FUTURE 238

ANNUAL REPORT

JSC Atomredmetzoloto

2012

Today, uranium is commonly viewed, first and foremost, as a fuel input for atomic power plants. In working on the composition of the Report, we wanted to illustrate that uranium is used in other fields – sometimes the most unexpected.

The ARMZ mission – to supply raw materials for high-tech advancements – has also been reflected in the visual concept for this year's Report. We made an effort to illustrate where uranium and, more broadly, atomic technology might be applied in the future.

APPROVED
by the annual general meeting of shareholders
of JSC Atomredmetzoloto on 28 June 2013
(minutes No. 16).

This report was initially approved
by decision No. 101 of the Board of Directors of JSC Atomredmetzoloto
dated 28 May 2013

ANNUAL REPORT

JSC Atomredmetzoloto
for 2012

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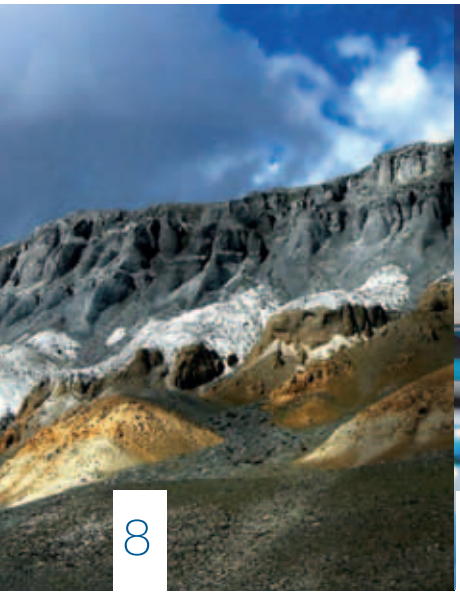
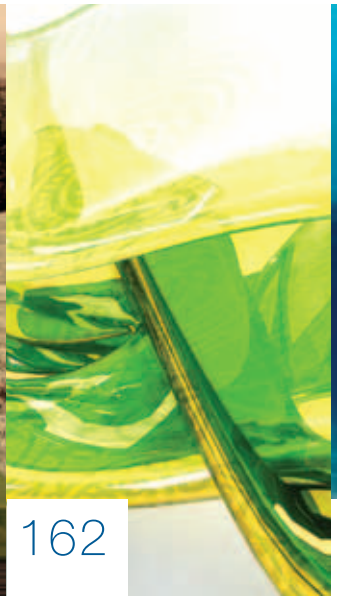




PERFORMANCE HIGHLIGHTS

KEY FIGURES

	2012	2011	CHANGE
Financial and operating indicators			
Uranium production (tonnes)	7,572.2	7,091.2	6.78%
Place in three-largest uranium mining companies by production volume	III	III	–
Uranium mineral resources base as of 1 January 2013 (Russian assets) ('000 tonnes)	550.40	515.80	6.71%
Uranium mineral resources base of Uranium One Inc. ('000 tonnes)	155	120.90	18.78%
Proceeds from sales (RUB, billion)	47.79	44.49	7.4%
Net profit (RUB, billion)	-9.23	3.20	-388.4%
EBITDA (RUB, billion)	14.09	11.58	21.7%
Net asset value (RUB, billion)	131.6	147.60	-10.8%
Staff			
Headcount	11,850	10,668	11%
Staff turnover (%)	17	23	-6
Average monthly salary (RUB)	48,475	39,085	24%
Engagement of staff (division)	50%	45%	5%
Occupational health and safety			
Fatal Injury Frequency Rate (FIFR)	0.01	0.02	-50%
Lost Time Injury Frequency Rate (LTIFR)	0.39	2.23	-83%
Environmental protection			
Environmental protection costs (RUB, million)	263.20	192.9	36%
Social sector			
Tax withholdings of key ARMZ Uranium Holding Company enterprises to regional budgets (RUB, thousand)	1,055,145	1,037,006	2%

MAJOR DEVELOPMENTS OF 2012

April

- the deal on the sale of 13.9% of shares in Mantra Resources Limited to Uranium One Inc. was finalised
- the first corporate session of the ARMZ Uranium Holding Company was held in Chita as part of work to create a medium-term development programme for JSC PIMCU

June

- a coordination and integration agreement was signed between ARMZ Uranium Holding Company and Uranium One Inc. at the ATOMEXPO 2012 forum in Moscow, attended by Director General of Rosatom State Corporation Sergey Kiriyenko

July

- ARMZ Uranium Holding Company's production and financial indicators for 2011 were published

September

- JSC Dalur was certified according to ISO 9001:2008 and ISO 14000:2004
- Rosatom State Corporation approved the medium-term development programme for JSC PIMCU

October

- JSC Atomredmetzoloto, together with JSC PIMCU, held the 2nd Youth Educational Forum ECO-LINE-2012 in Krasnokamensk
- the Finnish company Fortum performed an environmental audit of JSC Khiagda

November

- the deal to acquire 99.5% of shares in JSC First Ore-Mining Company, which holds mining rights to the Pavlovskoye lead-zinc deposit, was finalised

December

- the first stage of development of mine No. 8, with a capacity of 100 thousand tonnes of ore per year, was launched at JSC PIMCU
- partnership agreements on the socio-economic development of regions in which the Company operates were concluded between Rosatom State Corporation and the governments of Trans-Baikal Territory and the Republic of Buryatia.

