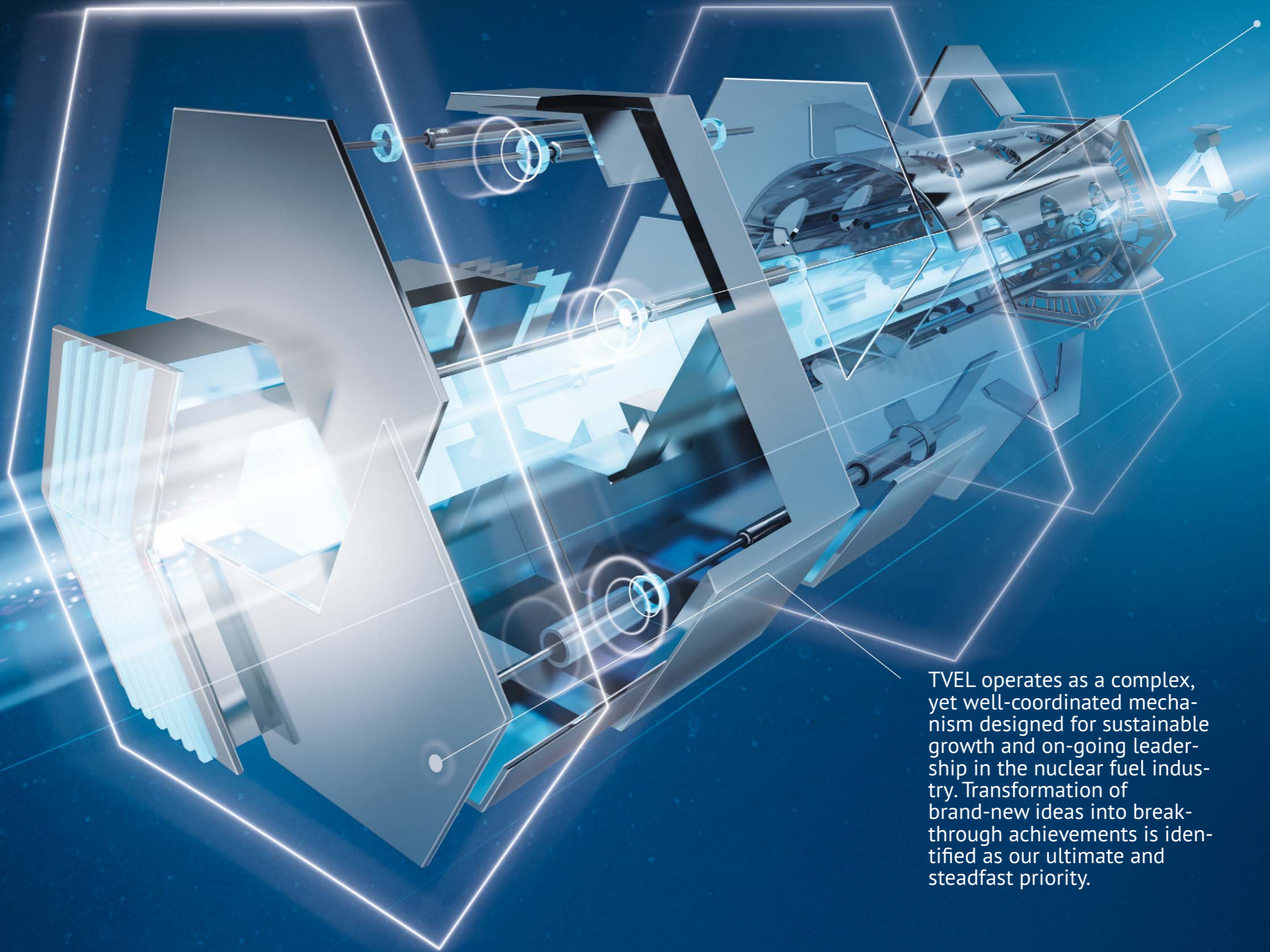


# INTRODUCTION



TVEL operates as a complex, yet well-coordinated mechanism designed for sustainable growth and on-going leadership in the nuclear fuel industry. Transformation of brand-new ideas into breakthrough achievements is identified as our ultimate and steadfast priority.



## Message by TVEL JSC Chairman of the Board of Directors

GRI G3.1: 1.1

Dear Colleagues,

ROSATOM State Corporation successfully solved all organizational, scientific and production tasks by the end of 2013. As a leader of the IT high tech sector, the Corporation demonstrated the ability of its companies to compete successfully on international market in conditions of a heavy economic decline.

