to implement the Safe City program, renovate a concert and sports complex in Novouralsk, the ice arena in Glasov, build a multi-purpose sports complex in Seversk and totally replace the surface of several motorways.

Children's needs were also addressed: we developed a special project to support mathematics and physics schools that was co-financed by three parties: the regional authorities, the municipal administration and TVEL enterprises. As part of the project, the local and regional authorities renovated the buildings of mathematics and physics schools in Zelenogorsk, Seversk and Glazov. In particular, in Seversk they built a modern two-storey athletic wing, and in Glazov the construction of a sports complex and workshops is being completed. The funds provided by the Fuel Company were used to purchase textbooks, physics and chemistry laboratory kits, interactive whiteboards and computers, and to train the teachers in new teaching methods, etc. Today, the mathematics and physics schools in the said cities are equipped to the highest standards, and have arguably become the regions' leading schools. The result was the high educational level at these schools, with more than 90% of the graduates making it to the universities and colleges across the country. Another proof of the quality of education is that every fourth honor student comes from Novouralsk. TVEL JSC is proud of the education system that was created in the CATU, and of the teachers and students of the mathematics and physics schools.

The following figures reflect the scope of social activities of the Fuel Division: in 2015 alone, TVEL JSC implemented charity initiatives in various areas worth RUB 139 mln, with another RUB 130 mln allocated by the enterprises, so the total was RUB 269 mln.

The next project of the Fuel Company will be to develop technology parks at schools. The aim would be to identify talent among school students, to find those who are keen on and have a potential in design and engineering innovation. TVEL JSC is interested in creating such technology parks not only in specialized schools, but also in other schools in CATU. The plants and combines will provide the relevant engineering problems that the students will compete to solve. Such competitions will be a good way to identify and stimulate talent. The winners may also be financially rewarded with enhanced stipends that may motivate them to seek a position at the Fuel Company. In other words, this is a long-term project that may help create the personnel reserve for TVEL's future activities. ▲

Looking to the future

GENNADY N. LISAVKIN

Director for the Program for Regional Development and Social Projects



GRI G4-24, G4-25, G4-26

STAKEHOLDER ENGAGEMENT

TVEL FC always applies the principles of transparency¹ and constantly interacts with stakeholders, systematizes, analyses and takes into consideration their requests. This approach allows to respond quickly to potential risks related with stakeholders relations, in particular with those of social and reputational nature.

In 2015 following the results of TVEL Fuel Company top managers surveys, the rank chart of stakeholders was updated to reflect their interaction with the Company.

System of relationships with each group of stakeholders influences and will influence the operations of TVEL Fuel Company, that's why due consideration of their interests in planning and in the course of daily operations is the most important condition of sustainable development. Analysis of the key events, major financial and production outcomes and the Company's performance in the sphere of sustainable development demonstrates

that social capital is among the major sources of business stability. Position of the Company in the sphere of sustainable development is shown in Annual Report of TVEL JSC for 2014 http://www.tvel2014.ru/ru/section_3/#section_3_2.

Public Reporting System of TVEL Fuel Company

In accordance with the Policy of ROSATOM State Corporation applicable to public reporting, TVEL JSC generated the system of public reporting which represents the combination of elements, processes and connections between them ensuring the activity with regard to public reporting and its development. See the details in Annual Report of TVEL JSC for 2014 http://www.tvel2014.ru/en/section_4/#.

The KPI card of the Head of PR Department includes the index "Awards in Federal Contests"; the KPI indicator was on the top level during the last three years —

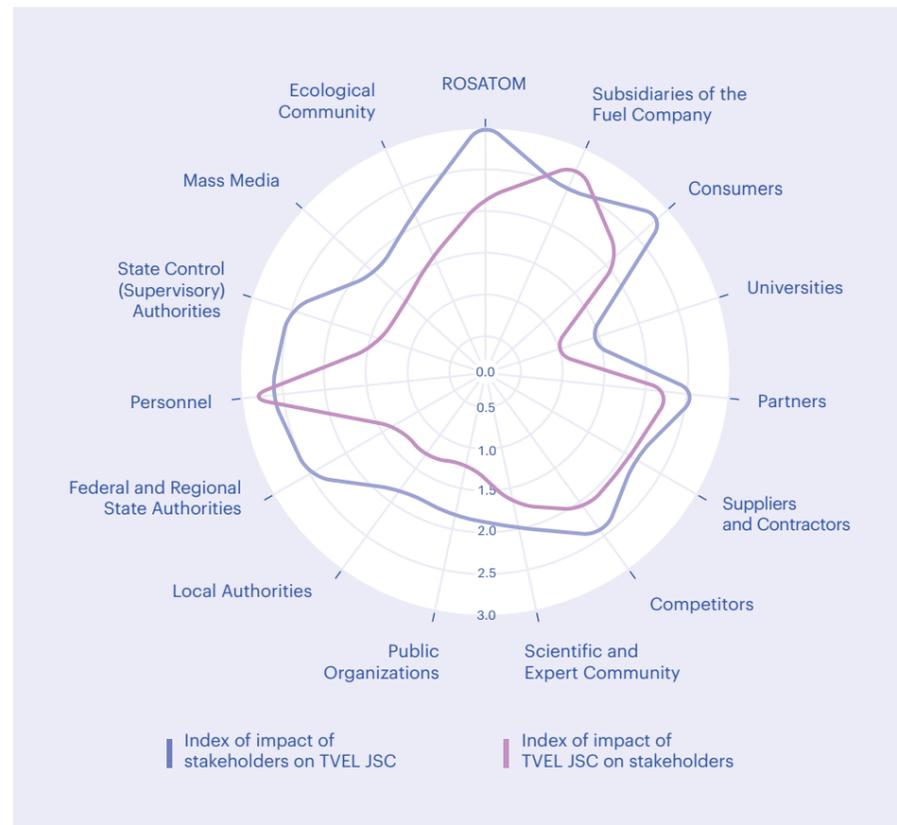
Annual Reports of the Company obtained more than 3 awards.

The KPI card of the Head of PR Department includes the index "Awards in Federal Contests"; the KPI indicator was on the top level during the last three years — Annual Reports of the Company obtained more than 3 awards.

TVEL JSC Annual Report 2014 Awards

- Four-time Platinum winner in the International Competition MarCom Awards 2015 (USA) in the following categories:
 - State Company;
 - Corporate Social Responsibility;
 - Integrated Annual Report of the state company;
 - Annual Report (Design and Printwork).
- The title "Leader of Corporate Transparency among State-Owned Companies" (2nd place) in the rating "Corporate Transparency of the Largest Russian Companies-2015" formed by the Russian Regional Networks on Integrated Reporting.
- Winning places in categories "For Best Business-Model Disclosure Practice in the Industry" and "For Qualitative Disclosure of the Information about Innovative Activity" within the contest of annual reports held by the Rating Agency "Expert PA" (RAEX).
- Winner in the category "Best Public Annual Report of ROSATOM State Corporation Division" and "Efficiency of Public Reporting" in the industry-specific contest of annual public reporting of ROSATOM SC.

TVEL JSC Stakeholders Rank Chart



Stakeholders engagement events during the preparation of the Report 2015

While preparing the Report the principles of Standard AA1000SES were adhered to, in particular, there was ensured the compliance of the published information with the requests of the involved stakeholders. Two on-site dialogues and one off-site dialogue were held for the implementation of this principle while preparing this Report.

Participants of these dialogues were the representatives of ROSATOM, industry partner organizations, subsidiaries, environmental, public, trade union organizations, higher educational institutions, local governmental authorities, mass media, consultants and auditors.

In November 2015 TVEL JSC organized the off-site dialogue on the concept of the Annual Report for 2015. The Report concept developed by the Company with account of the proposals of stakeholders committee was presented; the participants advanced recommendations which allowed finalizing and specifying the concept of the Report.

Results of the reporting campaign 2014 were summed up during the public dialogue held on February 19, 2016. The participants of the dialogue discussed the matters of preparation of TVEL JSC Public Annual Report for 2015, summarized some outcomes of the reporting year, marked the priority issues to be disclosed in the Report:

Efficiency Based Development Strategy of the Fuel Company.

The draft annual report of TVEL JSC for 2015, prepared subject to the comments of the stakeholders in the course of the dialogues, was presented during the public consultations on April 29, 2016. Following the events, the proposals were made on improvement of the text of the Report and the process of interaction. The tables specifying the comments of stakeholders are given in the interactive version of the annual report.



KONSTANTIN K. SOKOLOV

Vice-President, Chief of Administrative Services and Energy Resources. Chairman of the Committee on Public Reporting

Annual Report of TVEL JSC for 2015 is the 7th public report prepared in accordance with the international standards for public reporting: the International Integrated Reporting Framework and the GRI G4 Sustainability Reporting Guidelines (comprehensive level).

The Report complies with the requirements of the International Integrated Reporting Framework: it contains all compulsory elements and it was prepared in conformity with the principles and fundamental concepts of the Framework. As compared to the past year report, there should be noted essential development of the Business Model, improved disclosure of the information concerning contribution of the reporting year to achieving of TVEL Fuel Company's strategic objectives.

To keep the balance between completeness of the Report and its conciseness, two printed versions of the Report were prepared — the full version and the short one; the full version is presented in interactive format (containing large applications, as well as certain detail information to which the printed version has respective references). Please find at www.tvel.ru the interactive (online) version of the report in section "Finance" and subsection "Annual Report" and download the pdf-file of the printed version.

I highly appreciate assistance of our stakeholders who participated in surveys and meetings, traditionally held in the course of preparing the public reports. They made the report more information-intensive, analytical, conclusive and interesting. In response to stakeholders' suggestions, in the Report 2015 we paid more attention to such issues as development of the second core business, the Company's contribution to development of the territories of presence, performance management and risk management.

I would like to note the motivated and responsible attitude of the functional subdivisions of TVEL Fuel Company in preparation of the Report; in recent years this contributed to the information transparency and became significant condition for ensuring high business reputation.



1. Taking into account objective industry-specific limitations.

4.5. Human Capital



HR Policy of TVEL FC is implemented in accordance with the Development Strategy of TVEL Fuel Company, and it is intended to ensure efficient use of human resources contributing to the achievement of the Company's strategic goals.

HR POLICY

- Main long-term goals of HR Policy:
- balancing employer and worker interests;
 - development of workers' consent to effective development of their own professional and managerial capacities;
 - increase of personnel engagement to promote the company's sustainability;
 - sustained growth of labor efficiency;
 - personnel adhering to corporate values in the course of their work;
 - development of strategically important personnel competencies and skills in order to comply with requirements to the personnel stated by international global companies;
 - engagement of each employee in solving the problems of strategic development and appealing to "collective intelligence";
 - ensuring social acceptability of the changes made.

GRI G4-11 TVEL Fuel Company hires its employees in strict compliance with the Labor Code of the Russian Federation. The top managers are sorted out of the members of succession pool program.

GRI LA4 All subsidiaries of the Company (except for TVEL JSC) have collective agreements that cover 100% of these subsidiaries' employees (98% of average headcount). If any considerable changes are introduced in the business, the Company shall notify their employees at least 2 months prior to the effective date of any such changes. This provision is stipulated by labor laws of the Russian Federation and by the Collective Agreement of each subsidiary.

Payments and benefits provided to the employees of TVEL Fuel Company are based on the provisions of the Labor Code of the Russian Federation, the Collective Agreements of the companies, as well as on local regulatory documents concerning social support of the employees, subject to the principles and approaches of the Uniform Industry-Specific Policy of ROSATOM and its organizations.

STAFF COMPOSITION

Steady decrease in headcount in 2011–2014 was caused by restructuring processes, centralization of management functions and personnel outsourcing. The ultimate goal of these processes with re-



gard to HR management is to enhance labor efficiency in TVEL FC subsidiaries to match major foreign competitors.

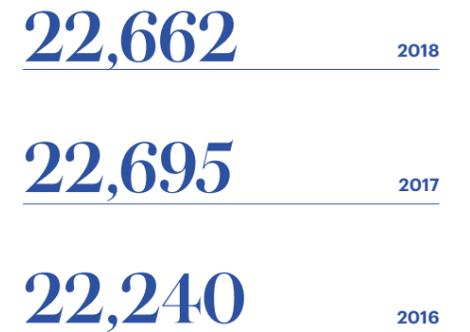
In 2015 TVEL Fuel Company hired 1,478 employees, including TVEL JSC — 50 employees. About 61.9% of the hired employees are men, around 73.7% — persons under 45 years old. Among the hired employees the largest part of the new employees is from Moscow region and the city of Moscow (40.0%), the smallest part — from Krasnoyarsk territory and Irkutsk region (2.1% and 0.8% respectively).

GRI G4-LA1 At the end of 2015 2,508 persons terminated their employment. The

retirement rate¹ by the business regions of the Company varies from 20.4% in Irkutsk region and 19.8% in Moscow region and in the city of Moscow up to 4.1% in Krasnoyarsk territory. The retirement rates vary by gender as well: men — 19%; women — 6%. Overall retirement rate for TVEL Fuel Company is 11.0%. The greatest retirement rate (62%) for the reporting period is registered at the age group 55–64.

Turnover rate² by the business regions of the Company varies from 6.0% in Moscow and Moscow region up to 0.6% in Sverdlovsk region. Overall personnel turnover rate for TVEL Fuel Company is 1.5%.

Estimated average headcount in 2016–2018, persons



Key indicators, persons

GRI G4-9, G4-10

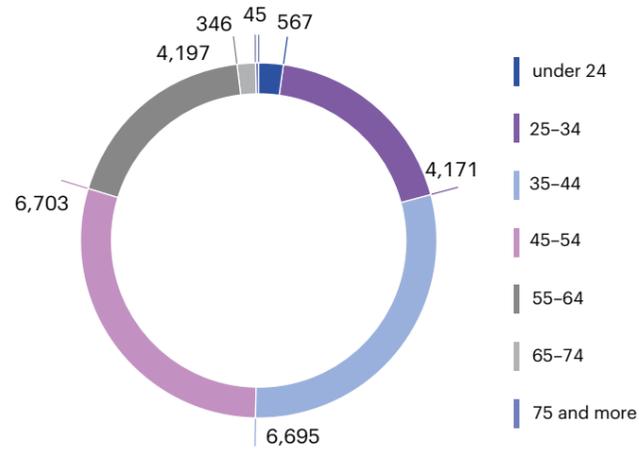
Indicator	2013	2014	2015	Δ 2015/2014, %	2016 (plan)
TVEL FC headcount at the year-end	27,162	23,717	22,724	-12.7	-
Average headcount of TVEL FC staff	29,238	25,169	22,527	-13.9	22,240
Candidates and Doctors of Science	312	281	235	-16.4	239
Holders of MBA degree	12	16	15	-6.3	16
Employees that have been employed by TVEL FC more than 5 years	76	81	82	1.7	83

1. Retirement rate means total dismissals due to any reasons by an employee category/for the whole Company divided by headcount by category/for the whole Company as of the period end × 100.

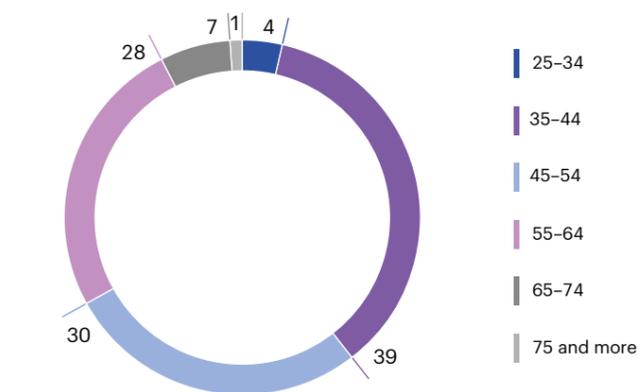
2. Turnover rate means voluntary dismissals as per employee category / for the whole Company divided by headcount by category/for the whole Company as of the period end × 100.

In 2010–2014 due to implementation of the policy in the field general industrial activities the Company managed to create and maintain more than 1,500 workplaces. Moreover, about 3,000 new skilled workplaces are scheduled to appear before 2019.

TVEL FC Total Staff (Headcount) by Age, 2015, persons



TVEL FC Total Top Managers by Age, 2015, persons



The most mobile age group (turnover rate is 5.6%) is comprised of employees up to 24 years old; male employees are more mobile than female (3.0% against 1%).

As of December 31, 2015, TVEL Fuel Company headcount was 22,724 persons. Overall majority of subsidiaries' employees (over 98%) work under the open-term labor contracts and during normal business hours (40 hours a week). As of the end of 2015 the headcount of employees under civil law contracts, external part-timers and women on maternity and childcare leave was 763 persons.



The Company upholds the principle of equality and tolerates no gender discrimination: male and female employees working in the Company get the same salary, regardless of categories.

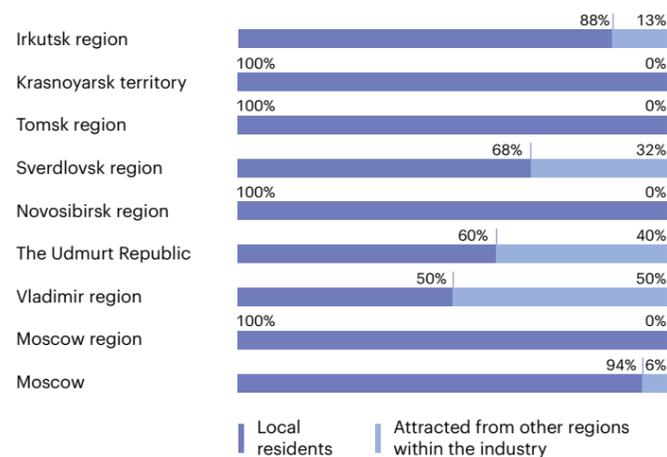
The greatest part of the employees is formed by men (62.8%). Average age of employees of the Company is 43.6. The employees under 35 years old comprise 25.2% of total staff.

TVEL Fuel Company mostly hires the local residents, and attracts specialists from other regions only if and when no properly qualified candidates to the vacancy are available at the local labor market.

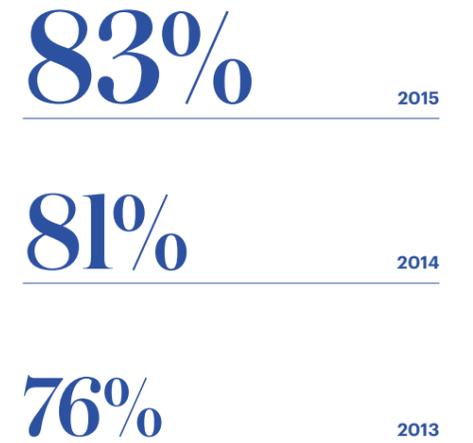
PERSONNEL ENGAGEMENT

Personnel engagement, employees involvement in business and success of the Company have direct impact on business performance and efficiency. The Company carries out a set of arrangements aimed at increase of personnel engagement, encourages the employees to move from formal performance of obligations as per job description to their activity improvement.

Composition of Top Management in TVEL FC Subsidiaries According to Place of Residence in 2015, %



Personnel Engagement Rate in TVEL FC



Personnel engagement rate increased in 2015 by 2 percentage points and made 83%. This defined the leading position of TVEL Fuel Company among production divisions of the nuclear industry.

Engagement study is conducted under the unified industrial slogan: "ROSATOM cares about your opinion". Arrangement plans aimed at increase and retention of personnel engagement are approved and implemented at the annual management meetings on study findings analysis in 12 enterprises of the division. In general, annual surveys allow to estimate the employee satisfaction with work conditions according to 19 factors, as well as to determine the share of employees who:

- recommend their company as a good employer to their relatives and friends;
- attempt to make the most of their opportunities while fulfilling their obligations, improve enterprise processes and come up with improving proposals;

- intend to keep being employed by the Company in future.

Comprehensive efforts within the year research project are made both through local plans of activities implemented by the subsidiaries, and through execution of the unified divisional projects. Thus, in 2015 TVEL Fuel Company accomplished the projects in the following key directions:

- Career development and employee involvement in enterprise management and development;
- Remuneration subject to personal contribution to the enterprise economic growth;
- Remuneration for team progress;
- Internal competition of small groups¹: small groups that show rapid results in the established goals achievement get a higher rating and remuneration.

1. The staff is managed by the small group leader elected by voting from among its members.

Engagement by TVEL FC Subsidiaries Based on Study Findings in 2013–2015, %

Engagement rate	TVEL FC	TVEL JSC	AECC JSC	NCCP PJSC	PA ECP JSC	ChMP JSC	MSZ PJSC	SGCHE JSC	VNIINM JSC	KMP PJSC	UEIP JSC	VPA Tochmash JSC	UGCMP LLC
2015	83	87	93	75	92	83	80	78	83	91	78	85	66
2014	81	82	74	75	93	84	77	-	75	89	74	84	88
2013	76	83	76	62	90	74	67	74	62	84	87	82	63

What are the current employment standards?

The employment standards have traditionally been very high in the nuclear industry. The high technology and knowledge-intensive industry requires best-qualified personnel. One of the most recent major changes was that process improvement skills are now required from employees in every position. Today, in addition to competently and reliably lead the processes, an employee is expected to be willing to improve personal performance, participate in the enterprises' development projects and be proactive in pursuing specific improvements...

Today the employees of TVEL JSC are characterized by wide interchangeability and knowledge of related professions/operations: each production worker has 5 to 6 professions/skills. As the result, an employee now has significantly greater value to the Fuel Company: the qualification of employees has become so high that it is increasingly difficult to replace them. We highly appreciate our employees' willingness and readiness to increase their professional level.

The Company has always been assigned with ambitious tasks. The technologies and modern equipment alone is not enough to fulfill them. Of equal importance is the overall engagement and teamwork...

In the recent years, ROSATOM State Corporation has applied the engagement management concept. In industry terms, engagement implies that an employee speaks positively of the enterprise, has no desire to get a job at another organization and strives to do more than is required by the job description. The Fuel Company managed to achieve significant progress in increasing the engagement from 58% to 83% within 6 years.

In our opinion, a person may be called engaged when he or she knows and understands the Company's goals and his/her role in achieving them, has the required resources to contribute to the achievement of the said goals, in particular, knowledge resources. An engaged employee works in what he/she perceives is a team of like-minded people, enjoys support from the manager and colleagues and has a high internal motivation.

In 2015 we applied the new approach to strategic decision making and the methods of arriving at such decisions through strategic sessions across the company, from top-managers to each unit. The new approach is supposed to help align the positions on all the main aspects of the Company's development, enable each employee to embrace the assigned goals, understand what needs to be done and see what key projects influence the development strategy of the Fuel Company.