AWARDS AND ACHIEVEMENTS IN 2012

November

- the 2011 JSC Atomredmetzoloto annual report was named one of the Top-10 annual reports in the Quality of Preparation category, based on the results of the Expert RA rating agency's 9th Annual Training Conference Annual Reports: Leaders' Experience and New Standards
- JSC Atomredmetzoloto received an award from the Institute of Certified Financial Managers for its contribution to the development of the internal audit profession in 2012

December

- The Finance and Economics Block of JSC Atomredmetzoloto received a For Consistently High Professionalism and Work Quality award from Rosatom State Corporation

MISSION AND VALUES

JSC Atomredmetzoloto's mission is to provide the primary resources needed to develop high technologies.

ARMZ Uranium Holding Company's strategic goal is to maximise its enterprise value for shareholders, by:

- using the potential of the expanding natural uranium market, capitalising on the Company's incorporation into the world's largest vertically integrated nuclear corporation, and developing opportunities based on the global growth platform of Uranium One Inc. (Canada).
- leveraging new opportunities to develop and expand the scale of business by diversifying into strategic and innovative metal segments.

The strategic goal is pursued taking into account national interests and the corporate goals of Rosatom State Corporation. International expansion will enable the State Corporation to take leading positions in the uranium mining segment, while at the same time increasing the Corporation's export opportunities.

CORPORATE VALUES

The Holding Company organises its activity based on corporate values, such as ensuring the safety of production, customer care and entrepreneurial spirit. Based on its corporate values, ARMZ endeavours to become a long-term partner and reliable supplier of the global nuclear industry.

T01 Key corporate values of ARMZ Uranium Holding Company

CORPORATE VALUES	PRINCIPLES OF CONDUCT
Safety	▪ Ensure necessary occupational safety and health at enterprises, provide for the health of employees and the health and safety of communities in regions where the Company operates. ▪ Support the balance of local ecosystems. Comply with natural uranium mining and processing technical standards, including nuclear and radiation safety standards. ▪ Observe environmental regulations in its countries of operation and improve environmental safety at production facilities.
Customer care	▪ Meet demand from Russian and foreign customers under long-term agreements by offering products that meet Russian and global quality standards on an arm's length basis.
Entrepreneurial spirit	Fully leverage opportunities in countries of operation to: ▪ leverage ARMZ Uranium Holding Company's potential. ▪ ensure sustainable business development, using the best Russian and international practices in exploration, production and corporate governance. ▪ explore new business opportunities in the uranium sector and related mining sectors, both in Russia and abroad.

URANIUM-LEAD DATING

Natural uranium isotopes are used to measure the absolute age of rocks and minerals using the ratio of uranium and radiogenic lead (the end product of the decay of uranium core). When determining the age of certain items, for example mica, they proceed from the age of the material proportional to the number of decayed uranium atoms it contains (determined by the number of trails or traces left by fragments in the material). Based on the ratio of the concentration of uranium to the concentration of traces, it is possible to estimate the age of any ancient find, be it animal fossil or artefact.

ABOUT THE REPORT

The 2012 annual report prepared by ARMZ Uranium Holding Company (hereinafter JSC Atomredmetzoloto, ARMZ Uranium Holding Company, ARMZ, the Holding Company, the Company, the Corporation, the Mining Division) is the fifth report to integrate financial, operating and non-financial (for example, social) indicators to provide a comprehensive insight into the Company's activity, including in the area of sustainable development. The key focus areas in the report are:

- The upgrading and development of Russian production assets
- Investing in regions of operation as a basic sustainable development component of the company

ARMZ's mission, strategy and current position were taken into account when determining the content of the report and drafting its text. The report was prepared taking into account the priorities of Rosatom State Corporation and the interests of key stakeholders: consumers, business partners, regional and local authorities, and local communities.

The annual report pays considerable attention to the development of Russian projects, and gives comprehensive information on the Holding Company's work to improve the operating efficiency of a key asset in Russia – the Priargunsky Industrial Mining and Chemical Union. The report also covers issues related to health and safety, environmental protection, human resources and social policies, and stakeholder engagement.

REPORT SCOPE

This report presents the main operations in 2012 of Joint Stock Company Atomredmetzoloto in the Russian Federation, Republic of Kazakhstan, Canada and other countries, and the long-term plans for 2013 and beyond. The annual report covers all major subsidiaries and affiliates of the Holding Company.
The scope of the performance results presented in the report is as follows:

- Operating indicators are based on data for the following companies: JSC PIMCU, JSC Dalur, JSC Khiagda, Uranium One Inc., JSC Elkon MMP, JSC UMC Gornoe, JSC OMCC, JSC Lunnoe, RUSBERMASH INC, JSC VNIPIPROMTECHNOLOGII, and Unified Service Company ARMZ (USC ARMZ) LLC.
- Environmental indicators: JSC PIMCU, JSC Dalur, and JSC Khiagda.
- Human resources and occupational safety indicators: ARMZ Uranium Holding Company, JSC PIMCU, JSC Dalur, JSC Khiagda, RUSBURMASH INC, and JSC VNIPIPROMTECHNOLOGII.
- Financial indicators are based on the scope of consolidation, as required under IFRS reporting.

REGULATORY REQUIREMENTS AND STANDARDS USED IN THE REPORT

The report was prepared in accordance with Russian law requirements on reporting by public companies, as well as with the Reporting Policy of Rosatom State Corporation. Financial information is based on data from the consolidated financial statements prepared under IFRS. JSC Atomredmetzoloto's full IFRS financial statements are available on its website (**www.armz.ru**).

The recommendations from the Sustainability Reporting Guidelines – Global Reporting Initiative (hereinafter GRI; the report was prepared in accordance with Global Reporting Initiative guideline GRI G3.1 and the Sector Supplement for Mining and Metals Companies) and the basic performance indicators developed by the Russian Union of Industrialists and Entrepreneurs (RUIE) were used during preparation of the annual report. The text of the report contains a table showing the extent to which the GRI indicators and RUIE basic performance indicators have been achieved.

