

The most important decisions regarding management of non-current assets are made by the General Meeting of Shareholders (the Sole Shareholder) and the Board of Directors of TVEL JSC within their respective competencies.

Non-current assets of the Company are managed with the help of an integrated capital assets database that covers federal property operated by the SA of TVEL JSC.

Acquisition and alienation of a real estate by the SA, regardless of its value, is carried out only subject to the approval of the relevant transactions by the Board of Directors of these subsidiaries and affiliates. The sale of real estate shall be carried out on a competitive basis at market prices.

Property management procedures promote efficiency and transparency of decisions made with regard to transactions involving non-current assets and serve to increase profit of the Company.

Management bodies of enterprises comprising the Fuel Company have approved target values of their strategic development and comprehensive efficiency enhancement programs based on optimization of the production function structure and cost reduction through establishment of new and modernization of the existing production facilities, improvement of technological processes, enforcement of the efficient incentive system and restructuring of non-core assets and production lines.

TVEL JSC Board of Directors Report on the Results of the Company's Development by Priority Activities

In 2013, the Board of Directors convened its meetings by correspondence 18 times (with attendance > 90%) to make decisions on the most pressing issues in TVEL FC activities, including:

- approval of budget and financial and economic targets for the year of 2013;
- approval of target organizational chart;
- approval of a series of transactions with equity and share capital of the enterprises comprising TVEL FC, including purchase of additional shares and stakes in KMP OJSC, JSC VPA Tochmash, TSOU CJSC, NF Plant PJSC (Ukraine), KLM LLC, Promyshlennye Innovatsii CJSC ;
- recommendation to the Sole Shareholder to decide about participation of TVEL JSC in non-profit organizations, such as "Association League to Support Defense Industry and National Association of Procurement Institutes";
- approval of recommendation regarding the distribution of net profit at the end of year 2012;
- approval of termination of TVEL JSC activities in Slovakia in pursuance of ROSATOM State Corporation Policy for the Development of Global Presence Management System and in connection with RUSATOM Overseas CJSC (affiliate of Atomenergoprom JSC) opening its representative office in Slovakia at the end of 2012.

TVEL JSC did not make any transactions in 2013 that would qualify under applicable laws as major transactions or related-party transactions that are subject to prior approval by the Board of Directors.

* KLM LLC, Promyshlennye Innovatsii CJSC – SA of TVEL JSC that are not included in this Report by the principle of materiality.

Organizational Structure of TVEL JSC

The Organizational Structure of TVEL JSC in 2013 underwent a series of transformations caused by restructuring in accordance with “target programs and tasks first” principle and introduction of design-based approach to implementation of the FC strategy.

GRI G3.1: 2.3 4.1

This approach is in line with industry-wide standards and is put into effect to implement ROSATOM State Corporation project to promote harmonization of the organizational structures of companies comprising the industry. The ultimate goal of these transformations is to establish functional chains of ROSATOM State Corporation – TVEL JSC – SA, enhance the efficient interaction between the management levels within the Fuel Company and to cut the red tape.

Similar approach was applied in 2013 to promote transformation of organizational structures of companies comprising the management pool of the Fuel Company with the focus on standardization of corporate

structures within framework of the same technological conversion, reduction of the number of management levels (target indicator for all SA of TVEL FC – four levels), improvement of quality management and centralization of support functions. Development of organizational structures of the SA was carried out with particular emphasis on invariably high level of nuclear, radiation and industrial safety, health and labor protection by extensive study of impact caused by the relevant changes on safety, identification of potential risks and implementation of preventive measures.