At this point, we register a high level (70%) of employee satisfaction with the available training and development opportunities. The Company has made huge investments into human resources. As the result, the employees obtain unique competencies, and the Company gets an impetus for further development. In 2015, a total of 23,000 employees were trained, which is one third more than the 2014 figure. More than RUB 100 mln was invested in the training.

Another essential factor is the satisfaction of employees with their career opportunities. One of the Company's priorities is to offer its employees an opportunity for further career and professional growth. In 2014 50% of senior managers in the Fuel Company were appointed from the succession pool, and in 2015 the figure increased to 60%, which is in line with the global best practices.

As to specific victories, I would like to mention was taking control over the Career Opportunities factor, which is considered to be one of the most unmanageable factors. In the recent years the satisfaction with this factor has increased from 24% to 65%. One of the reasons is that the Fuel Company has introduced the institution of small group leaders as an important element of operations management. Today, being a small group leader is an honor that many people try to achieve.

What skills and qualities are most important in the HR function, in terms of efficiency?

First of all, as an HR officer, you should be able to predict the business needs. It is not always clear how the technologies and the processes may change in the future, and what new products may appear. At the same time, we must be prepared to provide the business with the relevantly trained employees right at the moment when they are needed. Another factor of assessing the effectiveness of the HR function is labor efficiency. The world's top high-technology companies achieve superior financial results with a small team of highly trained professionals. The Company's team consists of highly trained professionals, therefore one of the priorities is to develop new areas and new products and create high tech jobs in order to fully realize the potential of the employees. At the same time, every product has to be cost-effective and must contribute to the sustainability of the Fuel Company's business. If we come produce good products but our labor efficiency is low, we'll have no future in the market. And a third essential factor is personnel engagement. ◆

Guided by the Values of ROSATOM



NATALYA S.
SOBAKINSKAYA

HR Director

740

Motivation and reward policy in TVEL Fuel Company is aimed at maintenance of salary competitiveness. The salary increase and indexation amounted RUB 740 mln in the reporting period.

MOTIVATION AND REWARD

In 2015 the average salary level in TVEL Fuel Company, TVEL JSC not included, made RUB 73,223, which is 10.8% higher than the previous year average salary rate.

GRI G4- ECS Ratio of standard entry level wage of TVEL FC subsidiaries to minimum wage shall vary from 1 to 1.5 (Moscow and Moscow region, Novosibirsk region and Tomsk region), and 2 to 2.5 (Krasnoyarsk territory).

Arrangements 2015:

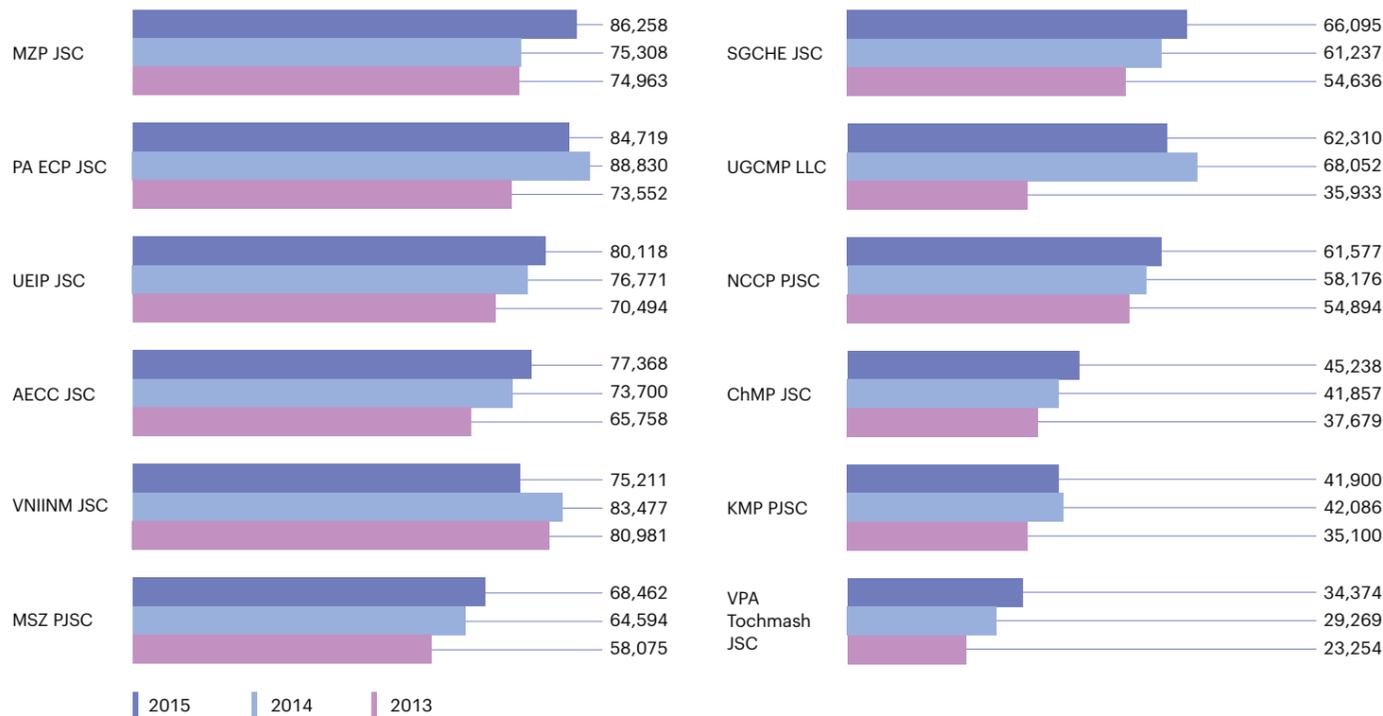
- salary indexation in all subsidiaries, except for TVEL JSC (indexation — over 6.7%, in certain subsidiaries selectively as per several lower grades — up to 15%);

- increase of annual premium rate in certain subsidiaries (increase by per cent corresponding to salary indexation per cent);
- selective reconsideration of the employees' personal additional incentive following the results of the annual assessment;
- review of remuneration system and benefits efficiency in the Company's enterprises; collection, of the employees' proposals for alteration of salary disclosure documents.

Arrangements planned for 2016:

- payment of up to 50% of annual premium in advance (in order to increase the employees' social security level due to volatile economic environment and rise in inflation);
- salary indexation in all subsidiaries of TVEL Fuel Company, except for TVEL JSC (scheduled indexation % — not less than consumer price index, scheduled indexation term — September 1, 2016);
- there might be increase of annual premium rate in certain enterprises (increase by per cent corresponding to salary indexation per cent);
- selective reconsideration of the employees' personal additional incentive following the results of the annual assessment;
- updating of local salary and benefits disclosure documents to improve efficiency (reconsideration of annual premium calculation, approaches to PAI identification following the results of the assessment, etc.);
- elaboration and implementation of measures aimed at increase of variable part of total remuneration depending on personal and collective labor efficiency.

Average Wage in TVEL FC Subsidiaries, rub.



Ratios of average wage in the subsidiaries of TVEL Fuel Company compared to average wage in regions of operations*

Region	2013	2014	2015
Moscow	2.5	2.6	2.6
Moscow region	1.6	1.7	1.7
Vladimir region	1.5	1.5	1.6
The Udmurt Republic	1.8	1.8	1.8
Novosibirsk region	2.1	2.1	2.2
Sverdlovsk region	2.2	2.4	2.3
Tomsk region	1.8	1.9	2.0
Krasnoyarsk territory	2.3	2.6	2.4
Irkutsk region	2.2	2.4	2.4

* Including TVEL JSC.

GRI G4-51, G4-52 KPI System for Top Executive Management and Junior Management

Business performance management system applied by TVEL Fuel Company is based on generating of KPI list ensuring comprehensive development of division for the Company's top management. Maximum preference is given to such spheres as nuclear, radiation, industrial safety and ecology; gain of operational efficiency; increase of nuclear products and industrial operation markets share, where the Company improves its performance by introduction of new products.

GRI G4-54, G4-55 Remuneration consultants are not engaged in determining of the remuneration rate. Remuneration rate must be approved by ROSATOM.

In 2015 the ratio of total annual remuneration of the President of TVEL JSC to average annual remuneration of all TVEL Fuel Company employees (except for remuneration of the President) was 55.7.

In 2015 increase in total annual remuneration of the President of TVEL JSC as compared to average annual increase in remuneration of all employees (except for remuneration of the President) was 18.5%¹.

Non-Material Benefits

System of non-material benefits for the employees of TVEL Fuel Company is aimed to encourage professional growth, increase in efficiency and performance, attainment of the goals and the best final results of activities, enhancement of the work quality and arrangement of conditions for creative activity.

Achievements of the employees of the Company were marked with state awards, awards of ROSATOM and TVEL JSC in accordance with the Uniform Industry-Specific Award Policy.

During the year 2015 in celebration of commemorative days and anniversaries more than 2,900 workers and veterans of TVEL FC received rewards and bonuses for work achievements,

1. Average annual remuneration of all TVEL FC employees was calculated including TVEL JSC.

Basic KPI for TVEL FC Management

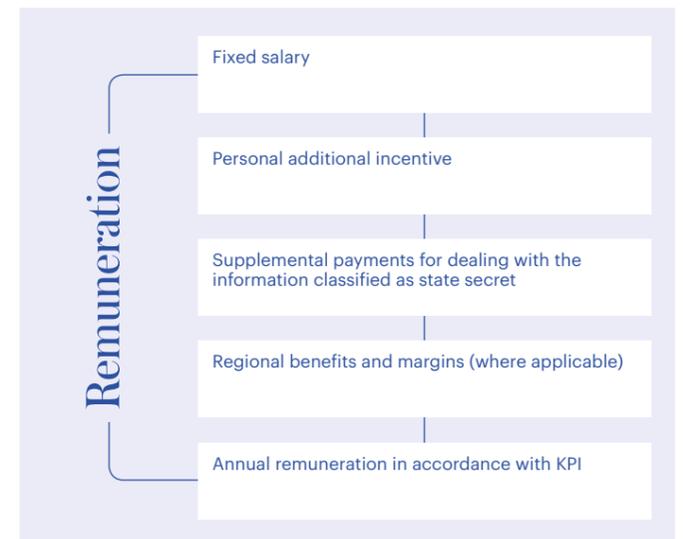
Basic KPI for Top Management	Basic KPI for Vice-President	Basic KPI for Directors of Subsidiaries:
<ul style="list-style-type: none"> • Lost time injury frequency rate (LTIFR); • No industry-based INES incidents of above level 2; • Labor efficiency; • Proceeds from sales of new products; • Semi-fixed costs cutting, etc. 	<ul style="list-style-type: none"> • Cost of products manufacture; • Operating efficiency; • Labor efficiency; • Proceeds from sales and foreign orders portfolio, as well as on new products of the Company. 	<ul style="list-style-type: none"> • Investment activity integrating efficiency indicator; • Lost time injury frequency rate (LTIFR); • Fulfilment of government contracts, investment projects; • Full cost of unit sold.

contribution to development of enterprises, the Fuel Company and nuclear industry, in particular:

- national awards — 2 employees;
- awards of ROSATOM — more than 1,700 persons, including merit badges and anniversary medals "70 Years of Nuclear Industry in Russia" — 338 workers and veterans, labor merit badges "Veteran of Nuclear Power and Industry" — 451 workers;
- awards of TVEL JSC — more than 900 persons.

TVEL JSC staff was awarded with the Certificate of Merit by ROSATOM for conscientious work, significant contribution to development of the nuclear industry and high achievements in the field of industrial provision with fuel of nuclear power industry.

Remuneration scheme for President, Vice Presidents of TVEL JSC, Directors General of the companies included into the management system of TVEL Fuel Company



HR DEVELOPMENT AND TRAINING

Traditionally, HR development and training is in the focus, and it is one of the top priorities of HR policy of TVEL Fuel Company.

The development and training mission is focused on creation of an environment for employees to achieve the business goals while increasing the level of their professionalism, corporate culture and personnel management technologies.

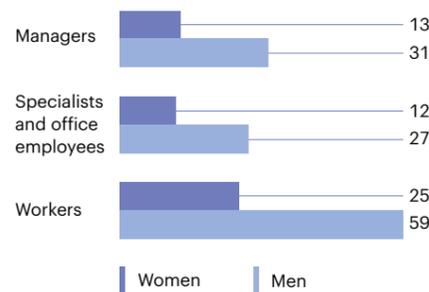
The purpose of HR development program is to support business priorities of ROSATOM.

Priority development programs at the Company's enterprises:

- Program on Succession Pool Formation and Development: "ROSATOM Heritage", "ROSATOM Capital" and "ROSATOM Talents";
- creation of teaching resource centers for further training of the personnel to manage the improvements;
- development of the Institute of Internal coaches;
- development of professional societies, as the points of growth for the TC leadership in the market, technology, efficiency growth rates;
- Safety culture development.



Scope of training per one employee by category and gender in the reporting year



Employees' satisfaction with the possibilities of training and development ensured by TVEL FC, %



Development measures aimed at increasing the qualification of the employees are implemented both by the Company's internal coaches and by external providers of training services.

Personnel Training

According to HR Development and Training Provisions, the Company's subsidiaries regularly implement training programs to enhance competencies of their managers, as well as ordinary workers.

GRI G4-LA9, LA10 Total number of TVEL FC employees, who underwent training during the reporting year made 23,789 persons (which is 30% more than 2014). Average length of training in 2015 for each employee of the Company was 51 hours.

Investments into employees training were equal to RUB 105 mln in 2015.

In 2015 the number of the employees satisfied with opportunities of training and development in TVEL Fuel Company increased by 8 pp. (up to 71%).

GRI G4-HR7 Total scope of training in policies and procedures related to human rights amounted to three hours. The training included familiarization with the following documents:

- corporate code of conduct;
- provision on trial period upon hiring;
- Order "On Organization and Conduct of Medical Examination of Employees";
- provision on salaries and benefits;
- provision on voluntary health insurance;
- labor safety induction program.

This kind of training is mandatory for each employee, which means 100% coverage of the staff.

Educational events that contribute to development of skills are implemented by

efforts of the internal coaches, as well as the external providers of training services.

There is no program for assistance on transitioning to new work/new mode of living for the retired or dismissed employees.

Key priorities for 2015 in the sphere of HR training and development:

- personnel recruitment and development;
- efficiency management;
- culture management;
- HR processes management.

Formation and development of succession pool and succession plans

TVEL FC pays great attention to development of succession pool and training of managers.

Training in this sphere is built on the following principles:

- Correlation with business strategy and industry development;
- Focus on the most advanced international leadership development practices;
- Analysis of the uniform industry-specific development system for managers.

TVEL FC founded the Institute of Internal Coaches in 2011. The Internal Coaches are the Company's employees who provide on-the-job training to their colleagues. To become an Internal Coach, the employee needs to pass the selection procedure, take additional training and be properly certified. By the end of 2015, 84 employees of TVEL FC were qualified as the Internal Coaches (in 2014 — 73 employees).





Leader Forums are unique practices for Russia

Engineer Leader Forum is a proven communicative format for TVEL Fuel Company that allows solving several problems at once:

- involve the engineering staff in the process of continuous development of TVEL FC enterprises;
- improve the skills and enhance the intellectual potential of the Company;
- develop motivation for professional growth;
- use off-line engineering ideas generated during “brainstorming” and searching for optimal solutions to real industrial problems based on TRIZ methodology (Theory of Inventive Problem Solving).

Two global objectives pursued by Leader Forums are solutions to technical problems of a particular enterprise and training the engineers to apply TRIZ tools. Leader Forum reveals those who understood and mastered TRIZ tools better than others. They will further take part in the training program of specialists on TRIZ tools, i.e. they will become experts themselves and will train new staff in order to have new TRIZ specialists within ROSATOM.

Leadership Forums: Geography



5
Leadership Forums were held in 2015

161
engineers were trained in the use of TRIZ

51
employees were included in a mobile team for solving complicated technical problems

36
solutions are currently being implemented

134
solutions for 36 production tasks

>100
RUB mln total economic effect

2015 was the year of obtaining the approvals on the regulatory documents for formation of succession plans, formation and development of managerial personnel reserve (MPS):

- Uniform Industry-Specific Procedure for Career Planning and Succession to Managerial Positions in ROSATOM and its organizations;
- Uniform Industry-Specific Guidelines to Create and Develop Managerial Succession Pool in ROSATOM and its organizations.

The succession planning and MPS formation are based on the results of Annual Performance Assessment “RECORD”. The key instrument to formulate and approve the succession plans for the Company’s managerial positions shall be the review of personnel capacity in the form of round tables held at all levels of management. The decision to include an employee in the MPS list is taken following the results of an independent evaluation, which contains the assessment of potential, motivation and compliance with corporate values. An employee may be included into the succession plans on the basis of his/her manager’s decision taken with due regard for his/her achievements in the past period.

Preparation of reservists of senior, middle and entry-level managers to career development is carried out in accordance

with industry-specific development MPS programs “ROSATOM Assets”, “ROSATOM Capital” and “ROSATOM Talents”. The development programs are focused on raising the level of corporate and managerial competencies of the MPS participants.

Personnel Efficiency Assessment

In 2015 the Company continued to successfully apply the annual personnel efficiency assessment system.

Altogether about 14,500 men and 8,000 women were covered by the assessment.

Interaction with Educational Institutions

Recruitment of promising young people is one of the top priorities in HR policy of TVEL Fuel Company. By hiring young specialists, the Company intends to preserve and strengthen its position in the sphere of science and advanced technologies in the years ahead.

Cooperation with educational institutions is carried out on the basis of the communication plan on work with universities and graduates which is continuously updated on an annual basis.

With a view of occupational guidance for schoolchildren the Company’s enterprises organize excursions, meetings with young specialists, various information and educational activities.

Employees’ satisfaction with the carrier possibilities ensured by TVEL FC

64% 2015

43% 2014

34% 2013

TVEL FC Succession Pool and Succession Plans

Indicator	2013	2014	2015	2016 (plan)
Number of employees included to succession pool	153	151	215	237
Number of employees included to succession pool and running for major posts	153	106	139	103
Number of employees included to succession pool and transferred to major posts	26	50	89	76

Elements of annual personnel efficiency assessment system applied in TVEL FC

Assessment type	Target group	Results of the reporting period
“RECORD” assessment	Managers, specialists, employees (MSE)	98% of MSE headcount was assessed; this figure corresponds to target indicators. All TVEL FC subsidiaries took part in the assessment. Following the results of assessment there were made recommendations concerning alteration of personal additional incentives, choice of training program and recruitment of employees to succession pool
Corporate employee assessment system by professional and personal competences pursuant to corporate values	Staff	95.8% of staff headcount was assessed. Following the results of assessment there were made recommendations concerning reconsideration of personal additional incentives. The average grade for professional competences grew by 2% as compared to the previous year. In 2015 4.2% of employees were not covered by the assessment. These are women, who were on parental leave, the employees, who worked at the Company for less than 3 months, the employees, who were withdrawn from subsidiaries under the restructuring processes

The major areas of cooperation with educational establishments of higher and secondary education are the following:

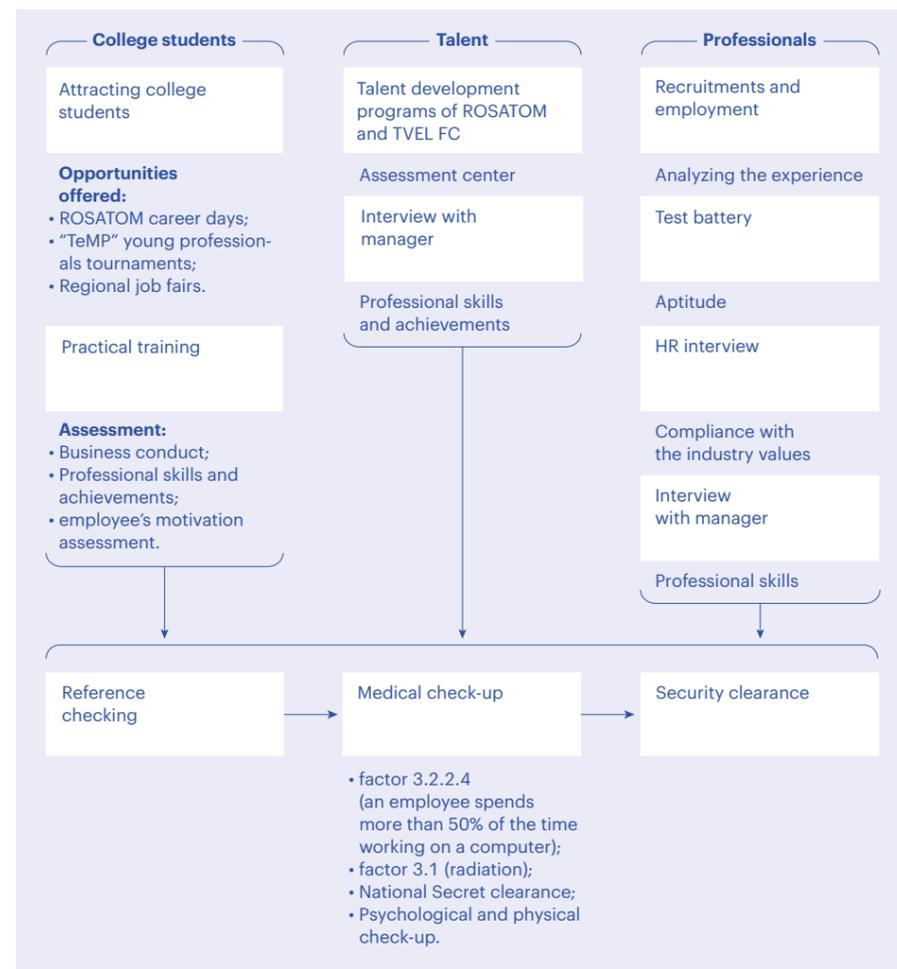
1. Long-term planning of demand for specialists in terms of industry-specific training (for 2016–2026).
2. Ensuring the awareness among students and graduates on possibilities of professional growth in the enterprises of TVEL Fuel Company, as well as TVEL FC and ROSATOM brand promotion.
3. Arrangement of educational and on-the-job trainings at the premises of the Company's enterprises.
4. Implementation of joint educational programs, special courses within the sphere of main departments:

- Branch of the 9th Department of MEPhI NRNU and complex branch of the Department of D.I. Mendeleev University of Chemical Technology of Russia and M.V. Lomonosov Moscow State University of Fine Chemical Technologies at VNIINM JSC;
- Specialized Department of “Design and Engineering Support of Mechanical Facilities” of Stoletovskh Vladimir State University at VPA Tochmash JSC”;
- Specialized Department of Seversk Institute of Technology of MEPhI NRNU “Radiochemistry” at the premises of SGCHE JSC.
- 5. Running of special competitions for recruiting young specialists with ad-

vanced capabilities (Young Professionals Tournament “TeMP”).
 In 2015 the enterprises of TVEL Fuel Company offered a training study course for 619 students of higher educational institutions and vocational secondary schools. In 2016 the Company expects 657 students to take their practical training.
 Over the reporting period the Company employed 102 graduates of the higher educational institutions and vocational secondary schools, 6 of which took target preparation classes for employment by TVEL Fuel Company.

