

RELIABILITY SUSTAINABILITY SAFETY

TENEX '16

TENEX | **Public Annual Report**



2017 – Year of Ecology and Specially Protected Natural Territories in Russia



TENEX
PUBLIC ANNUAL
REPORT 2016

Approved by the resolution
of the Board of Directors dated 26.05.2017

Preliminary approved by the resolution
of the Director General dated 05.05.2017

Director General

A handwritten signature in blue ink, appearing to be "L. Zalimskaya".

L. Zalimskaya

The design of the Public Annual Report 2016 was selected due to the 2017 year was declared the Year of Ecology and Specially Protected Natural Sites in Russia as well as environmental projects and programs that are being supported by TENEX for many years (for details see p. 52).

TENEX (THE COMPANY) KEY PERFORMANCE INDICATORS 2016

21 

Long-term order portfolio (in comparable prices), US \$ billion

17 

Uranium product supply contracts concluded

1,5 


Total value of concluded contracts, US \$ billion

2,1 

Sales volume, US \$ billion

138,5 

Revenue, RUB billion

35,7 


Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), RUB billion

61 

Number of supplies

14 

Number of country-recipients of the products

30 

Number of customers supplied uranium product

321 

Average staff number, persons

12,0 

Social programs funding, RUB million

2,0 

Amount of funds directed to charity, RUB billion

Stakeholder Public Assurance

Full name	Company and position	Signature
Belyaeva Marina	Director of International Cooperation Department, ROSATOM	
Bochkin Oleg	Strategic Communications Director, LLC Rusatom Overseas	
Davydova Natalya	Head of the Institute of Environmental Projects Consulting	
Efremov Gleb	Director General, JSC "International Uranium Enrichment Centr"	
Fokina Tatyana	Project Director, ROSATOM	
Goliney Andrey	Director General, JSC "Federal Center of Nuclear and Radiation Safety"	
Grigoriev Alexander	Project Manager, INPRO section, IAEA	
Hitrov Andrey	Director General, All-Russian Employers' Organisation "Union of Nuclear Industry, Energy and Science Employers of Russia"	
Irgang Michael	Development Director, CIFAL	
Karasev Andrey	Director of Information-Analytical Department, JSC Rusatom Energo International	
Khlopkov Anton	Director, NPO Center for Energy and Security Studies	
Khomutova Elena	Acting Deputy General Director for Economics and Finance, SC "Ural Electrochemical Integrated Plant"	
Kislov Andrey	Senior expert, Department for Safety Regulation of Nuclear Fuel Cycle Facilities, Nuclear Power Plants for Ships and Radiation-hazardous Facilities, Federal Environmental, Industrial and Nuclear Supervision Service	
Koldobsky Alexander	Deputy Director, the Institute of International Relations, NRNU MEPhI	
Konchak Andrey	First Deputy Director General, CJSC BALTIC-MERKUR	
Koryakin Konstantin	Expert of the NFC Lifecycle Projects Department, ROSATOM	
Krel Anna	Chairman of the Board, All-Russian Social Children Ecological Movement "The Green Planet"	
Krukov Alexander	Manager of the NFC Lifecycle Projects Department, ROSATOM	
Krupnik Pavel	Director of International Programs, Centrus Energy Corp.	
Kuchinov Vladimir	Adviser for Director General, ROSATOM	

Full name	Company and position	Signature
Kudryavtsev Evgeniy	Head of the Department for Safety Regulation of Nuclear Fuel Cycle Facilities, Nuclear Power Plants for Ships and Radiation-hazardous Facilities, Federal Environmental, Industrial and Nuclear Supervision Service	
Linyaev Oleg	Head of the NFC Lifecycle Projects Department, ROSATOM	
Mamiy Ekaterina	Adviser of the Department of Communications, ROSATOM	
Markov Sergey	Acting Director General, JSC "Pilot and Demonstration Center for Decommissioning of Uranium-Graphite Reactors"	
Muraviev Denis	Managing Director, TENEX-Korea Co. Ltd.	
Newton Fletcher	President, TENAM Corporation	
Pisarev Vladimir	Acting Director, JSC "SPb "IZOTOP"	
Pluzhnik Sergey	Managing Director, TENEX-Japan co.	
Plyamina Olga	Executive Director, Interregional Ecological Non-government Organization "GREENLIFE"	
Ryzenko Nikolay	Director, Tradewill Limited	
Ryzenkov Boris	Head of the Public Relations Department, FSUE "Mining and Chemical Combine"	
Samoshin Yuriy	Deputy Director of the Department of International Business, ROSATOM	
Sinev Alexander	Director of Moscow office, NAC International Inc.	
Smirnov Vadim	Deputy Director, Nonproliferation and Arms Control Department, Russian Ministry of Foreign Affairs	
Sukhanov Dmitriy	Director General, JSC "Atomenergopromsbyt"	
Timonov Andrey	Director of the Department of Information and Public Relations, JSC "Concern Rosenergoatom"	
Titov Vadim	Senior Vice President, Private Institution Rusatom – International Network	
Tochilin Sergey	Director General, JSC "Siberian Chemical Combine"	
Tulupov Konstantin	Director for Strategic Development, JSC "Uranium One Group"	
Yanko Leonid	Director of the Market Development Department, JSC "TVEL"	
Zakharov Sergey	Deputy Head of Department, FSTEC	
Zulkharneev Albert	Director, NPO PIR-Center	

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I. GENERAL INFORMATION



Polar bear

One of the largest terricole predators of the planet. Inhabits territory from Franz Josef Land and Novaya Zemlya to Chukotka, sometimes reaching Kamchatka on floating ice. The main threats to their population are related to climate change and habitat pollution. The Polar Bear is included in the Red Book of the International Union for Conservation of Nature, the Red Book of the Russian Federation, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

1.1 Information about the Company

Name of the Company in Russian	Акционерное общество «Техснабэкспорт»
Name of the Company in English	Joint Stock Company "TENEX"
Location and mailing address:	28, bld. 3, Ozerkovskaya nab., Moscow, 115184, Russia
Corporate website:	http://www.tenex.ru
Corporate email:	tenex@tenex.ru
Contact phone number:	+7 (495) 543-33-87 (Office of Director General) +7 (495) 545-00-45, ext. 26-15, 21-04 (Documentation Support and Control)
Fax:	+7 (495) 543-33-85
Primary State Registration Number:	1027700018290, registered on 11 July 2002 with the Department of the Ministry of Taxes and Levies of Russia for Moscow
Branches and representative offices:	None

As of 31.12.2016, the Company's authorised capital was 638,118,652 roubles. The Company placed 26,636 registered ordinary shares at a par value of 23,957 roubles. The Company has no preferred shares.

The Joint Stock Company Atomic Energy Power Corporation (JSC "Atomenergoprom") is the TENEX Sole Shareholder. No changes in the authorised capital structure of the Company occurred in the reporting

year. The Russian Federation has no the special right ("golden share") to manage TENEX.

The TENEX Sole Shareholder resolved to approve FBK Grant Thornton LLC as the Auditor of the Company for 2016 (Resolution No. 47 of 22.08.2016).

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

Details of the Auditor and the Registrar are given in the table below.

Auditor	Registrar
TIN (Taxpayer Identification Number): 7701017140	TIN (Taxpayer Identification Number): 7726030449
PSRN (Primary State Registration Number): 1027700058286	PSRN (Primary State Registration Number): 1027739216757
Location: 44/1, bld. 2 AB, Myasnitskaya st., Moscow 101990, Russia	Location: 18, bld. 13, Stromynka st., Moscow 107996, Russia
Phone: +7 (495) 737-53-53	Phone: + 7 (495) 771-73-35
Fax: +7 (495) 737-53-47	Fax: + 7 (495) 771-73-34

Information on TENEX subsidiaries as of 31.12.2016

No	Russian subsidiaries	Share (%)
1.	JSC "SPb "IZOTOP"	100
2.	CJSC "TENEX-Logistics"	100
3.	JSC "Atomenergopromsbyt"	100
4.	LLC "Kraun"	99,9998

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

1.2 Basic Principles and Core Businesses

TENEX operates to promote the interests of the Russian nuclear industry while making the best possible use of its export potential and competitive advantages in strict compliance with applicable legislation, standards for quality, safety and social responsibility.

Basic Principles of Activity

- Adherence to ethical business standards
- Fair competition and rigorous fulfilment of obligations
- Transparency and openness for a dialogue with partners
- Strengthening public confidence in the nuclear industry
- Supporting sustainable development via ensuring economic efficiency, social responsibility and environmental safety
- Focus on high professional standards
- Assisting the professional advancement of employees

TENEX is a member of authoritative international and regional specialised organizations – World Nuclear Association (WNA), Nuclear Energy Institute (NEI), Japan Atomic Industrial Forum (JAIF), Korea Atomic Industrial Forum (KAIF), World Nuclear Fuel Market (WNFM), World Nuclear Transport Institute (WNTI¹).

¹ For details see: <http://tenex.ru/wps/wcm/connect/tenex/site/company/membership/>.

Core Businesses

Joint Stock Company “TENEX” (the trademark TENEX) is one of the world’s leading suppliers of Nuclear Fuel Cycle (NFC) products that has been providing a significant share of uranium enrichment services requirements for western-type nuclear reactors for over 45 years.

In the reporting year, the Company’s core businesses were:

- Supplies NFC front-end products of Russian companies abroad **(for details see Section 3.1.)**;
- Promotion of Russian back-end technologies on the global market. These technologies include spent nuclear fuel (SNF) and radioactive waste (RAW) management, as well as decommissioning of nuclear and radiation hazardous facilities **(for details see Section 3.2)**;
- Improvement of transportation and logistic support **(for details see Section 3.3.)**.

Along with the back-end business, another new activity area of the Company in 2016 was promoting sales on competitive energy markets in Russia and abroad (for details see JSC “Atomenergopromsbyt” Annual Report 2016²).

1.3 Corporate Governance System

TENEX builds its corporate governance system in compliance with the best Russian and international practices and standards.

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

In the reporting year, the Company:

- implemented new revisions of the Regulation of Public Disclosures and the Regulation of the TENEX Board of Directors;
- purchased 100% of JSC “Atomenergopromsbyt” shares to boost the sales development on competitive Russian and foreign energy markets;
- brought into operation the industrial research and information system “ROSATOM Corporate Governance Structure Database”.

In 2016, all corporate procedures were carried out in full compliance with the requirements of the existing Russian legislation and TENEX statutory documents. The Company used certain principles and recommendations of the Corporate Governance Code³ taking into account the features associated with TENEX being represented by the Sole Shareholder and the legal position of ROSATOM, which provides for unity of the nuclear industry’s organizations management, as well as due to the fact that the securities of the Company are not subject to listing.

In accordance with the TENEX Articles of Association, the governing and control bodies of the Company are:

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

General Shareholders Meeting

The TENEX highest governing body is the General Shareholders Meeting represented by the Sole Shareholder, JSC “Atomenergoprom”. The jurisdiction⁴ of the Sole Shareholder is to decide on key aspects of the Company’s activities.

In the reporting year, the Sole Shareholder:

- approved the annual report and annual financial statements for 2015;
- made resolutions on revenue distribution and dividend payments to the Shareholder;
- shaped the Board of Directors and approved the Auditor for 2016;
- approved the new revisions of the Regulation of the Board of Directors and the Articles of Association.

Board of Directors

As per the Articles of Association, the TENEX Board of Directors consists of five persons. The Chairman of the Board is not concurrently the TENEX sole executive body. The commissions and committees within the Board of Directors have not been set up. Members of the Board do not hold Company shares.

In 2016, members of the Board were not paid remuneration; no transactions related to the acquisition or carve-out of the Company’s shares by members of the Board took place.

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

In the reporting year, the TENEX Board of Directors held 22 meetings. Information on the issues reviewed by the Board of Directors in 2016 is given in **Appendix No. 14**.

In 2016, the Board of Directors and the TENEX Sole Shareholder, by their resolution, did not approve significant transactions and related party transactions acknowledged as such, in accordance with the Federal Law “On Joint Stock Companies”.

In period from 01.01.2016 to 24.08.2016 the Board of Directors operated in the following structure (elected 30.06.2015 and 30.06.2016):

- Komarov Kirill, Chairman of the Board,
- Drozdov Nikolay,
- Zalimskaya Liudmila,
- Korogodin Vladislav,
- Olenin Yuri.

By the resolution of the Sole Shareholder dated 25.08.2016 the Board of Directors⁵ was elected in the following structure:

- Barabanov Oleg, Chairman of the Board,
- Drozdov Nikolay,
- Zalimskaya Liudmila,
- Korogodin Vladislav,
- Olenin Yuri.

Brief summary of the Board members are provided below.

Full name, Date of birth	Education, degree (in the presence)	Job position	Membership in the Board of Directors of the Company
 Komarov Kirill 29.12.1973	The Urals State Law Academy, 1997 Ph.D. in Law	ROSATOM, First Deputy Director General for Corporate Development and International Business	Since 2010, 29.06.2012–24.08.2016 – Chairman of the Board of Directors
 Barabanov Oleg 17.12.1971	The Russian State Geological Prospecting University, named after S. Ordzhonikidze, 1996 Ph.D. in Economics	ROSATOM, Development and Restructuring Director	Since 2016, 31.08.2016–21.02.2017 – Chairman of the Board of Directors
 Zalimskaya Liudmila 31.07.1956	Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the USSR, 1978	TENEX, Director General	Since 2013
 Drozdov Nikolay 23.06.1972	Russian Academy of Economics named after G. Plekhanov, 1993	ROSATOM, Director of International Business Department, until november 2016 TENEX, First Deputy General Director of Back-end Commercialization, since november 2016	30.06.2014–21.02.2017
 Korogodin Vladislav 25.10.1969	Moscow Institute of Physics and Technology, 1992	ROSATOM, Director of the Department for NFC and NPP Life Cycle Management	Since 2008
 Olenin Yuri 13.11.1953	Yerevan Polytechnic Institute named after K. Marks, 1976 Penza State Technical University, 1996 Ph.D. in engineering, professor	JSC "TVEL", President	Since 2007

Director General

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

Meeting (the Sole Shareholder) and Board of Directors.

By the resolution of the Sole Shareholder on 25.04.2013 No. 30 Zalimskaya Liudmila was elected the TENEX Director General⁶.

Top Management

Brief information on the top managers⁷ of the Company is given below.



Zalimskaya Liudmila,
Director General,
since 1978



Kozin Oleg,
Deputy Director General
for Logistics,
since 2007



Artemova Elena,
Deputy Director General
for Legal and Corporate Issues,
since 2002



Loshakov Igor,
Deputy Director General for HR
and Administration,
since 1989



Govorukhin Valery,
First Deputy Director General
for Strategic Communications,
since 2004



Polgorodnik Sergey,
First Deputy Director General
for Commerce,
since 2006



Gorokhovik Alexey,
Deputy Director General
for Security,
since 2004



Tovstenko Andrey,
Deputy Director General
for Strategy and Marketing,
since 1994



Drozdov Nikolay,
First Deputy Director General
of Back-end Commercialization,
since November 2016



Ulyanin Yuri,
First Deputy Director General
for Economics, Finance and IT,
since 2002



II. POSITIONING STRATEGY



Amur Leopard

The rarest leopard subspecies. Inhabits the mountainous coniferous-broad-leaved and oak forests of the Russia Far East. It is on the brink of extinction, due to the development of its natural habitat and poaching. The Amur Leopard is included in the Red Book of the International Union for Conservation of Nature, the Red Book of the Russian Federation, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Address by the Chairman of the Board of Directors⁸

Introducing one of the key chapters of TENEX's Public Annual Report 2016, "Positioning Strategy", I would like to underline the inseparable and synchronous strategic planning of the Company and ROSATOM in general. It has allowed us to be flexible in the rapidly changing global market conditions and to achieve a synergetic effect while implementing large-scale international projects.

The ROSATOM technological achievements and economic potential largely extent determine the Company's success on the global uranium market. The door has swung both ways: the proficiency and reliability of TENEX as a major Russian exporter of nuclear fuel cycle (NFC) products allowed us both in the hard 1990's and today, in unfavorable market and overall political-economic conditions, to ensure a stable inflow of proceeds from foreign operations, needed for implementing industry-wide programs and projects.

The year 2016 was far for both the Russian nuclear industry in general and TENEX; however, being one of the leading world uranium product suppliers the Company has once again displayed competence and high quality marketing, providing sufficiently high annual turnover and retaining its market share. Taking into account foreign trade deals, the closed long-term portfolio of the Company at year-end amounted to US \$ 21 billion.

"Dynamics", "development", and "movement" are the words that best describe TENEX. In the reporting year, the Company continued to actively shape a new business area, the advancement of Russian services involving the conversion of spent nuclear fuel (SNF), radioactive waste (RAW) and decommissioning (back-end) on the global nuclear market. Certainly, this is a challenging and ambitious task and TENEX, appointed in late 2015 as an sectorial integrator in the field of international back-end sales, has just started off its journey. However, we've already achieved a lot: we have adapted the Company's structure to new tasks, worked out a concept for successful business development, explored industrial commercialization possibilities of existing technological solutions and reached preliminary agreements with a number of potential foreign clients.

TENEX faces several large-scale tasks in the upcoming future, mainly the development of electric energy trading in Russian and foreign competitive markets, a new business sector that the Company entered after JSC "Atomenergopromsbyt" placing under its management in 2016.

I have no doubts that the top management's high competence, broad marketing experience and qualified staff will allow TENEX to retain momentum and to successfully implement its plans.

B. Arseev

2.1 The Company in the Nuclear Industry

With 100% of its shares held by the nuclear industry holding company JSC "Atomenergoprom", the Company is managed by ROSATOM's Corporative Development and International Business unit.

TENEX is the Russian nuclear industry's leading company in the promotion of uranium NFC products, as well as enriched uranium for power and research reactors on the global market, while carrying out global marketing and product supplies to the utility companies-operators of western-type reactors in Europe, the Americas, Asia and Africa.

The Company's proceeds from sales of NFC products are over 40% of the total proceeds ROSATOM receives from foreign operations and is the most important investment resource for Russian nuclear industry development. The Company transfers full volume of its net profit to the Sole Shareholder, JSC "Atomenergoprom", in order to finance sector-wide development programs, as well as to attract foreign loans on favorable terms.

Traditionally, TENEX has paid much attention to the information, analytical and expert support for ROSATOM's actions directed on improving the existing legislation and legal basis of the international cooperation ROSATOM carries out. The Company specialists are engaged on a regular basis

as experts in drafting industrial standards and regulations.

The Company has built up a multibillion-ruble portfolio of long-term export contracts for the supply of Russian NFC products and services until 2030. This portfolio supports over several thousand jobs in ROSATOM's Separation-Sublimation Complex enterprises, most of which are hosted by "closed" (restricted access) cities and are city-forming enterprises.

The Company interacts with suppliers of uranium feed and its conversion and enrichment services and forms the basis of long-term contracts with "United Uranium Plants" LLC, JSC "TVEL", and JSC "Uranium Enrichment Centre".

TENEX receives uranium feed from JSC "Uranium One Group" and JSC "Atomredmetzoloto". Enriched uranium product (EUP) for the Company's export program is produced at JSC "TVEL" entities: JSC "Ural Electrochemical Integrated Plant", JSC "Production Association Electrochemical Plant", and JSC "Siberian Chemical Combine", which have been proven and reliable partners of TENEX for decades.

Products, purchased from Russian suppliers, amounted to more than two thirds of total purchasing volume.

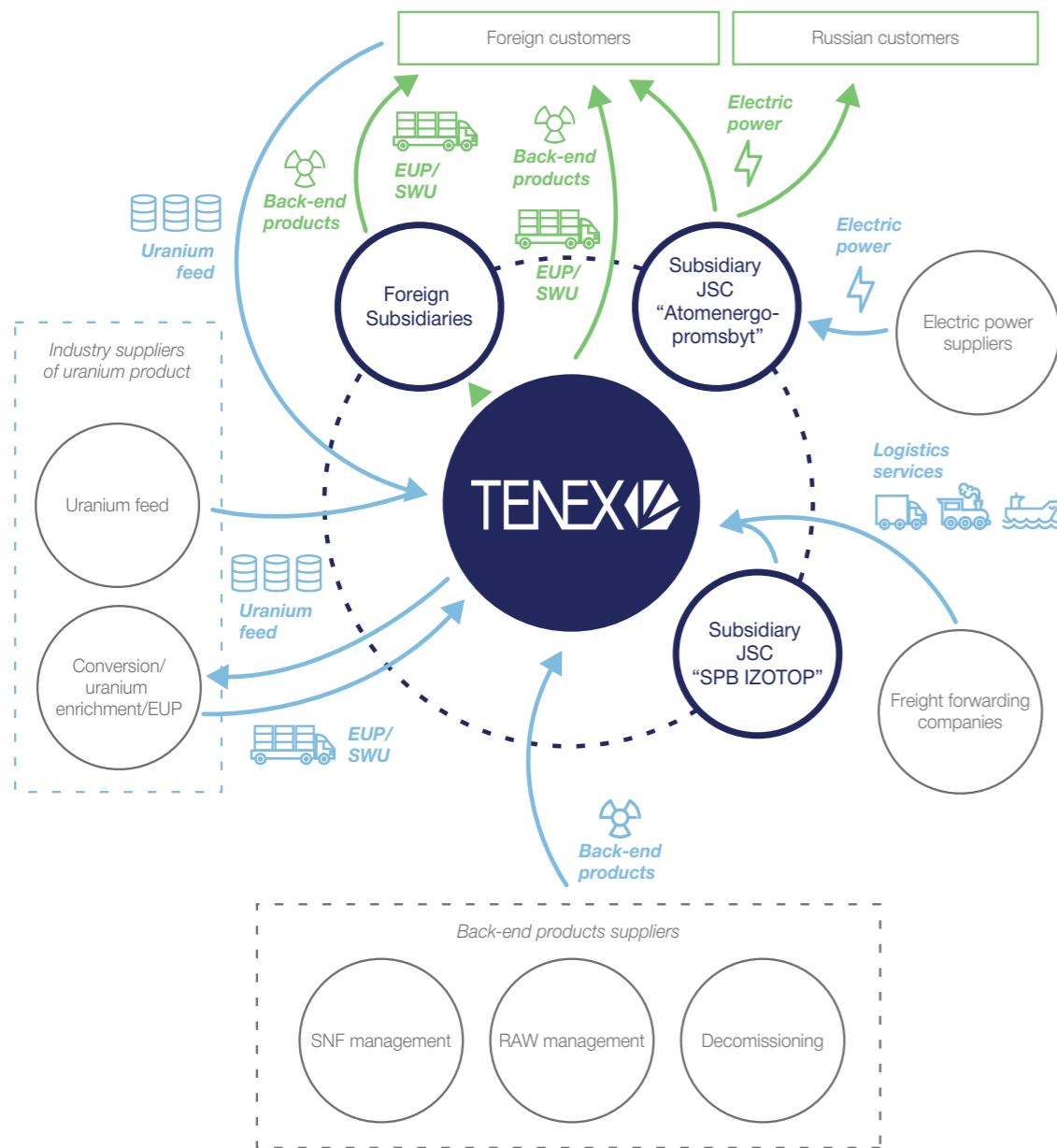


Centrifuges facility (JSC "UEIP")



Condensing evaporating plants (JSC "SCC")

The business model



2.2 Competitive Environment and the Company in the NFC Product Market

The scope and pace of nuclear power industry development have shaped demand in the global market for NFC products. As of December 2016, according to IAEA data⁹, the number of NPP plants has globally increased over the 2015 year by seven power plants (totaling 8,3 GW) and comprises 448 power plants with a total power output

of 391 GW. At the same time, the cost of NPP construction increased, among other reasons due to increasing regulatory requirements and growing competition with power plants operating on cheap organic fuel and subsidised by renewable power sources. As the result, this restrained the construction of new NPPs.