New Organizational Structure of TVEL JSC is presented on Fig. 7

Risk Management

Strategic Tasks and Goals of Corporate Risk Management System (hereinafter – “the CRMS”) of TVEL JSC:

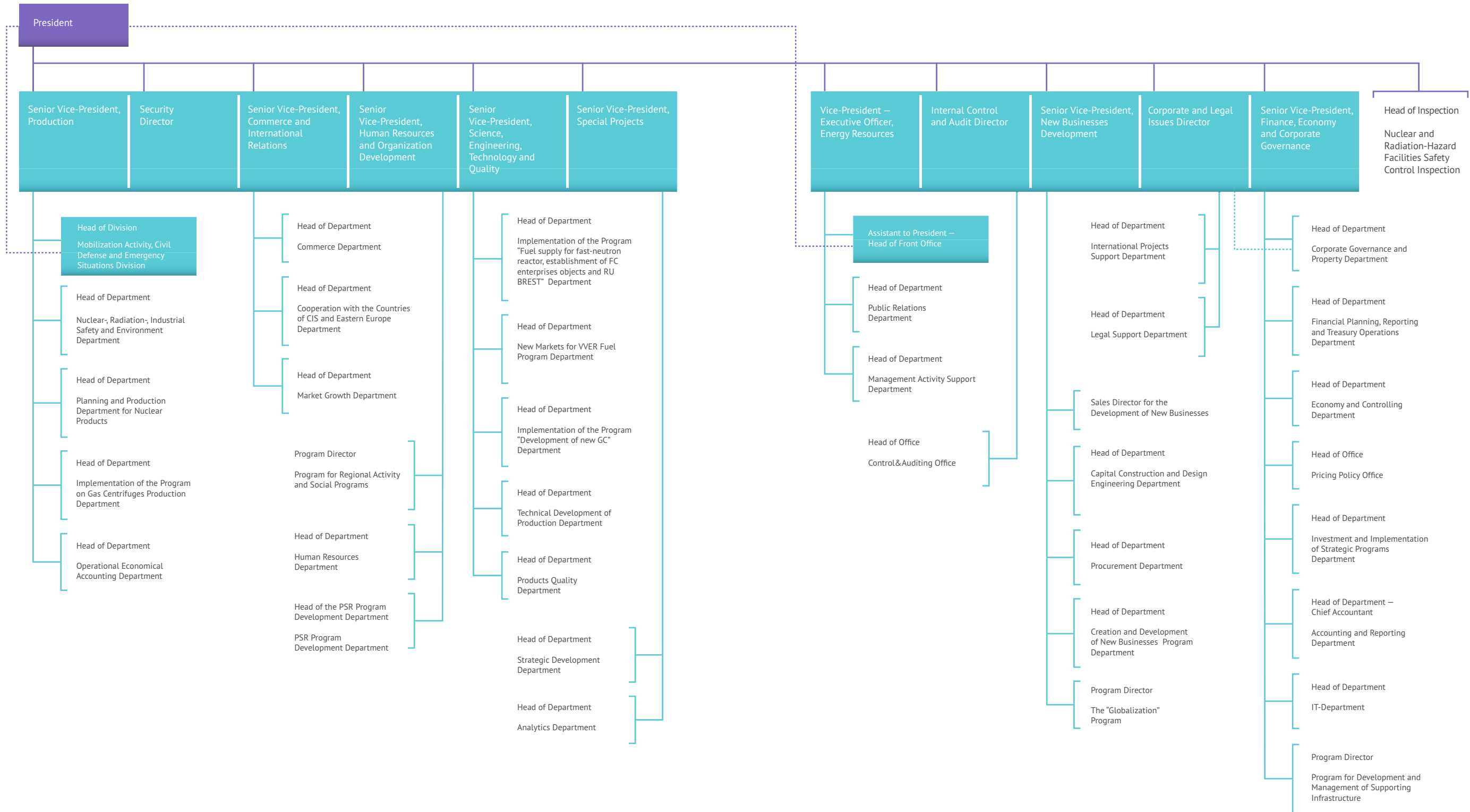
GRI G3.1: 4.9

- promotion of implementation of corporate strategy of ROSATOM State Corporation by performance of corporate-wide risk management process;
- securing the continuity (stability) of all business processes through identification, assessment and minimization of threats capable of influencing the results of activities of TVEL FC, as well as development and introduction of risk monitoring and reporting procedures;
- integration of risk management process in the administrative decision-making processes.