657
 people will be offered an internship in 2016

Personnel selection and assessment



Implementation of Major Corporate Social Programs in 2015

Corporate social program	Funds allocated under the program in 2015, RUB mln	Basic facts
Voluntary health insurance (VHI)	158.0	99% of TVEL FC employees are insured under VHI policy
Accident and health insurance	10.2	86% of TVEL FC employees are covered by accident and health insurance
Sanitary and resort treatment, recreation of children	152.0	3,711 employees got vouchers to sanitary and rehabilitation resorts in 2015, where 1,065 are persons working in harmful conditions and 1,783 are children. Maximum amount of each voucher in 2015 was equal to RUB 50,400 for a 21-days leave
Assistance in improvement of housing conditions	95.1	739 employees have improved their housing conditions under the program, including 383 young specialists under 35
Benefits to employees in difficult situations	58.4	The amount of benefits does not depend on the official position. Types and criteria of benefits provision are unified
Sports and cultural events	115.4	The enterprises of TVEL FC held more than 922 corporate and sports competitions in 2015. Total number of participants — over 18,500 of workers and members of their families
Assistance to non-working pensioners	494.4	There are over 40,000 non-working pensioners registered in the organizations (personnel service, veterans' council, trade unions) of TVEL Fuel Company. Average amount of assistance per 1 pensioner is RUB 12,400 per year. 1,520 pensioners got vouchers to sanitary resorts
Non-state pension provision (NPO)	151.0	By the end of 2015, 16% of TVEL FC workers were involved in the non-state pension program; the highest rate was achieved at PA ECP JSC (33.7%), UEIP JSC (31.1%) and MSZ PJSC (28.1%). The major part of pension accruals under the NPO program was accumulated at Non-State Pension Fund “Atomgarant”

GRI G4-LA2 SOCIAL PROGRAMS IMPLEMENTATION

In addition to mandatory social guarantees, benefits and privileges envisaged by the labor laws, the Company's subsidiaries developed for the employees working on a full-time basis the corporate social programs such as:

- non-state pension provision;
- voluntary health and industrial injuries insurance;
- assistance in housing programs;
- sanitary and resort treatment and recreation of employees and their children;
- provision of meals to employees;
- assistance to non-working pensioners;
- organization of sports and cultural events;
- benefits to employees in difficult situations;

TVEL FC social programs represent a strong motivating factor. According to personnel engagement surveys, up to 65% of employees find their social package satisfactory.

Total amount spent by the Company on its social programs in 2014 is RUB 1,340.5 mln or RUB 59,000 per worker.

GRI G4-HR4, G4-LA8

Interaction with Trade Unions

The Fuel Company interacts with trade unions under the social partnership program. The management acknowledges the important role of trade union in implementation of corporate social programs and in employees' awareness rising. Social stability at the enterprises and in the cities of presence of TVEL Fuel Company is the result of cooperation between TVEL JSC and the Russian Union of Nuclear Power and Industry Workers (RUNPIW), subsidiaries of the Company and primary trade unions, veteran councils and other workers' associations.

On December 17, 2014 in Moscow the Industrial Agreement on Nuclear Energy, Industry and Science for 2015–2017 was signed between ROSATOM, All-Russian Industrial Association of Employers “Employers' Association for Nuclear Energy, Industry and Science of Russia” and RUNPIW. This agreement stipulates general concept of social and labor relations regulation in the nuclear industry, including mutual commitments of the parties concerning remuneration, labor condi-

1,340.5
 RUB mln
 expenditure on
 social programs

0.14

LTIFR in TVEL FC in 2015

tions and safety, work and rest schedules, employment, social guarantees, benefits and privileges for employees. Pursuant to the Industrial Agreement and Collective Agreements the social programs are applicable to all subsidiary companies' employees, whether an employee is a member of any trade union or not.

OCCUPATIONAL HEALTH AND SAFETY Health and Safety Management System

The main directions, directives and commitments in the sphere of safety and health of the Company's workers are recorded in the TVEL JSC Health and Labor Protection Policy.

Responsibilities of managers, professionals and other labor protection workers are regulated by TVEL JSC Health and Safety Management System (HS MS). Local regulatory documents on labor protection include instructions, lists, logs. The company organizes trainings and assessment of knowledge, inspections, briefings, including for representatives of contracting organizations.

On an annual basis TVEL JSC holds meetings of technical directors and managers for nuclear and radiation safety,

occupational safety and environmental protection. During such meetings participants exchange their thoughts, share best practices with the colleagues and report on the measures taken to address the problems. All participants are notified about the occurred accidents, causes of such accidents and the adopted measures of organizational and technical nature. Following the meeting results the participants adopt the respective decision including the instructions for further reduction of accidents and the measures to improve working conditions. In 2015, within the framework of the meeting a special attention was paid to assessment of working conditions, including the issue of benefits and compensation.

The complex and special-purpose inspections on security assurance are held and in the course of such inspections the functioning of OSH management system and implementation of measures is assessed. The inspections also cover enterprises' subsidiaries and contracting organizations rendering their services in the territory of the enterprises included into the management system of TVEL Fuel Company.

Health and Safety Management in TVEL Fuel Company



Employees satisfaction with working conditions

82% 2015

74% 2014

72% 2013

Dynamics of the indicators on occupational health and industrial safety in TVEL FC*

GRI G4-LA6

Indicator	2013	2014	2015
Industrial Injuries Frequency Rate (IIFR)**	0.27	0.12	0.23
Injury Rate (IR)***	0.03	0.01	0.03
Occupational Diseases Rate (ODR)****	0.01	0.00	0.00
Absentee Rate (AR)*****	5,956	5,527	4,060
Lost Day Rate (LDR)*****	1.50	0.11	1.90

* Data on CFR-3 contour.

** Accidents per 1,000 employees per year.

*** IR = (total number of injuries / total hours worked) x 200,000

**** ODR = (total occupational diseases) / total hours worked over the same period) x 200,000

***** AR = (total days lost (absence due to disability of any nature) / total days worked over the same period) x 200,000.

***** LDR = (total days lost due to injuries / total hours worked over the same period) x 200,000.



TVEL JSC and AECC JSC were announced as winners in "Occupational Safety and Health Management" at the Russian National Competition "Russian Business Leaders: Dynamics and Responsibility 2015", organized by the Russian Union of Industrialists and Entrepreneurs.

System-based application of the guiding principles of the Policy, being the uniform methodology for identification and assessment of occupational risks, allows the Company to reduce the impact of harmful and hazardous production factors in the workplace, to allocate targeted funds to solve the most important labor protection problems. Priority goals and objectives aimed at reducing occupational risks are an integral part of the planning process; they are included in Occupational Safety and Health Objective Achievement Program. The Program is updated annually and it includes tasks and measure to improve the activities in the sphere of occupational safety with the implementation of permanent control.

GRI G4-LA5, G4-LA8 In the subsidiaries of TVEL JSC the Occupational Safety and Security Tripartite Committees, comprising the representatives of management, workers and unions, were established (such committees cover 97% of the total number of TVEL Fuel Company's workers).

Owing to preventive measures in the sphere of labor protection during the period 2010–2014, TVEL Fuel Company managed to uphold the downward industrial injuries tendency at the enterprises included into the management system of TVEL Fuel Company.

Safety is a shared responsibility

KIRILL G.
BOCHAROV

Director of the
Nuclear, Radiation,
Industrial Safety
and Environmental
Protection
Department

Occupational health and safety, improving working conditions, ensuring nuclear, radiation, industrial security and environmental protection have always been top priorities of TVEL JSC and the companies included in the management system of the Fuel Company in carrying out the processes that support the production. Safety is a shared responsibility.

By implementing the measures aimed at improving the working conditions and ensuring occupational health and safety in the Fuel Company, we have managed to maintain the downward trend in industrial injury rates in the recent years. Presently, a key performance indicator known as LTIFR (lost time injury frequency rate) is applied to the accountable managers of TVEL JSC and entities included in the management system of the Fuel Company. The indicator is calculated as the number of injuries divided by total hours worked in the reporting year (hours) and rated as 1 mln man hours. The LTIFR indicator was introduced across the industry to enable benchmarking against global best practices. For example, LTIFR of top foreign companies amounts to 0.5, while the industry level for ROSATOM State

Corporation is around 0.4. To encourage responsible behavior and reduce injury rates not only in the subsidiaries, but also in organizations formed as the result of restructuring and optimization, it was decided to include the injuries that took place in the subsidiaries of the enterprises in the indicators for the entire Fuel Company starting from 2015. In 2015 the injury rates further improved as compared to 2014, if we compare the figures related to the same scope of reporting.

The effectiveness of activities aimed at ensuring nuclear and radiation safety in the companies included in the management system of the Fuel Company has been proved by the absence of events of INES (International Nuclear and Radiological Event Scale) level 2 or more, and personnel radiation exposure in doses exceeding the irradiation dose limits specified in the regulatory documents. Effective average annual irradiation doses and occupational collective dose are reducing and are currently lower than the industry average.

TVEL JSC makes every effort to meet global best practices. The Fuel Company has introduced a corporate integrated system for managing quality, environmental safety, operational health and safety and energy in line with the international standards ISO 9001, ISO 14001, BS OHSAS 18001, ISO 50001 and the GR-R-3 standard of the IAEA. Today, the Fuel Company is faced with quite ambitious tasks to implement the new versions of the ISO 9001:2015 and ISO 14001:2015 standards and to develop the safety culture as an element of the integrated management system of the Fuel Company. ◆

For managers responsible for cooperation with contracting organizations there was introduced the new KPI in 2015, “Absence of falls from height”, which is aimed at encouraging the actions on prevention of falls from height by workers of TVEL Fuel Company and of the contracting organizations. The indicator “Absence of accidents and incidents at hazardous production facilities” is applied for industrial safety.

In 2015 the industrial injury rate as compared to 2014 increased due to the fact that starting from 2015 the calculation of the injury rate includes also injury cases happening not only in the CFR 3 enterprises, but also in their subsidiaries (CFR 4). CFR 3 and CFR 4 comprise 71 organizations in total.

In 2015 one person from contracting organizations was injured in the production (MC TechService LLC).

Most industrial injuries occurred due to organizational faults, such as failure of managers and specialists to ensure labor safety in accordance with the requirements of the regulating documents, as well as failure of the injured persons to observe labor and production discipline, labor protection rules and regulations.

There occurred no mass accidents and emergencies at hazardous facilities.

Within the Occupational Safety and Health Objective Achievement Program for 2015 the following actions were fulfilled: technology and equipment modernization, improvements in working conditions, awareness and competence of personnel, development and improvements of the safety culture focusing on reduction of injuries.

The results of occupational hazards evaluation outlined the priority goals and objectives for operational health and safety to be included into the Program 2016.

On February 08, 2015 the molder-press operator of research and technological laboratory in Chemical-Metallurgical Plant of SGCHE OJSC fulfilled transportation of

a reservoir of 8.5 litres. In carrying out this work depressurization happened to the reservoir and the contents being transported was set on fire. The worker suffered body burns of varying degrees. The injured person received required medical care.

Following this accident there was held an investigation with elaboration of compensatory measures, as well as unscheduled inspections were carried out in the enterprises of TVEL Fuel Company, including technological processes review for safety.

SGCHE JSC fulfilled all its obligations in the event of an accident. In addition, the company rendered financial assistance to the injured and his family in order to ensure the treatment. At the end of 2015 the employee returned to work.

In 2015 the enterprises of TVEL Fuel Company elaborated action plans to improve the working conditions and safety taking into account the General (Combined) Action Plan for the Prevention of Accidents. The general plan was prepared by TVEL JSC on the basis of the analysis of the main causes of injuries for the period 2014 — beginning 2015 and it provided measures to equipment maintenance, storage organization, training and admission to independent work, documentation. Action plans monitoring in the enterprises was done on a quarterly basis. Following the results 2015 the actions were fulfilled with due account of the Industrial Agreement at the level exceeding 0.5% of production costs.

The main task for 2015 was also a special assessment of the working conditions (SAWC), the implementation of which will continue in 2016. The annual industrial meeting is scheduled for September 2016, in the framework of which there will be examined the SAWC results and proposals for the future.

In each TVEL Fuel Company’s organization, operating hazardous production facilities, there were adopted industrial safety measures within the year 2015. The basic industrial safety measures include the following: industrial safety expertise, making the schedules and executing maintenance of technical devices, buildings and structures of hazardous industrial facilities, ensuring functionality of the production control and supervision. Implementation of such measures allowed reducing volumes of hazardous chemicals, thus lowering the hazard class of the production facilities.

No violations of safety parameters or limits of the effective and equivalent doses set by the nuclear and radiation safety regulations were registered at the subsidiaries of the Company in 2015.

All production enterprises of the Fuel Company operate within the approved effective dose limits applicable to the personnel, no Group A personnel is available (individuals exposed to the effective dose of 100+ mSv and more¹ over a period of 5 successive years, or effective dose of 50+mSv and more during any one year).

In 2014 the Department of Nuclear, Radiation, Industrial and Environmental Safety of TVEL JSC together with the In-

Group A Personnel Distribution by Individual Irradiation Dose in 2014, %

Indicator	2013	2014	2015
up to 1 mSv	61.1 (6,301 persons)	60.6 (5,835 persons)	61.2 (5,667 persons)
1–2 mSv	23.7 (2,446 persons)	21.1 (2,033 persons)	21.2 (1,963 persons)
2–5 mSv	11.6 (1,197 persons)	12.9 (1,241 persons)	13.4 (1,238 persons)
5–20 mSv	3.6 (377 persons)	5.4 (524 persons)	4.2 (391 persons)

spectorate for Control over Safety of Nuclear and Radiation Hazard Facilities of TVEL JSC carried out 16 inspections, including 3 unscheduled inspections by the orders of the TVEL JSC Management. The inspections revealed 532 violations (497 in 2014).

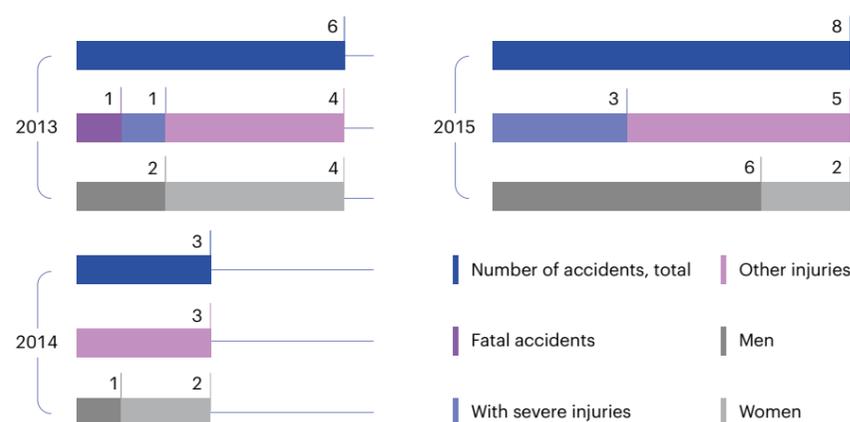
For the purposes of prevention and mitigation of the impact of hazardous and harmful production factors during the operations in hazardous and harmful conditions, the workers are provided with special and properly certified clothing, footwear and individual protection means for free. Average cost of individual protection equipment per each worker exposed to hazardous or harmful labor conditions in 2015 amounted to RUB 11,400.

In accordance with provisions of the federal laws, TVEL Fuel Company organizes regular medical examination of its workers involved in operations with hazardous and harmful factors. Workers involved in operations in harmful conditions are entitled to privileges and bonuses in accordance with applicable laws of the Russian Federation and the “List of Occupations and Positions of Workers and MSE Entitled to the Early Retirement and

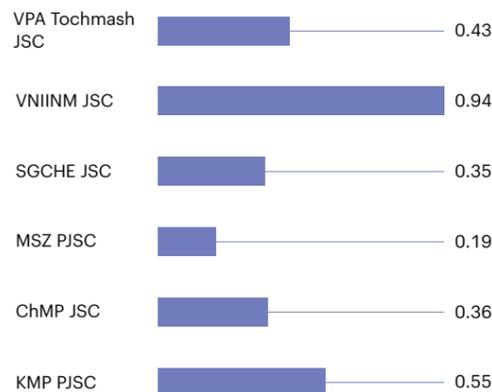
The following limits of the efficient dose are set in accordance with the Radiation Safety Standards 99/2009: Group A personnel — 20 mSv a year (on the average) over any 5 successive years, but not more than 50 mSv a year; population — 1 mSv a year (on the average) over any 5 successive years, but not more than 5 mSv a year.

* Data for 2015 are given on CFR-4 contour.
** Accidents per 1,000 employees per year.

Industrial injuries at TVEL FC enterprises, persons*



Average industrial injuries frequency rate (IIFR) in TVEL FC subsidiaries**



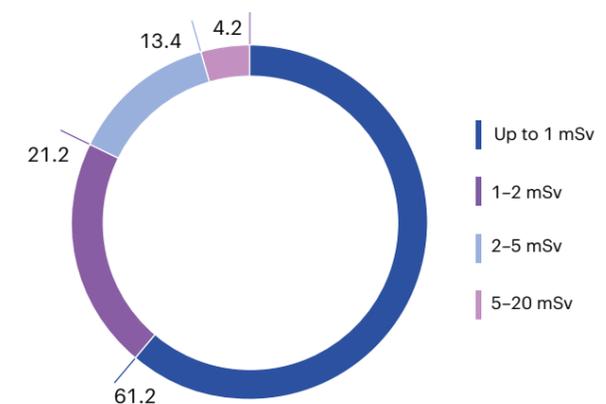
Average annual effective dose, mSv



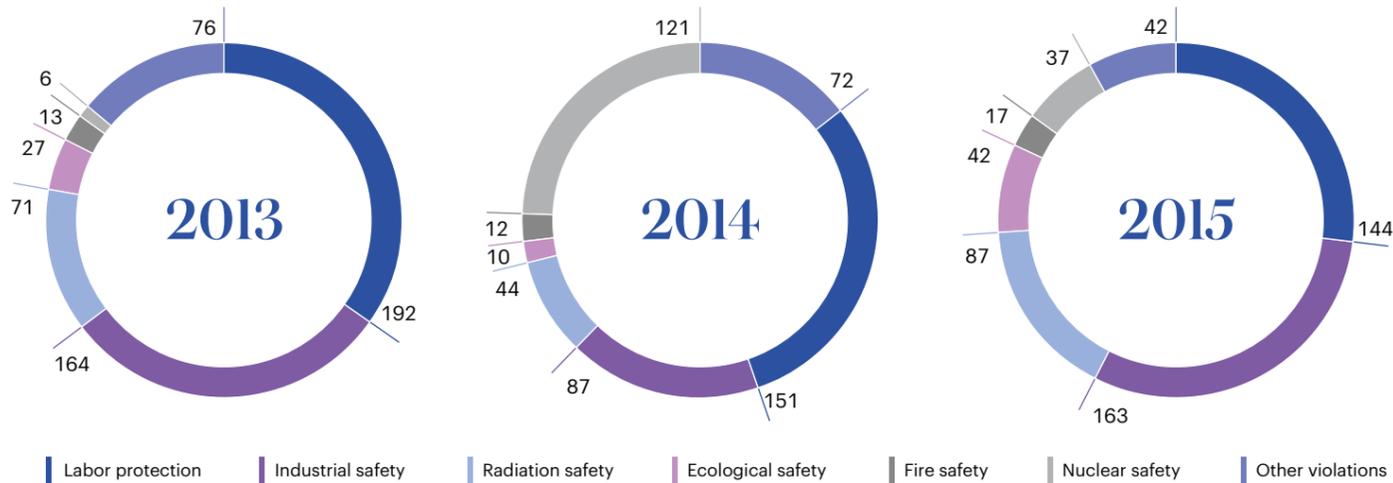
Maximum effective dose for personnel, mSv



Group A personnel distribution by individual irradiation dose in 2015, %



Structure of revealed violations, %



In 2015 the enterprises of TVEL Fuel Company:

- registered no violation that could be referred to INES incidents of level 2 and above;
- exceeded no limits of the annual effective radiation doses for the personnel;
- had no Group A personnel exposed to an effective radiation dose 100 mSv and more over any successive 5 years.

The subsidiaries of TVEL Fuel Company implement programs of voluntary health insurance, accidents and sickness insurance, and health resort treatment.

>180

The investments into improvement of working conditions and occupational safety of the workers were equal to more than RUB 180 mln in 2015.

Benefits for Working in Unfavorable Labor Conditions”, including: medical and preventive meals, compensations, extra leaves, etc.

Industrial sites of the Company’s subsidiaries are subject to regular control of the content of harmful chemicals in waste water, emissions from ventilation systems, radiation and chemical status monitoring, organization and performance of all kinds of supervision in accordance with the production control programs.

A special assessment of working conditions serves to carry out the assessment of conditions and labor safety at the work places, while determining the extent of deviation from the parameters of the production environment and work process; following the results of such assessment the arrangements are scheduled for improvement of the labor conditions.

All subsidiaries provide regular labor safety training to their workers in accordance with GOST 12.0.004-90 and fire safety training in accordance with the Federal Law No. 69-FZ “On Fire Safety”, as well as all types of briefings and tests with respect to the above mentioned spheres. The Company takes preventive measures to mitigate industrial injuries and occupational illness.

In 2015 each employee of the Company involved in functioning and maintenance of nuclear and radiation-hazard facilities took on the average 58 hours of training in standards of nuclear and radiation safety.

The Company spent grand total of RUB 1.2 bln or RUB 56,100 per each employee on labor protection arrangements in 2015.

4.6. Environmental Impact (Natural Capital)



“TVEL JSC acknowledges that the engineering processes ensuring the production of items, including the use of nuclear, radioactive and other dangerous materials therein, shall not cause any negative impact on environment and human health.

Main strategic goals of TVEL JSC in the sphere of environment include promotion of environmental safety that is vital to sustainable growth of TVEL JSC and its subsidiaries and reduction of negative impact of production and the supplied products on environment to the minimum acceptable level”.

Excerpt from the TVEL JSC Environmental Policy



ENVIRONMENTAL POLICY

TVEL Fuel Company in its environmental activities is committed to promotion of environmental, nuclear and radiation safety, as well as implementation of strategic objective of the Company to provide social and ecological acceptability.