TVEL JSC is one of the leading companies in this sector. Its accomplishments in the year of report are based on the adapted strategy of its expanding presence on the markets, modernization of the existing and launching of new production facilities and output of innovative products.

The Company demonstrated high efficiency, thereby confirming that its choice of strategy is correct. In pursuance with the industry-specific and corporate programs, the company optimized the production, enhanced productivity of labor, efficiency of applied sciences and management. To this effect, the Company strengthened its position on European market through further enhancement of VVER-1000 capacity and improvement of quality of fuel offered to foreign consumers.

In response to increasingly hard rules of the game on international market, with shifting geographic segments and growing number of participants, the Fuel Company focused on development of non-nuclear facilities. Over the entire period of report, non-nuclear sector was developing with the focus on high-tech government contracts, thereby fulfilling the production potential and competitive advantages of TVEL such as extensive engineering capabilities, advanced laboratory and testing infrastructure, unique competencies of its employees, preservation of which the Company strongly believes to be its corporate and strategic objective.

This Report is a representation of the Company's accomplishments over the year of report, and I would extend my heartfelt gratitude to its authors and publishers.



TVEL JSC Chairman of the Board of Directors

Alexander Lokshin

## Message by President of TVEL JSC

Dear friends and colleagues,

This Report is a representation of performance of TVEL JSC and its subsidiary companies in 2013. According to financial, economic and production indicators, the Company was remarkably successful – both in terms of the national customers and deliveries to international markets.

Despite the increasing competition and the decrease in demand on the global nuclear market, the Company overfulfilled the quotas for sale of products and services, thereby securing further growth of productivity and salaries at its enterprises.

The Company kept moving strongly toward technological dominance on the market of front end nuclear fuel cycle. Pursuant to the adopted and updated 2013 strategy, the Company mastered modern technologies and market outlets while modernizing and concentrating its production and conducting infrastructural and personnel optimization.

The purpose and the objective of the reforms is to promote innovative approach and mobilize the scientific and production potential of the Company for the enhancement of its efficient projects, quality products and services. The innovative approach contributed greatly to the successful development of high capacity gas centrifuges and implementation of the “zero failure level” program while extending the operation cycle of the power units. We signed and successfully implement a contract with a PWR operator in Western Europe for the delivery of prototype TVS-KVADRAT assemblies. To date TVEL FC has fulfilled its current contract obligations in full and within the established terms.

TVEL JSC has also fulfilled all of its international obligations. The company completed the historical inter-governmental agreement (also known as HEU-LEU Contract) under which deliveries of low-enriched uranium extracted from the Russian weapons-grade uranium to the United States have been continuing for twenty years. All these years the Fuel Company facilities converted the uranium into fuel for the U.S. nuclear power plants. The Company strengthened and in some areas expanded its presence in Central and Eastern Europe. We signed a contract with Chinese customers for the delivery of fuel and the related engineering services for a period of 12 years, which is indicative of recognition of high level of Russian technologies by strategic partners of TVEL JSC.

In addition to development of traditional sectors, the Company focused on development of non-nuclear facilities. All-purpose products greatly contributed to business economics, development of business environment and creation of jobs. The potential of the second point of growth is based on the productive fusion of applied science and production facilities of the Fuel Company and its desire to stay in the forefront of the national nuclear industry.

Sustainable balance between the economic efficiency, social and environmental continuity represents fundamental principle of TVEL JSC. Production activity of its enterprises was steadily bolstered by introduction of the ROSATOM Production System (“the RPS”), involvement of employees in management process and collective final result orientation.



All that we have accomplished over the reporting period is the result of common effort of the entire staff of the Fuel Company. Innovative spirit, competence, safety, environmental and social responsibility contributed to business environment at every enterprise and organization. I am confident we will keep it that same way in the current year as well.