In 2016, the TENEX effected the most by unpleasant market conditions that remained on the uranium market, both for natural uranium, its conversion and enrichment. Due to a large number of long-term contracts held by energy producing companies and a high stock of reserves¹⁰ resulted insurplus conditions, suboptimal pricing for uranium suppliers (especially for enrichment services) and strengthened a price competition.

During the reporting year, the natural uranium U3O8 spot price dropped from US \$34.25 to US \$20.25 per pound¹¹ and the long-term price from US \$44 to US \$30 per pound. A drop in prices for conversion services in the American and European markets: from US \$6.75 to US \$5.85 per kg and from US \$7.25 to US \$6.40 per kg, respectively. Long-term prices for conversion services in American and European markets decreased from US \$13 to US \$12 per kg and from US \$14 to US \$13 per kg, respectively. Quotes for uranium enrichment services also dropped: the spot price from US \$60 to US \$47 per SWU, long-term prices from US \$72 to US \$52 per SWU.

The main competitors of the Company in the uranium enrichment market are URENCO (UK, Germany, the Netherlands, and the USA), AREVA (France), and suppliers from the PRC.

In this reporting year, market conditions for the Company remained unfavorable. URENCO and AREVA continued to expand capacities of new gas centrifuge plants in the USA and France, respectively. Implementation of uranium laser enrichment project by the Global Laser Enrichment Company (GLEC) gained impulse after GLEC signed an agreement with the US Department of Energy on the reenrichment of depleted uranium from their national stockpiles.

Restrictions on Russian uranium product supplies to the EU and the US remained intact. The restrictions are based on a diversified supply sources policy, implemented by EURATOM and limits on supply to the USA, valid until the end of 2020 in accordance with the Amendment to the Agreement on the suspension of the anti-dumping investigation dated 2008.

Despite the decrease in demand and the strengthening competition, the Company retained its position as one of the leading global suppliers of the NFC front-end products, providing the significant share of the western-type reactors requirements for uranium enrichment services **(for details see Sections 2.3., 3.1.)**.

In this reporting year, promoting Russian SNF, RAW management and decommissioning (back-end) services on the global market became a new business segment for the Company **(for details see Section 3.2.)**.

More than 90 NPPs will be decommissioned by 2030 according to TENEX's estimates. The most broad-scale decommissioning programs will be implemented in the UK, Japan (including the damaged NPP Fukushima Daiichi), USA and Germany.

Traditionally a significant part of the work connected with decommissioning and RAW management has been done by national operators. However, the results of tender procedures in 2016 demonstrated the insufficiency of their competence for implementation of the outlined programs that take into account fixed deadlines and budget restrictions. For this reason, foreign experience was to be involved.

Despite the significant volume of globally accumulated SNF, approximately 350,000 tons HM¹², with it increasing annually by 10–12 th. tons HM, reliable long-term solutions concerning SNF management have not been developed yet. It may become a serious obstacle for the development of the nuclear power generation industry: an indicative example is the company Taipower having to stop Kuosheng NPP power plant No. 1 ahead of schedule due to the fuel storage pool at the reactor reaching critical levels of capacity.

Most countries adhere a deferred decision strategy, storing SNF in dry containers or water pools, expecting that during the next 50-60 years, which stipulated the increase of SNF container storage supply.

In respond to the unfolding situation, Australia, which does not have nuclear power generation capacity, has been investigating the possibility of storing foreign SNF on its territory for interim decay storage and further disposal.

¹⁰ Experts have noted that these values are equal to two or three times annual consumption volumes in the US and EU.

¹¹ Hereinafter Ux Consulting's data is used.

¹² Heavy metal ton.



Dry containers and water pool SNF storage (Kursk NPP)



Currently only a few countries are implementing an open NFC concept, assuming the disposal of SNF in deep geological formations after its interim technological storage. In 2016, Finnish company Posiva Oy began construction of a SNF final isolation space in Olkiluoto. Sweden plans to carry out a similar project. Germany has also started looking for the places acceptable for SNF disposal.

Russia and France have offered an alternative way to solve the SNF problem, specifically NFC closure by SNF processing to extract

commercially viable products (uranium and plutonium) for their further usage. However, the only real existing NFC closure, MOX-technology developed by the French company AREVA, is not an effective solution in the absence of a fast nuclear reactors. In 2016 French MOX-fuel usage share has been decreasing in Swiss, Belgian, and German reactors. MOX-programs in the US, Great Britain and Japan have encountered difficulties in their implementation. Based on the Russian NFC closure using fast reactors is the most promising variant.

2.3 Shaping the Business Strategy and Its Key Elements

In 2016, the Company as part of preparation for subsequent ROSATOM strategic planning cycle starting in 2017, conducted a full review of the Company's business strategy. This review included both the traditional uranium business and the newly implemented business segments, connected with marketing, financial and logistics instruments, as well as the newly established functionalities: electric energy trading prospects (for details see the 2016 JSC "Atomenergopromsbyt" annual report¹³) and promoting back-end products on the global market.

The Company also reviewed the TENEX organizational structure for optimization, costs savings and developing the Company's staff

motivation system, as the mean for achieving ROSATOM's key long-term strategic goals of:

- Increasing its presence on the global market;
- Decreasing the production costs and processing time;
- Creating new products for Russian and foreign markets.

The review was performed under the aegis of the Strategic Council, established by TENEX in 2016, as an institutional body with a main goal of developing strategic solutions for the key businesses of the Company and its subordinate organizations.

The Company's business strategy planning approach is based on the positive assessment of long-term prospects in global nuclear power development in the context of the necessity of usage expansion of the energy sources, not involving the green gas emissions and hence, not adversely affecting on the climate change. According to forecasts by authoritative international organizations (IAEA, World Nuclear Association), the growth of established NPP capacities in countries which already have nuclear power and construction of NPPs in new countries will exceed 50% by the end of the next decade. This should lead to the demand growth for NFC front-end products.

Another factor that defines the Company's business development prospects is the growing demand for environmentally friendly and economically effective solutions for decommissioning of NPPs that have exceeded their safe usage lifetime or have stopped functioning due to other reasons, as well as their research reactor units, nuclear and radioactive material storage facilities, other nuclear facilities, and site remediation services. ROSATOM's enterprises, whose global interests are represented by TENEX have a developed technical competence and unique technological practices in this sphere.

The business strategy for NFC is built on the following main factors that ensure the competitiveness of the Company:

- reliance on ROSATOM's highly-effective manufacturing capacities and scientific/technological potential both in the NFC front-end and back-end;
- providing NFC products and services both as separate components and as "package" supplies;
- providing competitive prices and other attractive commercial contract parameters;
- the flexibility of delivery terms, including use of material accounts;
- the capability to ensure the shortest time from receipt of the feed (in places convenient for the client) to delivery of the end product;
- a guarantee of uninterrupted supplies owing to warehouse stock;
- an effective sales network in key target markets;
- a strong corporate brand name based on the longstanding and impeccable history uranium product supply to numerous of customers in different regions of the globe;
- the availability of a constantly updated international legal framework for cooperation in the peaceful use of nuclear energy.

The Company plans to accomplish the updating of the long-term business strategy (until 2030) in the third quarter of 2017. Concurrently the implementation of a medium-term plan (triennial) will be specified, taking into account several possible scenarios of how the market situation unfolds and relative response measures to it.

At the NFC front-end the Company will aim to develop direct relations with power

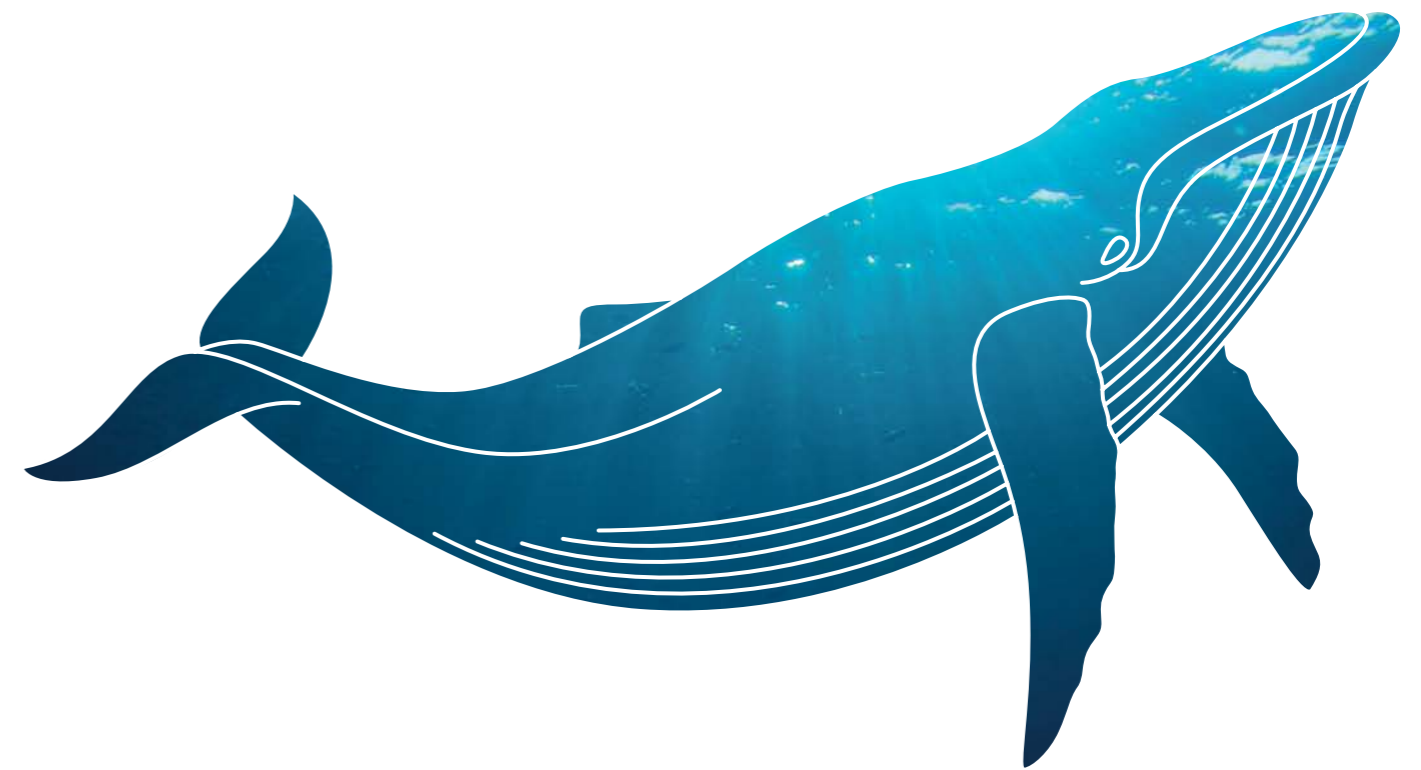
generating companies, sign long-term contracts (for 10 or more years) and upgrade supply logistics with due regard to the regional market specifics and customers' priorities.

In the back-end, efforts will be concentrated on defining the needs of potential foreign customers and preparing relevant product offers based on the technological experiences and high willingness for commercialization which the industrial organizations have.

III. MAIN ACTIVITY OUTCOMES

Humpback whale

A member of the rorqual family has a distinctive back fin resembling a hump. It inhabits in the Barents, Chukchi, Bering, Okhotsk Seas. For a long time it was a target of whaling, which reduced the population by almost 90% by the end of the Sixties during the last century. It is included in the Red Book of the International Union for Conservation of Nature, the Red Book of the Russian Federation, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).



Address from the Director General

Another year of goal-oriented persistent work has allowed TENEX to retain its position on the global uranium market despite unfavorable market conditions: total sales volume for nuclear fuel cycle products, produced by sectorial separating enterprises, exceeded US \$2 billion.

Development and strengthening of direct connections with the end customers of uranium production, foreign utilities, remains the top priority to the Company. All existing contractual commitments were timely implemented with deliveries of uranium product being made to 30 different customers in 14 countries, completed on time and full scope.

More than a half of the total sales volume were conducted with the US customers. Products worth US \$0.7 billion were supplied to Western Europe, which has historically been considered the Company's largest target market. Volume of sales in APR countries remained at a relatively low level compared with the "Pre-Fukushima" period. This is mainly due to the current nuclear energy situation in Japan and demand contraction in the PRC as a result of its own enriched uranium production development.

In 2016, TENEX conducted a technological review of existing nuclear industry's commercially viable back-end solutions and subsequently the Company has reshaped production offers for potential foreign customers.

Upon the initiative and with active involvement of the Company Memorandum on Cooperation on the Peaceful Use of Atomic Energy (Memorandum) was prepared and signed by ROSATOM and the relevant Japanese authorities. According to the Memorandum, both sides will cooperate to overcome the consequences of the Fukushima Daiichi NPP accident, find areas for collaborative development and promote innovative nuclear technologies.

The Company is constantly developing its projects for uranium production foreign transportation and logistics. In the reporting year, a pilot shipment of EUP was delivered to the US via Halifax seaport (Canada). The Company has also decided to complete the transportation and logistics complex project "West", as well as use the Ust-Luga seaport on a regular basis as an alternative seaport for the shipment of exported production without interim storage.

TENEX has achieved its Key Performance Indicators set for 2016. As of the end of the reporting year, the Company's revenue comprised RUB 139 billion. Compared to the previous year, this indicator has decreased by 18% mainly due to the fall of market prices for feed (30%) and uranium enrichment services (20%).

In 2017, taking into account the expected depressed state of the uranium market, our diminished operations will be oriented for using new market instruments which can neutralize the impacts of these negative factors. Moreover, a project on the formation of a global provider of transport and logistics services for NFC will be further developed based on the preliminary agreements with a foreign partner, fixed in 2016. Projects promoting new products on the global market will be further carried out.

I am sincerely grateful to the Company's employees for their committed work, and thankful to all our partners, both Russian and foreign, for their long-term constructive interaction.



L. Zalimskaya

3.1 Contracting and Sales at the NFC Front-End

In the reporting year, the Company signed 17 contracts, including addendums to existing contracts for larger supplies, with thirteen customers from seven countries. The signed

contracts totaled US \$1.5 billion, and the total value of the long-term order portfolio to US \$21 billion.

Information on the change in the long-term order portfolio with a three-year retrospective¹⁴ is given in the table below.

	2014	2015	2016
Dynamics of the long-term contract portfolio for the supply of uranium product at 2013 prices, %	93	100	97

According to the results of the reporting year, sales amounted US \$2.1 billion. The decrease in sales volume by 21,5% in comparison with

the previous year was mainly caused by the completion of several significant long-term contracts in 2015.

	2014	2015	2016	2016 in %
Uranium product sales volume	2,2	2,7	2,1	78,5

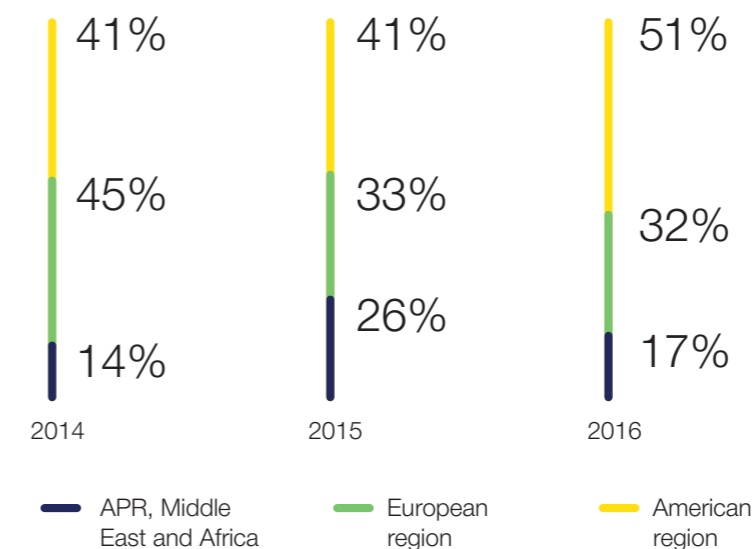
US \$ billion / %

In the reporting year, TENEX met all contractual obligations of its existing contracts in due time and full scale: uranium product was supplied to 14 countries, including 14 customers in the USA, 11 customers in Europe (Belgium, Finland, France, Germany, Spain, Sweden, Switzerland,

and UK), and 5 customers in Asia Pacific region, the Middle East and Africa (Japan, PRC, Republic of Korea, SAR, and UAE).

About 48% of the total supplies were made by book transfer.

The diagram below shows the dynamics of the Company's sales structure by regions.



¹⁴ When calculating the change in the portfolio each year was compared with the preceding year using 2013 prices.

In 2016, the Company's core business framework was not subjected to fines for non-observance of legislation and regulatory requirements related to provision and use of uranium product.

Plans for 2017 include the broadening stock list of NFC front-end products through

American region

There was a contraction in the US market in 2016 due to minimal open needs volume in SWU for American energy companies in the short and medium term, as well as the emerging tendency of several NPPs, the traditional consumers of the uranium product supplied by the Company, to shut down early than expected.

As of the end of the reporting year, the Company signed eight new agreements and three contract appendices in an amount totaling US \$1 billion.

In accordance with the Amendment to the Agreement Suspending the Antidumping

European region

In several countries of Western Europe, the tendency of gradual atomic energy closure remains, caused by not only policy decisions made earlier at the state level but also by the policy of additional taxation on atomic energy generating facilities, with simultaneous subsidization of alternative energy sources. The situation is aggravated by the aging NPP fleet with almost no construction of new units.

Under these circumstances, the Company signed two new contracts and two contract appendices on the increase of uranium product supply volume totaling US \$0.2 billion.

Asia-Pacific Region, Middle East and Africa

In 2016, uranium product sales to the customers in the Asia-Pacific Region, the Middle East and Africa remained at a relatively low level, in comparison to previous periods. This was caused by not only unfavorable market conditions but also by the low restart rate of Japanese reactors, shut down after the Fukushima Daiichi NPP accident (in 2016, only one Shikoku Electric reactor was restarted, and two earlier restarted Kansai Electric reactors were again shut down), and by demand

the supply of non-standard specifications uranium product, as well as EUP for research reactor fuel fabrication.

A regional breakdown of the key activities in the reporting period is briefly described below.

Investigation of 2008, the limits of the uranium product supply to the USA in 2014-2020 were 95% fulfilled.

The total value of the uranium product supplied to US customers in the reporting year, including natural uranium sales¹⁵ comprised US \$1.05 billion (51% of the total sales of the Company). Around 70% of the total supplies were carried out as book transfer on fuel fabrication plants (Westinghouse – Columbia, South Carolina, GNF-A – Wilmington, North Carolina and AREVA NP – Richland, Washington).

The value of the uranium product supplied to European customers in the reporting year comprised US \$0.67 billion (32% of the total sales of the Company). Around 32% of the total supplies in EU were carried out as a book transfer on fuel fabrication plants.

As of the end of the reporting year, TENEX's export portfolio included long-term and mid-term contracts with ten European companies for Russian NFC products and service supply until 2028.

contraction in PRC due to an increase of its own EUP production.

Nevertheless, two new contract appendices for increasing uranium product delivery volume totaling more than US \$0.3 billion were signed.

The value of the uranium product supplied to this region in the reporting year comprised US \$0.36 billion (17% of the total sales of the Company), of which 32% was supplied as a book transfer.

3.2 Promoting Services in the NFC Back-End

While shaping this new business segment TENEX was guided by these principles:

- Comprehensive solutions for the problem of SNF and RAW management by implementing closed NFC concepts using thermal-neutron and fast-neutron reactors;
- Strict compliance with existing standards, norms and rules in radiation safety, while implementation the back-end projects and introduction of the best Russian and foreign practices;
- Openness to a broad international cooperation by taking into account global back-end issues;
- Customer-oriented approach through offering a full range of NFC products, both separately and in packages.

The main goal of the reporting period, besides implementing the necessary organizing and structural changes, was to define potential foreign customers' needs for Russian back-end goods and services and to prepare corresponding product offers for them.

In 2016, TENEX conducted a technological audit of the ROSATOM's capabilities in order to offer competitive services, products and solutions on key back-end production areas, SNF and RAW management, as well as decommissioning. As a result, products with a high potential for commercialization as well as products needed to be improve, were identified, taking into account the demand in this segment of global market.

To show potential customers the results of Russian implemented projects in RAW management and decommissioning and the applicability of Russian experience, TENEX in 2016 organised technical tours for representatives of foreign companies to visit key organizations which have competence in the back-end: FSUE "MCC", FSUE "PA Mayak", JSC PDC DUGR, Leningrad NPP (JSC "Concern Rosenergoatom"), FSUE RosRAO, FSUE RADON, JSC "SCC", and Federal State Institution Russian Scientific Center Kurchatovsky Institute.

The requirements of Western and Eastern European energy companies' for VVER SNF

management, as well as APR countries' and Western European companies' requirements for NPP decommissioning and RAW management were analysed. Preliminary negotiations with several energy companies that took place in 2016 not only revealed their willingness to cooperate, but also allowed TENEX to shape technical requirements for back-end products and to define possible operation volume.

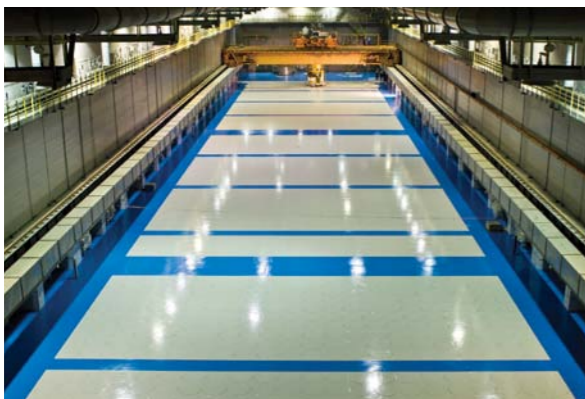
In cooperation with ROSATOM operating units, key elements of prospective product proposals were developed related to the production of uranium-plutonium REMIX fuel for use in thermal and fast neutron reactors and the use of SNF for light water reactors in NFC as part of a two-component nuclear energy system, that includes thermal and fast neutron reactors.

Standard proposals were developed for the SNF and RAW management of nuclear science and technology research centers that are being constructed by ROSATOM abroad.