TVEL Fuel Company activities aimed at reduction of negative impact on the environment of the enterprises are characterized by branch specificity and must be executed in two directions:

- Removal of the environmental “heritage” of the first nuclear project, created as a result of execution of the military state programs on the enterprises included into the management system of the Company, which implies execution of large scale works connected with decommissioning of the nuclear industry facilities and rehabilitation of the contaminated territories;
- Reduction of the impact by the enterprises on the environment connected with current production operations. Within this activity framework the system of ecological management has been developed, modern resource saving technologies of production are implemented, current environmental protection measures are executed and constant monitoring of environment condition is executed.

GRI G4-SO2 In accordance with the indicated directions of activity focused on reduction of the negative impact on environment, enterprises of TVEL Fuel Company form annual plans of measures aimed at environment protection. The Consolidated Plan of Environmental Policy Realization by TVEL Fuel Company for 2010–2015 was first developed in 2010, including organizational, social and educational, informational and production and technical measures directed to environment protection. In 2015 the Environmental Policy Implementation Plan of TVEL Fuel Company for 2016–2018 was formed.



One of the priority directions in the field of environmental protection and ecological safety is involvement in the functioning of the Integrated Management System, where a Corporate Environmental Management System is a constituent.

Environmentally important organizations of TVEL Fuel Company (AECC JSC, PA ECP JSC, SGCHE JSC, NCCP PJSC, UEIP JSC, ChMP JSC, MSZ PJSC) annually publish annual reports on environmental safety on their official sites.

The Reports contain information about impact of production enterprises on the environment of the regions of presence, as well as about the executed monitoring of natural environments and its results.

The main objective of the corporate IMS is to identify the environmental as-

pects and potential environmental risks that affect the environment, safety and health of employees, and to set tasks for improvement of these activities and development of programs to address these tasks subject to constant monitoring.

System-based application of guiding principles of the Policy — the unified methodology of environmental aspect identification and environmental risk evaluation — allows to allocate funds to solve the most important problems, which leads to improved performance in the field of ecology. Priority goals and objectives aimed at reducing environmental risks are an integral part of the planning process; they are included in the Environmental Objective Achievement Program and Environmental Policy Implementation Plan of the Company.

Production and Technical Arrangements in 2015

Enterprise	Arrangement
AECC JSC	• Works of refrigerating station reconstruction were continued with installation of 8 refrigerating machines in building 805
NCCP PJSC	• Works for decommissioning of buildings 22, 65 and 17 for FE production for IUGR were completed; • Works on liquidation of former ore stockpiles to tailings dumps were continued
ChMP JSC	• Works for decommissioning of building 7 earlier used for production of fuel for IUGR were completed; • Experimental-industrial researches concerning destruction of exhausted emulsions of lubricating and cooling fluids on the modernized plant URE — 0.2
PA ECP JSC	• Modernization was conducted with transition to ozone-safe freon 134a of the refrigerating machine in building No. 10A; • Work on modernization of general and gas-cleaning ventilation systems in building No. 3 were continued

Plans for 2016

Enterprise	Arrangements
MSZ PJSC	Beginning of works on water supply systems reconstruction
ChMP JSC	Completion of works on decommissioning of building 220 earlier used for production of depleted uranium for civil production of the Industry Center of Metallurgy
SGCHE JSC	Continuation of works on preservation of B-1 and B-25 basins and solid radioactive waste storage facility No. 263 of site No. 16
AECC JSC	Beginning of works on creation of return water supply systems on the basis of the existing hydraulic structures
UEIP JSC	Commissioning of the grinding complex (shredder) “VIKMAX-400” in universal demountable building of radioactive waste (RW) processing site (No. 2) of the shop No. 70
PA ECP JSC	Modernization of the following refrigerating machine with transition to ozone-safe freon-134a in building No. 10A

* On the basis of research works of the Institute of Nuclear Power Industry Development Problems of the Russian Academy of Sciences <http://www.russianatom.ru/information/facts/> production on condition of supplies to the power unit of 1000 MW.

NCCP PJSC became the winner in nomination “For environmental responsibility” of All-Russian Contest “Russian Business Leaders: Dynamics and Responsibility — 2015”, organized by Russian Union of Entrepreneurs and Industrialists.

ORI G4 EN27 In 2015 in the course of the implementation of the Environmental Policy by the companies included in TVEL Fuel Company’s management system, the production and technical activities aimed at environmental protection and ecological safety were implemented. In 2016 it is planned to conduct similar arrangements.

ENVIRONMENTAL IMPACT

Use and Processing of Materials

The quantity of materials necessary for the manufacture of products at enterprises of the Company is determined by the production program.

Enterprises of separation-sublimation complex use uranium and synthetic materials for products manufacturing. Enterprises of fabrication block use raw materials represented by enriched uranium product obtained at the enterprises of separation-sublimation complex Synthetic materials, ferrous and non-ferrous met-

als are basically used in the manufacture of gas centrifuges.

All raw materials used by TVEL Fuel Company enterprises are purchased. No renewable materials are used in production.

ORI G4-EN23 Industrial and Consumer Waste Disposal

In 2015 the total amount of industrial and consumer waste of the Company was decreased by 31% as compared to the level of 2014 and made around 210,000 tons.

Main reasons of waste formation decrease in 2015:

- increase of the amount of ashes and slag waste of Hazard Class 5 (slightly hazardous) in connection with the decrease in the coal burning at heat and power plant (HPP) of SGCHE JSC and cease of coal use as fuel at HPP of CHMZ JSC which also generate thermal and electrical energy for the population of nearby settlements;
- cease of sublimation production by AECC JSC and its preparation for decommissioning;
- reduction of construction works volume and completion of works on land improvement of the industrial site territory of PA ECP JSC;

- change in the schemes of handling household waste in UEIP JSC as a result of which the waste owner became a contracting organization rendering services in places of waste accumulation;
- sale of shares of KhMZ JSC (Krasnoyarsk) and its exclusion from the management system of the Company.

In 2015 5,400 tons of wastes were recycled or reused by the enterprises of the Company. The use of wastes is mainly organized at MSZ PJSC, ChMP JSC and NCCP PJSC, which in 2015 used in their production 31.3%, 66.4% and 32.1% of their wastes respectively.

Use of Materials in Main Production by TVEL FC enterprises, tons

Material	2013	2014	2015
Sulfuric acid	4,238.9	1,926.7	1,502.7
Technical sulfuric acid (oleum)	8,878.1	10,048.3	1,2011.0
Nitric acid	17,055.8	14,167.5	14,313.1
Hydrochloric acid	8,370.73	8,256.08	8,146.85
Ferrous metals	6,308.01	4,990.73	4,629.04
Non-ferrous metals	7,926.63	6,105.69	1,810.56

Share of used waste to the extent of their formation per year, %

Enterprise	2013	2014	2015
MSZ PJSC	24	31	66
ChMP JSC	56	16	32
NCCP PJSC	0	6	1
AECC JSC	1	0	1
VPA Tochmash JSC	1	1	1
Total for TVEL FC	1.9	1.2	2.6

One pellet of nuclear fuel weighing 4.5 g substitutes:

360
m³ of natural gas

400
kg of bituminous coal

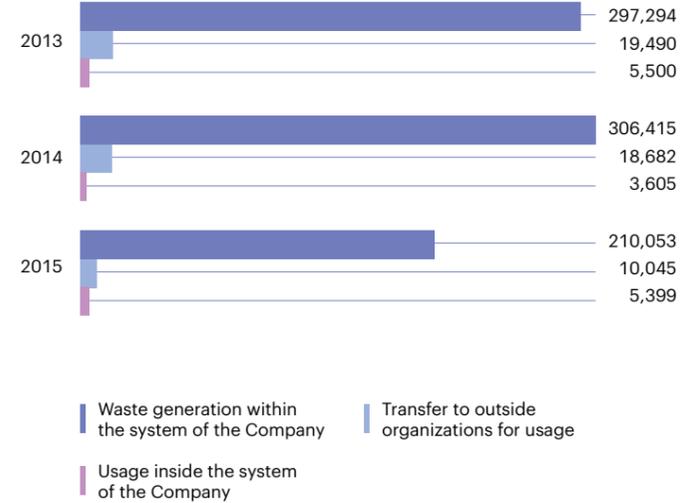
640
kg of fuel wood

350
kg of oil

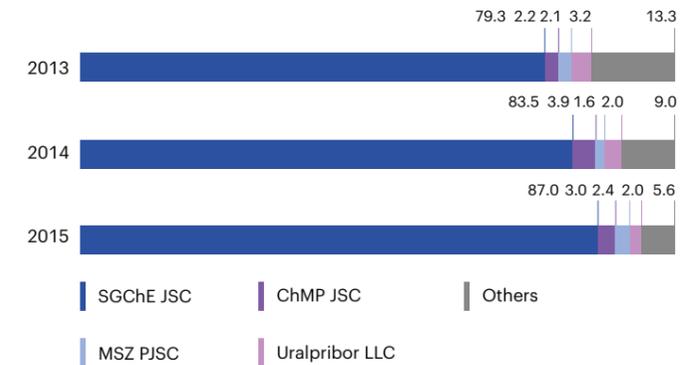


1,400
kWh of electric power

Waste Generation and Recycling in 2013–2015, tons



Structure of Waste Generation by the Enterprises, %



GRI G4-EN25 The bulk of wastes (92.6%) was represented by Hazard Class 5 (slightly hazardous) wastes, such as ash slag resulting from solid fuel burning at the TPPs. Ash slags are dumped by the TPP and the bulk of other wastes is delivered to specialized organizations.

The Company is not engaged in waste transportation across international borders.

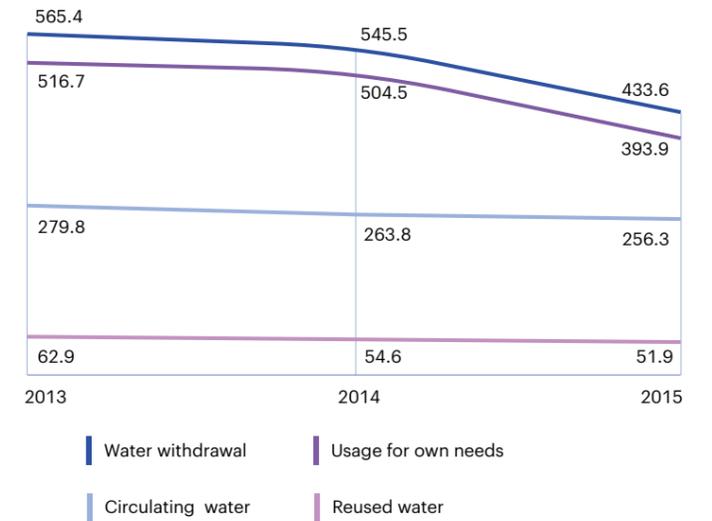
GRI G4 EN8, G4-EN9 Water Consumption and Water Disposal

In 2015 withdrawal of water by the enterprises of the Company decreased by 20.5% as compared to the previous year and was 434 mln m³, water consumption decreased by 22% and amounted to 393.9 mln m³.

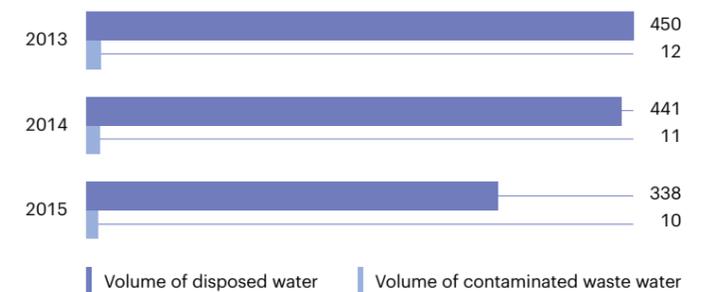
Causes of decrease in volumes of water withdrawal and consumption:

- decrease in water withdrawal by SGChE JSC and ChMP JSC due to reduction of the electric supply program of HPP of SGChE JSC and HPP OF ChMP JSC;

Water consumption in 2013–2015, mln m³



Water disposal by enterprises of TVEL FC in 2013–2015, mln m³



- cease of sublimation production by AECC JSC and its preparation for decommissioning;
- implementation of actions on Energy Saving and Efficiency Improvement Program in PA ECP JSC, connected with installation of frequency converters on the industrial pumping station in building 811 and optimization of water consumption in subdivisions of the enterprise;
- decrease in water consumption by UEIP JSC consumers.

The main source of water withdrawal is represented by natural sources (406 mln m³). Water withdrawal from public and other water supply systems was equal to 28 mln m³. Water withdrawal by the Company's enterprises has no significant impact on natural water sources.

In 2015 the standard of water withdrawal was set at 652 mln m³, the actual volume of withdrawal was 66.5% of the set standard.

Actual consumption method is mainly used in calculation of water consumption indicators at the Company's enterprises. Water withdrawal from natural sources is executed by the enterprises in accordance with the set standards. About 98% of consumed

Wastes generated at TVEL FC enterprises by Hazard Class, tons

Indicator	2013	2014	2015	Δ2014/ 2015, %
Wastes in total, including:	297,300	306,415	210,053	-31.4
Hazard Class I	30	53	210	295.2
Hazard Class II	8,880	5,854	4,079	-30.3
Hazard Class III	1,070	1,048	495	-52.8
Hazard Class IV	29,810	20,736	10,801	-47.9
Hazard Class V	257,500	278,724	194,469	-30.2

water is used by the enterprises for equipment cooling systems.

In 2015 the volume of return water was 256 mln m³. The share of return water of the total amount of withdrawn water was 59.1%, the share of reused water in the total volume of withdrawn water was 12%. Water consumption in the systems of return water has small fluctuations in recent years about 3–6%

In 2015 338 mln m³ of water were disposed by the Company's enterprises, while the standard was 622 mln m³. All water was disposed into natural water bodies. The volume of water disposal directly depends on the water consumption.

In 2015 the volume of disposal of polluted waste water by the Company's enterprises decreased by 7%, which is di-

rectly connected to decrease in water withdrawal.

Difference in percent decrease as compared to 2014 of water withdrawal volume and polluted waste water volume is conditioned by the fact that a range of TVEL Fuel Company enterprises execute acceptance of waste water from outside organizations.

Pollutant Emissions

In 2015 total pollutant emissions into the atmosphere by the Company's enterprises amounted to 16,400 tons (24.4% of the set standard).

Decrease of emissions in comparison with 2014 by 20.6% is conditioned by the decrease of the burnt fuel in the form of coal on the HPPs of SGCHE JSC and ChMP JSC.

The largest volumes of emissions were reported at the enterprises of the Fuel Company that are directly related to the emissions generated in the production of electricity and heat power at the HPPs of SGCHE JSC and ChMP JSC. It should be noted that these HPPs supply heat and electricity to the settlements in areas of location of the enterprises.

GRI G4-EN20 Emissions of ozone-depleting substances at the enterprises of the Company in 2015 decreased by 1.2% and amounted to 259,000 tons, which is due to the equipment modernization.

Decrease of nitrogen and sulphur oxide emissions by 20.6% and 15.5% was caused by overall emissions decrease in TVEL Fuel Company.

GRI G4-EN15, G4-EN19 Carbon monoxide emitted into the atmosphere from anthropo-

No emergencies and incidents resulting in negative environmental impact occurred in 2015 at the enterprises of TVEL Fuel Company.

Total Emission of Pollutants*, thous. tons



*Determined by computational method, along with instrumental verification.

Emission of ozone-depleting substances, tons



Total pollutant emissions by enterprises of the TVEL FC, thous. tons

Enterprise	2013	2014	2015	Share of emissions of the enterprise of the total volume of the TVEL FC's emissions, %
SGCHE JSC	16.7	17.0	13.8	84.3
ChMP JSC	1.9	2.6	1.8	10.8
UEIP JSC	0.9	0.6	0.5	3.1
Other	0.5	0.5	0.3	1.8
Total	20.1	20.7	16.4	100.0

genic sources is oxidized to carbon dioxide. Decrease of carbon dioxide emission in 2015 by 40.4% is connected with the parameters of the facilities work on the HPP of SGCHE JSC and ChMP JSC.

For determination of greenhouse gases emission the carbon dioxide emissions were taken into consideration, because carbon oxide emitted into the atmosphere from anthropogenic sources is oxidized to carbon dioxide.

GRI G4- EN19, EN18 In 2015 greenhouse gas emission intensity amounted to 3.18 kg/RUB mln. of revenue (in 2014 — 7.32 kg/RUB mln.). The bulk of greenhouse gas emissions is caused by energy facilities (HPP, boiler houses) and transport.

There is no significant environmental impact caused by transportation associated with the activity of the Company's

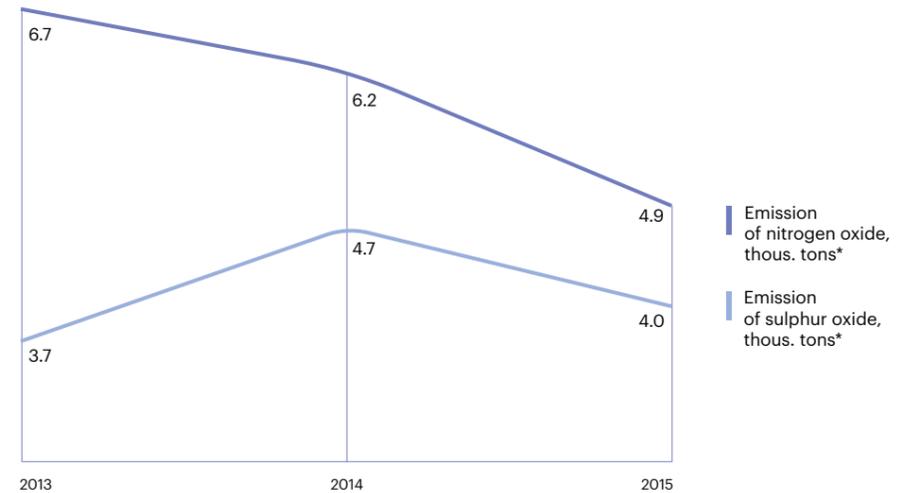
enterprises and workforce transportation. Transportation of hazardous cargoes and special cargoes is carried out by transport of the enterprises or third parties pursuant to licenses and taking into account requirements to organization of transportations.

For the purpose of reduction of the adverse impact on the environment, measures were taken for scheduled replacement of morally and physically obsolescent motor vehicles with modern ones complying with the exhaust toxicity standards, as well as for replacement of motor vehicles that have gasoline engines with motor vehicles that have diesel engines.

In operation of the rolling stock, the routes and working hours are constantly adjusted and optimized, mileage and the

complement of vehicles in the motor vehicle fleet are cut down, which result in reduction of total mileage and, therefore, reduction of the total consumption of fuel and adverse impact on the environment.

Emission of specific pollutants, thous. tons*



*Determined by computational method, along with instrumental verification

Carbon dioxide emissions, tons, t*



*Determined by estimating and computational method. Subsidiary companies of TVEL FC keep no record of emissions of greenhouse gases due to the absence of relevant legislative requirements.

2,318

RUB mln
The Company's total environmental protection expenditure in 2015



GRI G4-EN31 Expenses related to minimization of the environmental impact

In 2015 operating expenses of the Company enterprises for environment protection amounted to RUB 2,318 mln. Target funds allocated in the framework of the investment and project activities of TVEL Fuel Company and ROSATOM were used to finance both technical and organizational measures.

Planning of production and technical measures aimed at ensuring of environment protection by the enterprises included in the management system of the Company is carried out in the framework of the investment and project activities of TVEL Fuel Company and ROSATOM. Prior to its inclusion in investment projects, each action is subject to justification and assessment from the view point of the fi-

nal result effectiveness at the meeting of the Investment Committee of TVEL JSC.

The share of expenses is related to the activities for environment radiation safety assurance (RUB 816 mln). Considerable expenses are related to collection and treatment of waste water (RUB 512 mln).

The share of environment protection expenses of TVEL Fuel Company falls on SGCHE JSC, UEIP JSC and ChMP JSC.

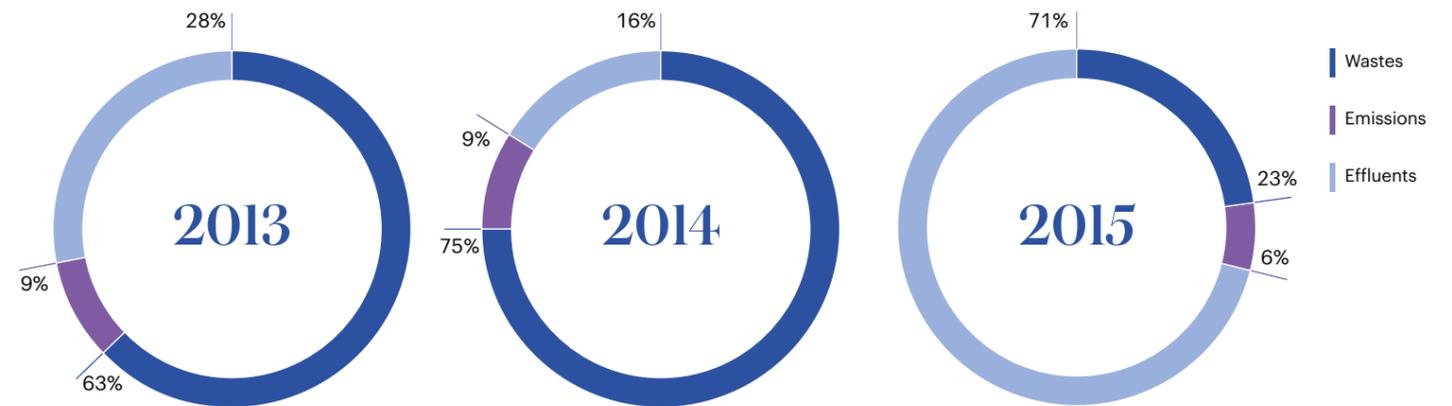
In 2015 total amount of payments for negative impact on the environment increased by 4.5% as compared to the previous year and amounted to RUB 30.5 mln.

GRI G4-EN29 In the reporting year there were no substantial fines and penalties for the impact on the environment in respect of the subsidiaries included in the management system of TVEL FC, no damage was caused to the environment.