Table 8. Participants of TVEL FC Risk Management Processes and their Roles

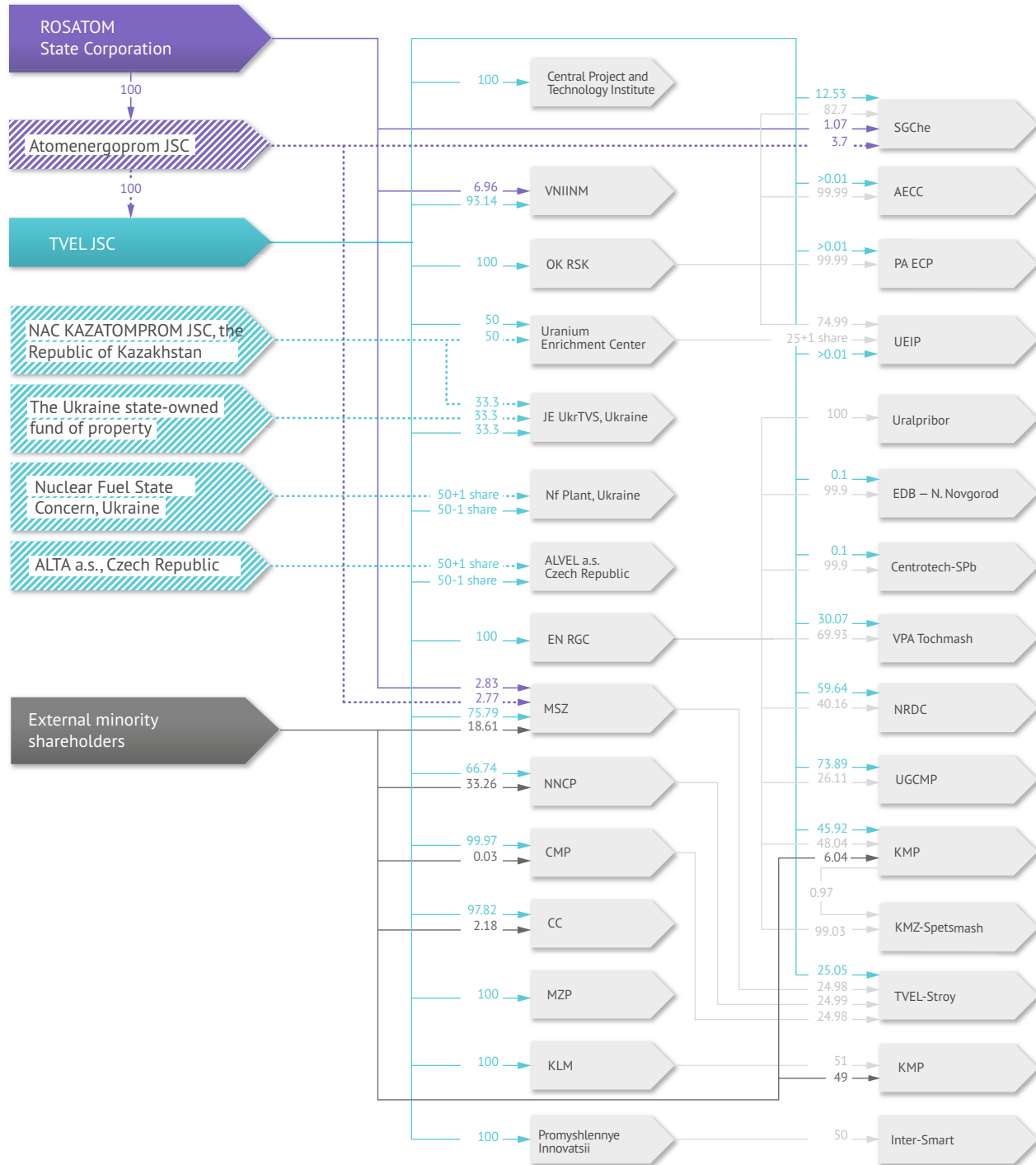
Participants of CRMS of TVEL JSC	Role of CRMS Participants in the Risk Management Process
President of TVEL JSC	Approval of TVEL FC risk management policy, regulations and guidelines
Risk holders	Promotion of implementation of risk management processes
Risk Management Officers	Implementation of risk management processes
TVEL JSC Risk Officer	Methodological support of risk management processes, monitoring of implementation and control of the results
Managers of programs and projects implemented within TVEL FC	Implementation of risk management processes, programs and projects