Within the framework of the Russian-Japanese Memorandum on Cooperation in the Peaceful Uses of Nuclear Energy, prepared with the TENEX active participation, both sides started work for identifying projects of mutual interest with regard to overcoming the consequences of the Fukushima Daiichi NPP accident and on developing innovative nuclear power technologies.



SNF storage pool and transportation preparation department (FSUE "PA Mayak")



Dry storage facility for SNF and MOX-fuel production (FSUE "MCC")



Shipment of uranium products via Saint-Petersburg (above at the left), Ust-Luga (above at the right) and Vostochny seaports (below)

3.3 Transportation and Logistics

TENEX's priority goals for the improvement of transportation and logistics support are to minimize the product delivery time, to improve the supply's reliability, and to reduce transportation cost.

Deliveries program implementation

TENEX fulfilled the 2016 export-import deliveries program on time and in full scope, involving fully permitted foreign freight forwarding companies and licensed marine carriers (Atlantic Ro-Ro Carriers Inc., Northern Shipping Company, JSC Concern ASPOL-Baltic, Far-Eastern Shipping Company).

In the reporting year, the Company made 61 shipments of by sea (via Saint-Petersburg, Ust-Luga and Vostochny seaports) and railway transportation (to PRC), including the first EUP shipment to the US via the Canadian Halifax seaport. To reduce transportation and logistics expenses, 60 shipments of EUP were made as 17 united consignments.

Transportation and logistics services on the territory of the Russian Federation were provided by JSC "SPb IZOTOP".

In the reporting year, with support and active participation of the Company the exclusive sea carrier for US shipments, Atlantic Ro-Ro Carriers Inc.¹⁶, licensed additional vessels for delivering EUP to customers in the USA.

Developed in 2009-2015 in a pilot program, a transportation route for uranium product without interim storage stage via the Ust-Luga seaport was used for regular export-import deliveries to the EU and the US in 2016.

Use of own transportation equipment fleet

TENEX constantly monitors the needs in packaging and promptly purchases them.

At the end of the reporting year, the Company's fleet of equipment consisted of 604 Type 30B cylinders, 486 Type 48Y cylinders and 343 Model UX-30 overpacks made by Columbiana Hi Tech LLC (USA).

TENEX continuously monitors its Type 30B cylinders located outside of Russian territory and does everything possible for their timely return for further use in the export-import program.

The Company signed an Appendix to the Agreement on material account with the fuel fabrication European organization. This document will allow to transport empty cylinders 30B for cleansing and technical maintenance to Complex maintenance center, opened in 2016 on the basis of JSC "UEIP". This increases

the equipment usage effectiveness and cuts its turnover time. In the reporting year, TENEX for the first time signed three contracts with foreign customers on cleansing and recertification 30B cylinders in Russia worth total approximately RUB 10 million.

In 2017, it is planned to increase the Type 30B cylinder fleet by 150 units.

In 2016, only in-house Type 48Y cylinders were used in the Company's delivery program and the share of in-house Type 30B cylinders and UX-30 overpacks comprised 23.5% and 64.3%, correspondingly.

The producer-company, Columbiana Hi Tech LLC, arranges for the training of TENEX, JSC "SPb IZOTOP" and separating enterprises and holds inspections to maintain the proper technical conditions of the transportation equipment annually.

Licensing and Customs Support

In accordance with the Russian Federation Government Directive dated 21.07.2016 No. 1564-r FSTEC issued a general license to TENEX to export uranium production dated 03.08.2016 No. 6436452061277 for the duration of accreditation until 16.03.2021, which in the reporting year affirmed its state accreditation as an organization¹⁷ which created internal export control program.

Under the general export license, uranium product is delivered to France, Germany, PRC, Republic of Korea, UK, and the USA. The Company sends quarterly reports on the implementation of the general license to the FSTEC and to the Federal State Budgetary Establishment – Federal Agency of Legal Safety of Results Military, Special and Twofold Purpose Intellectual Activity. In the reporting year, 31 single licenses for export-import of nuclear material under the Company's contracts were also granted.

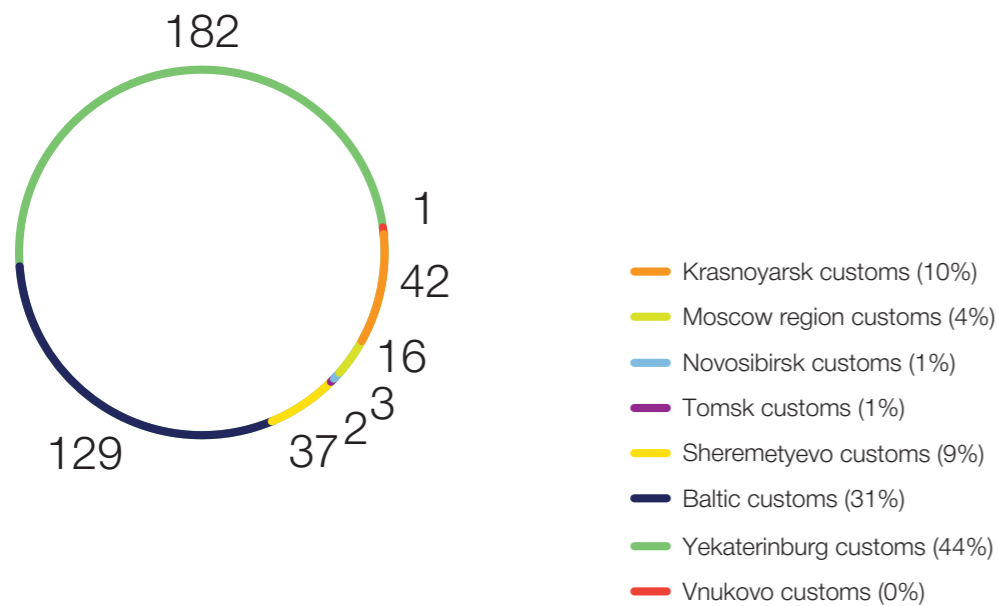
According to the approved declaring schedule, 412 customs documents were issued by



the Baltic, Pulkovo, Yekaterinburg, Krasnoyarsk, Tomsk, Novosibirsk, Sheremetyevo and Moscow Region customs, which exceeds 2015 by 6.7 %.

In 2016, the number of tracked containers and overpacks owned by the Company subject to cross the customs border of the EAEU¹⁸ increased by 14.4 % to total 948 items as compared to 2015.

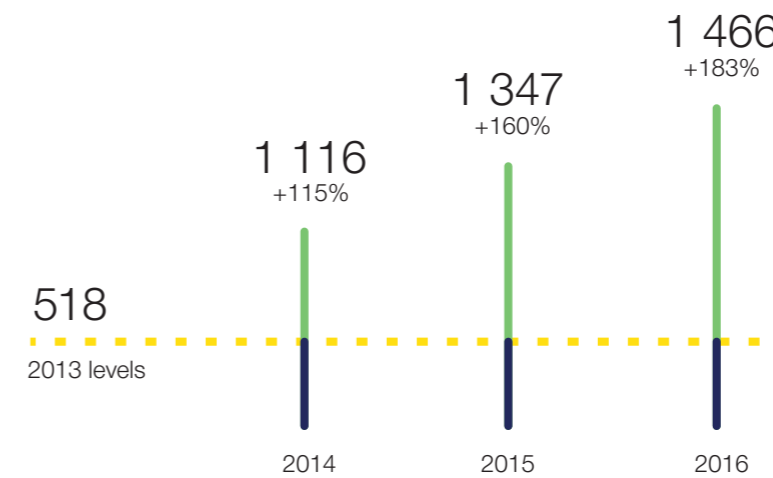
The volume of declaring to regional customs in 2016



¹⁷ TENEX is one of the first Russian companies to be granted a state accreditation certificate in 2001 as an organization that has set up its own internal export control program (as amended on July 21, 2014, Federal Law No. 183-FZ dated 18.07.1999 "On Export Control" officially called "internal export control program").

¹⁸ Eurasian Economic Union including Kyrgyz Republic, Republic of Armenia, Republic of Belarus, Republic of Kazakhstan, and Russian Federation.

Temporary exported containers and overpacks¹⁹



3.4 Finances

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

Indicator	2014	2015	2016	2016 YoY 2015 in %
Total revenue, including:	93 397	168 466	138 544	82,2
revenue from uranium product sales	93 216	168 192	138 468	82,3
other revenue	181	273	76	27,8
Cost of sales, total, including:	(58 837)	(89 813)	(91 894)	102,3
costs related to the uranium product	(58 288)	(88 956)	(91 522)	102,9
other expenses within cost	(549)	(857)	(371)	43,3
Gross profit	34 560	78 653	46 650	59,3
Commercial expenses	(1 625)	(2 744)	(2 371)	86,4
Administrative expenses	(1 838)	(1 339)	(1 361)	101,6
Profit/(loss) from sales	31 098	74 570	42 918	57,6
Net profit	11 947	59 912	30 509	50,9
<i>For information:</i>				
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	31 733	74 410	35 698	48,0

¹⁹ To the level of 2013.

The decrease in revenue from uranium production sales by 17.7% in comparison with 2015 was mainly caused by the completion of several long-term EUP supply contracts and a decrease in the sales volume of raw materials due to the significant decline in market prices for natural uranium and services for its enrichment.

The cost of uranium product sales increased in 2016 by 2.9% in comparison with the previous year due to an increase in internal prices for uranium conversion and enrichment services and for use of raw materials in the production of EUP purchased in the end of 2015 and the beginning of 2016 caused by weakness in the rouble.

The 50% decrease in EBITDA and net profit is connected with the decrease in sales volume (in value terms) due to rising production costs as well as the formation of a reserve²⁰ in the reporting year uranium feedstock cost in the amount of RUB 7,8 billion.

In the reporting year, the Company did not receive any financial assistance from the state.

The Company was not subjected to any significant fines for non-compliance of legislative and regulatory economic and social requirements.

Key Financial Indicators

An expected decrease in profitability occurred in the reporting year. The peak values in 2015 were caused by significant sales increases and rouble weakness in relation to foreign currencies.

Profitability indicators, %

Indicator	2014	2015	2016
Gross profit margin	37	47	34
EBITDA margin	34	44	26
Return on assets*	15	68	34
Return on equity*	54	150	68

*Values calculated on an annual average basis.

Profitability, liquidity and financial stability indicators are controlled and managed by the Company and ROSATOM.

In 2016, the positive liquidity and financial stability dynamics of the Company were

primarily due to decreases in the annual average amount of short-term liabilities and an increase in the Company's own average annual value of equity, conditioned by agreed dividends pay schedule.

Liquidity and financial stability indicators

Indicator	2014	2015	2016
Current ratio*	1,28	1,94	2,46
Quick ratio*	0,81	1,23	1,52

Indicator	2014	2015	2016
Debt-to-equity ratio*	2,54	1,19	0,98
Net Working Capital to Current Assets Ratio (excluding long-term loans)*	0,15	0,39	0,45
End of year net assets, RUB mln**	22 927	56 303	32 577
End of year assets, RUB mln	73 241	102 468	75 476
The share of net assets in total assets, %	31,3	54,9	43,2

* Values calculated on an annual average basis.

** The indicator was calculated as per the Procedure for Valuation of Net Assets of Joint Stock Companies approved by the Ministry of Finance of the Russian Federation No. 84n dated 28.08.2014.

In the reporting year, TENEX's credit portfolio decreased by 6.2% in rouble and amounted RUB 24.4 billion. In dollar it reached²¹ US \$ 402.9 million, an increase of 13.8% due to the decrease of the dollar in relation to the rouble at the end of 2016.

Improvements in Russian financial market conditions and competitive borrowing allowed the Company to ensure borrowing loan rate in 2016 lower than loan rates of Russian banks to non-financial businesses for the same period.

To decrease the credit portfolio cost in the end of 2016 a syndicated loan of group of international banks headed by Deutsche Bank AG was repaid ahead of schedule²² and loans with a maturity period of one-two years and significantly lower service charges were taken.

In accordance with the terms of existing loan agreements, the Company maintains the required levels of financial covenants, which the actual values indicate the Company's financial stability.

Financial covenants

Indicator	Permissible value	31.12.2014	31.12.2015	31.12.2016
Debt/EBITDA	Not more than 3	1,22	0,33	0,57
EBITDA/Interest cost ratio	Not less than 4	32,38	45,03	31,12
Equity, RUB billion	Not less than 15	22,9	56,3	32,6

Dividends

In 2014–2016, dividends, including interim ones, were accrued and paid as per the resolution of the Sole Shareholder, JSC "Atomenergoprom". The dividends were calculated based on the Company's net profit according to Russian Financial Reporting Standards.

The dividends were paid in cash. As of the end of 2016, the Company planned to issue interim dividends for nine months of 2016, to be paid to the shareholder, amounting to RUB 10 billion²³.

At the time of this report, the Company's governing bodies had not made a resolution on paying dividends for 2015.

²¹ Including short-term loans, US \$243 million.

²² According to the planned schedule the loan should be paid in January 2018.

²³ Will be fully paid in January 2017.

Indicator	RUB million / %		
	2014	2015	2016
Dividends accrued on the results of the period*			
amount	11 922	59 900	13 000**
share of net profit for the period	99,8	99,9	60,9**
Dividends accrued during the period, including:	9 616	26 536	54 235
dividends for the preceding year	5 566	7 872	41 235
interim dividends for the reporting year	4 051	18 664	13 000
Dividends paid during the period, including:	9 484	22 570	50 052
dividends for the preceding year	7 284	9 722	47 052
interim dividends for the reporting year	2 200	12 848	3 000

* The data is given for compare the dividends and net profit (actual accruals and payments are made in different reporting periods, including in the year following the reporting year) and reflect the dividend policy of the sole shareholder, JSC "Atomenergoprom".

** The data for nine months of 2016 (interim dividends according to results of nine months of 2016 as per the resolution of the Sole Shareholder, were paid in December 2016 and January 2017 – RUB 3 billion and RUB 10 billion, respectively.

Payments to budgets and extrabudgetary funds

The Company is the largest taxpayer. The table below contains data on accrued and paid taxes to the budgets of all levels and extrabudgetary funds by TENEX over 2016.

Indicator	RUB million	
	Accrued	Paid
Taxes and fees, total, including:	8 886,4	10 063,9
Taxes, including:	8 660,1	9 830,0
Regional budget (Moscow), total, including:	2,9	3,1
Profit tax	0	0
Property tax	2,9	3,1

Indicator	Accrued	Paid
Federal budget, total, including:	0	0
Profit tax	0	0
Profit tax within CTG ²⁴ (paid to the Responsible Participant, JSC "Atomenergoprom")	8 657,2	9 826,9
Fees, including:	226,3	233,9
Extrabudgetary funds (insurance premiums)	226,3	233,9

Investments

TENEX investment activities are in line with the Unified Sectoral Investment Policy of ROSATOM and its entities.

The Company has an Investment Committee, which is a collective coordinating body, whose jurisdiction covers decision-making on investments planning, management of investment projects and programs and financial investments of the Company.

In 2016, the industrial information system "Sirius" was introduced which allowed centralize planning and reporting processes on the Company's project activity, and also to automate the maintenance of its projects register and its key parameters control.

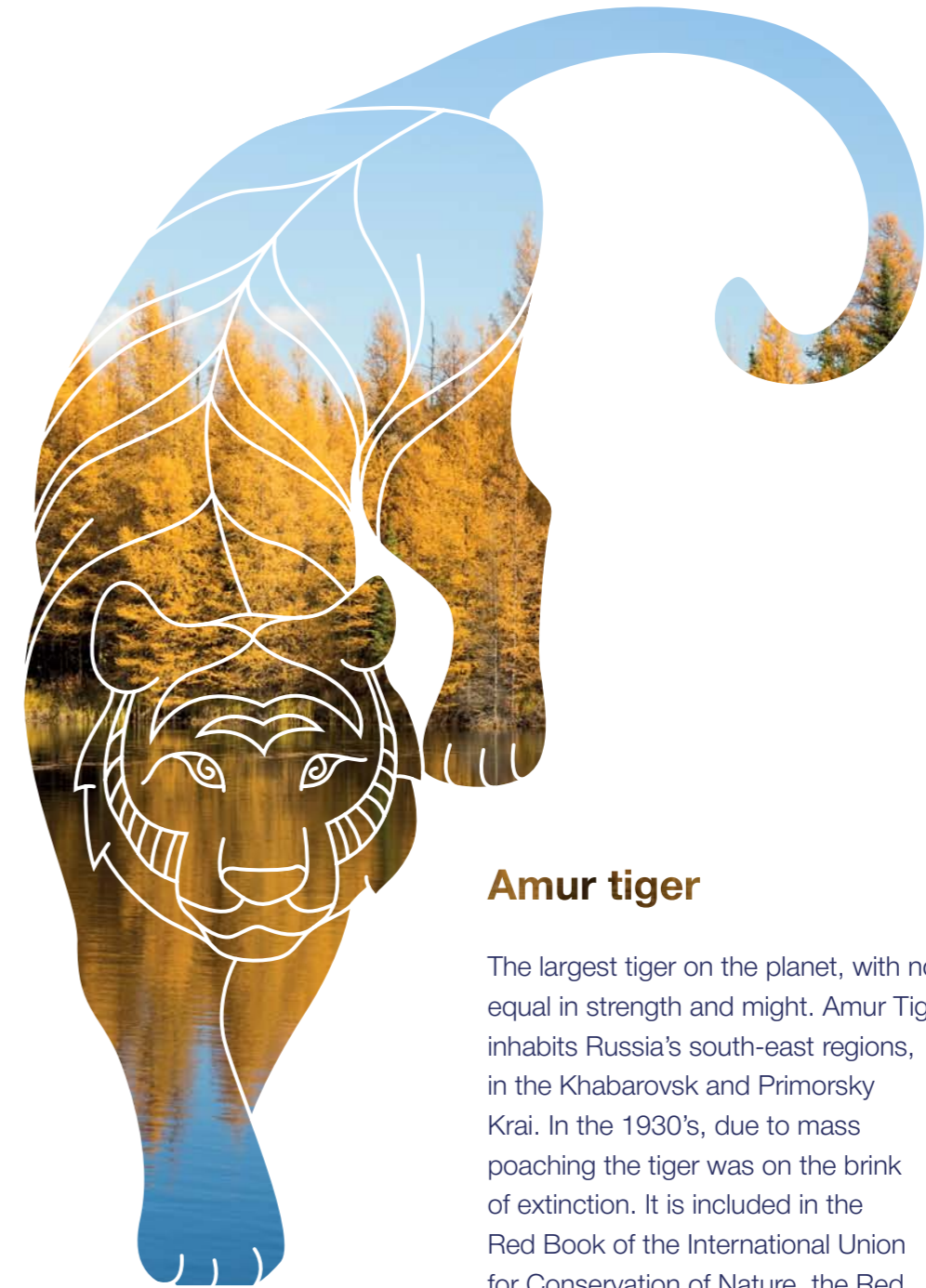
In the reporting year investments were made in form of the following financial and capital investments.

Indicator	Investments, RUB million (VAT exclusive)		
	2014	2015	2016
Investments, total including:	136,1	132,8	113,0
fixed assets	111,2	119,9	47,1
intangible assets	0,2	0,3	0,1
long-term financial investments (acquisition of shares, interest in companies)	24,7	12,6	65,8

²⁴ Since 2013 the Company has been part to the agreement on consolidated taxpayer group (CTG) aimed at paying the profit tax in accordance with Federal Law "On Amendment of the First and Second Parts of the Tax Code of the Russian Federation in Connection with Creation of the Consolidated Taxpayer Group" No. 321-FZ of 16.11.2011. The CTG participants are the companies within ROSATOM's control.



IV. PERFORMANCE MANAGEMENT



Amur tiger

The largest tiger on the planet, with no equal in strength and might. Amur Tiger inhabits Russia's south-east regions, in the Khabarovsk and Primorsky Krai. In the 1930's, due to mass poaching the tiger was on the brink of extinction. It is included in the Red Book of the International Union for Conservation of Nature, the Red Book of the Russian Federation, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

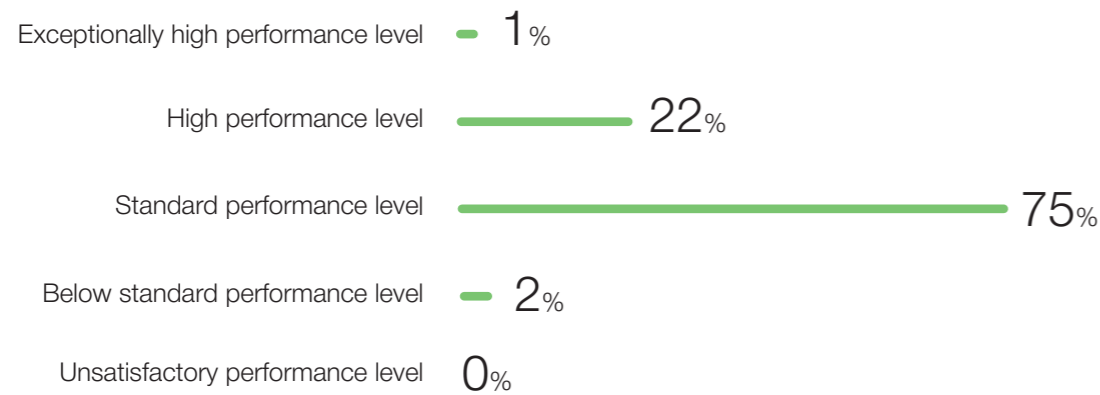
4.1 Human Resources Management

The Company strictly observes the norms of labor relations prescribed by the laws of the Russian Federation, sectoral and local regulations, the Sectoral Agreement of the Nuclear Industry, Energy and Science for 2015-2017 between ROSATOM, All-Russian Employers' Organisation "Union of Nuclear Industry, Energy and Science Employers of Russia" and Russian Trade Union of employees of the Nuclear Energy

and Industry²⁵. There were no complaints for labor relations practice²⁶, cases of discrimination or violation of the rights of employees during the reporting period.

The TENEX highly skilled personnel has been and remains the key strategic resource and core value of the Company. Nearly all employees have higher education; 21 have a Ph.D. and 19 are Masters of Business Administration, MBA.

Results of the regular annual assessment RECORD²⁷ in 2016 are given in the diagram below.



In the reporting year, following results of the annual employee engagement surveys²⁸, held

by ROSATOM, remained at 94% for TENEX, i.e. one of the highest in the industry.

Staff Number, Personnel Structure and Movements²⁹

In the reporting year, TENEX's staff number increased, three new employees were hired and the average staff number decreased by six people totaling 365 and 321 people, accordingly.

part-time employees (women on maternity leave). Of 360 Company employees (actual payroll staff number) there were 153 men and 207 women.