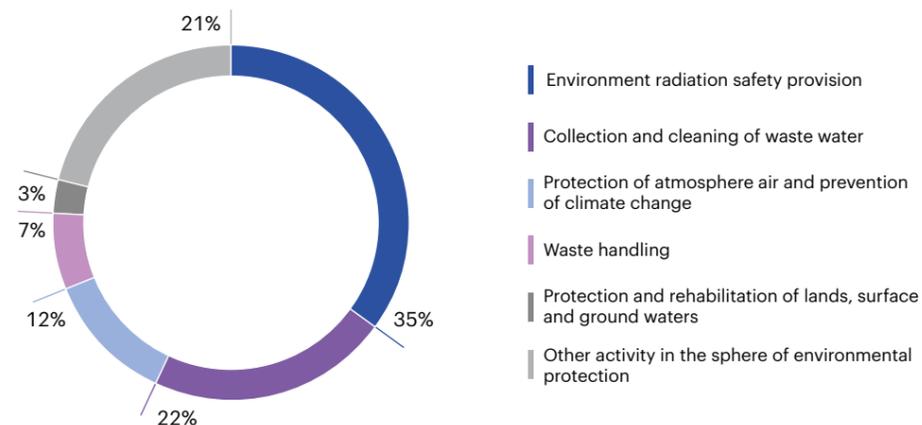
Expenses of TVEL FC Related to Environment Protection, RUB mln

Expenditure items	2013	2014	2015	2016 (plan)
Radiation safety assurance	1,059	1,123	817	1,000
Waste water collection and treatment	335	374	512	510
Atmosphere air protection and prevention of climate change	188	178	283	290
Waste disposal	131	153	172	180
Protection and rehabilitation of lands, surface and ground water	28	60	61	70
Other activities in the sphere of environment protection	472	482	474	480
Total	2,213	2,371	2,318	2,530

Structure of payments for negative environmental impact, %



Environment protection costs outlay of TVEL FC in 2015, %



Fines and penalties as compensation for damage to the environmental



NUCLEAR AND RADIATION SAFETY

Assurance of nuclear and radiation safety (NRS) of facilities of the Fuel Company subsidiaries, prevention and exclusion of any possibility of inadmissible exposure of the personnel, population and environment to radiation are among the priority activities of TVEL Fuel Company.

The Company subsidiaries undertake systematic efforts for prevention and elimination of radiation accidents, improvement of the stability of hazardous production facilities, training of personnel and special formations in conditions of accidents and emergency situations.

Prevention of radiation accidents requires constant monitoring of compliance with the rules, regulations, instructions, observance of technological discipline.

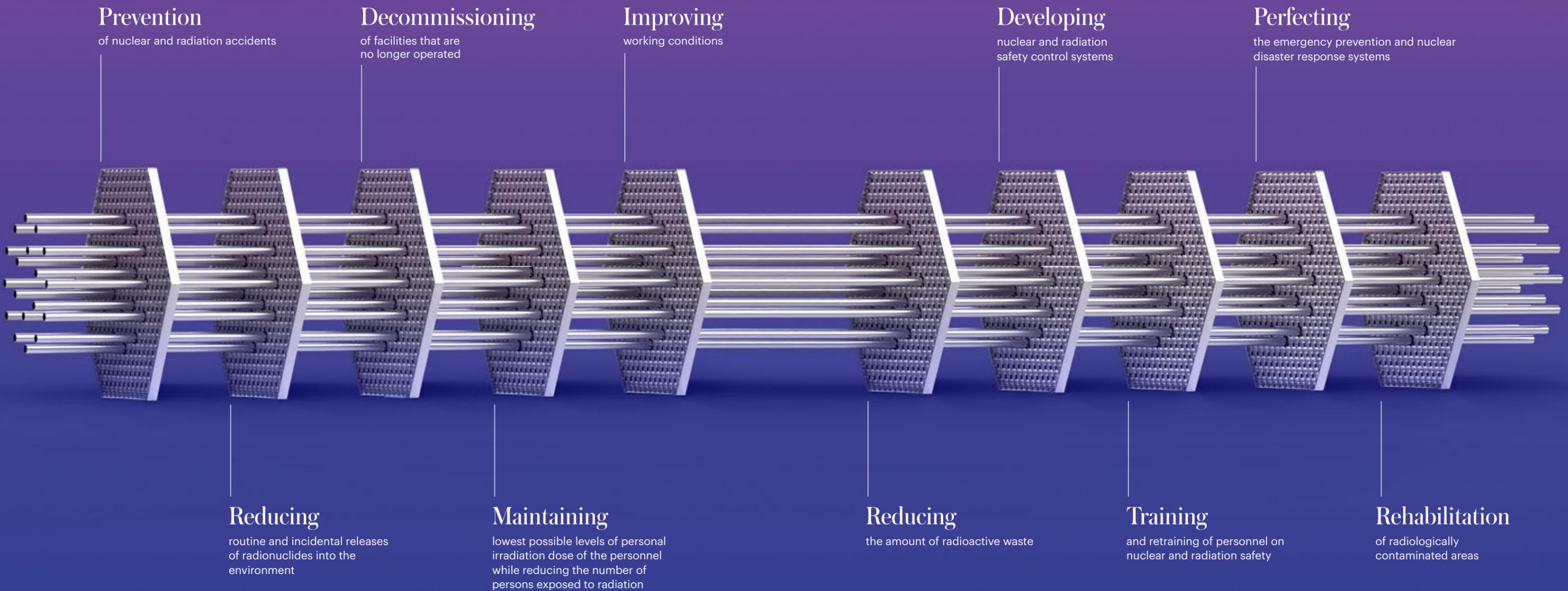
General management of the works ensuring the NRS in the Company's enterprises are imposed on Technical Directors (Chief Engineers).

Lists of nuclear hazardous sections are elaborated for all nuclear-hazardous facilities having the conclusions on the nuclear safety issued by the Department of Nuclear Safety of IPPE RF SSC FSUE. All nuclear hazardous sections are equipped with emergency alarm systems in the case of self-sustaining fission chain reaction.

Units of the enterprises for processing, storage, production involving nuclear materials and radioactive substances, radioactive wastes treatment have sanitary-epidemiological certificates of conformance stating that the work with radiation sources is in compliance with sanitary rules.

According to the conclusions made by the territorial departments of the State Sanitary and Epidemiological Service of the Russian Federation, the radiation situation at the Company's enterprises, within their sanitary protection areas and control areas (areas of professional responsibility) is estimated as satisfactory.

Nuclear and Radiation Safety Principles in TVEL FC



Activities of TVEL Fuel Company are carried out in accordance with the laws of the Russian Federation pertaining to the use of nuclear power with due account to IAEA requirements.

Federal Target Program “Nuclear and Radiation Safety Assurance for 2008 and for the Period up to 2015”

The First Federal Target Program “Nuclear and Radiation Safety Assurance for 2008 and for the Period up to 2015” was completed, which enable to solve the problems of the nuclear “heritage”, including but not limited to the following:

- decommissioning of the research building B (liquidation of the building and rehabilitation of the surrounding area) of the nuclear facility belonging to VNIINM JSC (Moscow) and which was previously used for works with uranium, plutonium, americium and other radionuclides;
- completion of conservation (total isolation) of the RW storage facility in SGCHE JSC (Seversk) B-2 storage bay of total area 51,400 m² with 35,000 m³ pulp volume;
- decommissioning (liquidation) of the nuclear facility in KhMZ JSC (Krasnoyarsk) to a state of “green lawn”;

- decommissioning (construction of conservation storage facility for special RW) of the industrial uranium-graphite reactor EI-2 in SGCHE JSC (Seversk) reactor plant.

In 2008–2015 within the FTP NRS, TVEL Fuel Company managed to accomplish 37 activities on 7 sites for the total amount RUB 9.6 bln, including the federal budget resources — RUB 7.1 bln, other sources — RUB 2.5 bln:

- liquidation of 56 nuclear and radiation hazardous facilities (NRHF);
- commissioning of 1,710 m³ capacities of radioactive waste (RW) depositories;
- transfer into ecologically safe state of 2.74 RW power blocks;
- rehabilitation of 155,500 m² of radiation-tainted territories.

In 2015 the total volume of works on FTP NRS activities amounted to RUB 1.4 bln, including the federal budget resources — RUB 1.2 bln and other sources —

Activities under the FTP “Nuclear and Radiation Safety Assurance for 2008 and up to 2015” at the sites of TVEL Fuel Company subsidiaries at the expense of the Federal Budget

Subsidiary Company	Scope of finance, RUB mln		
	2013	2014	2015
SGCHE JSC	958	430	230
ChMP JSC	11	135	131.1
NCCP PJSC	27	25	285.3
VNIINM JSC	150	350	574.8
TOTAL	1,146	940	1,221.2

Sources of financing for liquidation of the Nuclear “Heritage” in 2015

Sources	Number of activities	Scope of Financing, RUB mln	List of major activities
The Federal Budget within the Federal Target Program “Nuclear and Radiation Safety Assurance for 2008 and for the Period up to 2015”	8	1221.2	1. Conservation of B-1 storage bay. 2. Reconstruction of safety and hydraulic structures of the water reservoirs WR-1, WR-3, WR-4. 3. Reconstruction of the site No. 13 in SGCHE JSC. 4. Conservation of the tailings pond No. 1 in ChMP JSC. 5. Decommissioning of the research building B in VNIINM JSC
The Special Reserve Fund No. 3 “Decommissioning of R&D” of ROSATOM	22	302.15	1. Decommissioning of hot boxes in the Building I-3 belonging to VNIINM JSC. 2. Advance preparation to decommissioning of the buildings and facilities of the site No. 3 in the Radiochemical Plant of SGCHE JSC. 3. Conservation of the tailings pond No. 1 in ChMP JSC. 4. Rehabilitation of the areas contaminated by radionuclides in NCCP PJSC
The Reserve No. 3 “Decommissioning of R&D” remaining at the disposal of the organization	8	29.99	1. Creating a mobile installation for preparation and application of film-forming decontaminating and localizing compound mixtures. 2. Creating an installation of contact and pulse deactivation in VNIINM JSC. 3. Liquidation of the diffusion equipment in the building 8 and site 115a of SGCHE JSC

No contamination of new areas occurred caused by activities of TVEL FC subsidiaries in 2015. All identified contaminated areas are consequence of activities of the enterprises focusing on improving the defensive ability of the country during the period of the “nuclear shield” creation.

RUB 0.2 bln. 4 nuclear and radiation hazardous facilities were liquidated.

In 2016 and subsequent years the works on elimination of the nuclear “heritage” will be continued within the approved FTP “Nuclear and Radiation Safety Assurance for the period of 2016–2020 and up to 2030”. FTP allowed to 2.2 times speed up the solution of the nuclear “heritage” problems.

Within the improvement of the government control and coordination of the works in the sphere of nuclear power safe use (including the issues of organizing transportation of nuclear materials), TVEL Fuel Company obtained in 2015 the following documentation:

- 32 certificates authorizing the shipping packaging sets with radioactive materials;
- 17 additions to the certificates;
- 5 special requirements to air transportation of the shipping packaging sets;
- 2 special conditions for transportation of radioactive materials;
- authorization documents for exportation from the Islamic Republic of Iran of enriched nuclear materials.

Rehabilitation of the areas contaminated by radionuclides

The areas contaminated with radionuclides are within the area of professional responsibility of MSZ PJSC, NCCP JSC, ChMP JSC and SGCHE JSC. No industrial activity is carried out at the said areas, the access is highly restricted.

In the course of pre-development research there were revealed 234 areas of radioactive contamination (ARC) of total area ≈7.5 ha in the territory of industrial site of NCCP PJSC. During 2008–2013 there were rehabilitated 233 areas of radioactive contamination.

During 2014–2015 the detailed design documentation was developed and ARC rehabilitation was carried out of total area 0.68 ha within the territory of the primary industrial site and within the territory of “Seven Hundredths Storage Facilities” of NCCP PJSC. Rehabilitation was proved by the gamma-shooting of the rehabilitated territories and execution of soil samples testing.

In 2015 the Russian Geo-Ecological Center — branch of Urangologorazvedka — conducted the second stage of radiation safety audit of the territories related to the industrial areas of MSZ PJSC. In the course of radiation safety auditing the previously identified areas of local and site anomalies were presented in detail.

The auditing allows evaluating the radiation situation in the area under control. In order to eliminate the negative environmental impacts of economic activities there will be accomplished the rehabilitation measures program for contaminated areas within the complex works on decommissioning of the nuclear and radiation hazardous facilities (NRHF) in MSZ PJSC.

Plan of the activities under the FTP “Nuclear and Radiation Safety Assurance for the period of 2016–2020 and up to 2030”*

Subsidiary Company	Funding in 2016, RUB mln
SGCHE JSC	394.2
AECC JSC	758.5
NCCP PJSC	398.3
TOTAL	1,551

* at the sites of the Company’s subsidiaries at the expense of the Federal Budget.

Pollution of the Environment with Radionuclides (RN)

Indicator	2013	2014	2015
Emission of RN into the atmosphere, Bq	7.54*10 ⁹	9.49*10 ⁹	8.72*10 ⁹
Presence of areas contaminated with RN, thous. m ²	30,889	16,081.4	16,081.4
Discharge of waste water containing RN, Bq	5.15*10 ⁹	1.56*10 ⁹	2.09*10 ⁹

The emissions of all subsidiaries of TVEL Fuel Company are within the permissible limits.

As of the end of 2015 the total area of territories contaminated with radionuclides subject to rehabilitation amounted to 116,081,400 m².

GRI G4-PR2 According to the conclusions of regulatory authorities on the results of inspections, it was noted that the radiation and nuclear safety in the Company, in general, conforms with the regulations and rules in the field of use of nuclear power. TVEL Fuel Company registered no cases of cancellation of any license related to nuclear energy application.

Nuclear Waste Disposal

In conformity with the Federal Law of July 11, 2011 No. 190-FZ "About Radioactive Waste Management and Modifications to Certain Legislative Acts of the Russian Federation", a new system for radioactive waste handling is formed in the Russian Federation. It implies the transition from long-term storage of radioactive waste to its disposal, i.e. safe disposal of radioactive waste at the point of radioactive wastes storage facilities without the intention of subsequent recovery.

To manage the radioactive waste disposal facilities in the Russian Federation a specialized organization was created — the National Operator for Radioactive Waste Handling FGUP "NO RAO". Radioactive waste disposal facilities may be in federal ownership or owned by ROSATOM. In view of the provisions of the law, liquid radioactive waste deep-level disposal facility, located at the site of SGCHE JSC and operating at the moment of entry into

force of the RW Law, was transferred to the ownership of ROSATOM and currently placed by ROSATOM under management of FGUP "NO RAO".

Solid radioactive waste low-level disposal facility, located at the site of UEIP JSC, was at the construction state at the moment of the RW Law entry into force. After the completion of construction works and commissioning of the first turn this disposal facility was also transferred to the ownership of ROSATOM, and ROSATOM, in its turn, placed it under management of FGUP "NO RAO".

Currently FGUP "NO RAO" considers the possibility of constructing in the territory of SGCHE JSC the disposal facility for intermediate level and low-level solid radioactive waste. This will reduce the costs of waste transportation and locate in a safe way the radioactive waste generated by production activities of SGCHE JSC, as well as the waste generated while decommissioning the nuclear and radiation hazardous facilities of SGCHE JSC (liquidation of nuclear "heritage").

The enterprises of TVEL Fuel Company generating radioactive waste in the course of their operations are responsible for safety while handling the radioactive waste until transferring such waste to the national operator for RW management. The enterprises are working to reduce the amount of radioactive waste generated, the corresponding plans and programs have been developed. In order to reduce the costs of RW disposal, improve safety and efficiency for RW management activities, the enterprises develop and introduce new technologies and methods for recycling radioactive waste.

PA ECP JSC accomplished the project on creation of the centrifugal method based pulp separation unit, which allowed eliminating the disposal of radioactive waste in the pulp depository of the enterprise.

UEIP JSC accomplished the project on creation of the crushing plant (shredder) for grinding the decommissioned aerosol filters of various types and other bulky waste.

NCCP PJSC works on the project of creating a liquid and solid waste processing complex, being at the stage of design engineering details.

Pollution of the Environment with Radionuclides as of the End of 2015

Subsidiary Company	Areas contaminated with radionuclides, thous. m ²			
	Total	including:		
		Sanitary protection zone	Area of professional responsibility	Industrial site
MSZ PJSC	894.9	0	740.1	154.8
NCCP PJSC	372.3	0	210	162.3
ChMP JSC	210	0	0	210
SGCHE JSC	14,604.2	333	0	14,271.2
Total:	16,081.4	333	950.1	14,798.3

Presence of RW in the sites of the Fuel Company subsidiaries as per level of radioactivity

Indicator	Unit	Level of radioactivity			
		high	medium	low	very low
Presence of RW in the sites of the Fuel Company subsidiaries at the year end, total	m ³	13,150	292,766	5,991,494	5,243,621
	Bq	8.51*10⁰⁶	2.00*10¹⁸	1.75*10¹⁵	5.23*10¹³
Accumulated before July 15, 2011 ("heritage")*	m ³	13,000	291,261	4,090,789	5,230,405
	Bq	8.50*10 ⁰⁶	2.00*10 ¹⁸	7.53*10 ¹⁴	5.12*10 ¹³
produced after July 15, 2011, total	m ³	150	1,506	1,900,705	13,216
	Bq	1.10*10 ¹⁴	3.10*10 ¹⁴	1.00*10 ¹⁵	1.14*10 ¹²
produced in the reporting year	m ³	25	70	410,128	1,721
	Bq	9.00*10 ¹²	2.80*10 ¹³	2.04*10 ¹²	1.12*10 ¹¹

* Date of entry into force of the Federal Law of the Russian Federation d/d July 11, 2011 No. 190-FZ "About Radioactive Waste Management and Modifications to Certain Legislative Acts of the Russian Federation. In accordance with this Law, there was a distinction of ownership between the Russian Federation and the companies that produce new radioactive waste.

A large portion of RW located in the sites of TVEL JSC subsidiaries is placed in long-term RW storage facilities (39.6% of the total volume in m³) and RW special disposal sites (60.3%). In the reporting year, 390,000 m³ of RW was delivered to specialized organization for disposal.

The Unified State Automated Radiation Monitoring System of the Russian Federation

The enterprises of TVEL Fuel Company (MSZ PJSC, ChMP JSC, VNIINM JSV, SGCHE JSC, UEIP JSC, AECC JSC, PA ECP JSC) created the Automated radiation monitoring systems (ARMS) which are constantly operated and updated.

The ARMS of the Fuel Company enterprises are included into the Sectoral ARMS (SARMS) of ROSATOM, which in its turn is related with the Unified State Automated Radiation Monitoring System (USARMS).

The data obtained from the control stations are real-time recorded on websites of ROSATOM and the Emergency Center of the Russian Ministry of Nuclear of Nuclear Energy (Saint-Petersburg). ARMS stations are located at industrial sites, within their sanitary protection areas and control areas (areas of professional responsibility) of the enterprises.

The radiation situation is assessed in real time. The data obtained through

ARMS monitoring sensors of VNIINM JSC, SGCHE JSC, UEIP JSC, AECC JSC, PA ECP JSC are transmitted to the Situation and Crisis Center of ROSATOM.

In the period 2013–2016 the ARMS Modernization Investment Project is implemented, aimed at ensuring compliance of the ARMS of UEIP JSC with the requirements of the Regulations of the SARMS of ROSATOM.

In 2015 the statement of works on the ARMS Modernization project in SGCHE JSC was developed and funded to the extent of the existing control stations with replacement of the outdated equipment with modern one, providing high stability of system operation and improvement of measurements effectiveness. The project implies the possibility of system development and improvement.

In 2015 an application was submitted for funding the ARMS creation at NCCP PJSC at the expense of the special reserve fund No. 1 of ROSATOM.

In 2015 UEIP JSC purchased the equipment for modernization of the communication system for the ARMS. PA ECP JSC introduced new control stations, measurement results transmission subsystem of the automated measuring system for industrial and environmental monitoring of the outside companies, as well as cars additional equipping with mobile emergency response complexes.

In 2015 all enterprises developed and started to implement the Fire Safety Policy of TVEL JSC.

Key works on ensuring emergency preparedness and response by the Fuel Company's subsidiaries

<p>1.</p> <p>Development of radiation, chemical and environmental situation monitoring systems and local warning systems</p>	<p>2.</p> <p>Formation, training and performance review of emergency rescue teams</p>	<p>3.</p> <p>Updating of emergency response plans at major industrial facilities</p>
<p>4.</p> <p>Emergency response drills under accident and emergency plans</p>	<p>5.</p> <p>Setting up and maintaining the emergency preparedness and response packages at hazardous industrial facilities</p>	<p>6.</p> <p>Introduction of corrective and compensatory measures to prevent industrial accidents</p>
<p>7.</p> <p>Interaction with Emergency Center SPb and its affiliates to ensure emergency preparedness during transportation of dangerous goods and industrial safety</p>	<p>8.</p> <p>Maintenance of on-duty dispatching service system</p>	

In terms of nuclear terrorism threat countermeasures, anti-terrorism security certificates were developed at all nuclear hazardous facilities and approved in the prescribed manner. The facilities are subject to departmental inspections and inspections by the State Regulatory Authorities.

Emergency Preparedness and Response

Work to ensure emergency preparedness and response of the Fuel Company subsidiaries is carried out in the following key areas.

Physical Protection of Nuclear Facilities

The state of physical protection in subsidiaries of TVEL Fuel Company is assessed as complying with the rules and departmental normative documents.

In 2015 no stealing and sabotage in relation to the objects of physical protection was registered; there was no case of failure to prevent unauthorized actions; the deficiencies identified by departmental and technical inspections were eliminated completely and promptly; performance of technical equipment and preparedness of personnel and security teams were at acceptable level.

Physical protection systems were improved in accordance with the approved plans. Works were financed mainly at the expense of the funds of reserve No. 2 of ROSATOM and own funds of the subsidiaries of TVEL FC. All activities were performed in a timely manner.

In terms of nuclear terrorism threat countermeasures, anti-terrorism security certificates were developed at all nuclear hazardous facilities and approved in the prescribed manner. The facilities are subject to departmental inspections and inspections by the State Regulatory Authorities.

FIRE AND DISASTER PREVENTION

All enterprises of the Company developed the necessary documents concerning actions of the management, emergency services, response forces and employees in the event of emergency situations of natural and technogenic nature, as well as created the necessary reserves of financial and material resources to eliminate such situations.

The services that perform everyday control over the Emergency Management System (Facility Level) of the Fuel Company enterprises are responsible for ongoing collection and analysis of the information about the state of natural and technogenic environment in the areas where nuclear and radiation hazardous facilities and sites are located.

In 2015 the enterprises included into the management system of TVEL Fuel



Due to the focused efforts there was no recorded emergency situation of natural and technogenic nature at the industrial site of TVEL FC during the reporting period.

Company continued to improve the EMS, including communication system, the EMS warning and information systems.