Fig. 7. Organizational Structure of TVEL JSC as of December 31, 2013



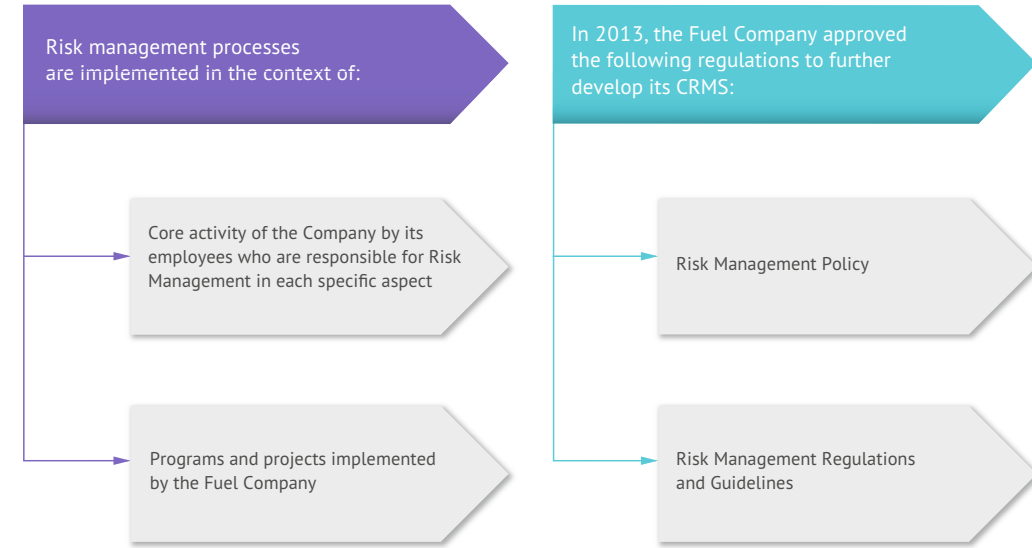
GRI G3.1: 2.3

Corporate ownership structure of TVEL JSC (at the level of subsidiaries and affiliates) as of December 31, 2013.



TVEL FC Risk Management is based on continuous monitoring of the external and internal environment, comprehensive study of threats and opportunities that affect the achievement of economic and social goals.

TVEL FC Key Risks Management



In addition, in order to minimize financial losses and to optimize benefits under the impact of market factors, TVEL JSC approved "Financial Risks Management Procedures and Guidelines for TVEL JSC and Companies comprising the Fuel Company".

The intention is to implement key risks management arrangements, thereby neutralizing (minimizing) the impact of any such key risks on TVEL FC on its path to strategic goals, and to reach target values of core activities within permissible variations set by ROSATOM State Corporation for the period of 2014-2017.

Risks management processes are closely tied with management processes applicable to businesses conducted by TVEL FC. For details about the results of key risks management see relevant sections of the Report (Chapter 4).