The GRI application level corresponds to criteria B+.

P01 Application level criteria

REPORT APPLICATION LEVEL	C	C+	B	B+	A	A+
СТАНДАРТНЫЕ ЭЛЕМЕНТЫ		REPORT EXTERNALLY ASSURED		REPORT EXTERNALLY ASSURED		REPORT EXTERNALLY ASSURED
Profile Disclosures (OUTPUT)	Report on: 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17		Same as requirement for Level B	
Disclosures on Management Approach (OUTPUT)	Not required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
Performance Indicators & Sector Supplement Perfomance Indicators (OUTPUT)	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core and Sector Supplement* Indicator with due regard to the materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

* Sector supplement in final version.

The reliability of the data contained in the report has been confirmed by the Holding Company's Audit Commission and the Department for Internal Controls and Audit in the form of an opinion and auditor's report. ARMZ Uranium Holding Company's auditor is CJSC KPMG.

During work on preparing the report, the Company received an auditor's report on the level of compliance of its non-financial element with the Sustainability Reporting Guidelines GRI G3.1 and criteria such as materiality, completeness and responsiveness under the AA1000AS standard. The auditor's report was prepared by JSC Bureau Veritas Certification Rus.

MATERIAL CHANGES IN THE REPORT

The International Integrated Reporting Council (IIRC) recommendations were taken into account for the first time during preparation of the 2012 annual integrated report, and the list of GRI indicators to be disclosed was expanded, with an emphasis on information in relation to sustainable development. The text was also restructured and the data presentation format was changed.

Specifically, information on the Holding Company's management approach to sustainable development issues was added to the report. The Company reflected more broadly its impact on economic, social and environmental aspects, including a description of the process flow that took into account areas of influence. Among other things, information on staff development and environmental protection was presented in some detail.

Based on the IIRC recommendations, performance indicators for sustainable development were integrated into all sections of this report. The main recommended components were integrated into the report as part of the incorporation of IIRC requirements, including: overview of the organisation, risks and opportunities, strategic goals, corporate governance, production indicators and future outlook (set forth in a separate section).

2011 ANNUAL REPORT

Annual reports are prepared and published annually, as required under current legislation. The 2011 JSC Atomredmetzoloto annual report was published on the Holding Company's website (**www.armz.ru**) on 2 July 2012.

ADDRESSES BY CHIEF EXECUTIVES

NUCLEAR-POWERED LOCOMOTIVE

In future it is possible that locomotives with nuclear propulsion systems will be able to travel huge distances without refuelling.

ADDRESS BY THE CHAIRMAN OF THE BOARD

Dear shareholders, partners and colleagues,

The reporting year was one of intensive development for Rosatom State Corporation, during which the Company managed to significantly consolidate its global market positions. The total value of international contracts for the next 10 years increased from USD 50 billion to USD 69 billion, and the contract portfolio of industry companies included agreements to construct 19 nuclear power generating units. Seeking to increase its numbers of foreign orders, Rosatom State Corporation is also actively participating in a number of tenders to construct and operate nuclear reactors. We hold no fears of the competition, and are confident in the efficiency of Russian nuclear technology.

An essential condition of Rosatom State Corporation's success on the global market is access to primary resources with a competitive production cost. To resolve this issue, the Rosatom mining division, ARMZ Uranium Holding Company, previously consolidated a controlling shareholding package in the Canadian public company Uranium One Inc. Work continued in 2012 to develop it as a global growth platform. Under a partial option exercise, in March Uranium One acquired 13.9% of shares in the company Mantra Resources from ARMZ. In June JSC Atomredmetzoloto and Uranium One Inc. signed a strategically important coordination and integration agreement that is being called upon to systematise relations in key lines of business. It should be noted that cooperation with the Canadian company is based on global corporate governance best practices, and takes into account the rights and interests of minority shareholders.

The successful work of its international assets enabled the Holding Company in 2012 to concentrate on developing ARMZ enterprises inside the country. Rosatom State Corporation has approved a comprehensive medium-term development programme for JSC PIMCU, which sets out in detail the development strategy for the largest domestic uranium mining company. The construction of the JSC Khiagda facilities continued throughout the year.

An important element of ARMZ Uranium Holding Company's strategy is diversification. The first steps in this area were taken during the reporting year. JSC Atomredmetzoloto acquired 99.5% of JSC First Ore-Mining Company, which holds mining rights to the Pavlovskoye lead-zinc deposit. Work on diversifying the company's business will continue in 2013.

ARMZ Uranium Holding Company adheres to the principles of sustainable development when implementing its strategy. The Company is constantly expanding cooperation with stakeholders, whose opinions are taken into account when taking many management decisions.

The results demonstrated by ARMZ in 2012 and the chosen development vector will allow JSC Atomredmetzoloto to continue to resolve issues of any level of difficulty, which will be in the interests of the entire Russian atomic industry.

Chairman of the Board
V. L. Jivov

ADDRESS BY THE ACTING DIRECTOR GENERAL

Dear readers,

During the reporting year most of ARMZ's efforts were focused on developing its Russian assets.

One of the key events was implementing the set of measures drawn up in 2011 to improve efficiency at JSC PIMCU and to stabilise the production volume at 2,000 tonnes of uranium a year. The concerted joint work of the management teams of the Holding Company and the plant, combined with an integrated approach to resolving issues, made it possible to achieve this objective.