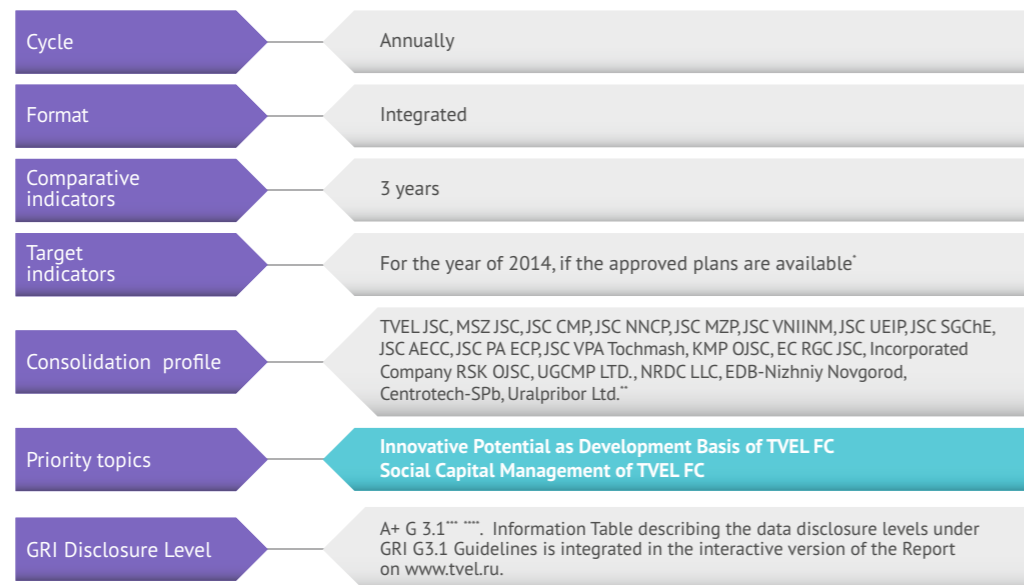
President of TVEL JSC

Yuri Olenin

## About The Report

GRI G3.1: 3.1 3.2 3.3 3.5 3.6 3.7 3.8 3.9 3.11 3.13

This Annual Report (hereinafter – “the Report”) covers the results of activities of TVEL JSC and its subsidiary companies (hereinafter together referred to as Fuel Company, TVEL FC, the Company) for the year 2013.



\* Most of financial and economic indicators herein are free of forecast data, because 2014 TVEL FC Budget was still pending as on the date here of.

\*\* Consistent with management accounting profile.

\*\*\* Performance indicators and standard elements are generated and presented in the Report in accordance with Russian Accounting Standards. No IFRS-based report is presented because it will be generated later.

\*\*\*\* The list of public reporting indicators disclosed herein in accordance with GRI Guidelines is given in Appendix No. 2.

This Report offers a comprehensive account of TVEL FC performance over the reporting year, the strategic directions and development potential, the inherent risks and risk mitigation procedures, management philosophy. The integrated format hereof provides a detailed description of the Company’s performance in the context of specific environment and the impact it makes on or experiences from the stakeholders.

The Report makes public the information which the corporate management deems to be essential, i.e. important and significant for those who use this Report to assess the performance of the Company.

TVEL FC not only seeks to pursue its strategic goals, increase its revenues and expand its market share, which means attaining certain economic indicators, but is also engaged in a big work to promote harmonious development of both the Company and the society on the whole. The system of interrelations created within TVEL FC as well as between the Company and various groups of stakeholders, aimed at promotion of mutual well-being, is recognized as Social Capital, which is one of the resources for existence and development of business. TVEL FC considers strengthening and improvement of the relationship system shaped over the years as one of its most important tasks. Project “Social Capital Management of TVEL FC” maximizes the information disclosure herein about the Company’s activities on that front.

Strategically, TVEL FC focuses on global leadership on the front end of nuclear fuel cycle (hereinafter – “the FE NFC”), as well as on the achievement of global competitive advantage in the FE NFC in terms of social cohesion, which would be impossible without innovative engineering and leadership of the Company. That is why Project “Innovative Potential as Development Basis of TVEL FC” is yet another Priority Topic herein.

Stakeholders engagement is an integral element of public reports preparation and day-to-day activity of the Fuel Company. The Stakeholders Commission was established and went to work in 2013 (2 on-site meetings) to promote regular feedback on the matters pertaining to TVEL FC activity and its public position. The Stakeholders Commission comprises of the officers representing the controlling entity – ROSATOM State Corporation, federal and regional authorities, consumers, subsidiaries and affiliates (hereinafter – “the SA”), environmental organizations, academic community and employees.

### This Report is executed in accordance with the following regulatory documents:

- Federal Law No. 208-FZ dated on December 26, 1995 – “On Joint-Stock Companies”;
- Federal Law No. 402-FZ dated on December 6, 2012 – “On Accounting”;
- Policy of ROSATOM State Corporation in the sphere of public reporting and Uniform Standard of Public Annual Reporting of the Key Organizations comprising ROSATOM State Corporation;
- Federal Financial Markets Service Order No. 11-46/pz-n dated on October 4, 2011 – “On the Approval of Regulations for Disclosure of Information by the Issuers of Equity Securities”;
- Code of Corporate Conduct (recommended for use by Directive of the Federal Commission on Securities Market No. 421/r dated on April 4, 2002);

- Sustainability Reporting Guidelines – The Global Reporting Initiative, version G3.1;
- AA1000 APS standard of the International Institute of Social and Ethical Accountability;
- International Integrated Reporting Framework, version 1.0.