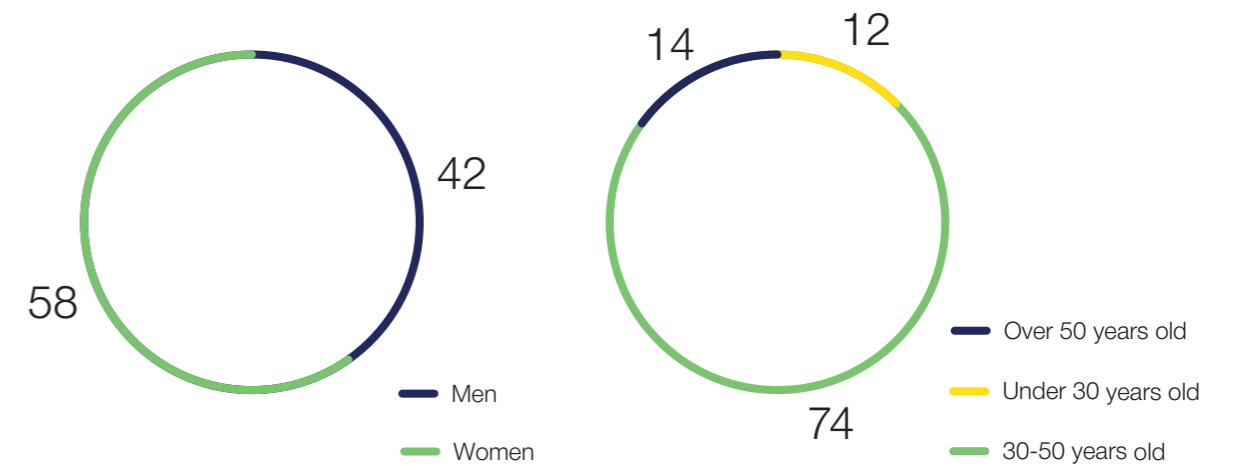
The actual payroll staff number of the Company as of 31.12.2016 increased by 1%, comprising 360 people who are employees of about 50 structural divisions of the Company at the department/unit level.

In the reporting year, fixed-term employment contracts were signed with 22 employees (6% of the actual payroll staff number), of them 12 were women.

All TENEX employees are full-time employees. In 2016, three people were

The personnel structure did not change significantly as compared to 2015 (given in the diagrams below).

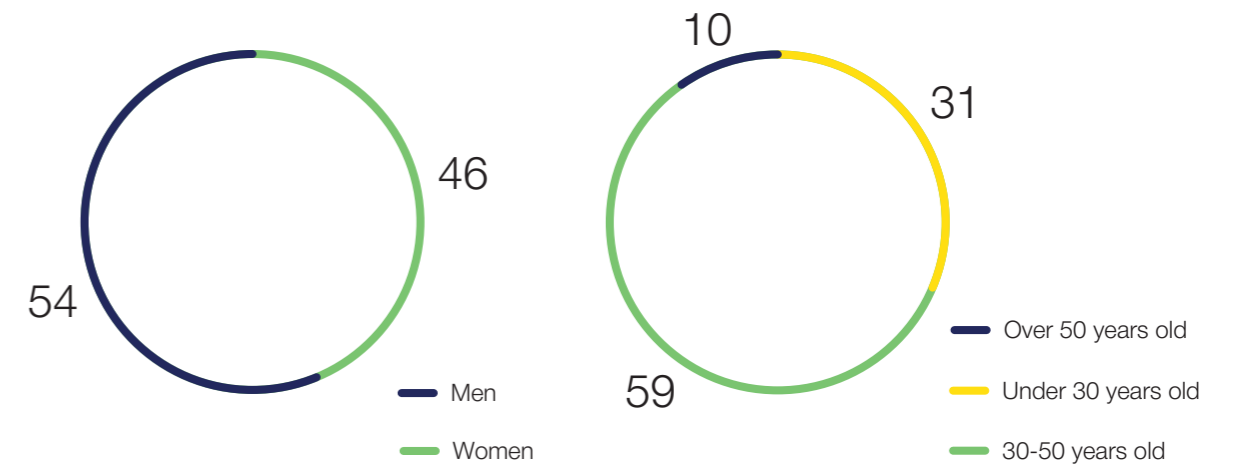
Personnel by gender and age groups, %



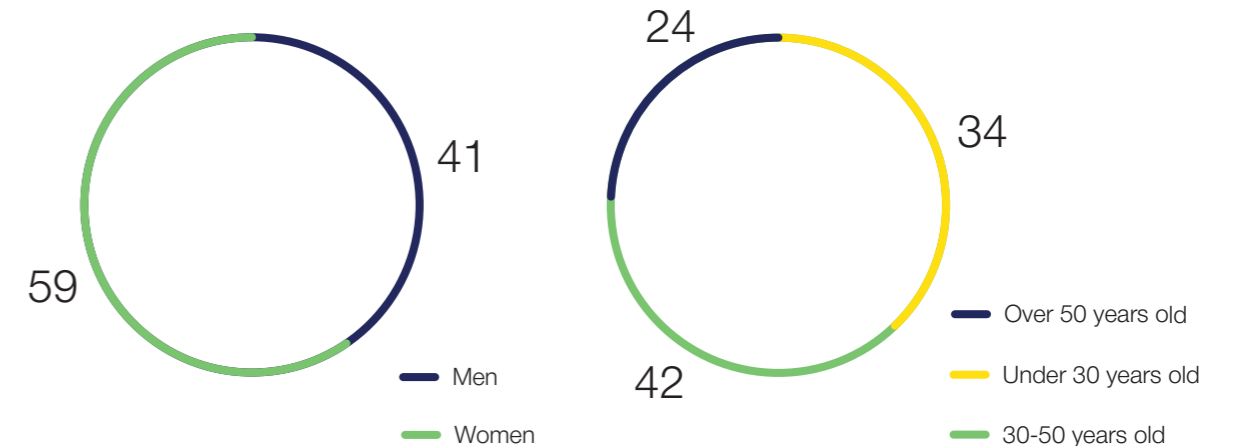
In the reporting year, 42% of employees were 35 years and younger. The average age of managers is 45 years old and specialists 38 years old.

In 2016, 39 persons were newly employed in the Company and 41 persons were dismissed. Information on the newly employed staff and staff turnover in 2016 is given in the diagrams below.

Newly employed by gender and age groups, %

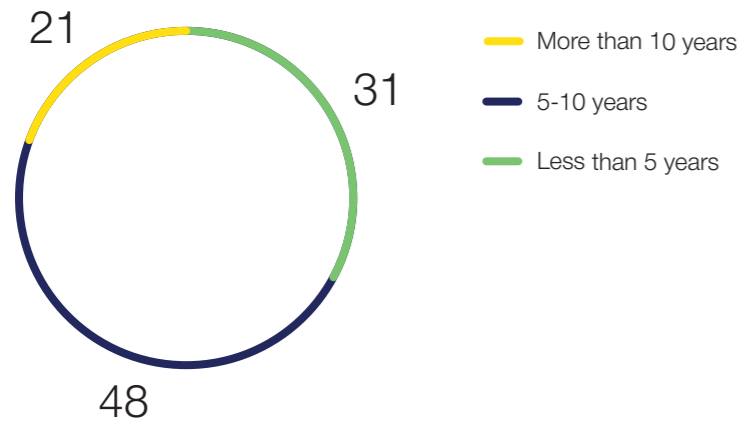


Staff turnover by gender and age groups, %



²⁵ TENEX does not have a collective bargaining agreement.
²⁶ The Company notifies employees about the upcoming significant changes in the regulation of social and labor relations in two months prior to their effect.
²⁷ The evaluation was carried out for 301 people (164 women and 137 men), i.e. 85% of the list size at the date of the conduct.
²⁸ Satisfaction with work in the company, commitment to corporate values and readiness to achieve high results.
²⁹ Details of staff number, personnel structure and movements in a three-year retrospective are given in **Appendix No. 7**.

Traditionally, significant share of employees have been working for the Company for five years or more.



Remuneration and Incentives

According to the Provision for Labor Remuneration and Incentive for TENEX's Employees, an employee's wage consists of a fixed official salary and an integrated incentive weighting set up according to the level of qualification and performance³⁰ and annual bonuses dependent on meeting the established KPIs.

In 2016, the total wage funds amounted to RUR 1.2 billion. The minimum wage level of the Company's employees was RUR 50 thousand, which in the reporting year exceeded the minimum wage level in Moscow³¹ by almost three times. The average salary in TENEX in 2016 comprised RUR 207 thousand in 2016, exceeding similar levels in Moscow by more than 3,5 times³².

Basic salaries for men and women of the same grade are equal. The ratio of the actual average annual remuneration of men and women in 2016 was 1.1 and 1.3 for managers and specialists, respectively.

The Provision on Social Benefits and Incentives of Awarded Employees (Provision) which exists in the Company establishes types, size and conditions of welfare, additional payments for the period of temporary disability as well as the procedure for incentive of employees in case they receive the Russian Federation state awards.

The Provision covers all employees who have concluded labor contracts with the Company, except for those on probation period, working part-time jobs and those contracted for up to one year.

Training and Advancement of Personnel

In the reporting year, more than 60% employees of the Company completed training and advanced training programs. The total time of training in the reporting year

amounted to 6 564 hours (424 hours were compulsory training³³ and 6 140 hours were corporate training) or about 21 hours per employee (based on average staff number).

The average annual training hours by employee categories and gender in a three-year retrospective are given in the table below:

Average annual training hours	2014	2015	2016
Total,	16 344	10 443	6 564
Including for:			
one employee of the average staff number	50	32	20
one manager	79	30	86
one specialist	40	33	26
one woman	46	29	32
one man	55	24	43

The reduction in the total number of hours of training by almost 40% compared to 2015 is due to the implementation of the Company's cost-reduction policy (the dynamics of training costs are shown in the table below).

Indicator	2014	2015	2016
Training expenses, total, RUR thousands	9 970	9 660	4 300
Expenses per one employee as per the average staff number, RUR thousands/person	31	30	13

4.2 Management Systems

TENEX has introduced and continuously improved corporate management systems that have been certified according to the requirements of international standards.

The Company's Quality Management System (QMS), the basis of the corporate management system, has been certified by the German certification authority TÜV Thüringen e.V. in 2008 as being compliant with requirements of international standard EN ISO 9001:2000 in organization and execution of export-import operations with NFC products.

In 2010, TENEX received a certificate of Environmental Management System (EMS) compliance to the requirements of the international standard DIN EN ISO 14001:2009, which evidenced that the Company comprehensively upheld environmental safety (nuclear and radiation safety in shipments, compliance with Russian and foreign legal and regulatory requirements, environmental issues management etc.) and confirmed the implementation of a mechanism for the analysis and assessment of environmental aspects.

In 2014, the Company decided to create an Integrated Management System (IMS)³⁴ for its conformance to the standards DIN EN ISO 9001:2008 and DIN EN ISO 14001:2009 as related to organization and conduct of export-import supplies of NFC products.

In 2012, for the first time in the Russian nuclear industry, the Company received TÜV Thüringen e.V.'s certificate of compliance of Supply Chain Security Management System (SCSMS) to the requirements of the international standard ISO 28000:2007. The main objective of SCSMS is to improve reliability and safety of product supplies through the creation of a management system for security risks in the export-import NFC product supply chain.

In connection with the policy of corporate social responsibility implemented by the majority of European energy companies, which obliges them to cooperate only with suppliers operating in compliance with international standards, TENEX demands these requirements for its suppliers.

³⁴ Certified in December 2014 by TÜV Thüringen e.V.

³⁰ Including by results of the annual RECORD assessment, provided for the Company's employees who have been on staff at least for three months.

³¹ Tripartite Agreement on Minimum Wage in Moscow for 2016.

³² http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/wages/.

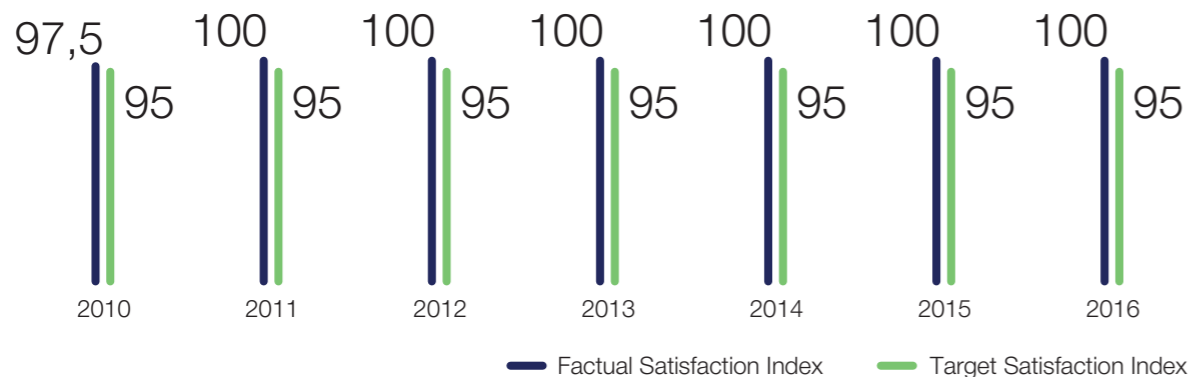
³³ Compulsory training was conducted under safety management programs for handling radioactive materials, labor protection, and environmental and information security.



According to the results of 2016 audits of JSC "Atomredmetzoloto" (uranium feed supplier) QMS and EMS and DAHER Nuclear Technologies GmbH (transportation-logistics services provider) QMS conducted by the Company both companies' compliance with the requirements of international standards was confirmed.

An annual questionnaire poll of foreign customer-companies' within the framework of QMS is conducted to determine the degree of customer satisfaction, which is a key indicator of the Company's performance. In the reporting year, this indicator comprised 100%, corresponding with a set target value (not less than 95%).

Dynamics of changes in overall customers satisfaction index in 2010–2016, %



Several customer's recommendations and remarks on certain indicators of the quality of contracts for the supply of uranium product

performance are taken into account by the Company – the corrective measures have been developed and implemented.

4.3 Procurement Management

TENEX procurement activities are in accordance with the Federal Law No. 223-FZ of 18.07.2011 "On Procurement of Goods, Works and Services by Certain Types of Legal Entities" and the Uniform Industrial Procurement Standard (hereinafter referred to as UIPS).

To improve the transparency of procurement for potential Russian and foreign suppliers, the Annual Procurement Program of the Company (hereinafter referred to as APP) is posted on the official governmental website <http://zakupki.gov.ru/> and sectoral website www.zakupki.rosatom.ru/.

In 2016, TENEX's bidding procedures were run on three Russian electronic trading platforms:

- Fabrikant <http://www.fabrikant.ru/>;
- Uniform Electronic Trading Platform (Roseltorg) <https://www.roseltorg.ru/>;
- Electronic Trading Platform (B2B-Center) <https://www.b2b-center.ru/>.

In accordance with the legislation of the Russian Federation, TENEX, starting in 2016, publishes on the Unified Information Procurement System official website, not only information on the number and total value of contracts concluded as a result of purchases, but also copies of concluded contracts, as well as information and primary documents relating to the performance of contractual obligations.

In the reporting year, TENEX added to new contracts a supplemental condition on placing failures to implement contract obligations data in the industrial information system "Calculation of customer's reputation rating"³⁵ with the aim of subsequently accounting for the business

reputation of suppliers when conducting procurement procedures.

In the reporting year, the TENEX total volume of procurement was over RUR 3 billion. An economic effect of approximately RUR 0.6 billion was achieved.

The share of the Company's procurement from small and medium enterprises (hereinafter referred to as SME) was 32,8%³⁶ of the total annual volume of contracts made by results of the procurement and the share of procurement from SME following results of the biddings where only SME could participate was 13,7%³⁷. In 2016, no claims concerning violation of procurement procedures were filed.

4.4 Risk Management

Risk management system

Since 2010, the Company has set up and operated a Risk Management System (RMS) that is harmonised with the sectoral risk management system³⁸. The goals of RMS are

formalised in the Standard "Regulation of Risk Management System, The Basics of the Risk Management Organization and Methodology in TENEX".

In the reporting year, in the framework of RMS development, work was done to:

- enhance communication efficiency with risk owners with the aim of timely and full risk identification, raising their evaluation quality, development of the most adequate risk management measures, including through broadening the Company's network information resource for risk management in 2016;
- performing an expert examination of the Company's investment projects to identify and evaluate risks through the projects development;
- implementing practical currency risk hedging based on developed strategies and hedging programs.

According to an audit, conducted on 02.06.2016 by LLC KPMG, the Company's RMS was one of the three best risk management systems among ROSATOM companies.

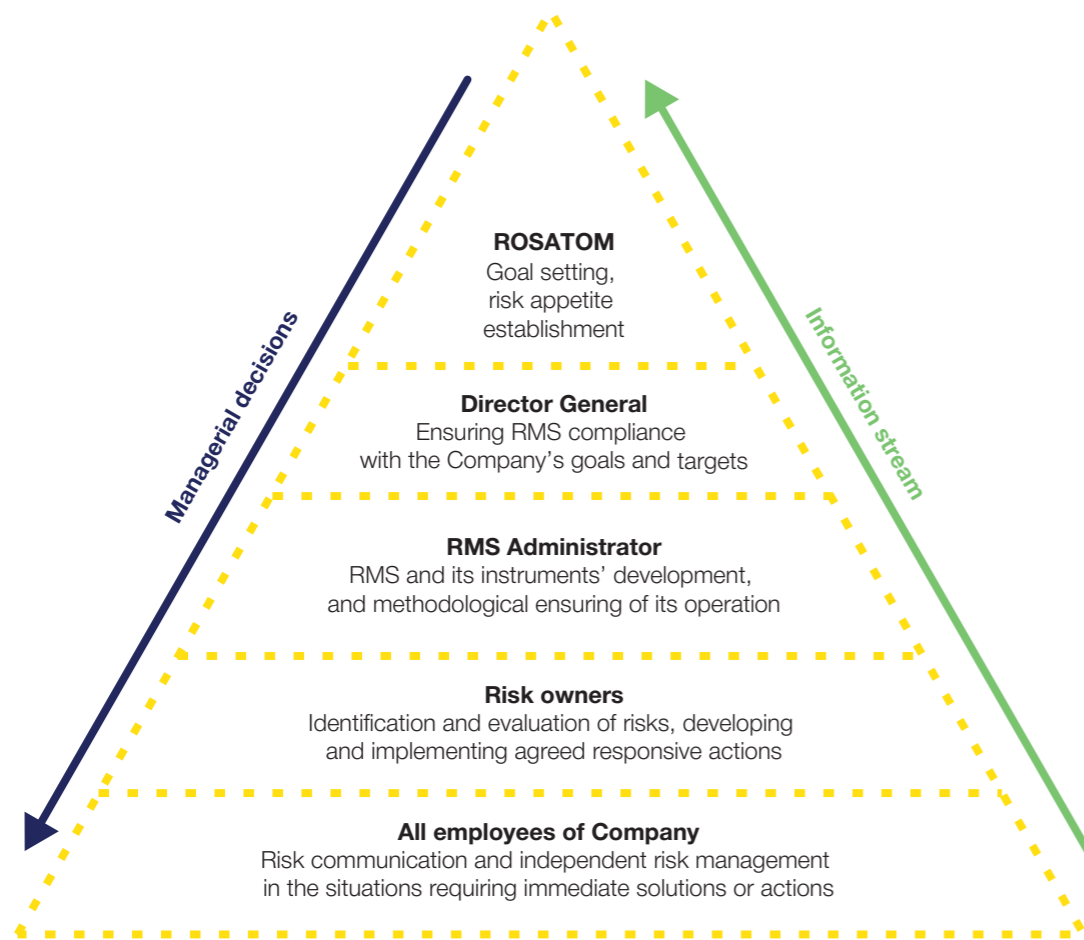
³⁵ www.rdr.rosatom.ru.

³⁶ At the threshold value of 10% established by the resolution of the Government of the Russian Federation No. 1352 of 11.12.2014 "On Features of Participation of Small and Medium Entrepreneurs in Procurements of Products, Works and Services from Certain Legal Entities".

³⁷ At the threshold value of 5% established by the resolution of the Government of the Russian Federation No. 1352 of 11.12.2014.

³⁸ Detailed information is provided in the public annual reports of the Company for 2012-2015 at http://www.tenex.ru/wps/wcm/connect/tenex/site/Disclosure_of_information/AnnualReports/.

The RMS organizational system is outlined on the picture below:



The Company's Key Risks, Risk Responses, and Risk Management Measures

The Company's market risks are defined not only by the degree of uncertainty of supply/demand ratio in the world uranium market and, as consequence, by volatility of prices, but also by the Company's success in competition for meeting the demands of consumers. In turn, this depends in many respects on how the customers assess the Company's reliability as the supplier, in addition to attractiveness of TENEX's commercial offers.

Remaining consequences of the Fukushima-Daiichi accident, as well as the slipping competitiveness of the "nuclear kilowatt-hour" in relation to other types of electricity generation, have aggravated the downward trend of uranium enrichment quotes and raised the volatility of prices for NFC products (for details see Section 2.2.).

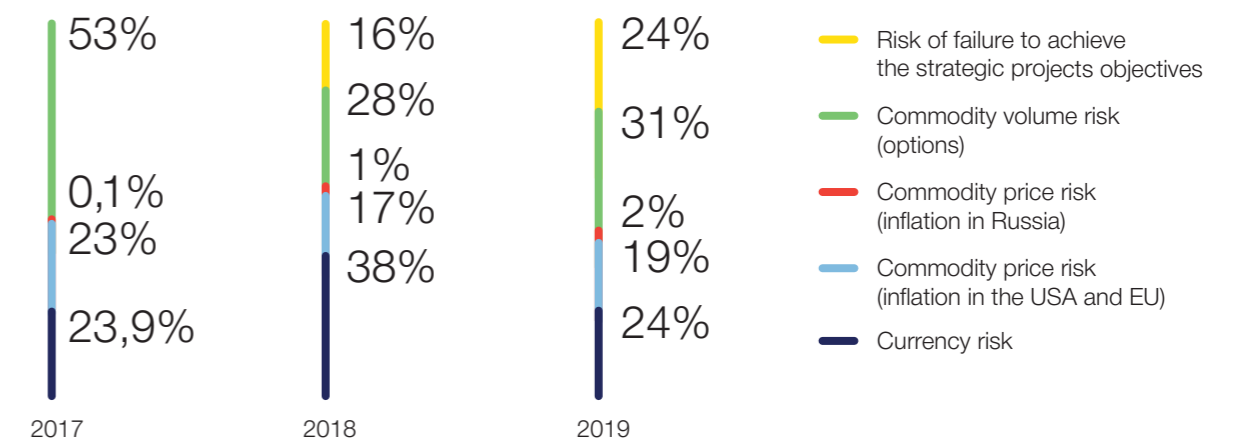
Foreign customers have raised the assessment of the Company's reliability as a supplier in the future, as compared to the previous reporting period, in the first place, due to reducing their assessment of the risk of imposing trade restrictions on Russian uranium.

Quantitative assessment is carried out in the Company with respect to those financial and some strategic risks, which are caused by uncertainty (volatility) of risk factors – future market quotations for natural uranium, uranium conversion and enrichment services, and macroeconomic parameters – inflation indices, interest rates and some other market uncertainties. The measure of risk of VaR was estimated, first, in relation to the ACF indicator, which determines the volume of the corporate investment resource.