A no-less-important result during the year was the approval by Rosatom State Corporation of a comprehensive medium-term development programme (MDP) for JSC PIMCU aimed at maximising production potential, reduced unit costs, and reaching the breakeven point.

One of the main elements of the MDP is the commissioning of new mines. Accordingly, a major production achievement was launching the first stage of development of Mine No. 8, with a capacity of 100 thousand tonnes of ore per year. This was the first new underground asset commissioned by the plant in the last 20 years.

For us it is of fundamental importance that 2012's achievements are not restricted to only production results. The most critical breakthrough was lowering the accident rate at Holding Company enterprises by 65% compared to the previous three-year base period, and by 83% compared to 2011. This is the result of the systematic work we carried out throughout the reporting period.

We realise that it is impossible to resolve production tasks and achieve the required financial results without adhering to the principles of sustainable development and making large-scale investments in regions of operation, while taking into account the opinions of stakeholders. Therefore the implementation of the ambitious development programmes of Holding Company enterprises will be supported by a wide range of initiatives aimed at improving the quality of life and developing the infrastructure of regions where ARMZ enterprises are located. The groundwork for these initiatives was also laid in 2012: partnership agreements with the Trans-Baikal Territory and the Republic of Buryatia were signed to guarantee the necessary resources for the respective projects.

Despite the impressive results demonstrated in 2012, there is still much to be done. Completing construction of key JSC Khiagda industrial facilities is scheduled for 2013, and work will continue on diversifying the company's business. The launch of a large-scale project to create a fully fledged engineering centre under the auspices of JSC VNIPIPROMTECHNOLOGII and a large-scale innovation-driven growth programme at JSC Atomredmetzoloto also lie ahead.

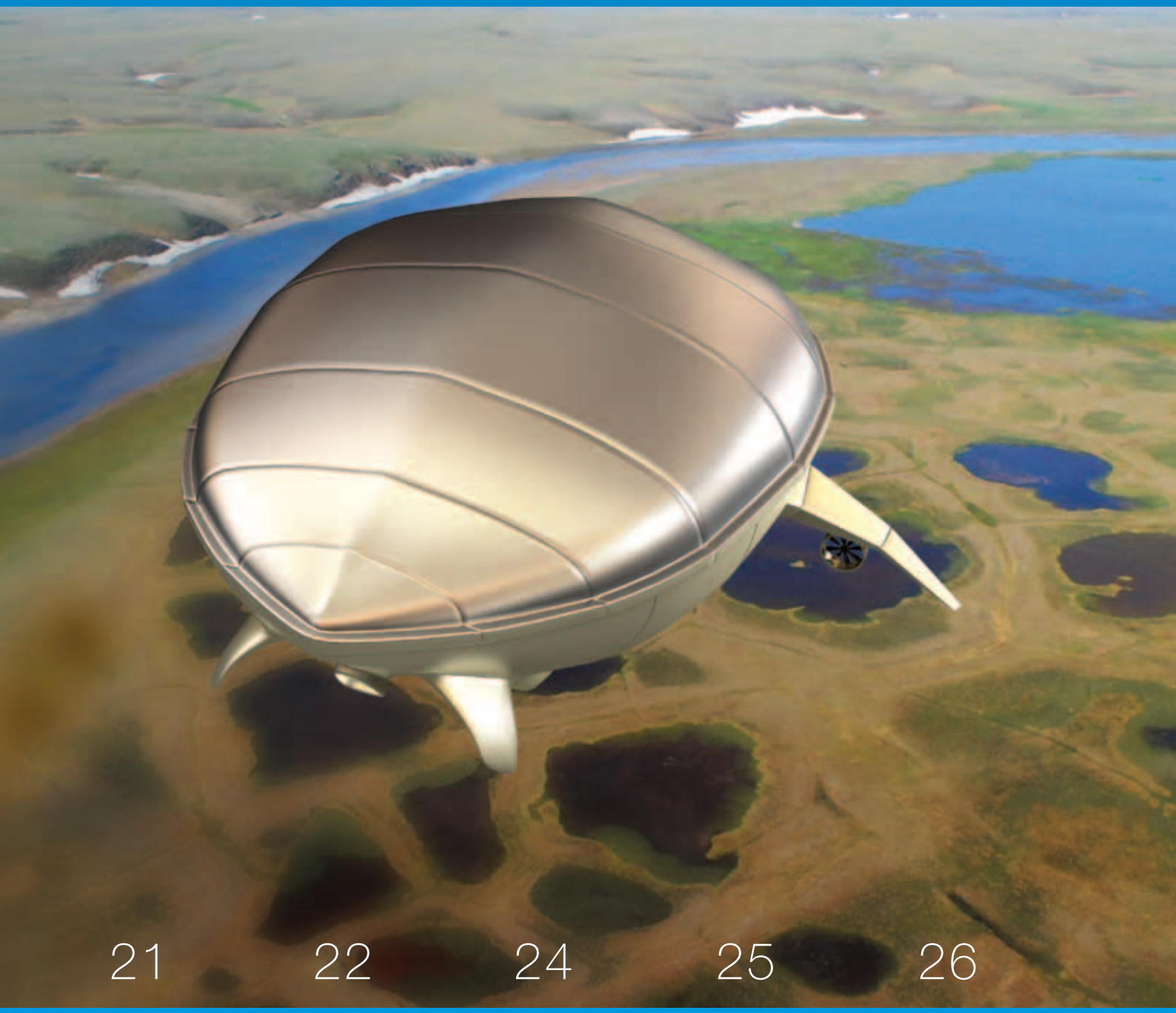
However, the results of the reporting year and a number of strategically important results of our joint work provide convincing evidence that ARMZ Uranium Holding Company will manage to maintain its growth dynamic in future, and to consolidate its position as a global uranium market leader.

