

Table 4. Key Performance Indicators of Main Enterprises Comprising Gas Centrifuge Complex in 2013

Indicator, unit of measurement	VPA Tochmash	KMP	UGCMP
Proceeds (net) from sales, mln RUB	1,728	5,045	2,251
Gross margin, mln RUB	158	807	88
Profit tax, mln RUB	65	32	10
Net profit, mln RUB	-246	94	-52
Net assets, mln RUB	3,631	3,416	4,551
Labor efficiency, mln RUB/person	1.05	2.64	2.28
Environmental expenses of TVEL FC, mln RUB	24	23	0
Average headcount of staff, persons	1,645	1,908	987

Table 5. Key Performance Indicators of JSC VNIINM in 2013

Indicator, unit of measurement	VNIINM
Proceeds (net) from sales, mln RUB	4,379
Gross margin, mln RUB	829
Profit tax, mln RUB	94
Net profit, mln RUB	306
Net assets, mln RUB	5,968
Labor efficiency, mln RUB/person	4.16
Environmental expenses of TVEL FC, mln RUB	39.3
Average headcount of staff, persons	1,158

Value creation*

Value (integrated value) generated by the Fuel Company is not only about marketable product and increased profitability of TVEL FC enterprises. It is also about a great vari-

* Terms "Value Creation", "Outputs", "Outcomes", "Business Model", "Capitals", "Inputs" are used in this Section in accordance with International Integrated Reporting Standards (see <http://www.theiirc.org>). This Section represents the study of TVEL FC performance in accordance with the said Standard

ety of other economic, social and environmental activities.

With its considerable presence in the national economy and likewise considerable impact – economic, social and environmental – on the regions of its presence, TVEL FC is seeking to maximize positive effects of its activity despite specific environmental impact of its production facilities and indirect environmental impact of its key products (e.g. at the back end of the nuclear fuel cycle).

The Company conducts its activities with due account for a great number of external and internal factors and in close cooperation with stakeholders*. This cooperation is characterized by the fact that tangible and intangible resources (financial, environmental, production, human, social and intellectual capitals) used by the Company are controlled by the Company itself and by TVEL FC and its stakeholders. Therefore, conversion of capital in the course of activities

is of great importance to the Company and its team.

This business model describes the activity of TVEL FC to create value as a system of the used capitals, production process, and products and results obtained. The purpose of the system is to implement strategy and achieve short-, mid- and long-term goals. The business model embraces factors in the risks inherent in activity of the Company and the ability of the latter to manage them. This business model represents inputs used by TVEL FC personally and in conjunction with stakeholders, and outputs that contribute to capital changes.

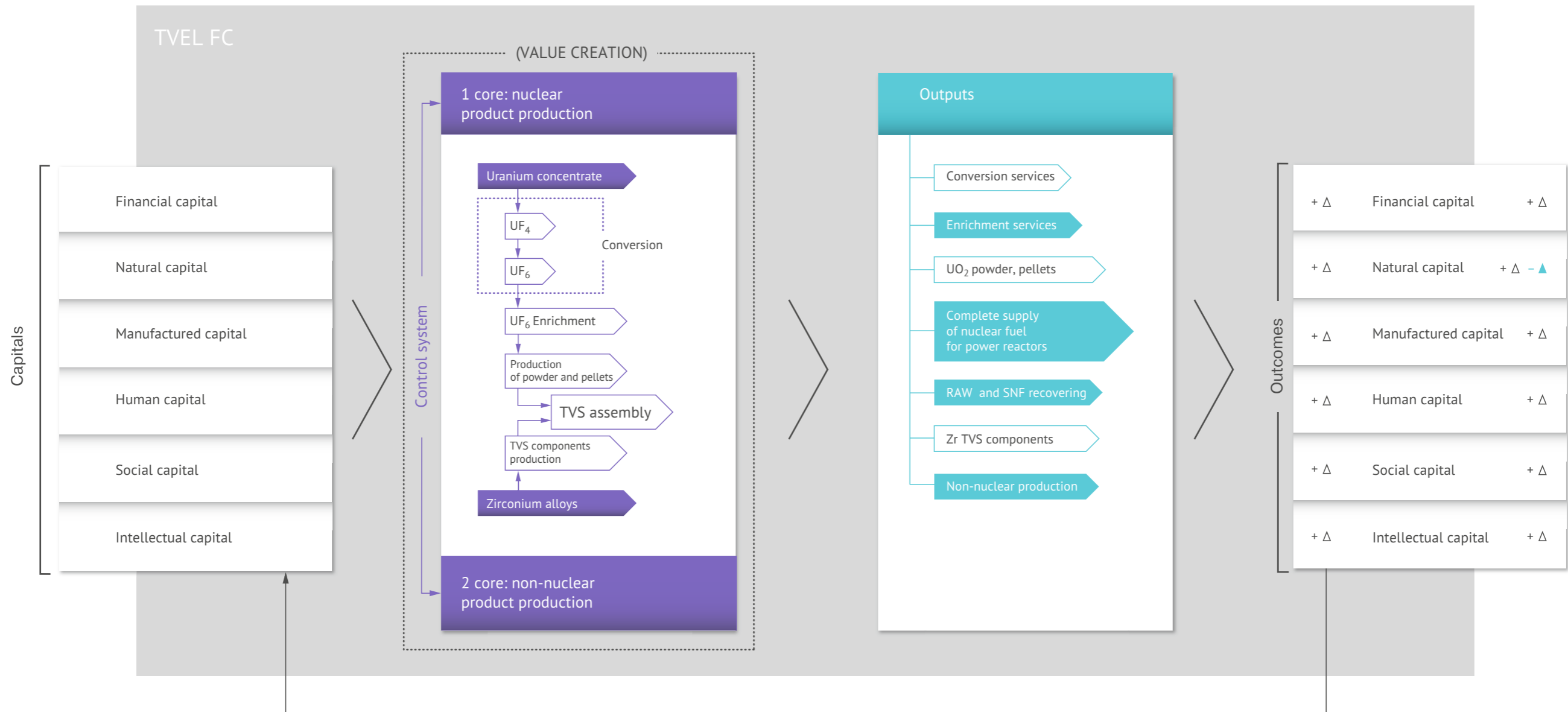
Since any business seeks to make profit which in turn happens to be the source of development of the Company, Financial Capital is most vital to TVEL FC. Capital gains secure current operations and promote investments thereby generating other outcomes used by the Fuel Company.