The method for estimating the volatility of risk factors for the calculation of VaR in 2016 was supplemented by expert assessments of the boundaries of ranges of risk factors. The results of the VaR assessment conducted in 2016 on the horizon of business planning (in 2017-2019) in relation to quantitatively assessed risks (the diagram below) indicate that the most significant is the commodity volume risk, the share of which in VaR

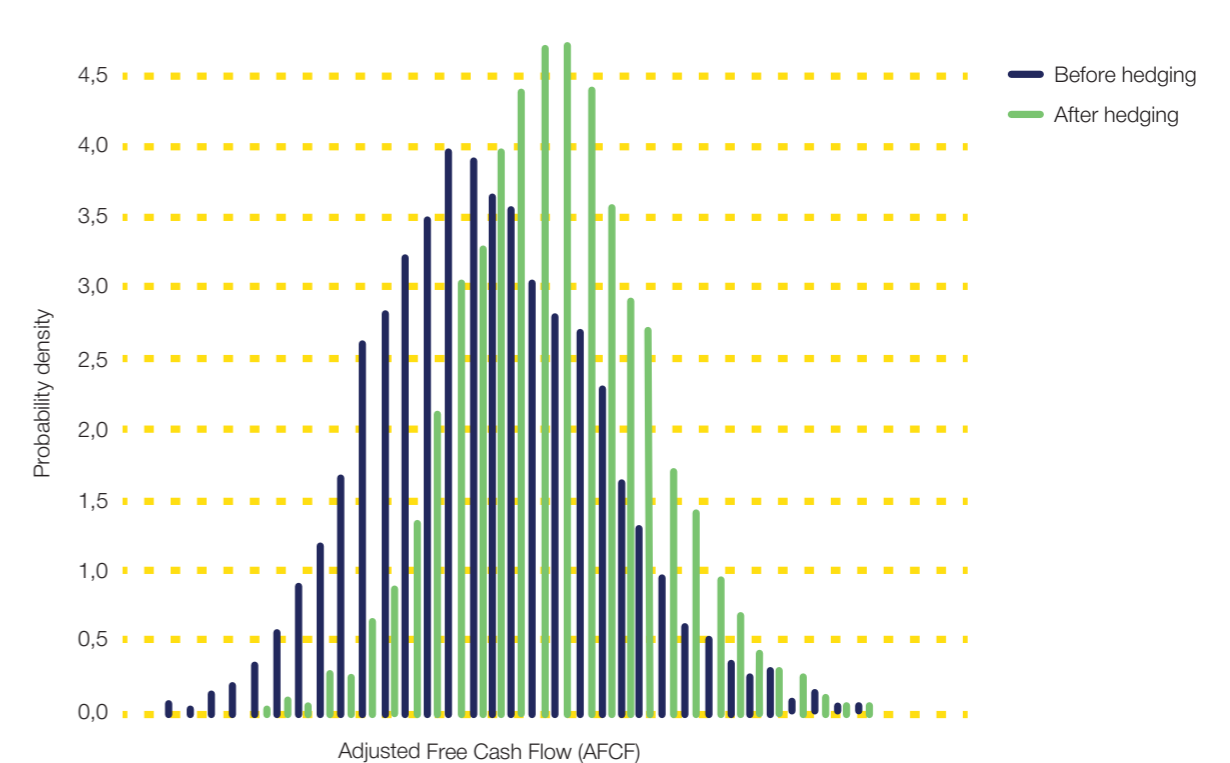
on average during the period of business planning is 37%. The second by the relative degree of influence on the SSDP indicator is currency risk, the share of which in VaR on average for the period of business planning is 29%. The remaining share is attributable to commodity price risk and a set of risks of failure to achieve the objectives of the strategic projects being completed with foreign partners

AFCF at risk



In 2016, in compliance with the accepted strategy and hedging program, currency risk hedging was conducted that allowed to decrease the AFCF volatility range by 15%.

AFCF expected value range before and after currency risk hedging



More detailed information about TENEX's most significant risks and response measures to them are given in **Appendix No. 8**.

The Company's risk insurance

TENEX uses insurance as a management tool for low probability risks, the consequences of which may be significant, as well as in cases stipulated by applicable legislation. Insurance is executed on a competitive basis with preliminary justification of the risk-to-insurance premium values, including the influence of potential damage on continuity, stability and sustainable development of the Company.

In 2016, TENEX made a decision to cancel credit risk insurance based on partners who are clients for the Company's products (the probability of the Company's partners to improperly meet their payment obligation to the Company)³⁹ due to upgrading the system of giving partners internal payment capacity ratings and also due to the partner's financial improvement whose rating previously required insurance. The Company constantly monitors the partners' financial condition.

The Company's risks insured in the reporting year

Civil liability for nuclear and radiation damage	Mandatory insurance ⁴⁰
Risk of loss and damage of the Company's goods in transport	The Company takes this risk under all contracts to the delivery point of customers as per its business practices. The ratio of this risk value (a product of probability and potential loss) and the insurance premium demonstrate the expediency of its insurance.
Risk of loss and damage to material assets of the Company during the production process	In sectoral enterprises, the Company uses its own uranium feed in the production of the products to be delivered. In spite of the high level of production standards and low probability of such risk, TENEX has come to the conclusion that an extremely high value of potential damage could entail a breach of continuity and sustainable development of economic activity; in this connection, the decision to insure this risk was made.

4.5 Internal Control and Audit

The internal control system of the Company is built in line with the basic principles of the ROSATOM Internal Control Policy and is intended to ensure that the Company securely meets its objectives and enhances the effectiveness of corporate management, while strictly observing legislative norms and safety requirements.

The internal control system subjects are the governing bodies of the Company, the Internal Control and Audit Service (hereinafter referred to as ICAS), the owners of processes, and the Company's employees.

A system of regulatory documents establish how control procedures should be implemented over the course of business processes and also stipulate responsibility for their appropriate execution is applied in TENEX.

According to the approved ICAS plans, in the reporting year four expert-analytical sets of actions, four inspections of financial and economic activities of TENEX and its subsidiaries, two revisionary checks of subsidiaries as well as two internal audits of business processes were conducted with no material breaches revealed. The heads

of the audited objects and owners of the processes developed and approved action plans for the optimization of processes, the elimination of revealed violations, and their prevention. Plan implementations are controlled by ICAS.

During the reporting year, ICAS specialists checked the Company's procurement activities for compliance with UIPS requirements, as well as participated in inspecting certain

financial and economic aspects of the sectoral organizations as part of ROSATOM's Internal Control and Audit Service working groups.

In 2016, TENEX employees confirmed the level of qualification compliance with the requirements of professional standard "The Efficient Internal Control and Audit" (as per executive order of Russian Federation Ministry of Labor and Social Security No. 236H of 22.04.2015).

4.6 Economic Security and Anti-Corruption Practices

TENEX takes part in the ROSATOM's Anti-Corruption Plan for 2016-2017: the Company and its subsidiaries have adopted the Uniform Sectoral Anti-corruption Policy, standard sectoral methodological recommendations on evaluating the corruption risks and monitoring local anti-corruption normative acts and its usage of ROSATOM companies to find out whether they comply with anti-corruption legislation or not, and the Uniform Sectoral Procedure for the verification of information on corruption and other offences received via the hotline and other channels.

In order to ensure economic security and prevent corruption-related offenses, TENEX established a Corruption Prevention System (CPS).

In 2016, as part of CPS improvement, a number of applicable local regulatory acts⁴¹ were updated, as well as the Procedure of Identifying and Settling Conflicts of Interests in TENEX and the Procedure of Employees' Reporting on Gifts Received in Relation to Their Official Duties was approved. Activities of all structural divisions regarding corruption risks were analysed in the course of work on the new local regulatory acts.

The Company's official website and intranet portal host information pertaining to anti-corruption activities, as well as anti-corruption policies and procedures that are currently in use.

In the reporting year, in the framework of activities to exclude cases of conflicts of interests and corrupt practices, 1 599 contracts of the Company with partners were studied and analysed, the legitimacy of 265 potential partners and 47 competitive and 154 non-competitive procurement procedures were evaluated. No corrupt schemes or fraudulent actions on the part of the Company's employees or contractors in the course of contracted activities were revealed, as well as procurement activities.

In the reporting year, 10 employees of the Company were trained using the professional development program "Economic safety, assets protection and anti-corruption policy in ROSATOM. Module: Counter measures to corruptive offences in industrial organizations".

³⁹ As per Methodological Guide of Management the Credit Risk Based on Partners of the Company involved in the Contracts of Uranium Product Supply by order of Director General No. 006/346-П of 21.11.2014.

⁴⁰ As per the Uniform Sectoral Methodological Guide on Organization of Insurance of Civil Liability for Nuclear Damage introduced in the Company by order of Director General No. 006/27-P of 29.01.2014.

⁴¹ TENEX Bribery and Corruption Prevention Policy, The Commission on Observance of the Requirements of the Bribery and Corruption Action Prevention Policy and Settling Conflicts of Interests, the Procedure of Identifying and Settling Conflicts of Interests, Commission on Consideration of Procurement Violations on TENEX and Organizations it Controls.

V. ENVIRONMENTAL IMPACT



Pallas' Cat

A wild cat, distinguished by its thickest fur among the cat family. It inhabits in the prairie, semi-deserts and sub-mountain region of Central Asia.

In Russia it can be found in the regions of the Chita, Buryatia, Tuva, and the Altai. The main threats to their population are related to the natural habitat destruction and poaching. It is included in the Red Book of the International Union for Conservation of Nature, the Red Book of the Russian Federation, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Environmental Projects and Programs Support

Since 2009, TENEX has been taking part in the Protecting rare and endangered species program led by the President of the Russian Federation, and environmental projects and programs support issues are extremely important for the Company.

The Report “eco-design” concept was chosen following the naming 2017 as the Year of Ecology and the Year for specially protected natural sites in the Russian Federation with the aim to draw public attention to the issues

of preserving biological diversity and ensuring ecological safety.

TENEX in the framework of implementation⁴² of industry-wide charity initiatives annually devotes funds to national wildlife reserves and parks infrastructure renewal project, for developing specially protected natural sites and conducting scientific research in the field of genetics and behavioral peculiarities of unique animals. The total value of financing in 2009-2016 comprised approximately RUR 0.5 billion.

In the table below the information on environmental initiatives being implemented with the support of the Company is given with a history of involvement.

Preservation and creation of a genetic molecular database for Amur leopards, 2009 – present time



Research and preservation of Amur tigers, 2009 – present



Polar bear research in the Russian Arctic, 2009-2014



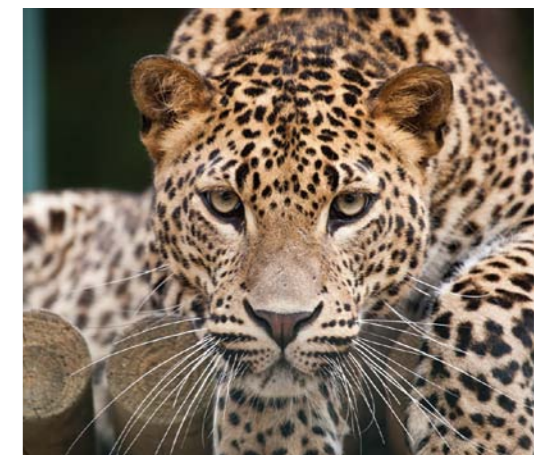
Research of beluga whale breeding and migration, 2009–2014



Research and monitoring of snow leopard population in Southern Siberia, 2009–2014



Research and monitoring of Persian leopard population in Asia and Caucasus, 2013–2014



Musk deer breeding in Altai state wildlife preserve, 2013-2014



Research and monitoring of humpback whale population, 2013-2014



Researching and monitoring of Pallas' cat population at State Natural Biosphere Reserve "Dauriskii" in Zabaykalye, 2013-2014

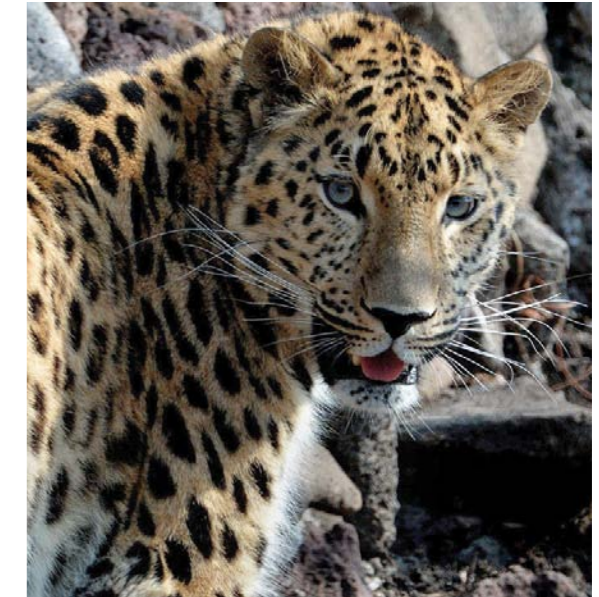


Research and monitoring of lynx population in Altai, 2013-2014

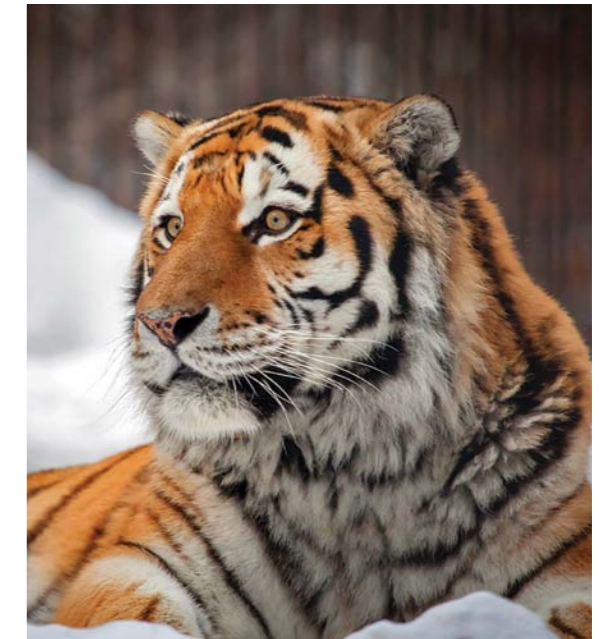


In 2016, the Company financed⁴³ projects for research and preservation of the Amur leopard (NPO "Eurasian Centre for Leopard Preservation") and Amur tiger (NPO "Amur Tiger Centre") populations. For these purposes a combined total of RUR 16 million was allocated, which allowed for:

- improvement of the material and technical basis of Leopard Land national park, ensure stable food reserves for the Amur leopard during the implementation of the project "Support of conservation initiatives for the conservation of Far Eastern leopards and the creation of an international genetic and molecular database";



- to renew the infrastructure of Lazovski Nature Reserve, "Roar of the Tiger" national park and Sikhote-Alin Nature Reserve, including arrangement of eco-trails and observation platforms.



In 2017, TENEX will continue to fund programs to restore and preserve the populations of some of the most beautiful representatives of the cat family – the Far Eastern leopard and the Amur

tiger, which are national treasures, and will support the implementation of a set of planned public education projects and environmental actions.

43 The recipient organizations are indicated in brackets.

5.1 Environmental Policy

The TENEX environmental policy formed in accordance with the requirements of the ROSATOM Environmental Policy, is aimed at

creating safe conditions for the implementation of nuclear fuel export-import operations on the territory of the Russian Federation and abroad.

The Company's Environmental Policy is based on observance of the following principles:

- integrated solution of ensuring environmental safety in the NFC issues;
- TENEX activities transparency and informing NFC suppliers of significant environmental aspects;
- monitoring of activities of NFC product manufacturers and of transportation and logistics services providers associated with significant environmental aspects of the NFC product supply chain;
- compliance with the norms and requirements of nuclear and radiation safety and ensuring environmental protection;
- placing priority on preventative measures to reduce the risk of adverse environmental impacts;
- a high degree of readiness for the elimination of emergency consequences in order to avoid negative impacts on the environment;
- interaction with state regulatory authorities and non-governmental and ecological organizations.

The Company's Environmental Policy provides for the following main activities:

- comprehensive analysis of environmental aspects of the activities associated with the deliveries of NFC products;
- reduction risks of adverse impacts on the environment while organizing export/import NFC product deliveries (for details see **Section 5.2.**);
- improvement of the EMS (for details see **Section 4.2., Appendix No. 11**);
- development of the ecological knowledge and culture of the TENEX and its subsidiaries staff;
- interaction with non-governmental ecological organizations, including the charitable support of environmental programs and projects (for details see **Section 6.2.**).

As part of the Environmental Policy, the Company has developed a system of goals, objectives, and indicators for 2015–2020 aimed at minimizing the risks of adverse environmental impacts during nuclear material transportation, as well as a program

for the monitoring of threats and risks to the environment.

In the reporting year, no fines or non-financial sanctions for a failure to observe environmental laws were imposed on TENEX.

5.2 Radiation Safety of Shipments

TENEX's radiation safety activities are carried out in accordance with the requirements of international and Russian legislation and local regulations, as well as conditions of license granted by Rostekhnadzor for nuclear material handling during their transportation.

In October of the reporting year Rostekhnadzor carried out on-site inspection of TENEX. The Inspection Record stated that the Company's operation complies with the terms of the license. No violations of the current legislation and failures to comply with state

control (supervision) bodies notes were recorded.

In December 2016 TENEX received a new license for the right to handle nuclear materials during their transport. According to this license the Company gained the right to operate irradiated assemblies of nuclear reactors.

Transportation of products is carried out by the Company in fully compliant special packages, which granted a Russian certificate-permissions for the package and transport design, as well as national certificates of destination countries. TENEX controls the timing and validity of the contents of certificates-permissions, the availability of Rostekhnadzor licenses for activities in the field of nuclear energy use for Russian suppliers, and also plans to eliminate the consequences of potential transport accidents.

To maintain the supply chain security, TENEX includes conditions in signed contracts with its partners. According to these conditions, the partners are responsible for nuclear and radiation security during transportation and transit storage of nuclear materials and is carried out on the basis of current legislation as well as federal and sectoral standards and rules.

The Company as an operator in the field of atomic energy use in accordance with Federal Law No. 170-FZ of 21.11.1995 "On the Use of Atomic Energy" bears civil liability for losses and damage caused to legal entities and physical persons by any radiation impact when transporting nuclear material, being in the possession of the Company. According to the stated Rostekhnadzor's license conditions, TENEX transports nuclear material on the territory of the Russian Federation only if there is documented financial provision of civil liability.



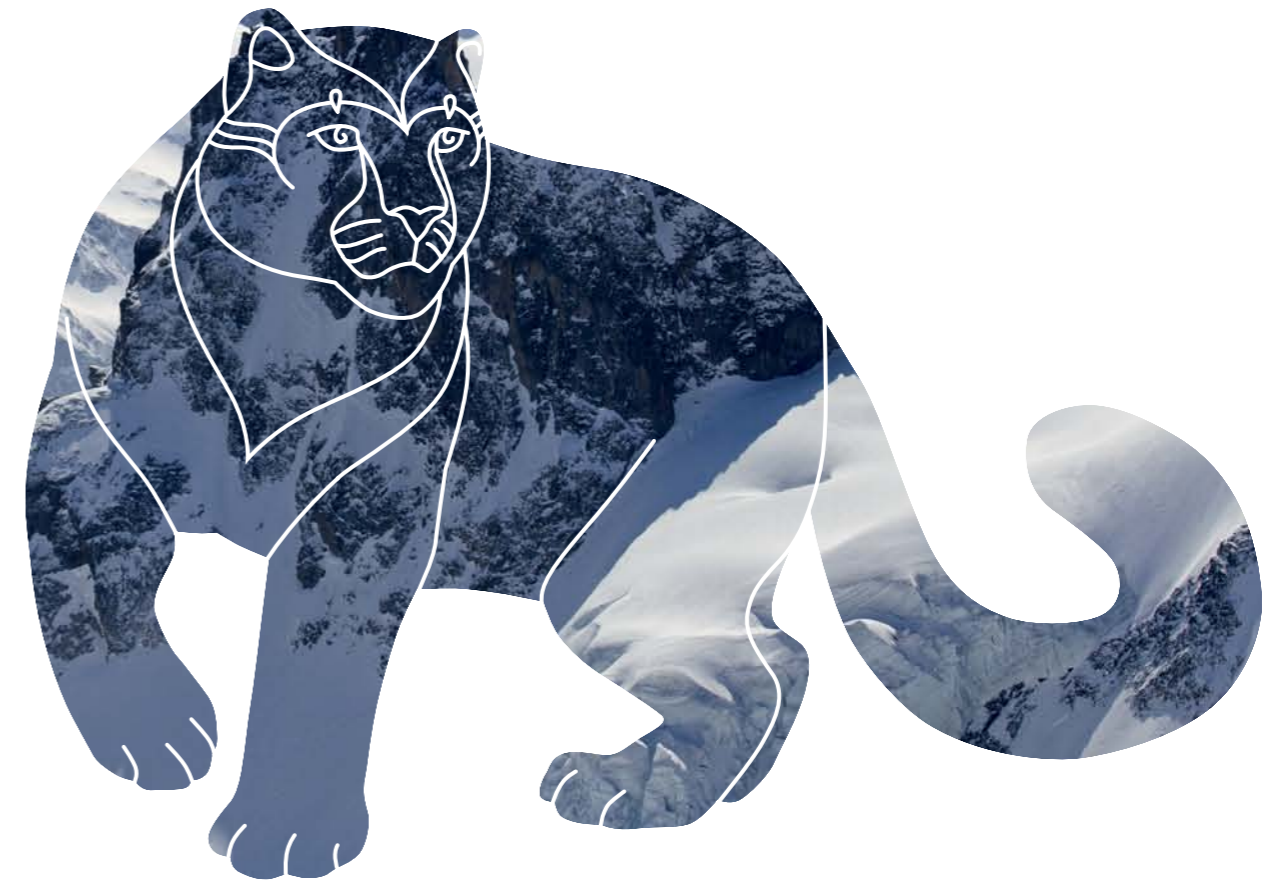
Distribution of loss and damage risk caused to third parties when transporting nuclear material between the Company and partners is fixed in corresponding contracts.

Insurance of the civil liability was made under third-party co-insurance and solidary liability General agreements for the transportation of radioactive substances, nuclear materials and products. Based on the stated agreements, the Company receives relevant General Liability Insurance Policies.

TENEX also gets a one-time third party liability insurance policy for each shipment of radioactive materials via the Russian Federation territory (including territorial water and air space of the Russian Federation), storage in transit, and loading/unloading operations under contracts.