Acting Director General
T. G. Khachaturov

NUCLEAR AIRSHIPS

A new generation of airships powered by nuclear power could move significant cargo volumes over great distances in hard-to-reach areas.

ABOUT THE COMPANY



ARMZ Uranium Holding Company is one of the three largest uranium mining companies by production volume in the world, and is second in terms of volume of primary resources (for more detailed information, see the Industrial production section).

ARMZ has a number of existing uranium mining companies, uranium mining companies under construction and projected uranium mining companies, and engineering and service assets located in Russia, Kazakhstan, Armenia, Mongolia, Namibia, Tanzania, the US, Canada and Australia. ARMZ Uranium Holding Company employs more than 11,000 people.

The Holding Company's largest enterprise in Russia is the Priargunsky Industry Mining and Chemical Union (JSC PIMCU), which accounted for 26.43% of total uranium produced by ARMZ, based on 2012 results. JSC Khiagda (a company registered in Trans-Baikal Territory, with production facilities in the Republic of Buryatia) and JSC Dalur (Kurgan Region), which conduct optimally environmentally friendly uranium mining through underground in-situ leaching, are also located in Russia.

ARMZ Uranium Holding Company holds 51.42% of shares in Uranium One Inc., one of the world's largest publicly traded uranium producers, which is headquartered in Toronto, Canada. Uranium One Inc. has a diversified portfolio of assets in Kazakhstan, the US, Australia and in southern Africa.

JSC Atomredmetzoloto is a member of the World Nuclear Association.

HISTORICAL BACKGROUND

ARMZ Uranium Holding Company was established as a state corporation under the Ministry of Atomic Energy and Industry of the USSR in 1991, and was reincorporated as a joint-stock company in 1995.

In 2007 a decision was taken to consolidate under the auspices of JSC Atomredmetzoloto mining companies specialising in uranium, rare-earth metals and other minerals. In 2007-2008 ARMZ received Russian uranium production assets and joint ventures for uranium exploration and mining in Kazakhstan, and obtained licences to develop reserve uranium fields.

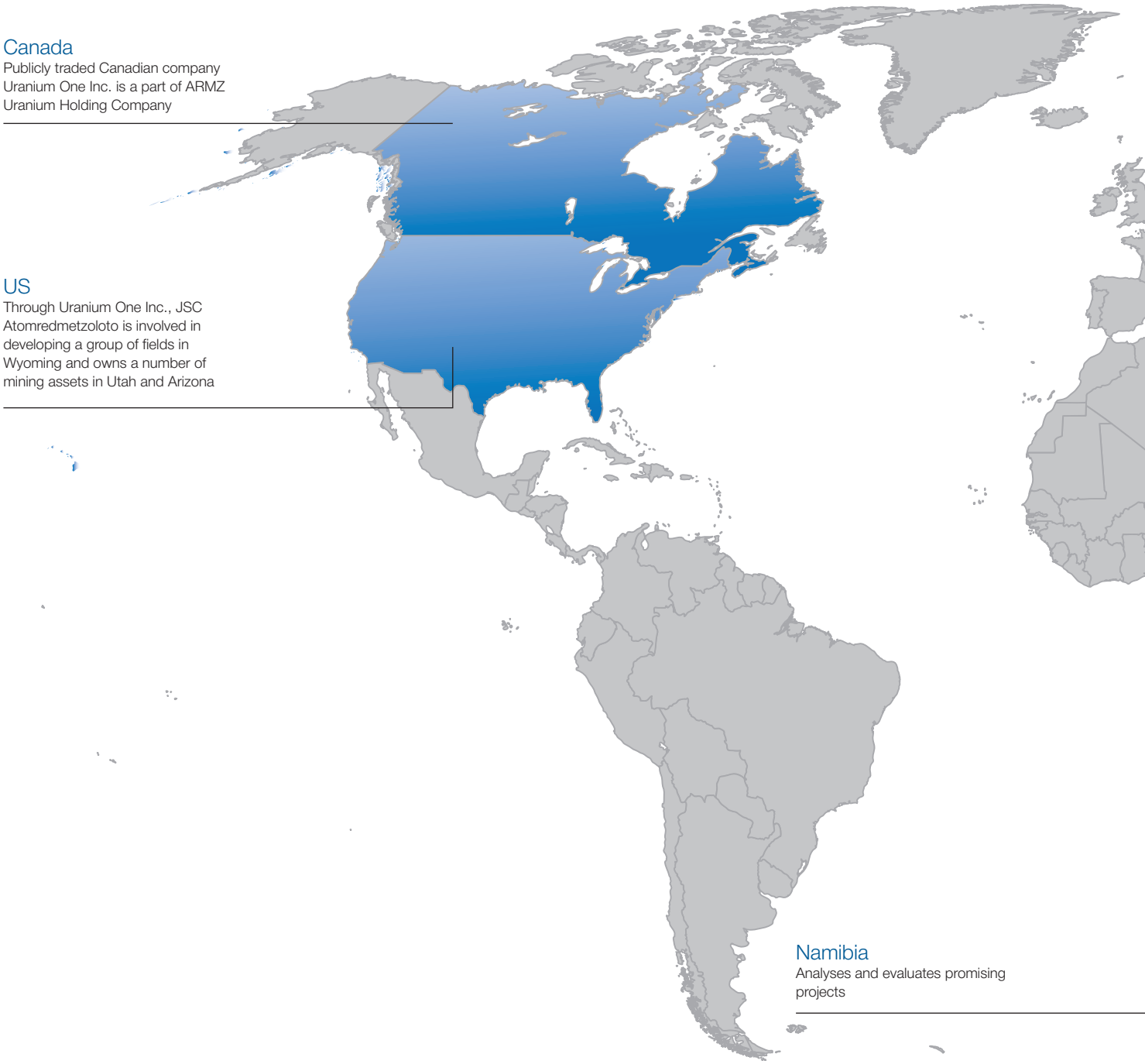
In 2008 ARMZ Uranium Holding Company was authorised to service all the internal and external needs of the Russian nuclear industry. In 2009 the Russian interest in three joint ventures (JV) for uranium mining in Kazakhstan was consolidated under ARMZ. The company became a minority shareholder in Uranium One Inc., a publicly traded uranium production company.