Table 9. TVEL FC Key Risks Management

GRI G3.1: 1.2

Risk	Risk	Risk management procedure
Slump in demand for products and services of FE NFC (including reduction of the estimated volume of nuclear fuel supplies and steady volume of work on the conversion and enrichment)	Emergency at the NPP – early decommissioning of power units	Development and promotion of Russian nuclear fuel for NPPs with PWR – the TVS-KVADRAT Project
	Delays in construction and commissioning of power units	Establishment of TVS-KVADRAT production. Increased production and sales of products for general industrial use
	Transition to the production of nuclear fuel with increased resource properties	
	Transition of the foreign enrichment market competitors to centrifuge technology and tightening of quotas	
	Development of new enrichment facilities in China	
	Shale gas boom	
Loss of technological advantages in uranium enrichment technology	Lagging in the technology development behind the competitors	Development and improvement of the design of gas centrifuges (GC) of the 9th and 10th generation
		Development of structural materials and GC of the 11th generation
Exchange risk	Gaps in the claim volume and liabilities denominated in the same currency	Hedging (including natural)
	Volatility of world currencies	
Credit risk	Counterparty's failure to perform its obligations in full and in a timely manner due to: deteriorating financial stability of suppliers/customers, increased advances to suppliers/customers, increased volumes/timing of accounts receivable, etc.	Insurance
		Reduced share of advance payments in settlements with external suppliers
Increase in the cost of services for fabrication, enrichment and conversion, GC production	External risk factors:	Development and improvement of the design of GC of the 9th and 10th generation
	<ul style="list-style-type: none"> disruption in global/Russian monetary system; revision of rates applicable to public utilities, transportation companies, etc.; increase of the minimum wages, etc. 	Development of structural materials and GC of the 11th generation
	Internal risk factors:	Creation of a new conversion production at JSC SGChE
	<ul style="list-style-type: none"> faults in organization of production processes; reduced utilization of equipment; depreciation of production technology and equipment, malfunctions, etc. 	Development of new models of accessories for separation plants
		Implementation of energy efficiency and power saving programs

Risk	Risk	Risk management procedure
Property risk	Theft, damage, negligent personnel	Insurance
	Failures of technical, technological, information, etc. systems	
Commodity risk	Market dynamics	Fixed price on products when entering into contracts with suppliers
Reduction of the real supply of non-nuclear products compared to the planned ones	Overrated demand for non-nuclear products	Optimization of process analysis, development and implementation of investment projects aimed at the creation of the production of non-nuclear products
	Absence of explicit advantages in conditions of high competition on prospective markets	Financial and organizational support for the production of innovative products at the times of local deteriorating market conditions
	Deficient competencies and human resources for successful development of non-nuclear businesses	Human resources building-up, more efficient use of human resources, attraction of highly skilled personnel made redundant during the restructuring of the enterprises of TVEL FC, involvement of students and young professionals in the process of production and development of new products
Major accidents/incidents involving the SA	Failure of systems vital for safety	Introduction of modern means of protection and production technologies to ensure protection of workers, population and environment from negative effects and threats
	Insufficient coordination of safety management	Modernization and technical re-equipment of dangerous facilities
	Insufficient resources for implementation of safety arrangements	Neutralization (liquidation) of the sources of hazard
	Insufficient qualification of the staff engaged in the sphere of safety	Personnel development
	Defaulting on mandatory safety requirements	
Social risk	Social changes in the regions of presence that influence the activity of TVEL FC. These changes are caused by non-alternative (in terms of competitiveness) production optimization and reconfiguration of the facilities of TVEL FC	PR and GR events
		Provision of support to new business units formed in the course of restructuring
		Initiation of a series of projects to create innovative production lines at the vacated sites of TVEL FC enterprises
Reputation risk	Publication of materials containing false/intentionally distorted facts that are aimed at discrediting the Company and its products in the media	Rebutment (including in the court) of false information damaging the reputation of the Fuel Company. Organization of PR-campaign to communicate reliable information to a wider audience of stakeholders and to mitigate the possible reputational damage
	Implementation of any key risks	Taking measures for key risk management