VI. SOCIAL POLICY AND COMMUNICATIONS



Snow Leopard

The only representative of the feline family, Snow Leopard inhabits the harsh highland regions, the ounce inhabits the isolated rocky regions of Central Asia. In Russia it can be found in Krasnoyarsk, Khakassia, Tuva, the Altai Republic, Buryatia and the Eastern Sayan Mountains. The wild population is critically low, among other things due to poaching. It is included in the Red book of the International Union for Conservation of Nature, the Red Book of the Russian Federation, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

6.1 Social Programs

In 2012, the Company joined the Social Charter of the Russian Union of Industrialists and Entrepreneurs (RUIE), thereby confirming its adherence to the stated fundamental principles that it stipulates⁴⁴.

The social policy of the Company is implemented as part of the ROSATOM Uniform sectoral policy approved through social programs in various areas to maintain and motivate employees, as well as to enhance attractiveness of the company as an employer for young specialists.

Dynamics of the Company's spending on implementation of social programs⁴⁵ in a three-year retrospective are given in the table below:

	2014	2015	2016
Spending on social programs, RUB million	11,13	13,6	12,0
Spending on social programs per employee, as recalculated based on actual staff numbers, RUB thousand	30,8	38,4	33,2

To provide material assistance to non-working pensioners – former employees of the company who made a significant contribution to the development of the industry, the Company

transferred one million roubles in the reporting year as part of the corporate social program implemented by the ROSATOM trade union organization.

Voluntary medical insurance

Voluntary medical insurance (VMI) is provided for the Company's employees in accordance with the sectoral Standard of Voluntary Medical Insurance. The Company's medical insurance programs are intended to render qualified medical aid in Moscow hospitals and are essential to keep employees capable of working and healthy.

In December 2016 TENEX signed a VMI policy with SOGAZ Insurance Company. The policy is valid until 31.12.2018. In 2016, total expenditures for the VMI of the Company's employees were over RUB 8 million.

The VMI programs include outpatient and polyclinic care, first aid and emergency medical services, dental service in specialised clinics, and hospital service.

Non-state pension provision

As per the decision of ROSATOM's management, the corporate pension program is managed by the sectoral Non-State Pension Fund (NPF) Atomgarant.

in the program benefit from the pension scheme called "Defined contribution. Personalised. Pension payments made during several years".

To enter the program, work experience in the Company must be not less than one year.

The corporate pension program is co-financed: employees transfers up to 50% of the assessed contribution to the registered pension account and the employer pays up to 100%. The payments are made over 15 years.

Under the Company's corporate pension program and according to the Pension Rules of NPF, all TENEX employees who take part

As of December 31, 2016, the corporate pension program covered 84 people (about a quarter of the actual staff number).

In the reporting year, pension contributions of more than RUB 2.0 million were paid to their pension accounts.

Injury and illness insurance

All employees of the Company are insured against injuries and illnesses. The insurance premium paid by the Company to SOGAZ Insurance Company's account was

RUB 320,000 in the reporting year. In 2016, no situations of the insured being entailed to payments were recorded.

6.2 Charity and Corporate Culture

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

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

In 2016, TENEX-paid funds directed as free-of-charge (targeted) financing for support of charity programs and projects totaled more than RUB 2 billion.

In the reporting year, TENEX provided financial support⁴⁶ to key projects and programs in education and culture⁴⁷ with the following results achieved:

- modernization of nine educational establishments, which implement standards of the educational project "ROSATOM School", aimed at education quality improvement in ROSATOM host cities, the III All-Russia Meta-Discipline Schoolchildren's Olympiad, the Sectoral Team for Gifted Children in the All-Russia Children's Resort "Orlyonok", and city festivities "Graduation Day" and "Knowledge Day" were conducted (Charity Fund for Knowledge and Professional Communication Enhancement "Paritet");
- high school students have been trained in the high-energy physics program at the European Nuclear Research Center (CERN, Switzerland) was organised (Fund "National intellectual development");
- an international humanitarian expedition "The Sail of the Spirit" was held with the participation of people with disabilities with a view to enhancing their social and business activity. In more than 20 countries, more than 20 events were held in 11 European countries, including master classes, seminars, meetings, and concerts (NPO "Belaya trost");
- the sixth regular Youth Innovative Forum "Forsage" was carried out; the forum aimed at motivating young nuclear workers to be innovative and creating career opportunities for them (NPO Nuclear Energy Information Center);
- grants were allocated to 425 projects which won the International Open Grant Competition "Orthodox Initiative" in three main nominations: "Education and Upbringing", "Social Service" and "Culture" (Humanitarian and Educational Programs Support Fund "Sorabotnichestvo");



⁴⁴ <http://rspp.ru/12/6273.pdf>.

⁴⁵ The voluntary medical insurance, accident and health insurance, non-state pension provision, expenses for the organization of public cultural and sports events, and financial support of the Company's employees and pensioners.

⁴⁶ Organizations-recipients are given in brackets.

⁴⁷ For detailed information about ecology charity see **Chapter V** of the Report.



- guest performances of musical and theatre teams, creative readings and master classes of cultural figures, exhibitions, creativity competitions and art festivals in ROSATOM's host cities were arranged as part of the information and education project "ROSATOM's Territory of Culture" (Non-Profit Partnership "NeskuSHniy sad");



Yuri Bashmet in Zaozersk, Murmansk oblast



Tour of Theater named for M. N. Ermolovoi in Ozersk, Chelyabinsk oblast

- "Atomiada-2016" was carried out to involve employees in exercise and sport (NGO RPSA Atom-sport);
- the musical "Fantasers of the XXI Century" was organised; the musical was prepared by participants of the International Children's Creativity Project of ROSATOM Nuclear Kids (NPO Nuclear Energy Information Centre);
- grants were allocated to implementation of 73 projects from non-profit organizations, which won ROSATOM's Open Public Competition on development and implementation of socially significant projects in the fields of natural environment protection, science and education, enlightenment and culture, health care and sport in nuclear facility host territories (NPO Nuclear Industry Territorial Development Support Centre).

Corporate culture development

Since 2012, TENEX employees have voluntarily donated blood on a regular basis. Voluntary blood donations became one of the most important aspects of corporate culture development.

In the reporting year, to help patients of the Federal Research Centre of Pediatric Hematology, Oncology, and Immunology,

named after Dmitry Rogachev and Scientific Centre of Cardiovascular Surgery, named after Aleksandr Bakulev, including children with heart diseases, approximately 100 employees of the Company donated blood. For the first time the representatives, of sectoral organizations and the Company's partners took part in donor activities, organized by the Company.



During the blood donation actions, a charitable fundraising to treat children cared for by the foundation "Gift of Life" was organised.

Together with charity fund "OMK-Uchastie", which provides targeted assistance to children and families going through hardship, TENEX in 2016 carried out two charity fairs. Collected funds were directed to the development of a playground and complex for children with disabilities on the territory of Vyksunskaya Central District Hospital and to purchase specialised medical equipment for the NN Blokhin Russian Cancer Research Center.

Funded together with the interregional fund "ORBY", which provides help to people who have suffered a stroke and their families, the charitable act "Health day" collected funds for targeted support for patients – the trustees of the fund, who need rehabilitation after a stroke.



In the reporting year, another corporate charity event was held for charity store "Charity Shop" once again, which directs profits to help the low-income population.

6.3 Communications

Providing a favorable environment for business development, promoting the Company's brand and forming a positive image of the company are key areas of activity in the field of communications.

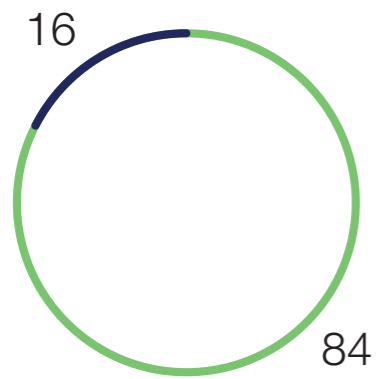
TENEX strives to inform the stakeholders in a timely manner on all material aspects of activities and promptly respond to mass media requests, while keeping a reasonable balance between the Company's openness and protection of trade secrets.

Information resource

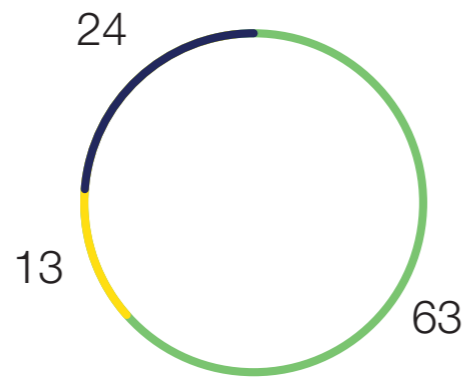
In the reporting year, the mass media published more than 570 reports on the Company's activities which is almost twice more than in 2015⁴⁸; of them, 84% were of a neutral nature

and 16% were positive. Of all the reports, 63% were published by Russian federal mass media, 13% by foreign mass media, and 24% by regional and sectoral mass media.

48 Approximately three hundred.



— positive nature
— neutral nature



— regional and sectoral mass media
— Russian federal mass media
— foreign mass media

The International Information Agency “Russia Today”⁴⁹ and the sectoral periodical “Strana Rosatom”⁵⁰ have published interviews with the TENEX Director General.

Up-to-date information about the Company’s activities, including news, is posted on its website <http://tenex.ru/>, which is the main channel of external communications. In 2016, the number of press releases has grown by 3% as compared to the previous reporting period.

Materials about significant events in TENEX’s operation in the reporting year were published on the Company’s micro website⁵¹, created in 2015, on the internet-resource of authoritative business periodical Energy Business Review

(EBR)⁵². In the reporting year, 11 information materials about the Company were published.

A fully upgraded structurally and informatively corporate portal (Intranet-portal) ensured employees’ access to various internal information, including a database of local regulations, the possibility to prompt inform employees of the Company about corporate events, as well as find out their opinions on various topical issues of the Company’s operation.

In 2016, the Regulation of Company’s Intranet Portal management was approved, which defines the powers and delineates the responsibility of the company’s divisions for providing content.

Advertising and image-building policy

Specialised exhibitions held both in Russia and abroad have been actively used by the Company as platforms for active promotion of the TENEX brand.

In 2016, advertising and information about TENEX activities, as part of ROSATOM’s common sectoral exhibition, were presented at the World Nuclear Association’s (WNA’s) Symposium in September.

The Company is a regular participant of the annual international forum ATOMEXPO – one of the world’s largest specialised exhibition and business platforms, which provides an opportunity for discussing the topical issues of nuclear power and the industry development, as well as conducting meetings with business partners.

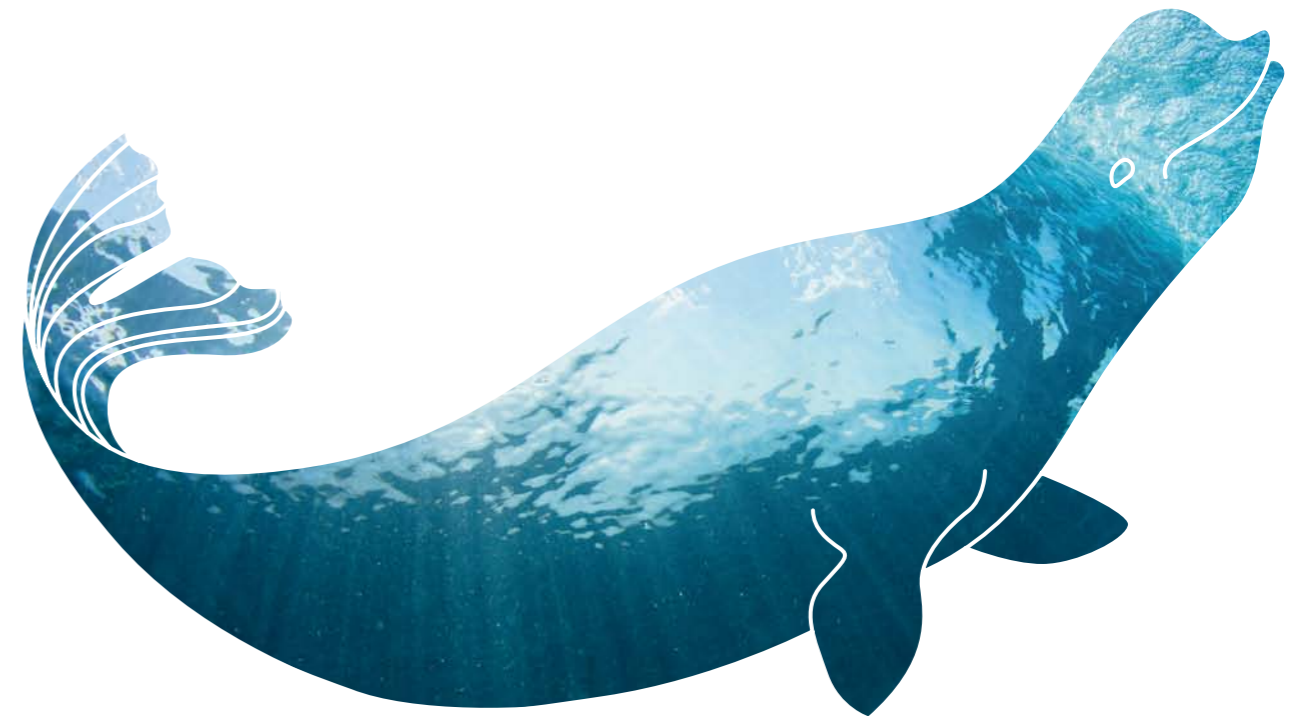


TENEX’s exhibition booth at the VIII International Forum “ATOMEXPO” 2016 held in Moscow on 30 May – 1 June 2016

49 <http://ria.ru/authors/20160603/1442370534.html>.
50 <http://www.strana-rosatom.ru/No.25329-2/>, p. 6.
51 <http://www.energy-business-review.com/suppliers/tenex>.
52 Publishes news, informational and analytical materials of leading world companies, representing various sectors of manufacturing industry and energetics.



VII. APPENDICES



Beluga Whale

A member of the toothed whales from the Narwhal family. It inhabits the nearshore zones of the Arctic Basin, as well as the White, Bering and Okhotsk Seas. The main threats to the population are related to the industrial development of the Arctic shelf and the pollution of its habitat. It is included in the Red Book of the International Union for Conservation of Nature, the Red Book of the Russian Federation, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Appendix No. 1. Historical Background⁵³

1963

The All-Union Bureau Techsnabexport was established based on V/O Mashinoexport, tasked with carrying out export-import operations involving rare- earth, rare, and refractory metals, radioactive and stable isotopes, ionizing radiation sources, control and measuring instruments, accelerator and X-ray equipment.

1971

Conclusion of the first contract for the supply of uranium enrichment services with the Atomic Energy Commission of France.

1975

Reorganization of the All-Union Bureau Techsnabexport in All-Union Association Techsnabexport (A/A Techsnabexport) of the Ministry of Foreign Trade of the USSR.

Start of large-scale uranium product export to Western Europe.

1987

First delivery of uranium enrichment services to the USA.

1988

Transfer of A/A Techsnabexport from the authority of the Ministry for Foreign Trade of the USSR to that of the Ministry of Medium Machine Engineering of the USSR (now the State Atomic Energy Corporation Rosatom).

Conclusion of the first long-term contract for the enriched uranium deliveries to the Republic of Korea.

1990

Start of natural uranium deliveries to the USA and EU countries.

1993

Conclusion of the first contract with the PRC for uranium product delivery in the framework of the Agreement between the Government of the Russian Federation and the Government of the People's Republic of China on Cooperation in Construction of GCP for Enrichment of Uranium for Nuclear Power in the Territory of the PRC of 18.12.1992.

1994

Conclusion of the contract with USEC Inc. for the delivery of low-enriched uranium (LEU) produced as a result of reprocessing of highly enriched uranium (HEU) extracted from dismantled nuclear warheads for further use as fuel at the US NPPs in pursuance of the Agreement between the Government of the Russian Federation and the Government of the United States of America Concerning the Disposition of HEU Extracted from Nuclear Weapons of 18.02.1993 (HEU Agreement).

1995

Start of deliveries of LEU to the RSA under a contract with ESKOM, which is the operator of the only NPP on the African continent.

1999

Conclusion of the contracts with the Group of Western Companies – CAMECO (Canada), Cogema/AREVA (France), Nukem (Germany/ USA) – for selling part of the feed component of low-enriched uranium being returned under HEU Agreement.

Conclusion of the first contract for uranium product delivery to the Japanese utility TEPCO.

2000

Obtained the license from Gosatomnadzor of Russia for handling nuclear material: the transition from mediatory functions in trading nuclear and radiation materials to full-scale manufacture of and trade in of NFC goods and services.

2001

State accreditation of the Company as an organization that created an internal export control system.

2003

Start of uranium product deliveries to Mexico.

2007

Inclusion of TENEX in the list of Russian legal entities entitled to own nuclear material and nuclear installations according to the Decree of the President of the Russian Federation “On Restructuring of Nuclear Power Industry Complex of the Russian Federation” No. 556 of 27.04.2007.

2008

Conclusion of the contracts between TENEX and China Nuclear Energy Industry Corporation (CNEIC) related to rendering technical assistance in construction of the 4th stage of the GCP in China and the delivery of uranium product for Chinese NPPs from 2010–2020.

Quality management system certification to the international standard ISO 9001:2000.

2009

Conclusion of the first six direct contracts with US utilities in the framework of the Amendment to the US-Russia Agreement on Suspending the Antidumping Investigation on Uranium Product from the Russian Federation of 2008, prepared in direct participation with the Company, which created the legal conditions to resume commercial deliveries of Russian uranium product to the US market.

2010

Acquisition of 100% of shares of JSC “SPb “IZOTOP” to improve transportation and logistics infrastructure.

The TENEX environmental management system was certified to the international standard DIN EN ISO 14001:2009.

2011

Conclusion of the large-scale contract with USEC Inc. for delivery of uranium enrichment services in 2013–2022.

2012

Conclusion of the long-term contract for the delivery of enriched uranium product (EUP) with Emirates Nuclear Energy Corporation (ENEC) for Barakah NPP, the first example of this in the Arab world.

The pilot delivery of EUP to Japan through the Russian seaport Vostochny in Maritime Territory.

The certification of the supply chain security system to the international standard ISO 28000:2007, the first in the Russian nuclear industry.

2013

Successful completion of the LEU delivery program in the framework of implementation of the HEU Agreement.

2014

Conclusion of the Material Account agreements with KEPCO Nuclear Fuel (Republic of Korea) and ConverDyn (USA).

Completion of the trial of the new route for shipping uranium product to APR countries – three shipments of EUP from Vostochny Seaport in Maritime Territory of Russia to the Republic of Korea were made.

2015

ROSATOM appointed TENEX a sectoral integrator of promoting Russian back-end products in the world market.

Transfer to a regular use of uranium product shipment routes to APR countries via Vostochny seaport in Maritime Territory. Conducting a uranium product pilot shipment to Germany and Sweden via Ust-Luga seaport in Leningrad Oblast.

Extension of long-term supply agreement for uranium enrichment services with USEC until 2026.

Appendix No. 2. Information about the Report and Its Preparation

Pursuant to Federal Law No. 208-FZ dated 26.12.1995, which binds joint stock companies to publish annual reports and annual financial statements, TENEX has issued 20 reports since 1996. The recent seven⁵⁴ reports have been prepared in accordance with the Russian law and Global Reporting Initiative (GRI) Sustainability Reporting Standards⁵⁵ and comprehensively discloses information on production, financial and economic results of the Company's activities in the context of sustainable development.

The Company's public annual reports for many times were prize winners and special nominees in a number of all-Russian and ROSATOM's contests, more detailed information is given at TENEX's website⁵⁶.

A record number of awards, 18, out of which six are platinum, six golden, four silver and two bronze, as well as victories in four special categories, were given to TENEX's Public Annual Report 2015:

Contests	Categories	Awards
Marketing Communications Awards (The Association of Marketing & Communication Professionals LLC., the USA)	Trading Company	platinum
	Illustrations / graphic design / infographic	platinum
	Corporate Social Responsibility	platinum
	Design Creativity	gold
	Annual Report Design	gold
	Annual Report Interior	gold
	Annual Report Writing	gold
Impact Awards (League of American Communications Professionals LLC., the USA)	Annual Report Cover	gold
	Print: Annual Report	platinum
	Digitally-based: Integrated Report	platinum
	Print: Sustainability Report	bronze
	The Most Improved	special category
Spotlight Awards (League of American Communications Professionals LLC., the USA)	The Most Creative	special category
	Print: Sustainability Report	gold
	Print: Annual Report	silver
	Digitally-based: Integrated Report	silver

Contests	Categories	Awards
Vision Awards (League of American Communications Professionals LLC., the USA)	Energy – equipment and services	platinum
	Best Report Cover Worldwide	special category
Astrid Awards for Design Communications (MerComm Inc., the USA)	Corporate report: Annual report + Sustainability report	silver
	Annual reports – corporate – traditional. America	special category
American Business Awards (Stevie Awards Inc., the USA)	Best Annual Report: Print	bronze
Australasian Reporting Awards (Australasian Reporting Awards Ltd., Australia)	Awards General	silver
Corporate Register Reporting Awards (Corporate Register Ltd., Great Britain)	Innovation in reporting	short-listed
	Best Integrated Report	short-listed
	Creativity in Communication	short-listed

Description of the Report

TENEX's Public Annual Report for 2016 (hereinafter referred to as "the Report") was written in accordance with applicable Russian legislation, the TENEX Public Reporting Standard STO-11-02.1-042-106-2011 (Revision No. 5) and the GRI Standards ("core" option). The Report has been issued in both the Russian and English languages.

The Report discloses the information on production, financial and economic results of TENEX's activities in the context of sustainable development over the period 01.01.2016–31.12.2016. Data on Russian and foreign subsidiary companies is not consolidated. Information on ecological and

social aspects of the Company's largest subsidiary companies, JSC "SPb "IZOTOP" and JSC "Atomenergopromsbyt", is contained in their annual reports⁵⁷, prepared using reference on GRI Standards.

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

The financial statements given in the Report have been produced in accordance with the RFRS (**Appendix No. 12**). The IFRS statements, which have been issued by the Company since 2003, are posted on the Company's website⁵⁸.

The Report Preparation and Engagement of Stakeholders

The Report was prepared⁵⁹ in accordance with the TENEX Regulation for Public Reporting STO-11-01-042-106-2011 (Revision No. 6). The stakeholders were involved in preparation of the

Report at all key stages – starting from formulation of the Report concept through discussion of its final revision – and had an opportunity to present their expectations and recommendations.

In the reporting campaign of 2016-2017, the Company used interaction by correspondence in its engagement with the stakeholders, which previously proved its efficiency.

⁵⁴ http://www.tenex.ru/wps/wcm/connect/tenex/site/Disclosure_of_information/AnnualReports.

⁵⁵ Until 2016 – GRI Sustainability Reporting Guidelines.

⁵⁶ http://tenex.ru/wps/wcm/connect/tenex/site/company/awards/awards_AR_ru/.