In 2010, having consolidated 51.42% of shares in Uranium One Inc., ARMZ became the controlling shareholder in one of the world's largest uranium production companies with a low average operating cost of uranium production. In 2011 ARMZ Uranium Holding Company acquired 100% of shares in the Australian public company Mantra Resources Pty Limited, which is developing the Mkuju River project in Tanzania.

In 2010, having consolidated 51.42% of shares in Uranium One Inc., ARMZ became the controlling shareholder in one of the world's largest uranium production companies with a low average operating cost of uranium production.

In 2012 ARMZ acquired 99.5% of shares in JSC First Ore-Mining Company. In addition, Rosatom State Corporation approved the comprehensive medium-term development programme for the Holding Company's largest Russian asset, JSC PIMCU.

GEOGRAPHIC REACH



Russian Federation

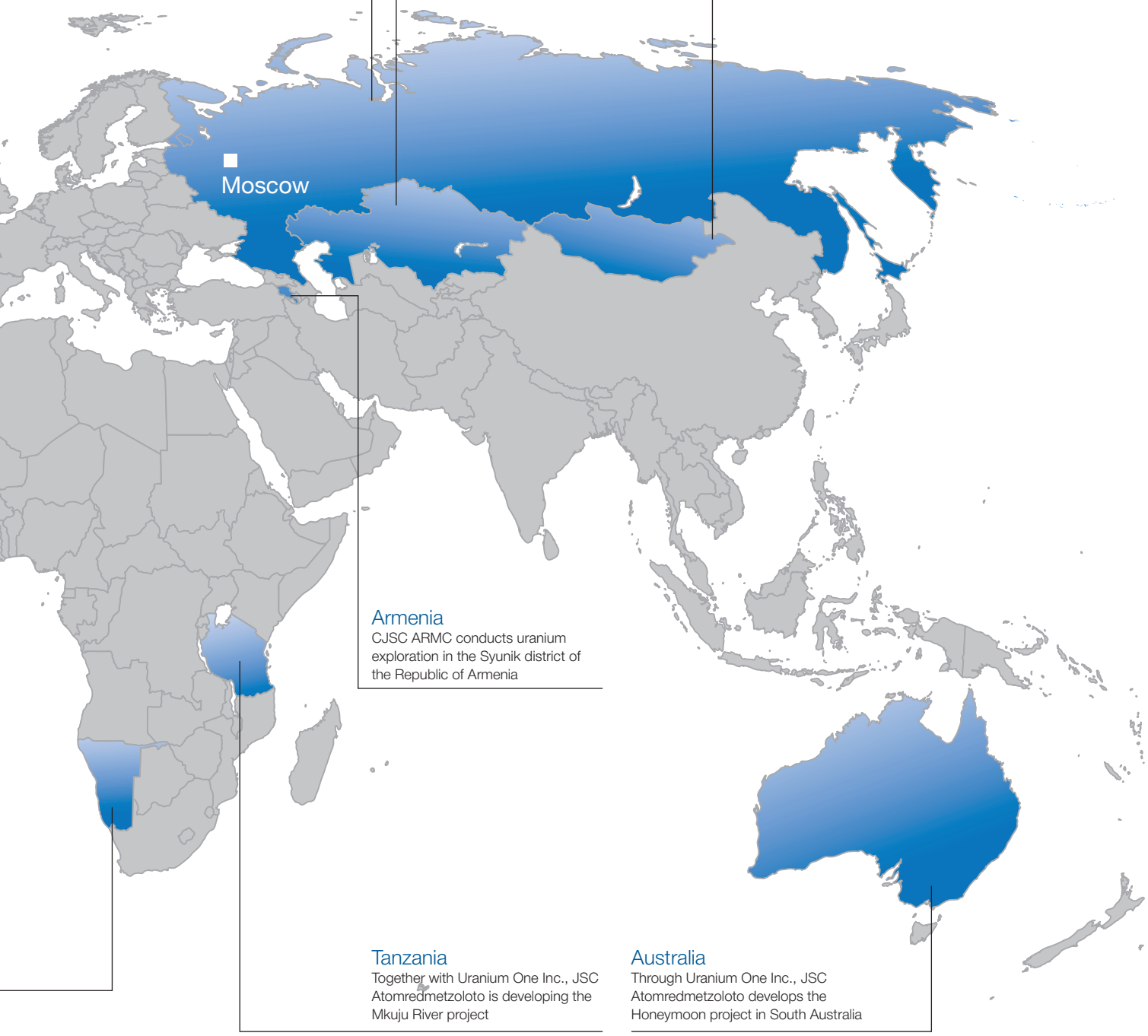
Russia is home to the key ARMZ Uranium Holding Company uranium mining companies JSC PIMCU, JSC Dalur, and JSC Khiagda. New companies: JSC Elkon MMP, JSC UMC Gornoe, JSC OMCC, and JSC Lunnoe