This Report takes into account recommendations of stakeholders' and auditors made during the preparation of this and previous annual reports, as well as the analysis of the best Russian and international practices of annual reports preparation.

Based on the results of the 2012 report-and-election campaign, the stakeholders made 46 suggestions, 39 of which were taken into account during the preparation of 2012 Report and 5 more were left for future reference. In 2013, TVEL FC continued to work on obligations incurred on the basis of stakeholders engagement in previous years".

**Reliability of information in this Report is confirmed by:**

- report of the Audit Commission (with respect to annual financial statement of TVEL JSC);
- report of the Internal Control and Audit Director of TVEL JSC (with respect to efficiency of internal control system applicable to generation of the Report and compliance of generation procedures with requirements of the laws, internal regulations of ROSATOM State Corporation and TVEL JSC in the sphere of public reporting);
- report of the audit organization FBK LLC. Confirming reliability of 2013 Financial Statement of TVEL JSC;
- statement of the audit organization NP Consult CJSC confirming reliability of non-financial data published in the Report.

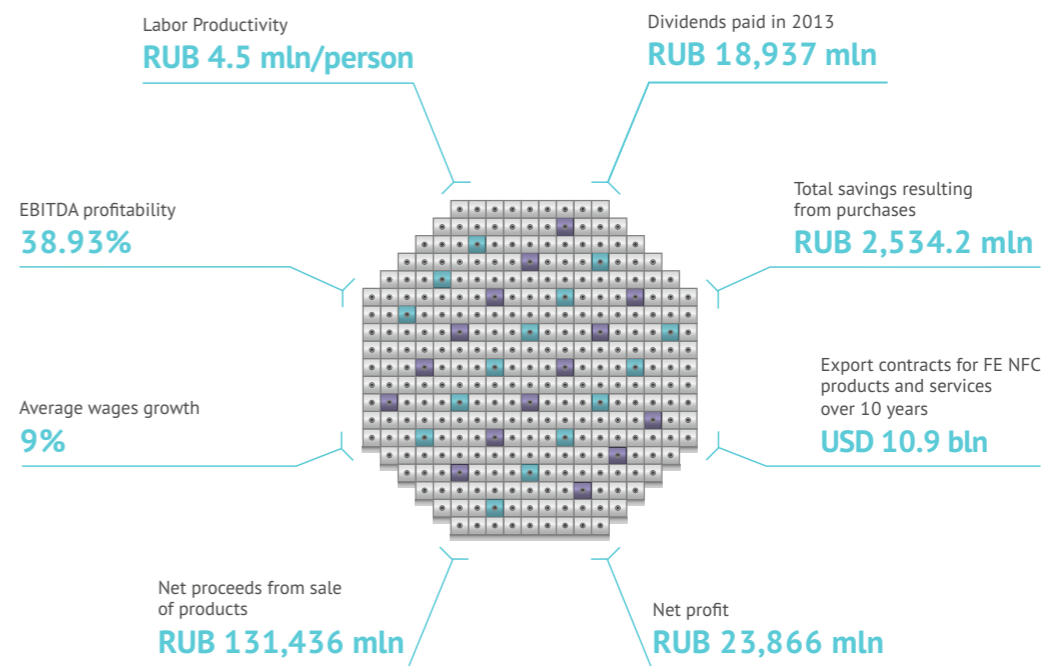
This Report covers the year of 2013. All prior and future periods are mentioned herein in description of corporate strategy, collation of performance indicators and results, forecasts and risk assessments. In addition to factual information, this Report describes and assesses potential and probable events. 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 laws) is not obliged to review or update the said forecasts or factor in any new pieces of information.

The Company would thank all employees who took part in preparation of this Report and all participants of public consultations and dialogues with stakeholders. We hope you will find this Report interesting and it helps you learn more about TVEL FC. Our working group is open to your feedback and suggestions on the topics and issues that you would like to see in the next annual report.

\* Chapter 4 Section – "Stakeholders Engagement During the Preparation of the Report 2013".

\*\* See Appendix No.3 – "Records of the Proposals Made By Stakeholders of TVEL FC".