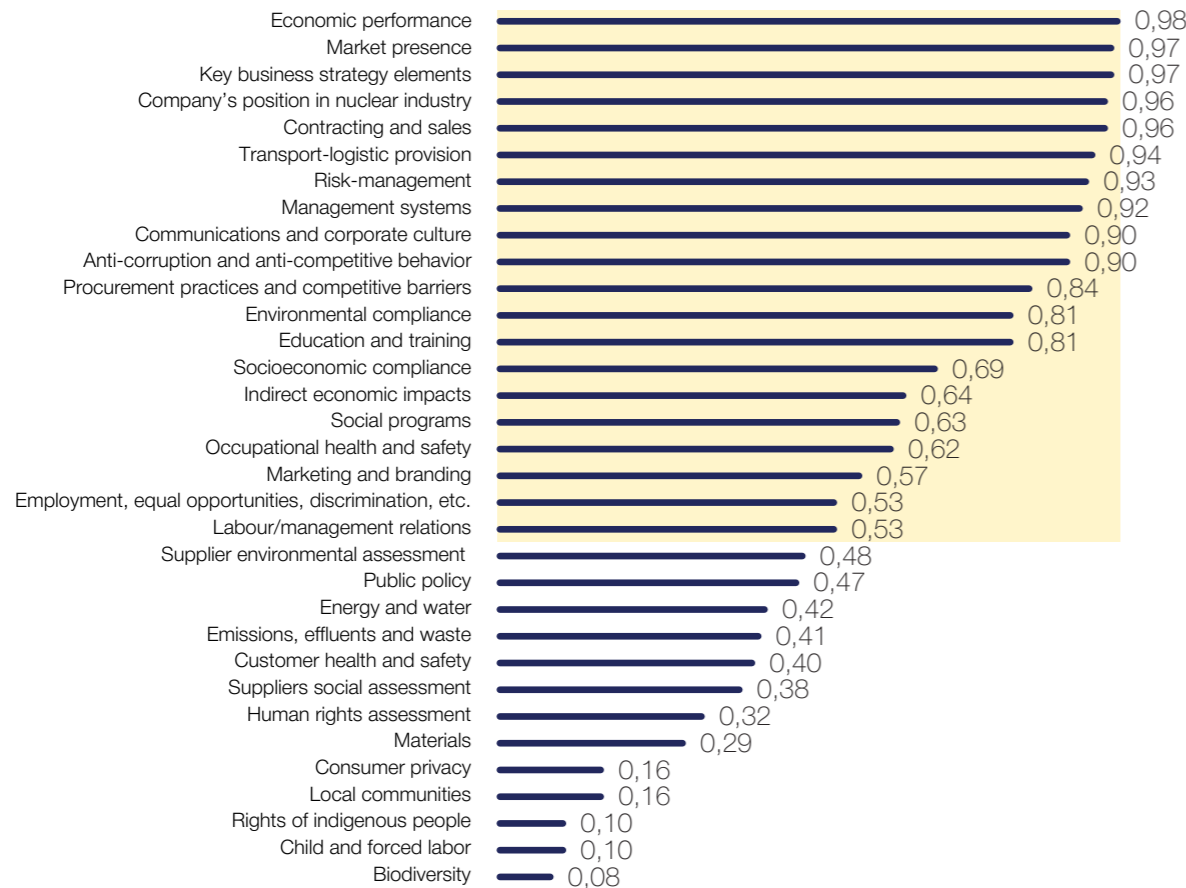
⁵⁷ <http://www.izotop.ru/about/information/> and http://apsbt.ru/raskrytie_informatsii_aeps.html, respectively.

⁵⁸ http://tenex.ru/wps/wcm/connect/tenex/site/Disclosure_of_information/FinancialAccountingReports/.

⁵⁹ For contacts about public reporting issues: manilovskayag@tenex.ru; radovskiy.I.A@tenex.ru.

In October 2016, the stakeholders were questioned about the draft Report concept: 90 responses were received from the representatives of the following groups of stakeholders:

- ROSATOM and its organizations – JSC “Concern Rosenergoatom”, FSUE “MCC”, JSC “PDC DUGR”, All-Russian Employers’ Organisation “Union of Nuclear Industry, Energy and Science Employers of Russia”;
- Federal executive authorities – FSTEC, Rostechnadzor;
- The Company’s Subsidiaries – Tradewill Ltd. (Great Britain), TENEX-Japan Co. (Japan), TENEX-Korea Co. (Republic of Korea);
- suppliers – Columbiana Hi Tech LLC (the USA), JSC “TVEL”, JSC “AECC”, JSC “UEIP”, JSC “PA ECP”, JSC “Uranium One Group”, JSC “Atomredmetzoloto”;
- customers/partners – ITOCHU (Japan), Axpo Power AG (Switzerland), ENUSA (Spain), KEPCO (Republic of Korea), Centrus Energy (the USA), CIFAL/AREVA (France);
- transportation companies – DAHER Nuclear Technologies GmbH (Germany), Transport Logistics International Inc. (the USA), Commonwealth Independent State Navigation Inc. (Canada), OJSC “Concern Aspol-Baltic”, OJSC “Northern Shipping Company”, CJSC “BALTIC MERCUR”;
- environmental organizations – Child environmental organization “Green planet”, International environmental social organization “Greenlife”;
- international nuclear sector organizations – IAEA, JSC “IUEC”;
- management and staff of TENEX;
- expert community – NPO Energetics and Safety Centre, NAC Int.



Taking into account stakeholders’ opinions revealed through the surveying, significant issues of the Report were prioritised in correspondence with GRI Standards. These significant issues are the ones showing the essential economic, environmental and social impact of the Company or the ones considerably affecting the assessments and decisions of the stakeholders.

The public consultations on the draft final revision of the Report were held by communication in the period of 05.04.2017-21.04.2017. The draft Report was presented to the representatives of the broad circle of the stakeholders to

receive objective comments on its content. Recommendations and requests of the stakeholders received during the reporting campaign have been systematised and taken into account during preparation of the final revision of the Report **(Appendix No. 3)**.

The efficiency and quality of stakeholder engagement was confirmed by the stakeholders’ representatives, who participated in the public consultations related to the drafting of the Report. Their opinions and recommendations are provided in the Public Assurance Statement on the Report **(Appendix No. 5)**.

Validation of the Report data and conformity to standards

The credibility of financial statements was confirmed by a financial auditor, FBK LLC **(Appendix No. 13)**.

The compliance check of the Report to the requirements of the Russian Federation law for information disclosed in annual reports

of joint stock companies, the GRI Standards (“core” option), local public reporting regulatory acts, as well as the nature and degree of conformance with the Standard AA1000 APS 2008 principles was conducted by an independent auditor, Nexia Pacioli LLC **(Appendix No. 6)**.

Disclaimer

The Report has been produced in line with legislation on the protection of state and commercial secrets using the information available to TENEX.

The reporting period is limited to 2016. Past and future periods are mentioned in this Report in the context of the Company’s strategy, comparison of material factors, indicators and performance, as well as in forecasts and risk assessments.

Any statements in this Report that are not statements of facts shall be considered as forward-looking statements and they are topical only at the point in time when they are made public.

TENEX (excluding cases directly provided by the law) does not undertake any obligation to revise or update statements, thereby taking into account any effects of newly published information.

Appendix No. 3. Accounting Table of Stakeholder Requests and Recommendations Received During the Report Drafting Process⁶⁰

<i>S</i> No.	<i>Recommendations/Requests</i> ⁶¹	<i>Accounting of recommendations/requests</i>
ROSATOM		
1.	Include "ROSATOM Values" in the subchapter "Basic principles and core businesses".	Mentioned values are an essential part of corporate culture. Practicality of their revelation in a corresponding chapter will be considered in the next reporting campaigns.
2.	Release data about the "Sirius" industrial information system.	Taken into account.
3.	Simplify the definition of the term "book transfer" in the glossary.	Taken into account.
4.	Release information about the influence of risks on strategic goals achievement.	This information is not practical for the Company's annual report – the evaluation of the influence of risks on goal achievement for future business planning seems more insightful.
5.	Reveal goals in the field of risk management for 2017.	
Expert community		
6.	Show quantitative indicators of the Company's activity, for example, a filling percentage of SWU and EUP quota in the USA. (NAC International)	Information is released in chapter 3.1. of the Report in the volume, without breaking legislation on commercial secrets.
7.	Release information about promising businesses. (NAC International)	Information about a new promising business of the Company – back-end – is given in the chapter 3.2. of the Report.
8.	Include a brief biography of the Chairman of the Board of Directors Boris Arseev. (ANO "Research center for energetics and safety problems")	Will be given in the Report for 2017, since Boris Arseev was elected to the Board of Directors in 2017.
9.	Bring back the chapter "Significant events of the year", briefly reflecting on the Company's activity in the reporting year. (ANO "Institute of environmental projects consulting")	This is not practical taking into account the volume of the Report itself was reduced by almost 1/4 compared to the previous ones.

<i>S</i> No.	<i>Recommendations/Requests</i> ⁶¹	<i>Accounting of recommendations/requests</i>
10.	Include the net profit indicator into the chapter "Main indicators". (ANO "Institute of environmental projects consulting")	As a foreign trade company, TENEX prefers to include EBITDA in the main indicators– a more widespread indicator in the world practice.
11.	Compare the social programs expenses level in conversion to one employee with a similar indicator on the whole industry and Russian industrial complex in whole. (ANO "Institute of environmental projects consulting")	Taken into account partially – on the industrial level.
12.	Pay more attention to releasing the information about the Company's activity in terms of stable development. Highlight the Company's charity. (ANO "Institute of environmental projects consulting")	While preparing the Report the Company considers the necessity of maintaining a rational balance in terms of releasing information about core businesses and corporate social responsibility.
13.	Analyze the possibility of revealing an assessment of the Company's "climate footprint" including, for example, during transportation-logistics activity. (ANO "Institute of environmental projects consulting")	TENEX, being a trading company, does not directly influence climate change. Regarding transportation and logistics activity, it is implemented by the Company's subsidiary JSC "SPB "IZOTOP", in its annual report corresponding data is given.
14.	Why did the chapters "Nuclear materials accounting and monitoring" and "Use of energy resources and water" become appendices? (ANO "Institute of environmental projects consulting")	It was caused by an enhancement to the Report structure.

Appendix No. 4. Table of GRI Disclosures

Standard disclosure	Page of the Report	Standard disclosure	Page of the Report	Standard disclosure	Page of the Report
GRI 102. General disclosures (2016)					
102-1	10	102-14	18; 26	102-45	71
102-2	12	102-15	47; 85	102-46	71
102-3	10	102-16	11	102-47	72
102-4	11	102-18	12	102-48	71
102-5	10	102-21	71	102-49	71
102-6	27	102-22	13	102-50	70
102-7	2	102-23	13	102-51	70
102-8	40	102-32	1	102-52	70
102-9	20	102-40	72	102-53	71
102-10	20	102-41	40	102-54	71
102-11	86	102-42	71	102-55	76
102-12	53; 61; 63	102-43	71	102-56	80
102-13	11	102-44	74		
GRI 103. Management approach (2016)					
103-1	19; 22; 29; 30; 31; 32; 35; 36; 37; 40; 42; 43; 44; 45; 48; 49; 55; 56; 60; 61; 63; 64; 65; 85; 87; 88; 89	103-2	19; 22; 29; 30; 31; 32; 35; 36; 37; 40; 42; 43; 44; 45; 48; 49; 55; 56; 60; 61; 63; 64; 65; 85; 87; 88; 89	103-3	19; 22; 29; 30; 31; 32; 35; 36; 37; 40; 42; 43; 44; 45; 48; 49; 55; 56; 60; 61; 63; 64; 65; 85; 87; 88; 89
GRI 201. Economic performance (2016)					
201-3	60	201-4	34		
GRI 202. Market presence (2016)					
202-1	42				
GRI 203. Indirect economic impacts (2016)					
203-2	19				

Standard disclosure	Page of the Report	Standard disclosure	Page of the Report	Standard disclosure	Page of the Report
GRI 204. Procurement practices (2016)					
204-1	19				
GRI 205. Anti-corruption (2016)					
205-1	49	205-2	49	205-3	49
GRI 302. Energy (2016)					
302-1	89	302-4	89		
GRI 303. Water (2016)					
303-1	89				
GRI 307. Environmental compliance (2016)					
307-1	56				
GRI 401. Employment (2016)					
401-1	41	401-2	42; 60		
GRI 402. Labor/management relations (2016)					
402-1	40				
GRI 403. Occupational health and safety (2016)					
403-2	87				
GRI 404. Training and education (2016)					
404-1	43	404-3	40		
GRI 405. Diversity and equal opportunity (2016)					
405-2	42				
GRI 406. Non-discrimination (2016)					
406-1	40				
GRI 419. Socioeconomic compliance (2016)					
419-1	34				

Appendix No. 5. Public Assurance Statement

Introductory Information

The TENEX management suggested that we verify the Company's Public Annual Report for 2016 (hereinafter referred to as the Report) in terms of the completeness and substantiality of the disclosed information, as well as the effectiveness of the company's management response to the recommendations of the interested parties (stakeholders). To do this,

we were given the opportunity to participate (in correspondence format) in discussing the concept of the Report (October 2016), the Draft Report (public consultations, 05.04.2017-21.04.2017) and the final version of the Report (04.05.2017-17.05.2017) and were free to express our own opinion.

Procedure for evaluating the draft report

Our conclusion is based on the study of the draft of the Report sent to us in advance by e-mail and its final version, as well as the analysis of information included in the tables by taking into account the comments of stakeholders.

The results of our work are formalised in the form of this Conclusion on public assurance (hereinafter referred to as the Conclusion) containing judgments about which we came to a common agreement. We respect the ethical requirements of independence and objective assessment by expressing our personal expert opinion and not the opinion of the organizations whose representatives we represent. We did not receive remuneration from the Society for efforts and time spent on this work.

Verification of the authenticity of the factual data presented in the Report, as well as the adequacy of the Report to the requirements of the "core" option of the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) is not subject to public verification.

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

Materiality of information

The report touches upon all the topics that are of importance to the parties concerned.

allowed us to take into account the opinion of all major stakeholder groups, including those voiced during the previous reporting campaign. In our opinion, there is no reason to doubt the reliability and relevance of the results to prioritize issues.

The method used by the Company to assess the materiality aspects of the activity, based on the requirements of the GRI Standards,

Completeness of the information provided

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

are given, the situation of the Company in the Russian nuclear industry and on the world uranium market is characterised, and the company's approaches to the development of a new line of business (back-end). Additionally, much information about the environmental and social aspects of the company are outlined.

The main results of the TENEX activities in 2016 are presented in the context of sustainable development, an analysis of the impact of the foreign policy situation and market conditions on the processes of contracting and marketing

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

The Company's response to the recommendations of stakeholders

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

note the effectiveness of the Company's correspondence format for interaction with stakeholders in the process of preparing the Report. Traditionally, we have singled TENEX out from among the other organizations of the nuclear industry in terms of the breadth of the coverage of stakeholders, including those representing foreign companies.

We consider it necessary to once again

Evaluation, remarks and recommendations

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

Noting the traditionally high quality of TENEX's interaction with stakeholders, we express our confidence that the experience gained will be fully utilised in the future when carrying out activities in the field of communications, improving management tools and developing corporate culture.

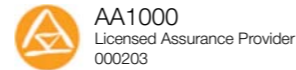
Appendix No. 6. Statement on the Results of the Independent Assurance of the Report



Nexia Pacioli
Limiting Liability Company
(Nexia Pacioli LLC)

TIN 7729142599 KPP 770601001 OGRN 1027739428716

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



STATEMENT on Results of Independent Assurance of TENEX Public Annual Report 2016

Addressees of the Statement

The Statement is addressed to the TENEX executives.

Subject Matter of the Assurance

- (1) Information included in the TENEX Public Annual Report.
- (2) The process of stakeholder engagement during preparation of the Public Annual Report 2016.

Criteria

- (1) Information included in the TENEX Public Annual Report:
 - requirements of the Russian law to content of annual reports of joint stock companies;
 - requirements of local public reporting regulations of TENEX;
 - recommendations of standard AA1000SES (2008) as regards to observance by TENEX the principles of inclusiveness, materiality and responsiveness.
 - requirements of the GRI Standards (Core Option);
- (2) The process of stakeholder engagement during preparation of the Public Annual Report 2016:
 - recommendations of standard AA1000SES (2015).

Responsibility of the Parties

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

Nexia Pacioli LLC shall be responsible for results of assurance of the Public Annual Report only towards TENEX as part of the terms of reference agreed with it and shall not undertake any third party responsibility.

Standards and Assurance Level

The assurance was conducted in accordance with standards ISAE 3000 (2013) and AA1000AS (2008). The assurance corresponds to the level "limited" as per ISAE 3000 (2013) and "moderate" as per AA1000AS (2008). The assurance corresponds to Type 2 as per AA1000AS (2008).

Boundaries

The assurance was conducted exclusively in respect of the 2016 data. The assurance was not conducted in respect of forward-looking statements and statements expressing opinions, convictions and intentions.

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

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

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

Methodology

During the work we implemented the following actions:

- random holding interviews with representatives of the TENEX top-management, as well as employees representatives engaged in the Public Annual Report preparation process;
- analysis of the local public reporting regulations;
- studying and random checking the systems and processes of collection of information for the preparation of the Public Annual Report;
- random checking the data used for the preparation of the Public Annual Report;
- studying information on activities of TENEX posted on the website www.tenex.ru, including in the sustainability context;
- random studying information about TENEX in the mass media;
- compliance assessment of the public annual reporting preparation process with local regulations of TENEX in this field;
- assessment of observance by TENEX the principles of AA1000AS (2008);
- evaluation of compliance with GRI 101 standard in terms of requirements for the principles of determining the content of the report and ensuring its quality;
- the assessment of compliance with GRI 103 standard with regard to requirements for disclosure of approaches to management;
- compliance assessment of GRI 102, 201, 202, 203, 204, 205, 302, 303, 307, 401, 402, 403,404,405, 406,419 with regard to the requirements for the reporting elements stated in the GRI index, as well as thematically;
- assessment of information for its compliance to requirements of the Russian law for content of annual reports of joint stock companies.

Conclusion

Based on the procedures carried out and the evidence obtained, our attention was not drawn to any facts that would make us believe that the pre-measure of assurance (1) does not correspond in all material respects to the requirements of the Russian legislation concerning the annual reports of joint-stock companies in terms of disclosed information, to local regulatory requirements in the field Public reporting, recommendations according to standard AA1000APS (2008) in terms of compliance with the principles of involvement, materiality, sensitivity, the requirements of the GRI Standards for reporting and in the field of sustainable development to the main variant of conformity.

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

Important circumstances

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

Recommendations

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

Given the global scale of the activity of TENEX when preparing the public annual report, the inclusion of provisions to support additional international guidance documents in the area of responsible business practices, such as the UN Global Compact and the UN Aims for Sustainable Development for the period up to 2030 should be followed.

Statement of Independence and Competence

Nexia Pacioli LLC is an independent audit and consultancy company that observes requirements of the Code of Ethics for Professional Accountants IFAC to enter the Russian Federation, based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and to fulfill the requirement of International Quality Control Standard 1 "Quality control in auditing organizations conducting audit and review and financial reporting, as well as performing other tasks that provide confidence and set to provide related services". Nexia Pacioli LLC is a member of the self-regulating organization of auditors, the Commonwealth association, included in the register of auditors and auditing organizations noted by the self-regulatory organization of auditors October 28, 2016 under the primary registration number 11606052374. The team of specialists that audited the TENEX Public Annual Report included competent employees of Nexia Pacioli LLC who had done a special training in the GRI Standards, standards of the series AA1000, standard ISO 26000:2010, and who have many years of experience in consultancy on public non-financial reporting and assurance as per ISAE 3000 (2013). The Head of the Audit has a Uniform Qualification Certificate of the Auditor; there is a specialist in the team who has the existing certificate CSAP of Accountability.

The general director of Nexia Pacioli LLC

May 16, 2017
Moscow



Romanova S.I.

Appendix No. 7. Information about Staff Number, Structure and Movement

Indicators	Unit of measure	2014	2015	2016
Staff number	people	362	362	365
Average staff number	people	326	327	321
Actual (payroll) staff number	people	361	356	360
of them:				
women	%	60	58	58
men	%	40	42	42
of them in age of:				
up to 30 years old	%	15	13	12
30-50 years old	%	69	71	74
over 50 years old	%	16	15	14
Employees under 35 years old	%	42	41	42
Average age of managers	years	44	44	45
Average age of specialists	years	37	38	38
Employed under part-time contracts, total	people	0	1	3
of them:				
women	people	0	1	3
men	people	0	0	0
Employed under terminal contracts, total	people	25	33	22
of them:				
women	people	18	22	12
men	people	7	11	10

Indicators	Unit of measure	2014	2015	2016
Newly hired, total	people	29	24	39
of them:				
women	people	17	8	18
	%	59	33	46
men	people	12	16	21
	%	41	67	54
up to 30 years old	people	9	12	12
	%	31	50	31
30-50 years old	people	17	12	23
	%	59	50	59
over 50 years old	people	3	0	4
	%	10	0	10
Dismissed employees, total	people	29	29	41
of them:				
women	people	18	17	24
	%	62	59	59
men	people	11	12	17
	%	38	41	41
up to 30 years old	people	4	5	14
	%	14	17	34
30-50 years old	people	20	15	17
	%	69	52	42
over 50 years old	people	5	9	10
	%	17	31	24

Appendix No. 8. Responses to Key Strategic, Financial and Operational Risks

Strategic risks (rank in Top-15), share of VaR on the business planning horizon	Responses
Commodity pricing risk (1), 18% – AFCF	Developing a pricing policy that rules out any excessive risk preparedness (in the future – with involvement of portfolio analysis methods and tools). Maintaining an optimum balance between the market-oriented and escalated (inflation-induced price growth) pricing in contracts. Reaching agreements with suppliers on pricing mechanisms that “mirror” the pricing mechanism of contracts featuring high commodity risk.
Macroeconomic risks (4), 1% – AFCF	Early development of future order volumes to be contracted with customers. Assessment of future customers’ orders based on their interaction history and market situation. Setting quantity flexibilities and options that harmonize volumes of procurements and sales in contracts with suppliers of U3 O8, conversion, and SWU. Creation of mechanisms that secure supplies.
Commodity volume risk (1), 37% – AFCF	Development and implementation of an action plan in case of imposing sanctions, as well as measures to prevent aggravation and imposing new trade restrictions on the target sales markets. Obtaining general export licenses (Subsection 3.3). Consideration of political interests of the target market states.
Political risks (2), not evaluated quantitatively	Achievement of the compromise with consumers concerning changes in their product delivery due dates after the Fukushima-Daiichi accident as the best alternative to deal cancellation. Account of planned deals in the Company’s performance indicators after a reasonable confidence in their feasibility has been reached.
Planned transaction failure risk (3), a quantitative evaluation depends on a specific situation	Raising non-price competitiveness through rendering packaged services to consumers (at the NFC front-end and back-end) and finding new forms and tools of strategic marketing (Section 2.3). Work to overcome trade restraints active in foreign markets. Signing of uranium enrichment contracts with foreign suppliers in terms of the industrial cooperation. Use of the unique capabilities of Russian NFC for fabrication of uranium product from secondary sources of uranium feed.
Competitive environment risks (7), evaluated quantitatively only on the strategic horizon	Diversification of exports with a focus on growing markets. Active marketing in the fuel market for newly built reactors, including alliances with foreign companies to offer packaged services. Search for new marketing tools which will help enter “restricted” markets. Development of packaged services (at the NFC front-end and back-end).
Market capacity reduction risk (8), evaluated quantitatively only on the strategic horizon	

<i>Financial risks (rank in Top-15), share of VaR on the business planning horizon</i>	<i>Responses</i>
Currency risk (5), 29% – AFCF	The “natural” hedging of the currency risk through loan agreements and purchases of goods and services (as far as possible) at the currency of the deal to reduce the Company’s open currency interest. Conclusion contracts with derivatives.
Risks of loss of liquidity (11), not evaluated quantitatively	Control over the observance of bonds (obligations to lending banks to keep the Company’s indicators within the range they pre-set).
<i>Operational risks (rank in Top-15), FMEA methodology points⁶²</i>	<i>Responses⁶³</i>
Risk of contracts number reduction (6)	Developing a system of situational risks responses.
Risk of sales volume decrease (10)	
Operating failure of information systems, 80 points	Development of back-up information systems.