Kazakhstan

Through Uranium One, JSC Atomredmetzoloto owns interests and actively develops the joint ventures ZARECHNOYE, JSC JV Akbastau, Karatau, LLP Betpak Dala, and LLP Kyzylkum

Mongolia

Implements the Russian-Mongolian Intergovernmental Agreement to create joint limited liability company Dornod Uran



Armenia

CJSC ARMC conducts uranium exploration in the Syunik district of the Republic of Armenia

Tanzania

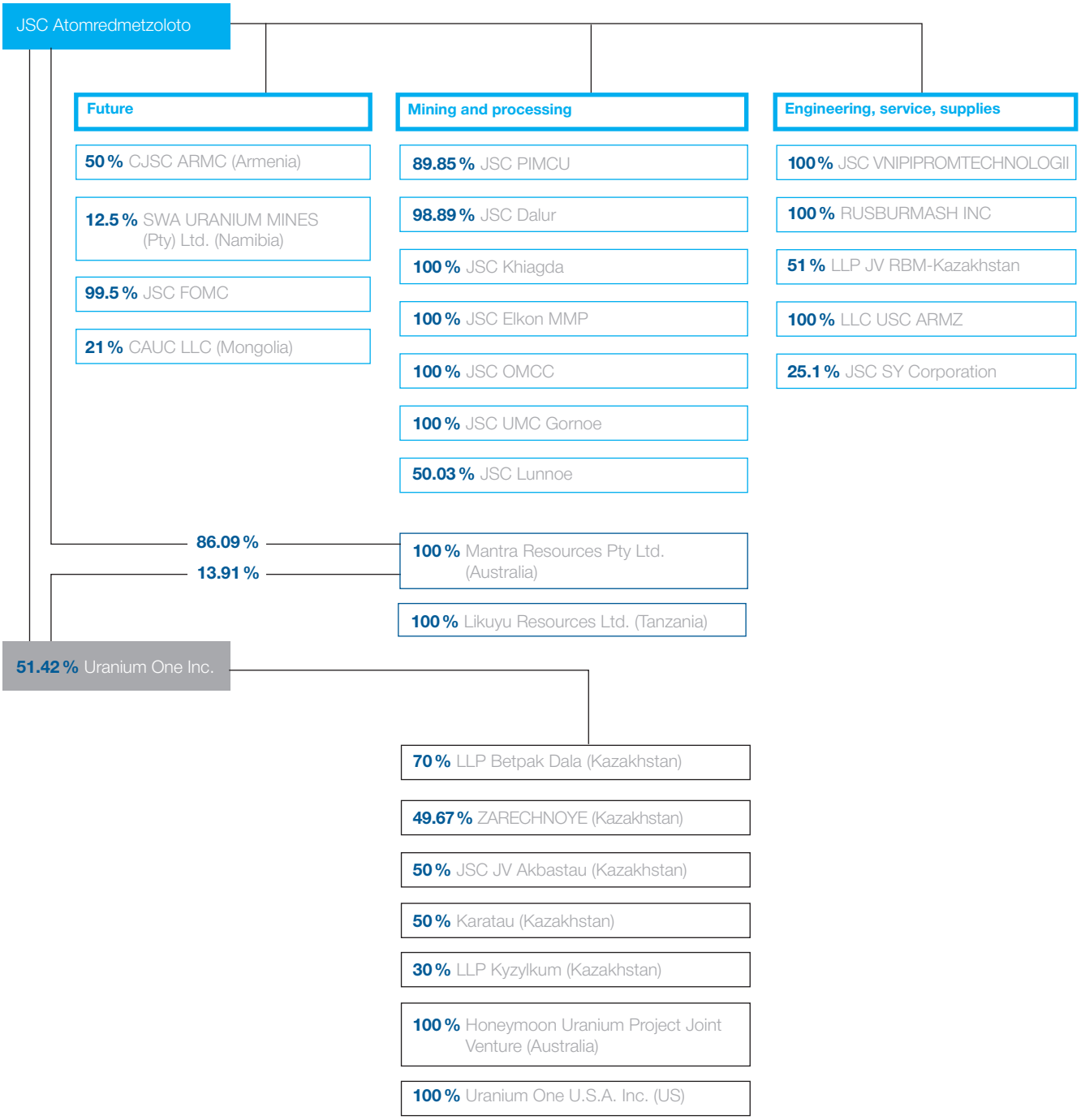
Together with Uranium One Inc., JSC Atomredmetzoloto is developing the Mkuju River project

Australia

Through Uranium One Inc., JSC Atomredmetzoloto develops the Honeymoon project in South Australia