Holding organizational and technical activities aimed at increasing fire safety allowed:

- to reduce the number of violations identified by the State Fire Supervision bodies of the EMERCOM of Russia by 22% in comparison with 2014;
- to improve the timeliness of compliance with the proposed instructions up to 99%;
- to prevent fire at industrial sites of the enterprises and continue the positive tendency of their number reduction beginning from 2011;
- to complete equipping of the facilities with automatic fire fighting systems to 94%;
- to organize in 2016 the implementation of investment projects aimed at re-equipping of facilities with automatic fire fighting systems to 100%;
- to improve the quality of training of managers and specialists responsible for fire safety in specialized training centers, and to upgrade the system of fire safety briefing of employees;

- to ensure continuous monitoring of the fire situation in forests on industrial sites and surrounding areas and the complex of preventive measures that would prevent wildfires;
- to ensure the further development of the volunteer fire-fighter movement with engaging them in contests and competitions.

Number of fires and ignitions in TVEL FC



Where do you see the Company in 10 years from now?

I see a market leader, a competitive high tech company that uses best practices and has an extensive portfolio of innovative products. I see a highly professional team that is united and well-coordinated. And I also see a successful company, just as it is meant to be, with us working so hard to achieve that.

The Company of the nearest future will be an organization that relies on the 'one goal one team' principle, whose motto is "Be fast, be flexible, keep it simple". By this I mean that any change within the Company should be really fast, the processes should be as flexible as possible and the role assigned to each employee in the context of achieving the common goal should be simply explained.

Any of this will never be possible unless we retain our primary focus on people, on developing their competencies and training them at throughout the entire product life-cycle.

A key priority for the Company in the coming decade will be to revise the production system and customer relations, more specifically, to increase the accuracy of planning, forecasting and implementation. Meanwhile, the main thing about any reform is the speed of implementation. Remember the fable of the Lion and the Gazelle, who have to run faster every day, or else the Lion will starve and the Gazelle will be killed.

It is important to note that our competitors have closely watched the activities of the Fuel Company and its subsidiaries and have responded with their own programs aimed at getting to the top and winning market leadership. They have developed new organizational business models that focus on customers and the possibilities to increase sales.

In the context of increased flexibility we notice the increased role of IT systems which motivates us to analyze the experience of our competitors and introduce it at the enterprises of the Fuel Company. It should be said that the world's leading corporations have extensively used IT systems, such as MRP, MRP-II, SCOR Apics. But what is more important, these companies are definitely focusing on implementing advanced information systems (such as APS, Big Date) that can rebalance the production systems every 1 to 7 days, the process does not require several month or an entire year like it used to.

One of the toughest challenges for the coming decade will be second core business development that will require a considerable organizational. First of all, the Company we will have to define the role and responsibilities of all those involved in launching new products. It particularly applies to the system of planning and achieving the set goals, a top priority area for the development and implementation of operational standards with subsequent transition to using IT systems, which is exactly what our competitors are doing at the moment. ♣

Achieving ambitious goals assigned to the Fuel Company will never be possible without reducing the time required to launch new products. In this context, the priorities of the Fuel Company will be to intensify the search for new ideas, reform the planning process and creating engineering centers to develop new products.

YAKOV Y.
KOP

Senior Vice-President for
Personnel and Organization
Development



About the Report GRI G4-4, G4-9, G4-15, G4-17, G4-18, G4-19, G4-20, G4-21, G4-22, 23, G4-28, G4-29, G4-30, G4-32

This Annual Report (hereinafter referred to as “the Report”) covers performance of TVEL JSC and its subsidiary companies (hereinafter together referred to as TVEL Fuel Company, TVEL FC, the Company) in 2015.

The purpose of this Report is to present comprehensive account of:

- performance of TVEL Fuel Company over the reporting year;
- strategic directions and development potential;
- the inherent risks and risk mitigation procedures;
- management philosophy.

This Report is prepared in compliance with the following regulatory documents:

- Federal Law No. 208-FZ d/d December 26, 1995 “On Joint-Stock Companies”;
- Federal Law No. 402-FZ d/d December 6, 2012 “On Accounting”;
- RF Government Regulation No. 1214 d/d December 31, 2010 (as revised on November 10, 2015) “On improving management procedure of open joint stock companies, the shares of which are under federal ownership and owned by federal state unitary enterprises”.
- The Policy of ROSATOM applicable to public reporting and Public Annual Reporting Standard of the Key Organizations included into ROSATOM;
- Provision of the Bank of Russia No. 454-P d/d December 30, 2014 “On Disclosure of Information by the Issuers of Equity Securities”;
- Corporate Governance Code (recommended by letter of the Central Bank of the Russian Federation d/d April 10, 2014);
- Global Reporting Initiative Sustainability Reporting Guidelines, version G4;
- Standard AA1000 APS 2008 of Accountability;
- International Integrated Reporting Framework, version 1.0.

The integrated format of the Report provides detailed description of the Company’s performance in the context of the external environment and shows the impact it makes on the stakeholders.

The Report discloses **material information** which is important to those who use this Report to assess the performance of the Company. Survey of internal and external stakeholders was conducted, the map of material matters was drawn up while preparing this Report (for details refer to the Appendices to interaction version of the Report at www.tvel.ru the Section “Finance”, “Annual Report”).

Aspect **boundaries** and content of the Report were determined by the Committee on Public Annual Reporting involving the Committee of Stakeholders, and agreed on by TVEL JSC subdivisions. Disclosed matters (aspects) are material for all subsidiaries from the Report profile, unless otherwise is specified herein. As compared to the previous reports, certain changes covered disclosure limits for industrial injuries rates (see p. 148). Moreover, KhMZ JSC was withdrawn from the Company’s management profile due to its shares sale.

The scope of matters (aspects) had no changes as compared to the previous periods No significant reformulations of the indi-

Reporting cycle	Annual
Format	Integrated
Comparative indicators	For 3 years
Targets	Are shown for 2016 and the reporting year, where the approved plans are available
Report Profile	TVEL JSC, MSZ PJSC, ChMP JSC, NCCP PJSC, MZP JSC, VNIINM JSC, UEIP JSC, SGCHE JSC, AECC JSC, PA ECP JSC, VPA Tochmash JSC, KMZ JSC, EC RGC JSC, EC RGC JSC, UGCMP LLC, NRDC LLC, OKB-Nizhny Novgorod JSC, Centrotech-SPb JSC, Uralpribor LLC*
Priority theme of the Report	Efficiency Based Development Strategy of the Fuel Company
GRI Disclosure Level	GRI G4 Comprehensive Option**
Date of the previous Report publication	June 2015

* Conforms to management accounting profile.

** Performance indicators and standard elements are generated and presented in the Report in accordance with Russian Accounting Standards. Financial report data pursuant to the International Financial Reporting Standards (IFRS) are not presented due to later date of generation thereof.

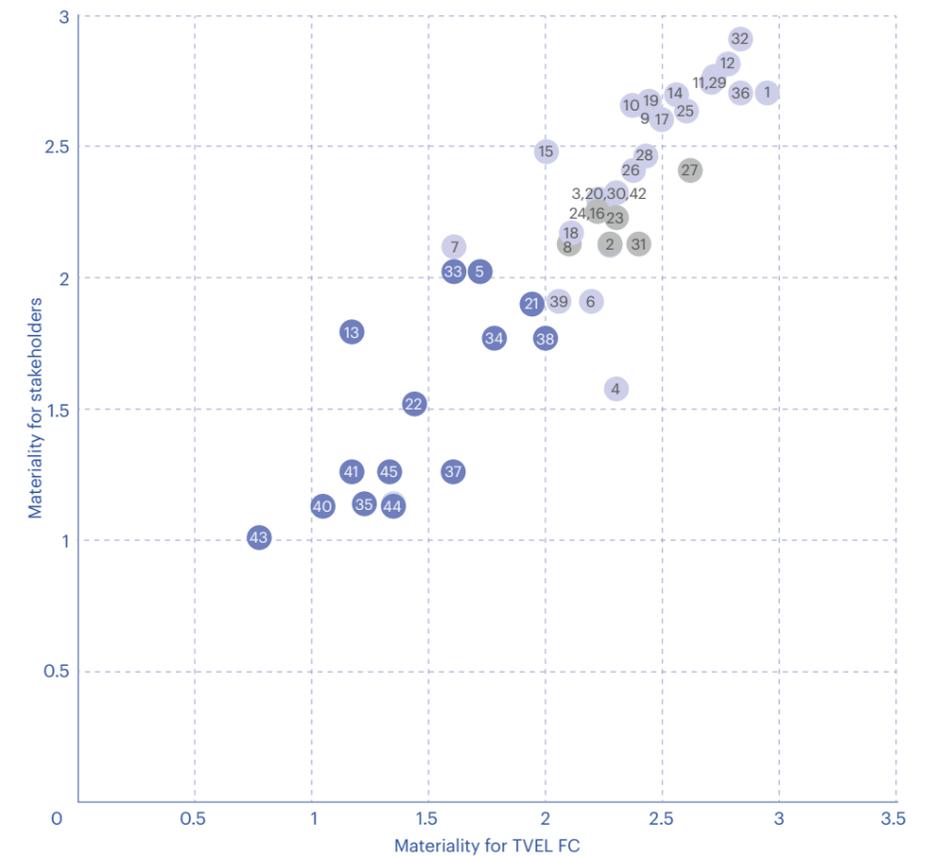
GRI aspects to be disclosed in the report:

1. Economic Performance
2. Market Presence
3. Indirect Economic Impacts
4. Procurement Practices
5. Energy
6. Water
7. Biodiversity
8. Emissions
9. Effluents and Waste
10. Products and Services
11. Compliance
12. General Information (Ecology)
13. Supplier and Contractor Environmental Assessment
14. Environmental Grievance Mechanisms
15. Employment
16. Labor/Management Relations
17. Occupational Health and Safety
18. Training and Education
19. Supplier and Contractor Assessment for Labor Practices
20. Labor Practices Grievance Mechanisms
21. Local Communities
22. Anti-Corruption
23. Public Policy (Political Contributions)
24. Anti-Competitive Behavior
25. Supplier Assessment for Impacts on Society
26. Grievance Mechanisms for Impacts on Society
27. Customer Health and Safety
28. Freedom of Association and Collective Bargaining for Employees
29. Security Assurance Practices

Specific aspects of TVEL JSC that were not assessed in survey but were automatically included into the list of aspects to be disclosed in the Report:

1. Meeting the Demand of Power Grids of the Russian Federation
2. Business Continuity
3. Position in the Global Market
4. International Cooperation in the Field of Peaceful Use of Nuclear Energy
5. Nuclear and Radiation Safety Systems Management
6. Compliance with Requirements of Nuclear and Radiation Safety
7. Decommissioning of Nuclear Facilities
8. RW and SNF Treatment, Rehabilitation of Contaminated Areas
9. Intellectual Capital

Material Aspects Matrix



10. Innovative Activities
11. Support for Innovative and Technological Potential Development
12. Improvement of Control Mechanisms
13. Enhancement of Information Transparency of Nuclear Industry
14. Public Acceptance of Construction Projects of ROSATOM and its Organizations
15. Improvement of Regulatory Framework in the Sphere of Nuclear Power
16. Implementation of Certain Functions of the State Administration within Specified Activities
17. Provision of Qualified Personnel
18. Social Welfare of Workers
19. Radiation Impact on the Environment

cators given in previous reports were done. Occupational Health and Safety aspect is important not only for the Company, but also for contractor organizations rendering capital construction services at the Company's facilities.

MATERIALITY DETERMINATION PROCESS

Taking into account the surveys in March and November, 2014 among representatives of internal and external stakeholders of TVEL Fuel Company, the map of significant aspects (issues) under GRI G4 Guidelines was prepared. Within the framework of the distance dialogue under the Report concept the new survey among the stakeholders was carried out in November and December 2015, which confirmed the relevance of the chosen essential aspects.

The map was prepared in axes of "materiality for TVEL FC" (average assessment made by managers of the Fuel Company who took part in survey) and "materiality for stakeholders" (external stakeholders' assessments). Materiality threshold at which an aspect becomes sufficiently important (material) to be disclosed in Annual Report is "above-average". The proposed rating scale included "high", "average", "low" (materiality), "not meaningful". In figures these stand for "3", "2", "1", "0". "Above-average" stands for "above 2".

RATIONALE FOR CHOOSING PRIORITY MATTERS OF THE REPORT

The priority theme in this Report is the Efficiency Based Development Strategy of the Fuel Company. Under the conditions of market threats and increased competition and in order to perform most important tasks assigned by ROSATOM, TVEL Fuel Company sets itself the long-term and operational goals to improve the efficiency.

Under current conditions on the markets of the front end NFC, as well as with restricted investment resources, the continuous efficiency improvement is a key condition of leadership positions maintenance by TVEL Fuel Company in the international field.

In 2015 the Company started the systematic work to improve the efficiency, which will allow achieving its goals. Details of this work are given in Section "Performance Management", the results are given in Chapter 4 "Efficiency in Results 2015".

STAKEHOLDER ENGAGEMENT

Stakeholders engagement is an integral element of public reports preparation and day-to-day activity of the Fuel Company. The Stakeholders Commission was established by the Company in 2013 to promote regular feedback on the matters pertaining to the activity of the Company and its public position on specific matters.

- Stakeholders' suggestions were taken into account while preparing the Report, as well as the analysis of the best Russian and international practices of disclosure in annual reports.
- Following the 2015 reporting campaign 40 suggestions of stakeholders were received: 26 of them have been taken into account while preparing the Report, 5 — partially considered, 8 — will be taken into account while preparing the next reports; 1 suggestion pertaining to the Company's activities is submitted to the department in charge.

Reliability of the information contained in the Report has been confirmed by:

- The Statement of the Director for Internal Control and Audit of TVEL JSC (with respect to efficiency of the internal control system applicable to generation of the Report and compliance of the generation procedure with the requirements of laws, internal regulations of ROSATOM and TVEL JSC in the sphere of public reporting);
- The Statement of the audit organization FAC LLC, confirming reliability of 2015 Financial Statement of TVEL JSC;
- The Statement of the audit organization NP Consult CJSC confirming reliability of non-financial data published in the Report.

The Organization that renders services of independent assurance of non-financial data of the Report was selected through competitive procurement practices.

The Report was approved by the Board of Directors of TVEL JSC.

This Report covers the year of 2015. All prior and future periods are mentioned herein in description of corporate strategy, collation of performance indicators and results, forecasts and risk assessments. In addition to factual information, this Report describes and assesses potential and probable events. Any statements herein other than statement of facts shall be construed as forecasts. Forecasts of this kind are relevant only at the time of publishing. TVEL JSC (unless otherwise specifically provided for by applicable legislation) is not obliged to review or update the said forecasts or factors in any new pieces of information. Actual performance results may differ from the forecasted ones.

The Company appreciates the employees who took part in preparation of this Report, and all participants of public consultations and dialogues. We hope you will find this Report interesting and informative in terms of the new information about TVEL Fuel Company. Our working team is open to your feedback and suggestions on the matters and issues that you would like to see in the next annual report. Please refer to Feedback form in interactive version of the Report at [www.tvel.ru](http://tvel.ru) http://tvel.ru/wps/wcm/connect/tvel/tvelsite/finance/annual_report/.

Terms and Definitions

A–F

Ash and Slag — waste generated from solid fuel burning.

Background Radiation — ionizing radiation composed of space radiation and ionizing radiation of naturally distributed natural radionuclides (on Earth surface, in the air, foodstuffs, water, human organism, etc.).

Becquerel (bq) — a unit of radionuclide activity in the radiation source, equal to nuclide activity where one nucleus decays per second.

Burnup Fraction — fraction of an initial quantity of a given nuclide that has undergone burnup in reactor under the neutrons influence.

Business Model — according to the International Integrated Reporting Framework, business model is a system of transforming the capitals through business activity aiming to fulfil strategic purposes and create value over the short-, medium- and long term.

Capital — according to the International Integrated Reporting Framework, resources and relations being the source and the results of value (integrated value) creation processes.

Circulating (Return) Water — water that is used in the processing cycle; after cooling or purification it is used for the same purposes.

Closed Nuclear Fuel Cycle — nuclear fuel cycle where spent nuclear fuel is processed for uranium and plutonium extraction for nuclear fuel remanufacturing.

Dump of Radioactive Material — controlled entry of radionuclides into water bodies with liquid waste of a nuclear facility.

Decommissioning — decommissioning of a reactor facility and follow-up activity to ensure its safe dismantling, equipment disposal and further use of the site.

Depleted Uranium — uranium depleted through extraction of U-235, which is economically unfeasible to use; stored at a disposal site (dump).

Division — a business entity with the rules set out with participation of ROSATOM where this entity is defined as Division maintaining control over business entities referred to the management system of the Division.

Enrichment (isotopic) — a) the content of atoms of a certain isotope in the isotopic mixture of the same element, if this exceeds the share of the given isotope in a naturally occurring mixture (expressed as a percentage); b) process resulting in an increased content of a certain isotope in the isotopic mixture.

Enriched Nuclear Fuel — nuclear fuel where the content of fissionable nuclides is higher than in natural raw material.

Enriched Uranium — uranium which contains more U-235 isotope than natural uranium.

Reactor quality uranium is usually enriched approximately to 3.5% U-235, and the content of U-235 in weapon-grade uranium is over 90%.

Fast Neutrons — neutrons with kinetic energy higher than certain definite value. In Nuclear Reactor Physics fast neutrons are those with energies above 0.1 MeV.

Financial Capital — according to the International Integrated Reporting Framework, the pool of funds that is:

- available to an organization for use in the production of goods or the provision of services;
- obtained through borrowings, equity or grants, or generated through operations or investments.

First Nuclear Project — the nuclear project of the USSR aimed at creating weapons of mass destruction with the use of nuclear energy.

Fuel Assembly — a package of fuel elements (rods, bars, plates and others) held together with the aid of spacer grids and other structural elements, which are integral during transportation and in-pile irradiation. Assemblies are loaded into the nuclear reactor core.

Fuel Pellet — a pellet of compacted uranium dioxide is the basis of nuclear fuel and is contained inside fuel elements.

Fuel-Element Cladding — metal tubes in the active zone of the reactor containing oxide fuel pellets.

Fuel Production — nuclear fuel production, generally in the form of ceramic pellets enclosed in metal tubes (fuel elements), which are subsequently assembled in fuel assemblies (FA).

F–N

Fuel Recharging — operations by material-handling machines to replace the spent fuel; the fuel exposure degree required for recharging depends on the fuel composition after exposure, allowable work duration and on the reactivity change.

Gas Centrifuge — equipment intended to obtaining enriched uranium required for operation of nuclear reactors of nuclear power plants.

Gas Diffusion Technology — gas-diffusion method for separating uranium isotopes, based on phenomenon of molecular diffusion through the micropores in a membrane (barrier).

Global Reporting Initiative, GRI — an international reporting system concerning economic, environmental and social performance, based on the Sustainability Reporting Guidelines.

Heat Carrier — liquid or gas used for heat transfer from the active zone of the reactor to steam generators or directly to the turbines.

Highly Enriched Uranium — uranium with uranium-235 isotope equal or higher than 20%.

Human Capital — according to the International Integrated Reporting Framework, people's competencies, capabilities and experience, and their motivations, including:

- alignment with and support for an organization's governance framework, risk management approach, and ethical values.
- ability to understand, develop and implement an organization's strategy.
- loyalties and motivations for improving processes, including their ability to lead, manage and collaborate.

Integrated Report — integrated report represents brief overview that reveals how strategy, corporate management, activities and prospects in the context of the environment lead to value creation over the short, medium and long-term periods.

Intellectual Capital — according to the International Integrated Reporting Framework, organizational knowledge-based intangibles.

ISAE 3000 International Standard on Assurance Engagements — the Standard of the International Federation of Accountants "The performance of assurance engagements other than audits and reviews of historical financial information".

Low-Enriched Uranium — uranium that contains the isotope U-235 in a concentration of less than 20%.

Manufactured Capital — according to the International Integrated Reporting Framework, manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services, including:

- buildings and structures;
- equipment;
- infrastructure.

Maximum Permissible Dose — the maximum value of the individual equivalent radiation dose per year, which does not cause unfavorable changes in health after 50 years of uniform exposure.

Natural Capital — according to the International Integrated Reporting Framework, these are:

- renewable and non-renewable environmental resources and processes, including air, water, land, minerals and forests;
- biodiversity and eco-system health.

Neutron — an elementary particle with no net electric charge; can be found in each atomic nucleus except for hydrogen. Single neutrons moving with different speeds are released during the fission reaction. Slow (thermal) neutrons, in their turn, can easily cause fission of nuclei of "fissionable" isotopes, e.g., U-235, Pu-239, U-233; fast neutrons can cause fission of "fertile" isotope nuclei, e.g. U-238. Sometimes atomic nuclei can capture neutrons.

Nuclear Fuel Depletion — reduction of any nuclide concentration in nuclear fuel due to nuclear transformations of this nuclide during the reactor operation.

Nuclear Energy — internal energy of atomic nuclei released by nuclear fission or nuclear reactions.

Nuclear Facility — any facility that generates, processes or handles radioactive or fissionable materials.

Nuclear Fuel — a material containing fissionable nuclides which, being placed in the nuclear reactor, makes it possible to sustain a nuclear chain reaction.

Nuclear Fuel Cycle — the sequence of manufacturing processes for ensuring the operation of nuclear reactors from uranium production to the disposal of radioactive waste.

Nuclear Power — branch of power engineering that uses nuclear energy for electricity and heat supply purposes.

N–R

Nuclear Reactor — a unit wherein a controlled chain nuclear reaction with energy release takes place. Reactors are classified according to their purpose, carrier type, design and other characteristics.

Nuclear Waste — radioactive materials generated on various stages of the nuclear fuel cycle, including development of uranium deposits, enrichment, fuel production, reactor operation, fuel processing, etc.

Nuclide — type of atom with a definite number of protons and neutrons in the nucleus characterized by an atomic mass and atomic (order) number.

Ozone-Depleting Substances — any substance with an ozone-depleting potential higher than 0 that can deplete the stratospheric ozone layer. Most of ozone-depleting substances, including chlorofluorohydrocarbons, halons and methylbromide, fall under the Montreal protocol as amended.

Phase Gate Approach to Investment — the principle of planning and carrying out investment activities applied to divide investment processes into phases, where each phase is preceded by Gate Review of the results achieved and the further project implementation plans and risk, and a decision is made on the further project implementation phase to be proceeded to.

Pilot Production — a stage in the nuclear plant commissioning from the power start-up to the plant's acceptance for commercial operation.

Primary Energy Sources — initial form of energy used to satisfy energy requirements of the reporting organization. Examples of primary sources include non-renewable energy sources, e.g. coal, natural gas, oil and nuclear energy.

They also include such renewable sources as biomass, sun and wind energy, geothermal and hydraulic energy.

Power Unit — one of the NPP reactors with necessary additional equipment.

Production Localization — organization of production outside the Russian Federation.