⁶² According to the Company’s regulations, measures to manage this risk category are developed regarding to those risks, which estimation using the FMEA methodology (Failure Mode and Effect Analysis) exceed the threshold value (80 points of 1,000 points possible).

⁶³ When managing operational risks, TENEX proceeds from a precautionary principle: if not confirmed as producing adverse impact on third parties or the environment, these risks are subject to identification, assessment, control and monitoring in the framework of the Company’s management systems. In spite of the practice to insure a number of such risks (in particular, nuclear and radiation loss, loss and damage to goods), the Company also carries out preventive measures to reduce them, including measures that require cash and other resource expenditures.

Appendix No. 9. Information about Labor Protection

Labor protection of TENEX employees is arranged in accordance with the Labor Code of the Russian Federation, the Uniform Labor Protection Policy of ROSATOM and its Organizations in labor protection field, and the “Provision of Organization of Labor Protection Work in TENEX” STO-09-030-082-2009.

All necessary labor protection briefings in 2016 were held as scheduled, no occupational injuries or diseases, fatalities associated with work were recorded, including fatalities and occupational illnesses. The lost time injury frequency rate (LTIFR) equaled zero, but the absentee rate due to

incapability⁶⁴ was 3% (4% – women, 2% – men) in 2016.

During 2016, 70 managers and specialists of the Company were trained in labor safety. Additionally, two TENEX’s employees performed qualification training and performance reviews in electric installation safety rules⁶⁵.

No medical examination of the Company’s employees in a specialised medical center took place in the reporting year⁶⁶.

In 2016, the state labor protection control and supervision authorities did not inspect TENEX.

⁶⁴ Does not associate with an occupational injury.

⁶⁵ Frequency is once in three years.

⁶⁶ Frequency is once in two years, next one will take place in 2017.

Appendix No. 10. Nuclear Material Control and Accounting

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

As a result of nuclear materials inventory, conducted in compliance with TENEX Director General decree as of 14.11.2016 No. 006/335-П together with JSC "TVEL" and partners, no anomalies in the field of nuclear materials accounting were discovered.

In the framework of the actions taken to control nuclear materials movements in 2016, 15 notifications about TENEX nuclear materials movements were prepared and sent to ROSATOM, four of them were about the movement of special raw material and fissile materials, and also, information about the outcomes of the reviews, conducted by controlling and oversight bodies in the area of nuclear materials handling.

In 2016, 34 notices and confirmations nuclear materials import to Russia and export abroad were sent to ROSATOM in pursuance of the U.S. – Russian intergovernmental agreement on the cooperation in the use for peaceful purposes and Administrative arrangements.

Appendix No. 11. Use of Energy and Water Resources

The Energy Saving and Energy Efficiency Improvement Program, approved by TENEX pursuant to Federal Law as of 23.11.2009 No. 261-FL⁶⁷ and ROSATOM Director General Decree as of 09.08.2011 No. 1/676-P⁶⁸, is aimed at energy consumption optimization and decrease of indirect⁶⁹ greenhouse gas emissions.

In 2016, the volume of energy actually consumed by the Company comprised 4,2 thousand gigajoules. In the reporting year, as a result of low cost organizational measures taken, energy consumption decreased by 7,3% in comparison with 2015 levels⁷⁰.

Actual energy consumption data and its structure are given in the table below.

<i>Energy consumption</i>	<i>Unit of measure</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Thermal energy	thousand gigajoule	2,03	2,16	2,27
	%	42,4	47,8	54,2
Electric energy	thousand gigajoule	2,76	2,36	1,92
	%	57,6	52,2	45,8
Total	thousand gigajoule	4,79	4,52	4,19

TENEX expenses for the payment of energy resources in 2016 in prices of 2015 amounted to about RUB 3.6 million (of which 77.4% is electricity). Savings compared to the base

period of RUB 0.6 million (14.2%) were achieved due to a decrease in electricity costs by 18.6%. Expenses for payment of thermal energy increased by 4.8%.

Data on actual volume of water consumption⁷¹ is given in the table below.

<i>Water consumption volume</i>	<i>Unit of measure</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Actual	thousand m ³	3,43	4,37	3,87

In comparable conditions⁷² water consumption decreased in comparison with the previous year by 11.4 %.

67 Federal Law "On Energy Saving and on Improving Energy Efficiency, and on Amending Certain Legislative Acts of the Russian Federation".
 68 2009 was used as the baseline for energy efficiency indicators calculation under the mentioned Decree.
 69 TENEX does not use direct sources of energy.
 70 2015 was used by ROSATOM as the baseline for energy efficiency indicators calculation.
 71 TENEX consumes water only from the municipal water supply system.
 72 In the conditions of 2015.

Appendix No. 12. Accounting (Financial) Statements

Statement of Assets and Liabilities as of 31 December 20 16

Organization	Joint Stock Company "TENEX"	Form of OKUD	0710001		
Taxpayer Identification Number		Date (day, month, year)	31	12	2016
Type of economic activity	wholesale trade of industrial chemicals	of OKPO	08843672		
Form of incorporation/type of ownership	Joint Stock Companies/property of Public Corporation	TIN	7706039242		
Unit of measure, RUR thousand		of OKVED	46.75.2		
Location (address)	28-3 Ozerkovskaya nab., Moscow 115184, Russia	of OKOPF/OKFS	12267	61	
		of OKEI	384		

Note	Indicator	Code	As of 31 December 2016	As of December 2015	As of December 2014
	ASSET				
	I. NON-CURRENT ASSETS				
6.1	Intangible assets	1110	3 628	4 689	7 108
	Results of research and development	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
6.2	Fixed assets	1150	401 994	460 031	467 723
	Building, machinery, equipment, and other	1151	401 994	460 031	467 723
	Capital investments in-progress	1152	-	-	-
	Advances paid to suppliers and contractors of capital projects, suppliers of fixed asset items	1153	-	-	-
	Income yielding investments into tangible assets	1160	-	-	-
6.4	Financial investments	1170	6 160 520	5 966 659	9 446 219
6.14	Deferred tax assets	1180	1 634 792	83 949	68 765
6.7	Other non-current assets	1190	119 982	284 676	763 069
	Total of section I	1100	8 320 916	6 800 004	10 752 884
6.3	II. CURRENT ASSETS				
	Inventory	1210	22 077 944	32 252 721	19 362 918
	Raw, materials and other similar inventories	1211	7 396 369	8 098 046	8 742 245
	Work-in-progress	1212	12 493 347	19 583 368	6 552 119

Note	Indicator	Code	As of 31 December 2016	As of December 2015	As of December 2014
	Finish products and goods for resale	1213	6 828	-	240 960
	Goods dispatched	1214	2 181 400	4 571 307	3 827 594
	Other inventories and costs	1219	-	-	-
	Value Added Tax on purchased items	1220	2 925 470	4 781 905	1 856 044
6.7	Accounts receivable	1230	37 834 303	55 007 641	34 334 794
	Settlements with purchasers and clients	1231	27 542 572	36 815 244	25 926 924
	Advances paid	1232	40 215	13 169	15 360
	Other debtors	1233	10 251 516	18 179 228	8 392 510
	Non-called accrued proceeds	1234	-	-	-
6.4	Financial investments (excluding cash equivalents)	1240	-	1 353 492	5 676 327
6.6	Cash and cash equivalents	1250	4 309 500	2 231 817	1 234 710
	Other current assets	1260	8 769	40 517	23 332
	Total of Section II	1200	67 155 986	95 668 093	62 488 125
	BALANCE	1600	75 476 902	102 468 097	73 241 009
	LIABILITIES				
	III. EQUITY AND RESERVES				
	Equity (share capital, charter capital, contribution of partners)	1310	638 119	638 119	638 119
	Treasury shares	1320	-	-	-
	Contribution to equity received from shareholders (participants) before registration of changes to article of association	1330	-	-	-
	Revaluation of non-current assets	1340	-	-	-
	Additional capital (without revaluation)	1350	-	-	-
	Reserve capital	1360	31 906	31 906	31 906
	Statutory reserves	1361	31 906	31 906	31 906
	Reserves formed as per articles of association	1362	-	-	-
	Retained earnings (uncovered loss)	1370	31 907 061	55 633 253	22 256 970
	Total for Section III	1300	32 577 086	56 303 278	22 926 995
	IV. FIXED LIABILITIES				
6.12	Borrowed funds	1410	9 694 433	12 147 117	1 875 280
6.14	Deferred tax liabilities	1420	-	-	-
6.13	Estimated liabilities	1430	37 770	-	-
6.9	Other liabilities	1450	94 150	29 816	62 563
	Total for Section IV	1400	9 826 353	12 176 933	1 937 843

Note	Indicator	Code	As of 31 December 2016	As of December 2015	As of December 2014
	V. CURRENT LIABILITIES				
6.12	Borrowed funds	1510	14 743 251	13 849 094	37 237 280
6.9	Accounts payable	1520	17 849 727	19 678 538	10 695 024
	Trade payables	1521	6 337 947	6 974 685	6 633 389
	Advances received	1522	951 078	2 339 804	7 044
	Wage and salary payables	1523	8	47	111
	Payables to public non-budgetary funds	1524	-	11486	139
6.11	Tax and due payables	1525	527	751	1599
	Other payables	1526	10 560 167	10 351 765	4 052 742
	Deferred revenues	1530	-	-	-
6.13	Estimated liabilities	1540	480 485	460 254	443 867
	Target financing	1546	-	-	-
	Advances from customers	1547	-	-	-
	Other liabilities	1550	-	-	-
	Total for Section V	1500	33 073 463	33 987 886	48 376 171
	BALANCE	1700	75 476 902	102 468 097	73 241 009

Executive Head  (Signature) Ulyanin Yuri Aleksandrovich (Full name) Chief Accountant

 (Signature) Lysova Galina Aleksandrovna (Full name)

On behalf of 30.03.2016 No.6/4/2016-H

"14" February 20 17



Financial Performance Statement

January – December 20 16

Codes	
Form of OKUD	0710002
Date (day, month, year)	31 12 2016
Organization Joint Stock Company "TENEX" of OKPO	08843672
Taxpayer Identification Number	TIN 7706039242
Type of economic activity wholesale trade of industrial chemicals of OKVED	46.75.2
Form of incorporation/type of ownership Joint Stock Companies/property of Public Corporation of OKOPF/OKFS	12267 61
Unit of measure, RUR thousand	of OKEI 384

Note	Indicator	Code	January – December 2016	January – December 2015
6.15	Revenue	2110	138 543 955	168 465 511
	including nuclear industry products	2111	138 468 415	168 184 987
6.15	Cost of sales	2120	(91 893 571)	(89 812 923)
	including nuclear industry products	2121	(91 863 383)	(89 612 011)
	Gross profit (loss)	2100	46 650 384	78 652 588
	Selling expenses	2210	(2 371 206)	(2 744 053)
	Administrative expenses	2220	(1 361 175)	(1 338 645)
	Profit (loss) from sales	2200	42 918 003	74 569 890
	Income from participation in other organizations	2310	138 958	2 718 451
	Interest income	2320	178 935	167 469
	Interest expense	2330	(1 147 258)	(1 255 172)
6.16	Other income	2340	2 842 815	5 453 701
6.16	Other expenses	2350	(10 104 191)	(8 202 869)
	Profit (loss) before income tax	2300	34 827 262	73 451 470
6.14	Income tax expense	2410	(8 657 217)	(14 551 576)
6.14	including permanent tax liabilities (assets)	2421	(407 504)	(407 093)
6.14	Changes in deferred tax liabilities	2430	22 057	(853)
6.14	Changes in deferred tax assets	2450	1 528 367	15 955
	Other	2460	12 767	12 530
	Reallocation of income tax within GGT	2465	2 775 698	984 613
	Net profit (loss)	2400	30 508 934	59 912 139

Note	Indicator	Code	January – December 2016	January – December 2015
	Result of revaluation of non-current assets not included in net profit (loss) for the period	2510	-	-
	Result of other operations not included in net profit (loss) for the period	2520	-	-
	Total profit/loss for the period	2500	30 508 934	59 912 139
	For information			
	Basic profit (loss) per share	2900	1 145	2 249
	Diluted profit (loss) per share	2910	-	-

Executive Head  Ulyanin Yuri Aleksandrovich (Signature) (Full name) Chief Accountant

On behalf of 30.03.2016 No.6/4/2016-H

“14” February 20 17



 Lysova Galina Aleksandrovna (Signature) (Full name)

Appendix No. 13. Auditors' Conclusion on Accounting (Financial) Statement



Auditor's Conclusion on Accounting (Financial) Statement

for the period from 01 January to 31 December 2016

Moscow, 2017

To Shareholders of the Joint Stock Company "TENEX"

Auditee

Name:

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

Location address:

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

State Registration:

State Registration Certificate Series BZ No. 000697 of 28 January 1994 issued by the State Institution "Moscow Registration Chamber" on 28.01.1994, Certificate No. 029.427; State Registration Certificate Series 77 No. 007846023 of 11 July 2002 issued by the Department for the City of Moscow of the Ministry of the Russian Federation for Taxes and Levies; Entered to the Unified State Register of Legal Entities, Principal State Registration Number: 1027700018290.

Auditor

Name:

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

Location:

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

State registration:

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

Membership in a self-regulatory organization of auditors:

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

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

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

We have audited the attached annual financial statements of JSC Techsnabexport, which consist of the balance sheet as of December 31, 2016, the financial results report, the appendices to the balance sheet and the financial results report, including the statement of changes in equity and the statement of movements Cash flows for 2016, explanations to the accounting (financial) statements for 2016.

Responsibility of the entity for annual financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the reliability of the annual financial statements based on our audit. We conducted our audit in accordance with federal auditing standards. These standards require compliance with applicable ethical standards, as well as planning and conducting the audit in such a way as to obtain reasonable assurance that the annual financial statements are free from material misstatement.

The audit included conducting audit procedures aimed at obtaining audit evidence supporting the numerical indicators in the annual financial statements and disclosure of information therein. The choice of audit procedures is the subject of our judgment, which is based on an assessment of the risk of material misstatement due to fraud or error. In the process of assessing this risk, we reviewed the internal control system that ensures the compilation and reliability of the annual financial statements in order to select the appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

An audit also included evaluating the appropriateness of the accounting policies used and the reasonableness of the estimates obtained by the management of the entity being audited, as well as evaluating the presentation of the annual financial statements as a whole. We believe that the audit evidence obtained during the audit provides a reasonable basis for our opinion on the reliability of the annual financial statements.

Opinion

In our opinion, the annual financial statements reflect reliably in all material respects the financial position of JSC TENEX as of December 31, 2016, the financial results of its operations and cash flows for the year 2016 in accordance with the Russian rules for the preparation of financial statements.

LLC "FBK" President

Auditor's report date
20 February 2017



S. M. Shapiguzov
Based on the Statute
Auditor's qualification certificate
01-001230, ORNZ 21606043397

Appendix No. 14. Issues Considered by the Board of Directors in 2016

Protocol Number	Date of the Board of Directors' meeting	Board of Directors' meeting agenda
147	26.01.2016	1. Approval of the terms of the agreement with the TENEX registrar.
148	28.01.2016	1. On payment of a part of the annual bonus (remuneration) based on the results of work for 2015 to the TENEX Director General.
149	05.02.2016	1. Approval of the TENEX budget for 2016.
150	08.02.2016	1. On the approval of the Expenditure Estimate of TENEX for the provision of free (targeted) financing in 2016.
151	22.03.2016	1. On approval of amendments to the Estimate of Expenses of TENEX for the provision of gratuitous (targeted) financing in 2016.
152	29.04.2016	1. On approval of amendments to the Estimate of Expenses of TENEX for the provision of gratuitous (targeted) financing in 2016.
153	10.05.2016	1. On payment of the annual premium (remuneration) to the TENEX Director General based on the performance of key performance indicators for 2015.
154	17.05.2016	1. Approval of the terms of the contract with the TENEX registrar.
155	30.05.2016	1. Preliminary approval of the TENEX annual report 2015. 2. Preliminary approval of the TENEX annual accounting (financial) statements for the year 2015. 3. Recommendations on the distribution of TENEX profit (including the payment (declaration) of dividends) based on the results of 2015 for the reporting year, as well as on the amount of dividends on the shares of TENEX and the procedure for their payment, the offer to the sole shareholder of TENEX on Establishing the date on which the persons entitled to receive dividends are determined. 4. On the reference to the sole shareholder of TENEX with a proposal to take decisions on matters within the competence of the annual general meeting of shareholders of TENEX.
156	03.06.2016	1. On approval of amendments to the Estimate of Expenses of TENEX for the provision of gratuitous (targeted) financing in 2016.
157	17.06.2016	1. About participation of TENEX in Joint Stock Company "Atomenergopmsbyt".
158	22.06.2016	1. On approval of amendments to the Estimate of Expenses of TENEX for the provision of gratuitous (targeted) financing in 2016.
159	11.07.2016	1. On election of the Chairman of the TENEX Board of Directors. 2. On election of the Secretary of the TENEX Board of Directors.

Protocol Number	Date of the Board of Directors' meeting	Board of Directors' meeting agenda
160	14.07.2016	1. On the reference to the sole shareholder of TENEX with a proposal to take a decision on the matter within the competence of the general meeting of shareholders of TENEX.
161	21.07.2016	1. On the possibility of combining the positions of the TENEX Director General with the positions in the management bodies of other organizations.
162	24.08.2016	1. Determination of the amount of payment for the services of the auditor of TENEX for 2016 and the terms of the contract with it.
163	31.08.2016	1. On election of the Chairman of the TENEX Board of Directors.
164	21.09.2016	1. On approval of the Regulation on the public disclosure of information of TENEX.
165	11.10.2016	1. On changing the work agreement conditions of TENEX Director General determined by the parties.
166	06.12.2016	1. On election of the Secretary of the TENEX Board of Directors. 2. On the reference to the sole shareholder of TENEX with a proposal to take a decision on the matter within the competence of the general meeting of shareholders of TENEX.
167	12.12.2016	1. Recommendations to the sole shareholder of TENEX on the dividends amount based on the results of nine months of the reporting year 2016 and the order of their payment.
168	30.12.2016	1. On the reference to the sole shareholder of TENEX with a proposal to take a decision on the matter within the competence of the general meeting of shareholders of TENEX. 2. On approval of amendments to the Estimate of Expenses of TENEX for the provision of gratuitous (targeted) financing in 2016.

Appendix No. 15. Glossary, List of Abbreviations

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

Back-end – closing part of the nuclear fuel cycle (transportation, storage, reprocessing of spent nuclear fuel, radioactive waste management) and decommissioning.

Book transfer – a mode of realization on uranium sale and purchase transaction without physical delivery properly material accounts using.

Conversion – a chemical process transforming U_3O_8 into UF_6 .

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

Flat Rack – a standard container platform without roof and sidewalls, but fitted with headers with a possibility of tilting to ease the loading/unloading. It is used for shipments of out-of-gauge load.

Material Account – a method of grouping and a current reflection of homogeneous uranium materials, obligations, and operations with regard to a combination of registers (including quantity, country of origin, etc.) that is carried out by an NFC enterprise in the order of records management and as per the terms of the Material Account Agreement.

Material account agreement – an agreement between an entity who owns or operates an NFC enterprise (named the operator of the account) and an entity who owns uranium. In pursuance of the agreement, the operator of the account is obliged (a) to receive uranium physically delivered by the owner and credit it to the material account of the uranium owner; (b) store incoming uranium at its enterprise before processing; (c) conduct book transfer operations and provide reporting

thereof, and balance on the account; (d) receive uranium for processing; (e) physically provide the product of reprocessing (this can also be regulated by the processing contract terms); and (e) render associated services.

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

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

ROSATOM – State Atomic Energy Corporation "Rosatom".

Rostekhnadzor – Federal Environmental, Industrial and Nuclear Supervision Service of Russia.

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

Uranium hexafluoride (HFC) – a chemical composition of uranium (UF_6) used as feed for uranium enrichment.

VaR (Value at Risk) – value in monetary terms, where during a period with a given probability will not exceed the losses caused by the implementation of the risks.

APR – Asian-Pacific Region

EBITDA – Earnings before Interest, Taxes, Depreciation and Amortization

EMS – Environmental Management System

EU – European Union

EUP – Enriched Uranium Product; uranium in which the ratio of uranium-235 to uranium-238 is above the natural level (0.7 %).

FSTEC – Federal Service for Technology and Export Control.

FSUE “MCC” – Federal State Unitary Enterprise “Mining and Chemical Combine”.

FSUE “PA Mayak” – Federal State Unitary Enterprise “Production Association “Mayak”.

GCP – Gas Centrifuge Plant.

GRI – Global Reporting Initiative.

IAEA – International Atomic Energy Agency.

IFRS – International Financial Reporting Standards.

JSC “AECC” – Joint Stock Company “Angarsk Electrochemical Combine”.

JSC “Atomenergoprom” – Joint Stock Company Atomic Power Corporation.

JSC “IUEC” – Joint Stock Company “International Uranium Enrichment Centre”.

JSC “PA ECP” – Joint Stock Company “Production Association Electrochemical Plant”.

JSC “PDC DUGR” – Joint Stock Company “Pilot and Demonstration Center for Decommissioning of Uranium-Graphite Reactors”.

JSC “SCC” – Joint Stock Company “Siberian Chemical Combine”.

JSC “SPb “IZOTOP” – Joint Stock Company “St. Petersburg “IZOTOP”.

JSC “UEIP” – Joint Stock Company “Ural Electrochemical Integrated Plant”.

KPI – Key Performance Indicators.

NPP – Nuclear Power Plant

QMS – Quality Management System

RAW – RadioActive Waste

RFRS – Russian Financial Reporting Standards.

SCSMS – Supply Chain Security Management System

SNF – Spent Nuclear Fuel

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

UIPS – Unified Industry Procurement Standard.

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