* Chapter 4 Section "Social Capital".

** Under the International Integrated Reporting Standards, "the Capitals" implies resources and relations that serve as the sources and results of value (integrated value) creation process.

Fig. 3. TVEL FC Business Model

External environment:
stakeholders, resources,
risks, opportunities



- Main outputs
- Additional products and services

Table 6. Inputs and Conversion thereof in the Course of TVEL FC Activity

Capital	Input elements, including		Changes, including	
	internal	external	internal	external
Financial	<ul style="list-style-type: none"> Profit and monetary assets of prior period TVEL FC Reserves 	<ul style="list-style-type: none"> Cross financing Consolidated investment resources Industrial reserves Federal target programs Loans, credits, subsidies 	<ul style="list-style-type: none"> +Δ Net money flow Profit, company's reserves 	<ul style="list-style-type: none"> +Δ Dividends Taxes and deductions Participation in industrial reserves Payment of interest
Natural	Raw materials	Environment	<ul style="list-style-type: none"> +Δ Access to new sources of raw materials 	<ul style="list-style-type: none"> -Δ Direct and indirect environmental impact
Production	High-tech production base, materials	Public infrastructure	<ul style="list-style-type: none"> +Δ Modernization and technological upgrade 	<ul style="list-style-type: none"> +Δ Development of public infrastructure
Human	Personnel	Experts, consultants	<ul style="list-style-type: none"> +Δ Quality personnel growth Increased personnel involvement 	<ul style="list-style-type: none"> +Δ Personnel potential development in the regions of presence
Social	Relations within TVEL FC TVEL FC initiatives aimed at suppliers, authorities and local population	Initiatives by ROSATOM State Corporation and by the third parties	<ul style="list-style-type: none"> +Δ Strengthening reputation of TVEL FC New projects and development programs 	<ul style="list-style-type: none"> +Δ Transparency practices Development of business activities in the regions of presence
Intellectual	Items of intellectual property of TVEL FC	<ul style="list-style-type: none"> Global achievements of science and engineering Domestic projects Intellectual resources of the country 	<ul style="list-style-type: none"> +Δ Development of scientific potential of TVEL FC, R&D results, items of intellectual property 	<ul style="list-style-type: none"> +Δ Development of scientific potential of the country

Conversion of natural capital under this business model takes place in the course of production activities of the Fuel Company. The Company is engaged in two businesses: production of nuclear and non-nuclear products. Nuclear production chain is shown in details from uranium concentrate to fuel assemblies (“the TVS”):

High-tech base, modern equipment, machinery and materials (production capital) comprise one of the most important factors for efficient business and functioning of the Fuel Company.

Research and development (Intellectual Capital) related to improvement of the industrial and technological base provide considerable boost to TVEL FC business and the entire nuclear industry and science on the whole.

Priorities for the nuclear industry are availability of highly qualified specialists (Human Capital) and development and improvement of their skills. It is impossible to overestimate the degree of business dependence on competent staff and impact of human capital on the Company.

The relationship between TVEL FC and its suppliers and contractors, clients and customers, partners and society (Social Capital) has a considerable impact on the business

and make “Social Capital Management of TVEL FC” one of the priority topics of this Report.

For more details about TVEL FC projects that comprise its Social Capital – see Section “Stakeholders Engagement”.

Being a responsible company that exists in the system based on stakeholders engagement, TVEL FC generates value for itself and for its stakeholders alike.

Activities of TVEL FC yield positive results for stakeholders, such as:

- dividends;
- taxes and deductions;
- promotion of nuclear and radiation security;
- development of sectoral research and fundamental science;
- development of personnel within the regions of presence;
- promotion of social accord and business activity in the regions of presence.

Management System is the focal point of TVEL FC business model. It is management technologies help the Company to convert resources in an efficient manner and generate value through capital growth.

More details regarding the performance results broken down by capitals described in TVEL FC business model are available in the relevant sections of this Report.

* Nuclear products manufacture is described in greater detail in 2012 TVEL JSC Annual Report – Section “Business Model” and on Website www.tvel.ru.