Production Placement Topology — plan of territorial location of production facilities.

Publicity Capital (image property, reputation capital) — qualitative and quantitative totality of all information related to TVEL JSC and known within public communications space. Growth of the publicity capital volume means increase of public confidence, strengthening of a positive image, formation of increasingly favorable public opinion, escalation of political weight, etc.

Radiation Exposure — the total of individual exposure doses received or planned in the operations on de-commissioning, maintenance, repair, replacement or dismantling of nuclear facility components.

Radiation Monitoring — acquisition of information on the radiological conditions in the organisation and in the environment and on human exposure levels (includes dose control and radiometric monitoring).

Radioactive Discharge — radionuclide emission into the atmosphere resulting from operation of a nuclear facility.

Radioactive Isotopes — isotopes with unstable nuclei undergoing radioactive decay.

Radioactive Waste — nuclear materials and radioactive substances that cannot be used any longer.

Radioactive Waste Processing — technological operations aimed at altering the aggregative state and/or physic-chemical properties of radioactive waste and their transformation into forms suitable for transportation, storage and/or disposal.

Radioactive Waste Treatment — general term that covers all activities related to the processing, conditioning, transportation, storage and burial of radioactive waste.

Radiation Safety — a set of arrangements seeking to limit the exposure of personnel and the public to the lowest possible radiation dose values in a socially acceptable way, as well as to avoid the early effects of exposure and keep the delayed radiation effects within tolerable limits.

Radionuclides — general name for radioactive atoms. They pose a great danger to environment.

Regenerated Uranium — uranium separated from spent nuclear fuel in the process of radio-chemical reprocessing for repeated use in nuclear fuel (regenerated fuel).

R–V

Rehabilitation of Contaminated Areas — reduction of the extent of radioactive contamination to the level ensuring the maximum protection of population and recovery of all elements of the ecosystem (water, soil, air) to the applicable normative level.

Research Reactor — a nuclear reactor designed to be used as research object with a view to obtain data on reactor physics and technology required for design and development of a reactor of the same type or of components thereof.

Small group — primary limited (6 to 10 persons) industrial formations responsible for various tasks aimed at products manufacturing and works execution in their divisions.

Social (Relationship) Capital — according to the International Integrated Reporting Framework, the institutions and the relationships within the Company and between the Company and different groups of stakeholders and other communities aimed to enhance collective well-being.

Social Partnership — a system of institutes and mechanisms of coordination of the interests of the production process participants (workers, employers, state authorities, local self-government) based on equal cooperation.

Spent Nuclear Fuel Reprocessing — complex of chemical processes intended to remove fission products from spent nuclear fuel and fissile material recovery for reuse.

Sublimation Production — uranium hexafluoride production.

Tailing Dump — complex of special structures and equipment intended for storage or burial of radioactive, toxic and other tailing materials called tails.

Top Management — directors General, Deputies Director General.

Triflate Production Waste — waste of salts of hazard class III (precipitated sulphate and barium fluoride).

Uranium-233 — artificial uranium isotope with half-life period of 1.6×10^5 years obtained by transmutation of thorium-232 after neutron capturing; classified as a fissionable nuclide.

Uranium-235 — natural uranium isotope with atomic mass 235 and half-life of 7.1×10^8 years; the only existing fissionable material.

Uranium-238 — natural uranium isotope with atomic mass 238 and half-life of 4.5×10^9 years; can be used as fertile material to obtain plutonium-239.

Uranium Conversion — chemical engineering process of uranium-containing materials transformation into uranium hexafluoride.

Uranium Hexafluoride — chemical compound of uranium and fluorine (UF_6). This is the only highly volatile uranium-fluorine compound (when heated to $53^\circ C$, uranium hexafluoride passes from solid into gas); it is used as raw material for separation of uranium-238 and uranium-235 isotopes using a gas-diffusion technology or a gas-centrifuge technology, and for production of enriched uranium.

Uranium Ore Enrichment — combination of processes for the primary treatment of uranium-bearing mineral raw material to separate uranium from other minerals contained in the ore. This does not involve any changes in the content of minerals, but only mechanical separation thereof with the resultant production of an ore concentrate.

VVER — water-water energetic reactor with water used as heat carrier and decelerator. The most common type of Russian NPP reactors has two modifications: VVER-440 and VVER-1000.

Abbreviations

A–R

AMSIEM — Automated Measuring System of Industrial And Ecological Monitoring.

ANO NPIC — Autonomous Non-Commercial Organization “Nuclear Power Information Centers”.

JSC — Joint-Stock Company.

ARMS — Automated Radiation Monitoring System.

ACS DEP — Automated Control System for Design Engineering Pre-Production.

APCS — Automated Process Control System.

Emergency Center SPb FSUE — Federal State Unitary Enterprise “Emergency Center of the Ministry of Nuclear Energy of Russia” (Saint Petersburg).

NPP — Nuclear power plant, industrial facility for electric power production.

DB — Database.

FN — Fast neutron reactor where the heat carrier within the first and second loop consists of sodium, while the third loop carries water and steam. In Russia it is applied at Beloyarsk NPP.

VVER — Water-to-water power reactor.

HEU — Highly Enriched Uranium.

PT — Process time.

DG — Director General.

CD and ES — Civil Defence and Emergency Situations.

GOST — State Standard.

HHCS — Hyper heat-conductive sections.

UHF — Uranium Hexafluoride.

GC — Gas Centrifuge.

GCC — Gas Centrifuge Complex.

DIC&A — Director for Internal Control and Audit.

ODDS — On-duty Dispatching Service System.

VHI — Voluntary Health Insurance.

SC — Subsidiary Company.

UIPS — Uniform Industrial Procurement Standard of ROSATOM.

SWU — Separative work unit.

CATU — Closed Administrative And Territorial Unit.

DDG — Deputy Director General.

SH — Stakeholders, parties concerned.

IA — Investment Activities.

IFI — Information favoured index.

RR — Research Reactor.

IMS — Integrated Management System for Quality, Environment and Safety.

IMSd — Integrated Management System for Design.

IT — Information Technologies.

ITER — International Thermonuclear Experimental Reactor built on basis of tokamak by international group of scientists under the aegis of IAEA. It is supposed to be a pilot version of the world’s first DEMO thermonuclear power plant.

IC — Information Center.

CMD&A — Control and measuring devices & automatic equipment.

IDP — Integrated Development Planning.

KPI — Key Performance Indicators.

CRMS — Corporate Risk Management System.

CEFA — Combined Experimental Fuel Assembly.

LIC — Lithium-ion cells.

LHM — High purity lithium-7 hydroxide monohydrate.

LNA — Local normative acts.

LWS — Local Warning Systems.

IAEA — International Atomic Energy Agency — international regulatory body that monitors nuclear safety performance and non-proliferation of nuclear weapons in the world.

MIA — Ministry of Internal Affairs.

MW — Megawatt — unit of power equal to 10⁶ watts. MW(e) relates to electric power of a generator; MW(t) relates to thermal power of a reactor or heat source (e.g., full thermal power of the reactor itself is generally three times higher than the electric power).

MOX-fuel — Mixed Oxide Nuclear Fuel (generally on basis of uranium and plutonium).

CU — Conversion unit.

IIRF — International Integrated Reporting Framework.

IUCN — International Union for Conservation of Nature and Natural Resources.

IFRS — International Financial Reporting Standards.

FRM — Fabrication / Refabrication Module.

EMERCOM — The Ministry of the Russian Federation for Affairs of Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters.

VAT — Value added tax.

IP — Incomplete production.

R&D — Research and Development.

NCO — Non-commercial organization.

LEU — Low-enriched uranium.

SPA — Scientific-Production Association.

NPF — Non-State Pension Fund.

FE NFC — Front End of Nuclear Fuel Cycle.

STC — Scientific and Technical Council.

EDEC — Experimental Demonstration Energy Complex.

LLC — Limited Liability Company.

CPSRB — Control and Protection System Regulatory Body.

EUP — Enriched uranium product.

SNF — Spent nuclear fuel.

PJSC — Public Joint Stock Company.

SFI — Suggestions for Improvement.

RPS — ROSATOM Production System.

IUGR — Industrial uranium-graphite reactor.

AL — Absorber element.

RW — Radioactive waste.

R–W

- RBMK** — High-power channel-type reactor — type of single-cycle energetic reactor with water as heat carrier, and graphite as decelerator.
- RN** — Radionuclide.
- RUNPIW** — Russian Union of Nuclear Power and Industry Workers.
- SSC** — Separation and Sublimation Complex.
- RUEI** — Russian Union of Entrepreneurs and Industrialists.
- MSE** — Managers, specialists, employees.
- RU** — Reactor unit.
- ICS** — Internal Control System.
- BPR** — Burnable poison rod.
- SPZ** — Sanitary protection zone.
- MM** — Mass media.
- MNUP** — Mixed nitride uranium-plutonium.
- SDIC** — Special Department for Internal Control.
- SFCL** — Superconducting fault current limiter.
- JV** — Joint Venture.
- AFCF** — Adjusted free cash flow.
- SFC** — Standard of Fuel Company.
- HSE MS** — Health, Safety and Environmental Management System.
- EMS** — Emergency Management System (Facility Level).
- TEA** — Technical and Economic Audit.
- FA** — Fuel Assembly.
- TVSA (FAAD)** — Fuel assembly of alternative design.
- TVS-KVADRAT** — Name of fuel assembly for PWR reactors developed in Russia.
- FE, FEG** — Fuel element.
- TVEL FC, TVEL Fuel Company** — TVEL JSC and subsidiary companies included into the management system of the Company and consolidation perimeter used for the reporting.
- TASED** — Territory of Advancing Social and Economic Development.
- HPP** — Heat and Power Plant.
- NPIB** — Nuclear-powered icebreaker.
- MPS** — Managerial Personnel Reserve.
- CFHC** — Chlorofluorohydrocarbons.
- FSUE** — Federal State Unitary Enterprise.
- FMBA** — Federal Medical and Biological Agency.
- FSEC** — Federal Service for Export Control of the Russian Federation.
- FTP** — Federal Target Program.
- CR** — Center of Responsibility.
- UEC** — Russian-Kazakhstan Project “Uranium Enrichment Center”.
- CFR** — Center of Functional Responsibility.
- ECM** — Electronic Computing Machines.
- EGR** — Energy channel-type graphite reactor with steam overheat, used on Bilibino NPP.
- NRS** — Nuclear radiation safety.
- NMR** — Nuclear magnetic resonance.
- NF** — Nuclear fuel.
- NRHF** — Nuclear and radiation hazardous facilities.
- NFC** — Nuclear fuel cycle, set of arrangements aimed at operation of nuclear power industry, including production and processing of uranium ore, fuel production, its transportation to NPP, storage and treatment of SNF. In case of SNF burial NFC is called opened, if fuel reprocessing and repeated use are provided — it is called closed.
- ASTM** — American Society for Testing and Materials.
- BWR** — Boiling water reactor — a reactor that uses boiling water as heat carrier.
- EBITDA** — Earnings before interest, taxes, depreciation and amortization — an analytical indicator, used to define a company's profit before taxes, interest, depreciation and amortizations costs are subtracted.
- ESA** — Euratom Supply Agency.
- HR** — Human resources.
- INES** — International Nuclear Event Scale.
- LTIFR** — Lost time injury frequency rate — number of lost time incidents divided by total hours worked for the reporting year and rated as 1 mln man hours.
- PR** — Public relations.
- PHWR** — Pressurised heavy water reactor — type of foreign reactors with heavy water (D₂O) as reactor coolant.
- PWR** — Pressurized water reactor — type of foreign reactors with pressurized water, analogue of VVER reactor.
- WANO** — World Association of Nuclear Operators.

Chapter 5. Appendices

GRI G4-9

Appendix I.

Auditor's Report on Financial Statements

THE AUDITED ENTITY

Name

TVEL Joint Stock Company (hereinafter referred to as TVEL JSC).

Location

49 Kashirskoe shosse, Moscow 115409, Russian Federation

State registration

Registered by Moscow Registration Chamber on September 12, 1996, certificate No. 061.775. Registered in the Unified State Register of Legal Entities under Unified State Number 1027739121475.

THE AUDITOR

Name

Financial and Accounting Consultants Limited Liability Company (FBK LLC)

Location

44/1 Myasnitskaya St, Building 2A5, Moscow 101990

State registration

Registered by Moscow Registration Chamber on November 15, 1993, certificate: series IO3 3 No 484.583 ПП. Registered in the Unified State Register of Legal Entities on July 24, 2002 under Unified State Number 1027700058286.

Membership in Self-Regulating Organization of Auditors
Audit Chamber of Russia Non-profit Partnership.

Number in the audit organizations register of the self-regulating organization of auditors
Certificate of membership in Audit Chamber of Russia Non-profit Partnership No. 5353, PRNE — 10201039470.

We have performed the audit of the attached financial statements of TVEL JSC consisting of the Balance sheet as of December 31, 2015, Profit and Loss Statement, Capital Statement and Cash Flow Statement for the year 2015, other appendices to the Balance sheet and Profit and Loss Statement.

LIABILITY OF THE AUDITED ENTITY FOR FINANCIAL STATEMENTS

The Management of the Audited Entity shall be liable for execution and reliability of the mentioned financial statements in accordance with the Russian regulations on preparation of the financial statements, as well as for internal control system required for preparation of the financial statements free from material misstatements due to unfair practices or errors.

AUDITOR'S RESPONSIBILITY

Our liability lies in expression of opinion on reliability of annual financial statements on the basis of conducted audit. We have conducted audit in accordance with the Federal Auditing Standards. These standards require compliance with applicable ethical practices, as well as planning and conduction of audit in such a way to get reasonable assurance that financial statements contain no material misstatements.

The audit included auditing procedures aimed at obtaining of audit evidence to confirm index numbers in financial statements and disclosure of information therein. Choice of audit procedures is the subject of our judgement which is based on assessment of risk of material misstatements due to unfair actions or errors. In the course of this risk assessment we have considered internal control system ensuring execution and reliability of financial statements with the view to select appropriate audit procedures, but with no view to express opinion on efficiency of internal control system.

The audit also included assessment of appropriate applicable accounting policy and validity of estimated figures obtained by management of the Audited Entity, as well as assessment of financial reporting in whole.

We believe that audit evidence obtained in the course of the audit provides reasons enough to offer an opinion on reliability of the financial statements.

OPINION

In our opinion the financial statements give true and fair to all intents view of the financial situation of TVEL JSC as of December 31, 2015; its business and financial performance and cash flow for the year 2015 are in accordance with Russian regulations on financial reporting.

President of FAC LLC

Shapiguzov S.M.

On the grounds of the Articles of Association
Auditor qualification certificate
01-001230, PRNE 29501041926

Date of the auditor's report
March 2, 2016



Appendix 2.

Financial Statements For The Year 2015

BALANCE SHEET AS AT DECEMBER 31, 2015

			Codes
Organization	TVEL Joint Stock Company	Form under OKUD	0710001
Taxpayer Identification Number	7706123550	Date (day, month, year)	31.12.2015
Type of business	Production of nuclear fuel	under OKPO	45046040
Form of incorporation / form of ownership	Joint Stock Company	under OKVED	23.30
Measurement unit	in thous. RUB	under OKOPF / OKFS	12200/16
Location (address)	Bld.24, Bolshaya Ordynka st., Moscow, 119017	under OKEI	384

Index description	Code	As on December 31, 2015	As on December 31, 2014	As on December 31, 2013
ASSETS				
I. Non-Current Assets				
Intangible assets	1110	1,329,604	1,230,846	744,233
Results of research and development	1120	511,917	740,754	1,758,298
Intangible development assets	1130		-	-
Tangible development assets	1140		-	-
Fixed assets	1150	205,058	274,047	301,118
Buildings, vehicles, equipment etc.	1151	200,808	273,996	286,641
Capital investments in progress	1152	-	51	13,991
Advances to suppliers	1153	4,250	-	486
Income-bearing investments in tangibles	1160	467,682	485,646	2,488,089
Financial investments	1170	223,589,430	227,032,338	229,717,502
Deferred tax assets	1180	1,480,598	805,569	-
Other non-current assets	1190	2,867,665	3,621,900	2,876,209
Total I	1100	230,451,954	234,191,100	237,885,449
II. Current Assets				
Stock	1210	84,916,423	93,806,971	85,822,038
Raw, materials and other similar assets	1211	8,581,245	6,884,676	7,809,561
Work in progress expenditures	1212	61,716,761	70,817,625	62,859,501
Finished products and goods for resale	1213	14,618,417	16,100,094	15,152,976
Shipped goods	1214		4,576	-
Other stock and expenses	1219		-	-
Value added tax on purchased assets	1220	13,017,390	12,250,848	11,356,957
Accounts receivable	1230	20,641,223	19,644,302	18,674,064
Settlements with buyers and customers	1231	14,927,726	8,435,864	6,476,465
Advances made	1232	2,151,253	4,596,917	3,607,297
Other debtors	1233	3,562,244	6,611,521	8,590,317
Unpresented for payment accrued revenue	1234		-	-
Financial investments (excluding cash)	1240	1,640,000	1,437,730	547,687

BALANCE SHEET AS AT DECEMBER 31, 2015 (CONTINUE)

Index description	Code	As on December 31, 2015	As on December 31, 2014	As on December 31, 2013
Cash	1250	42,826,542	5,651,930	2,390,128
Other current assets	1260	863,924	327,915	200,709
Total II	1200	163,905,502	133,119,696	118,991,583
BALANCE	1600	394,357,456	367,310,796	356,877,032
LIABILITIES				
III. Capital and Reserves				
Equity capital (pooled capital, collective capital, contribution of partners)	1310	22,962	22,962	22,962
Own shares redeemed from shareholders	1320	(-)	(-)	(-)
shareholder fee before recording changes to constituent documents	1330			
Revaluation of non-current assets	1340		-	-
Additional capital (without revaluation)	1350	181,732,335	181,734,382	181,524,792
Reserve capital	1360	125,886	103,393	8,972
Reserves formed in accordance with legislation	1361	124,738	102,245	7,824
Reserves formed in accordance with founding documents	1362	1,148	1,148	1,148
Undistributed profit (uncovered loss)	1370	105,197,731	82,458,042	89,864,036
Total III	1300	287,078,914	264,318,779	271,420,762
IV. Long-Term Liabilities				
Borrowed funds	1410		12,751,384	7,993,031
Deferred tax liabilities	1420		-	122,375
Estimated liabilities	1430		-	-
Other liabilities	1450	925,753	901,345	981,324
Total IV	1400	925,753	13,652,729	9,096,730
V. Short-Term Liabilities				
Borrowed funds	1510	63,008,851	48,464,746	33,732,964
Accounts payable	1520	42,227,868	40,025,246	41,488,165
Suppliers and contractors	1521	20,874,830	22,127,329	22,100,035
Advances received	1522	18,249,393	15,487,422	16,663,672
Accounts payable to employees	1523	1,356	1,369	191
Accounts payable to state non-budget bodies	1524	70	68	-
Accounts payable in respect of taxes and levies	1525	17,472	7,440	14,624
Other creditors	1526	3,084,747	2,401,618	2,709,643
Deferred income	1530	912	863	1,082
Estimated liabilities	1540	1,089,043	817,560	817,893
Provisions	1546		4,758	6,961
Accounts payable to customers	1547		-	-
Other liabilities	1550	26,115	26,115	312,475
Total V	1500	106,352,789	89,339,288	76,359,540
BALANCE	1700	394,357,456	367,310,796	356,877,032

Director



Yu. A. Olenin
(signature) (name)



Chief accountant



V. P. Slobodyan
(signature) (name)



2 March 2016

PROFIT AND LOSS STATEMENT FOR THE YEAR 2015

		Codes
Organization	TVEL Joint Stock Company	Form under OKUD 0710001
Taxpayer Identification Number	7706123550	Date (day, month, year) 31.12.2015
Type of business	Production of nuclear fuel	under OKPO 45046040
Form of incorporation / form of ownership	Joint Stock Company	under OKVED 23.30
Measurement unit	in thous. RUB	under OKOPF / OKFS 12200/16
Location (address)	Bld.24, Bolshaya Ordynka st., Moscow, 119017	under OKEI 384

Index description	Code	Over 12 months of 2015	Over 12 months of 2014
Proceeds, including	2110	150,708,146	104,744,083
proceeds from sale of own products		133,942,423	91,926,890
proceeds from sale of goods	2112	-	
proceeds from carrying out work, rendering services		15,721,972	8,408,760
Prime cost of sales, including	2120	(93,740,391)	(73,468,125)
prime cost of sales of own products		(80,966,383)	(60,241,196)
prime cost of sales of goods		-	
prime cost of carrying out work, rendering services		(12,169,479)	(9,363,977)
Gross profit (loss)	2100	56,967,755	31,275,958
Commercial expenses	2210	(2,171,015)	(1,434,863)
Management expenses	2220	(6,717,281)	(6,667,305)
Sales profit (loss)	2200	48,079,459	23,173,790
Income from participation in other entities	2310	1,929,684	3,045,811
Interest receivable	2320	595,691	249,288
Interest payable	2330	(4,893,493)	(2,571,955)
Other income, including	2340	5,296,603	2,413,092
income from sales of shares in management company of subsidiary		462,000	-
exchange gain from assets and liabilities in foreign currency		4,146,927	-
foreign exchange gain from buying and selling foreign currency			
income from sales of fixed assets (net)		1,062	1,676,010
income from lease out of fixed assets (net) long lead equipment		24,091	369,519
income from currency purchase and sale transactions			
income from inventory surplus and other property as a result of inventory check		-	130,634
Other expenses, including	2350	(4,587,357)	(16,325,201)
expenses from derivative financial instrument		(-)	(851,675)
expenses from sales of shares in management company of subsidiary			
expenses from currency differences on liabilities and assets in foreign currency		(-)	(8,709,612)
value of sold material assets			
amortization of intangible assets			
expenses from mark-to market			
expenses for provisions for financial investments impairment		(3,241,305)	(3,353,130)
expenses from tax claims		(283,420)	(5)
expenses from negative R&D			

PROFIT AND LOSS STATEMENT FOR THE YEAR 2015 (CONTINUE)

Index description	Code	Over 12 months of 2015	Over 12 months of 2014
Depreciated value of fixed assets for sale		(-)	(1,662,643)
Expenses on charitable purposes and voluntary contributions		(244,605)	(-)
Income (loss) before tax	2300	46,420,587	9,984,825
Current profit tax	2410	(9,710,855)	(2,421,195)
including permanent tax liabilities (assets)	2421	(119,631)	(105,318)
Variation of deferred tax liabilities	2430	41,631	203,194
Variation of deferred tax assets	2450	651,412	724,643
Other	2460	(24,260)	20,344
Redistribution of profit tax within consolidated group of taxpayers	2465	657,254	339,026
Net profit (loss)	2400	38,035,769	8,850,837
FOR REFERENCE ONLY			
Result of revaluation of non-current assets not to be included in net profit (loss) of the period	2510	-	-
Result of other operations not to be included in net profit (loss) of the period	2520	(2,047)	209,589
Cumulative financial result for the period 6	2500	38,033,722	9,060,426
Basic earnings (loss) per share	2900	1.60	0.40
Diluted earnings (loss) per share	2910	-	-