**Key Results 2013**



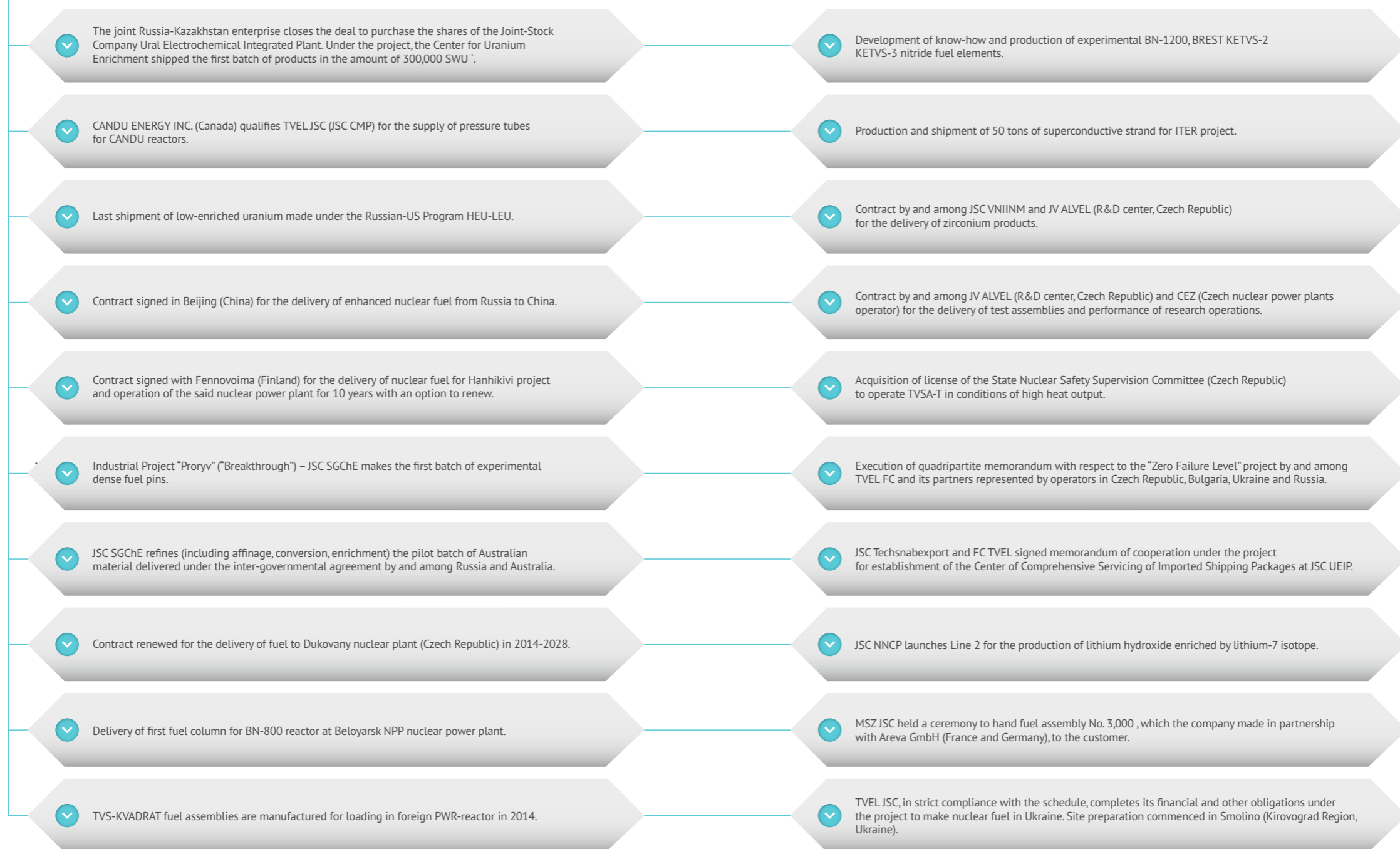
**Table 1. Key Performance Indicators of TVEL FC\***

Indicator	2011	2012	2013
Proceeds (net) from sales of products (excluding V.A.T. and excise duties, similar mandatory payments), mln RUB	126,090	121,958	131,436
Gross margin, mln RUB	33,506	39,289	39,628
Net profit, mln RUB	16,494	19,642	23,866
Net assets, mln RUB	559,318	566,907	579,708
EBITDA (earnings from operating activity before interest, tax and depreciation), mln RUB	38,078	42,668	51,163
Gross tax deductions to the federal, regional and local budgets, mln RUB **	25,502	23,419	27,695
Current (operation) costs on environment protection, mln RUB	2,212	2,224	2,213

\* Financial and economic indicators are given in accordance with the consolidated management accounts of TVEL FC.

\*\* Net of V.A.T. which is subject to refund from the budget.

## Schedule of Key Milestones



\* SWU – the services on uranium enrichment are measured in separative work units.