Director



Yu. A. Olenin
(signature) (name)



Chief accountant



V. P. Slobodyan
(signature) (name)



2 March 2016

CAPITAL STATEMENT FOR THE YEAR 2015

		Codes
Organization	TVEL Joint Stock Company	Form under OKUD 0710001
Taxpayer Identification Number	7706123550	Date (day, month, year) 31.12.2015
Type of business	Production of nuclear fuel	under OKPO 45046040
Form of incorporation / form of ownership	Joint Stock Company	under OKVED 23.30
Measurement unit	in thous. RUB	under OKOPF / OKFS 12200/16
Location (address)	Bld.24, Bolshaya Ordynka st., Moscow, 119017	under OKEI 384

1. Flow of capital

Index description	Code	Equity capital	Own shares redeemed from shareholders	Share capital payment before recording changes to constituent documents	Additional capital	Reserve capital	Undistributed profit (uncovered loss)	Total
Value of the capital as of December 31, 2012	3100	22,962	-	-	181,524,792	8,972	89,864,036	271,420,762
2014								
Increase of capital — total:	3210	-	-	-	869,075	3,105,874	8,850,837	12,825,786
including:								
net profit	3211	x	x	-	x		8,850,837	8,850,837
revaluation of property	3212	x						-
income charged directly to increase of capital	3213				869,075	3,105,874	-	3,974,949
additional emission of shares	3214					-		-
increase in the par value of shares	3215					x		
reorganization of the legal entity	3216					-		-
use of industry-based reserves for investment purposes	3217		x	-	x	x	-	-
share capital payment before recording changes to constituent documents	3218							
Reduction of the capital — total:	3220				(659,485)	(3,011,453)	(16,256,830)	(19,927,768)
including:								
loss	3221							
revaluation of property	3222							
expenses charged directly to reduction of the capital	3223	x	x	-	(659,485)	(3,011,453)	x	(3,670,938)
decrease in the par value of shares	3224							
decrease in the number of shares	3225							
reorganization of the legal entity	3226							
dividends	3227						(16,256,830)	(16,256,830)
share capital payment before recording changes to constituent documents	3228							
Change in the additional capital	3230							
Change in the reserve capital	3240							
Value of the capital as on December 31, 2014	3200	22,962	-	-	181,734,382	103,393	82,458,042	264,318,779

CAPITAL STATEMENT FOR THE YEAR 2015 (CONTINUE)

Index description	Code	Equity capital	Own shares redeemed from shareholders	Share capital payment before recording changes to constituent documents	Additional capital	Reserve capital	Undistributed profit (uncovered loss)	Total
2015								
Increase of the capital — total:	3310				814	3,067,705	38,035,769	41,104,288
including:								
net profit	3311					x	38,035,769	38,035,769
revaluation of property	3312					x	x	-
income charged directly to increase of capital	3313				814	3,067,705	-	3,068,519
additional emission of shares	3314					x	x	-
increase in the par value of shares	3315					x	-	x
reorganization of the legal entity	3316					-	-	-
use of industry-based reserves for investment purposes	3317					x	-	-
share capital payment before recording changes to constituent documents	3318					-	-	-
Reduction of the capital — total:	3320				(2,861)	(3,045,212)	(15,296,080)	(18,344,153)
including:								
loss	3321							
revaluation of property	3322							
expenses charged directly to reduction of the capital	2223	x	x	-	(2,861)	(3,045,212)	x	(3,048,073)
decrease in the par value of shares	3324							
decrease in the number of shares	3325							
reorganization of the legal entity	3326							
dividends	3327						(15,296,080)	(15,296,080)
share capital payment before recording changes to constituent documents	3328							
Change in the additional capital	3330							
Change in the reserve capital	3340							
Value of the capital as on December 31, 2015	3300	22,962	-	-	181,732,335	125,886	105,197,731	287,078,914

2. Corrections due to change in the accounting policy and elimination of errors

Index description	Code	As of December 31, 2013	Changes in the capital for 2014		As of December 31, 2014
			on account of the net profit (loss)	based on other factors	
Capital — total					
before corrections	3400	-	-	-	-
correction due to:					
change in the accounting policy	3410	-	-	-	-
elimination of errors	3420	-	-	-	-
after corrections	3500	-	-	-	-

CAPITAL STATEMENT FOR THE YEAR 2015 (CONTINUE)**2. Corrections due to change in the accounting policy and elimination of errors (continue)**

Index description	Code	As of December 31, 2013	Changes in the capital for 2014		As of December 31, 2014
			on account of the net profit (loss)	based on other factors	
including:					
undistributed profit (uncovered loss):					
before corrections	3401	-	-	-	-
correction due to:					
change in the accounting policy	3411	-	-	-	-
elimination of errors	3421	-	-	-	-
after corrections	3501	-	-	-	-
other capital items, where corrections were made:					
before corrections	3402	-	-	-	-
correction due to:					
change in the accounting policy	3412	-	-	-	-
elimination of errors	3422	-	-	-	-
after corrections	3502	-	-	-	-

3. Net assets

Index description	Code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
Net assets	3600	287,078,914	264,318,779	271,420,762

Director



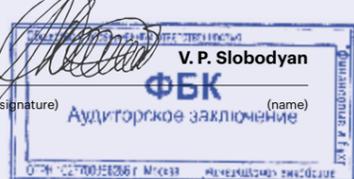
Yu. A. Olenin
(signature) (name)



Chief accountant



V. P. Slobodyan
(signature) (name)



2 March 2016

CASH FLOW STATEMENT FOR THE YEAR 2014

			Codes
Organization	TVEL Joint Stock Company	Form under OKUD	0710001
Taxpayer Identification Number	7706123550	Date (day, month, year)	31.12.2015
Type of business	Production of nuclear fuel	under OKPO	45046040
Form of incorporation / form of ownership	Joint Stock Company	under OKVED	23.30
Measurement unit	in thous. RUB	under OKOPF / OKFS	12200/16
Location (address)	Bld.24, Bolshaya Ordynka st., Moscow, 119017	under OKEI	384

Index description	Code	Over 12 months of 2015	Over 12 months of 2014
CASH FLOW ASSOCIATED WITH DAY-TO-DAY OPERATIONS			
Receipts — total	4110	150,720,783	107,583,521
including:			
from sale of products, goods, works and services	4111	146,923,729	100,905,929
from lease payments, license payments, royalty and other similar payments	4112	199,936	86,101
from re-sale of financial investments	4113	-	-
other receipts	4119	3,597,118	6,591,491
Payments — total	4120	(105,307,854)	(97,451,892)
including:			
to suppliers (contractors) for raw materials, materials, works, services	4121	(86,456,357)	(83,765,626)
associated with remuneration of employees labour	4122	(2,274,553)	(2,074,234)
interest on debt obligations	4123	(4,893,835)	(2,561,785)
corporate profit tax	4124	(6,369,643)	(3,483,360)
other payments	4129	(5,313,466)	(5,566,887)
Balance of cash flow associated with day-to-day operations	4100	45,412,929	10,131,629
CASH FLOW ASSOCIATED WITH INVESTMENT ACTIVITIES			
Receipts — total	4210	40,493,140	21,545,465
including:			
from sale of non-current assets (except for financial investments)	4211	2,526	16,786
from sale of shares (participation shares) in other organizations	4212	371,593	-
from return of loans granted, from sale of debt securities (rights of funds claim from third parties)	4213	37,772,446	18,295,938
Dividends, interest from long-term financial investments and similar revenues from share interests in other companies	4214	2,346,575	3,214,837
other receipts	4219	-	17,902
Payments — total	4220	(38,693,172)	(20,953,265)
including:			
associated with acquisition, creation, modernization, reconstruction and preparation for current assets operation	4221	(1,139,878)	(1,374,386)
associated with acquisition of shares (participation shares) in other organizations	4222	(-)	(805,683)
associated with acquisition of debt securities (rights of funds claim from third parties), loans provision to third parties	4223	(37,553,283)	(18,773,196)
interest on debt obligations included in the value of investment asset	4224	(-)	(-)
other payments	4229	(11)	(-)
Balance of cash flow associated with investment activities	4200	1,799,968	592,198

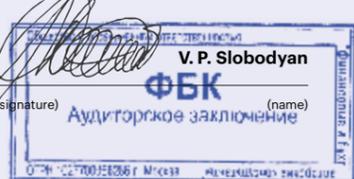
CASH FLOW STATEMENT FOR THE YEAR 2014 (CONTINUE)

Index description	Code	Over 12 months of 2015	Over 12 months of 2014
CASH FLOW ASSOCIATED WITH FINANCIAL ACTIVITIES			
Receipts — total	4310	37,548,499	57,096,558
including:			
getting credits and loans	4311	37,548,499	57,096,558
owners' (participants') money deposits	4312	-	-
from issue of shares, increase in participation shares	4313	-	-
from issue of bonds, promissory notes and other debt securities and etc.	4314	-	-
budgetary provisions and other target financing	4315	-	-
other receipts	4319	-	-
Payments — total	4320	(53,266,652)	(67,187,345)
including:			
to owners (participants) due to repurchase their shares or their resignation	4321	(-)	(-)
for payment of dividends and other payments under distribution of profit in favour of owners (participats)	4322	(15,296,080)	(16,256,830)
associated with payment (repurchase) of promissory notes and other debt securities, repayment of credits and loans	4323	(37,970,572)	(50,930,515)
other payments	4329	(-)	(-)
Balance of cash flow associated with financial operations	4300	(15,718,153)	(10,090,787)
Balance of cash flow for the reporting period	4400	31,494,744	633,040
Balance of cash and cash equivalents as of reporting period beginning	4450	5,651,930	2,390,129
Balance of cash and cash equivalents as of reporting period end	4500	42,826,542	5,651,930
Effect of exchange rate changes to ruble	4490	5,679,868	2,628,760

Director


(signature)  Yu. A. Olenin
(name)

Chief accountant


(signature)  V. P. Slobodyan
(name)

2 March 2016

Appendix 3. Report of The Internal Control and Audit Department of TVEL JSC Following the Results of “Public Annual Reporting Preparation” Audit Process

The internal audit of the process of preparing the public annual report of TVEL JSC (further — the Report) for 2015 was executed in compliance with “The Procedure for Planning and Conducting Internal Audits of Business Processes Carried out by TVEL JSC and the Companies Included in the Management System of the Fuel Company”, to be approved by the Order No.271 of the President of TVEL JSC dated December 14, 2011.

In conformity with the Regulation of Public Annual Reports (Order of the President d/d February 10, 2016 No. 4/32-P), TVEL JSC approved the order d/d October 28, 2015 No. 4/346-P “Concerning preparation of Annual Report of TVEL JSC for 2015”, which defines the basic stages and dates of the Report generation, including preparation of the Concept for the Report, information accumulation, the draft Report, obtaining the conclusions from the permanent technical commission, expertise of the draft Report of the public reporting working group of ROSATOM, conducting public events (dialogues, public consultations) with the stakeholders, ensuring public approval of the Report by the Board of Directors of TVEL JSC and the annual meeting of shareholders.

The auditing covered the following:

- Assessment of efficiency of the internal control system for the process of rendering the public annual reporting (including the analysis of regulations and formalization of the key processes related to generation of the public annual report; analysis of effective implementation of key control procedures ensuring the accuracy of the public annual reports);
- Assessment of conformity of the public annual reporting generation procedure with the requirements of applicable laws and internal statutory requirements regulating the business process of public annual reporting preparation.

The audit results proved the effectiveness of the internal control system for the process of making the public annual reporting and the compliance of the annual public reporting generation procedure of TVEL JSC with the applicable laws, Policy of ROSATOM in the sphere of public reporting and the requirements of internal statutory documents of TVEL JSC regulating the process of public annual reporting preparation.

Director for Internal
Control and Audit



G. V. Gonso

Appendix 4. Report on results of independent assurance of Annual Report of TVEL JSC for 2015

INTRODUCTION

The subject of assurance is Public annual report of TVEL Joint Stock Company (hereinafter referred to as the Report) for the period from January 1 to December 31, 2015. Our statement is addressed to the management of TVEL Joint Stock Company (hereinafter referred to as TVEL JSC).

RESPONSIBILITIES

The management of TVEL JSC bears full responsibility for the preparation and accuracy of the Report. We are responsible for the results of independent assurance of the Report only to TVEL JSC within the engagement and do not assume any responsibility to any third party.

SCOPE, CRITERIA AND LEVEL OF ASSURANCE

The subject of assurance is the Russian version of the Report, including information on including information on TVEL JSC and key enterprises of TVEL Fuel Company within the declared consolidation perimeter.

The Report was evaluated considering the following criteria:

- Nature and level of compliance with the principles of the AA1000 Accountability Principle Standard 2008 — inclusivity, materiality, responsiveness;
- Compliance of the Report with the GRI Sustainability Reporting Guidelines G4 (Comprehensive option);
- Compliance of the Report with the requirements of the International Integrated Reporting Framework;
- Compliance of the Report preparation process with the Unified Sectoral Policy of the Rosatom State Corporation in the sphere of public reporting and the Standard of Public Reporting of the Rosatom State Corporation.

The engagement was planned and performed in accordance with AA1000 Assurance Standard 2008 (moderate level of assurance) and International Standard on Assurance Engagement ISAE 3000 “Assurance engagements other than audits or reviews of historical financial information” (limited level of assurance). The statement corresponds to type 2, as defined by AA1000AS 2008, in accordance with the limitations specified in section “Limitations of the engagement” of the present statement.

The selective verification of information in the Report performed under aforementioned levels of assurance does not claim to provide a high level of assurance. The work was based on the supporting materials provided by the management of the entity and its employees, publicly available information and analytical methods of confirmation. In relation to the quantitative information contained in the Report the work performed cannot be considered sufficient for identification of all possible deficiencies and misstatements. However, the collected evidence is sufficient for expressing our conclusion in accordance with the above levels of assurance.

METHODOLOGY OF ASSURANCE

In our engagement, we have performed the following procedures:

- Study and selective testing of systems and processes implemented by TVEL JSC to ensure and analyze the compliance of the activities with AA1000APS 2008 principles; collection of evidence confirming practical implementation of these principles;
- Interviewing the management and employees of TVEL JSC and obtaining documentary confirmation;
- Performing assurance procedures in subsidiaries of TVEL JSC: MSZ PJSC and VNIINM JSC;
- Participation in the Report public presentation, study of minutes of public dialogues;
- Study of information available on the websites of TVEL JSC and its subsidiary companies related to their activities in the context of sustainable development;
- Study of public statements of third parties concerning economic, environmental and social aspects of the TVEL JSC activities, in order to check validity of the declarations made in the Report;
- Analysis of non-financial reports of foreign companies working in the similar market segment for benchmarking purposes;
- Analysis of the current system of internal audit of non-financial reporting in TVEL JSC;
- Selective review of documents and data on the efficiency of the management systems of economic, environmental and social aspects of sustainable development in TVEL JSC;
- Study of the existing processes of collection, processing, documenting, verification, analysis and selection of data to be included into the Report;
- Analysis of information in the Report for compliance with the aforementioned criteria.

LIMITATIONS OF THE ENGAGEMENT

The assurance is limited to the period from January 1, 2015 to December 31, 2015.

The evaluation of reliability of the information on performance in the Report was conducted in relation to compliance with the criteria to be applied to prepare sustainability report 'in accordance' with the G4 Guidelines and nonfinancial information referred to in the GRI Content Index. In respect to the quantitative performance indicators the conformity assessment to external and internal reporting documents provided to us is performed.

Assurance does not apply to forward-looking statements, as well as statements expressing the opinions, beliefs and intentions of TVEL JSC to take any action relating to the future. The assurance on the statements which are based on expert opinion is not performed.

Assurance is performed only in relation to the Russian version of the Report in the MS Word format which includes information to be published in a hard-copy form as well as in digital form.

This statement is the translation of the Russian original. The Russian version prevails.

CONCLUSIONS

The following conclusions are based on the assurance work performed within the limitations of the engagement specified above.

Nature and extent of compliance with AA1000 APS 2008 principles

As a result and within the scope of our work, we did not identify material non-compliance with criteria of AA1000APS 2008 in respect to adherence to the principles (Inclusivity, Materiality, and Responsiveness).

Compliance of the Report with the GRI Sustainability Reporting Guidelines G4 (Comprehensive option)

In order to form an opinion on this issue, we have performed analysis implementation of GRI G4 Guidelines concerning principles and standard disclosures for the chosen option to prepare a report 'in accordance' with the Guidelines.

- General standard disclosures are reported mainly in compliance with the requirements of GRI G4 for the chosen 'in accordance' option;
- The Report discloses general information on impacts that make the aspects material, the company's approach to managing the material aspects, as well as evaluation of the management approach for some material aspects;
- Indicators required for the Comprehensive option are reported mainly in accordance with guidance contained in GRI G4. If it is not possible to disclose required information the Report identifies the information that has been omitted. The reasons for omissions and explained for all indicators except G4-LA3. Remeasurement of historical data on G4-EC1 in view of change in measurement method was not performed.

As a result and within the scope of our work, we did not identify any material misstatements in the Report information referred to in the GRI Content Index.

Overall assessment of the Report

- As a result and within the scope of our work, we did not identify material non-compliance with requirements to the report prepared 'in accordance' with the Comprehensive option of the G4 Guidelines.

Compliance of the Report with the requirements of the International Integrated Reporting Framework

Based on the procedures performed and evidence obtained, we did not identify material non-compliance with the guiding principles of the International Integrated Reporting Framework and with requirements to the structure of content elements of integrated reports.

Compliance of the Report preparation process with the Unified Sectoral Policy of the Rosatom State Corporation in the sphere of public reporting and the Standard of Public Reporting of the Rosatom State Corporation

Based on the procedures performed and evidence obtained, we did not identify material non-compliance of the Report preparation process with the Unified Sectoral Policy of the Rosatom State Corporation in the sphere of public reporting and the Standard of Public Reporting of the Rosatom State Corporation.

RECOMMENDATIONS

1. It is reasonable to disclose GRI indicators in relation to target values.
2. Increase the extent of disclosure of indicators in relation to which GRI guidance is not fully taken into account (disclosures with omissions).
3. In case of disclosure with omissions due to absence of a recording system provide more specific information about plans to obtain data in future.
4. Take into account remarks in the foregoing sections of the statement.

STATEMENT OF COMPETENCE AND INDEPENDENCE

JSC "NP Consult", an independent audit firm, professionally rendering assurance services, is a licensed provider of assurance services in accordance with AA1000AS. JSC "NP Consult" is a member of self-regulated organization Nonprofit Partnership "Institute of Professional

Auditors" and acts in accordance with the IFAC Code of Ethics. The company employs a system of quality control of audit services, including control of compliance with ethical norms.

JSC "NP Consult" states that the present statement is an independent auditor's assessment. JSC "NP Consult" and its staff have no relations with TVEL JSC, or its subsidiaries and affiliates that could result in the conflict of interest related to the independent assurance of the Report.

General Director
JSC "NP Consult"

Moscow, July 8, 2016



V. Y. Skobarev

Appendix 5.

Statement on Public Assurance of the Report

INTRODUCTION

TVEL JSC management (main company of the Fuel Company with ROSATOM) contacted us with an offer to assure the 2015 Annual Report of the Fuel Company (hereinafter “the Report”) in terms of completeness and relevance of information disclosed therein, and to assess the performance of management in response to recommendations and remarks of stakeholders.

DRAFT REPORT EVALUATION PROCEDURE

We are sufficiently competent and skilled in the sphere of corporate social responsibility, sustainable development and non-financial reporting.

We hereby confirm that we are acting independently and undertake to be objective in our evaluation, thereby expressing our personal expert opinion rather than the opinion of organizations we represent. No remuneration has been received from TVEL FC for our efforts and time invested in this project.

Our conclusion is based on the study of the Report and the analysis of information obtained in the course of dialogues and public consultations, where we and our representatives were allowed to participate and freely express our opinion on the matters under discussion.

We are not aware of any facts that compromise reliability of data set forth in this Report. However, checking of the data collection system and verification of reliability and completeness of information is not the subject matter of public assurance.

The results of our work are formalized in this Statement on Public Assurance wherein the opinions we all agreed upon are presented.

ESTIMATES, COMMENTS AND RECOMMENDATIONS

We all share positive opinion about the Report and note the endeavors of TVEL FC management to apply advanced international standards. Another characteristic feature of the Report 2015 is disclosure of all key performance indicators under the GRI G4 Sustainability Reporting Guidelines (comprehensive option), public reporting indicators of ROSATOM and TVEL FC, and compliance with International Integrated Reporting Framework recommendations.

TVEL FC has prepared an informative and well-structured document that meets our expectations. It is our opinion that the priority topic of the Report — “Effectiveness in the of TVEL FC strategy” is fully disclosed.

The Report sums up the results for 2015 and demonstrates the dynamics over the period of three years. Detailed description of the value creation process, new more clear scheme of the business model, disclosure of information about contribution of the reporting period into strategy implementation definitely contribute to the merit of this Report. We would like to point out the constructive nature of stakeholders engagement demonstrated by the management in the course of preparation hereof and during the dialogues and public consultations, as well as top quality organization of these events.

COMPLETENESS AND MATERIALITY OF INFORMATION

In our opinion, the Report covers all spheres of core activity of the company, as well as social, environmental and economic aspects of its sustainable development, material for stakeholders. The Report contains relevant information that is sufficiently complete for proper understanding of the current state and prospects of the Company.

COMPANY'S RESPONSE TO COMMENTS AND RECOMMENDATIONS OF STAKEHOLDERS

The Company has duly noted recommendations of the stakeholders in the minutes of dialogues and public consultations, conducted thorough analysis and used most of them in the Report, some of the recommendations to the Company activities were forwarded to the responsible departments. Hereby we confirm that all our suggestions and comments are set forth in the Table of Comments of Stakeholders.

Therefore, TVEL FC has demonstrated a responsible approach to implementation of requirements set forth in Public Reporting Policy of ROSATOM, and showed constructive attitude to wishes and suggestions of stakeholders.

We voice confidence that traditionally high quality of interaction of TVEL FC and stakeholders will be preserved in the future.

Councillor of the Head of the Federal Service for Environmental, Technological and Nuclear Supervision

A. I. Kislov

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