CORPORATE STRUCTURE

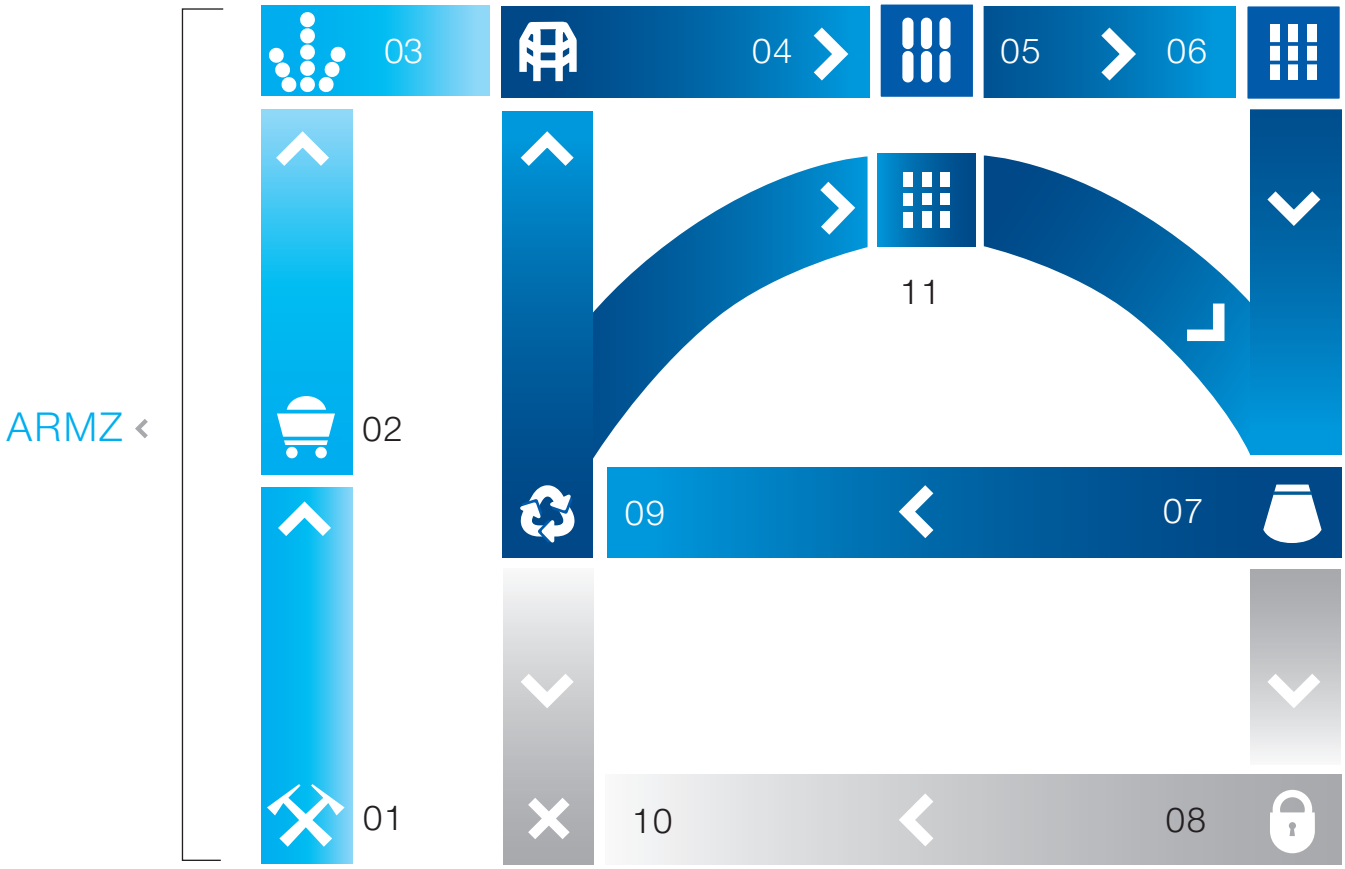
P02 Structure of ARMZ Uranium Holding Company as of 31 December 2012



ARMZ IN THE NUCLEAR FUEL CYCLE OF ROSATOM STATE CORPORATION

As Rosatom State Corporation's mining division, ARMZ Uranium Holding Company brings together the assets of the initial stage of the nuclear fuel cycle.

P03 ARMZ in the nuclear fuel cycle of Rosatom State Corporation



ARMZ

01 – exploration,
02 – mining,
03 – milling,

ROSATOM

04 – conversion, 05 – enrichment, 06 – fabrication, 07 – nuclear power plants,
08 – storage of spent nuclear fuel, 09 – recycling of spent nuclear fuel,
10 – disposal of spent nuclear fuel, 11 – fabrication of mixed oxide fuel

MARKETING POLICY

During 2012 ARMZ continued to engage in activities in the key areas of marketing and sales policy*:

- securing the long-term natural uranium needs of the Russian nuclear energy sector and industry;
- expanding the geographic reach and scope of operations in the international market using Uranium One Inc. as a platform for growth;
- providing an effective sales organisation and developing the sales infrastructure.

An important stage in implementing the marketing and sales policy was signing in June 2012 the Coordination and Integration Agreement between ARMZ and Uranium One Inc., which establishes the general arrangements for coordinating and integrating the parties across six areas of activity, including marketing (detailed information on the agreement can be found in the Development Strategy and Investment section). The practical implementation of these principles throughout 2012 facilitated the creation of a positive synergy effect for both companies' operations.

All contractual obligations to supply products to customers were performed in full in 2012. The Holding Company also concluded a number of medium- and long-term contracts with existing and new customers.

Contracting will continue in 2013, with a focus on the needs of emerging markets in order to expand ARMZ's global presence. The scale of new contracting will be determined by market trends and the level of market prices, growth in which is needed to support the implementation of future production plans.

ASSESSMENT OF CUSTOMER SATISFACTION

ARMZ Uranium Holding Company cares greatly about customer satisfaction. The Holding Company is constantly interacting with clients, and responds promptly to customer feedback.

Customer satisfaction is assessed as part of the system of key performance indicators (KPIs) (for more on KPIs, see the Management System section), under which the absence of complaints about the quantity and quality of supplied materials is monitored.

QUALITY CONTROL

As part of the globalisation of the Holding Company's operations and enhancing the competitive advantages of the Russian nuclear industry, ARMZ works actively to incorporate international quality control and environmental management standards. In the course of this work in 2012, JSC Dalur was certified according to the international standards ISO 9001:2008 and ISO 14001:2004.

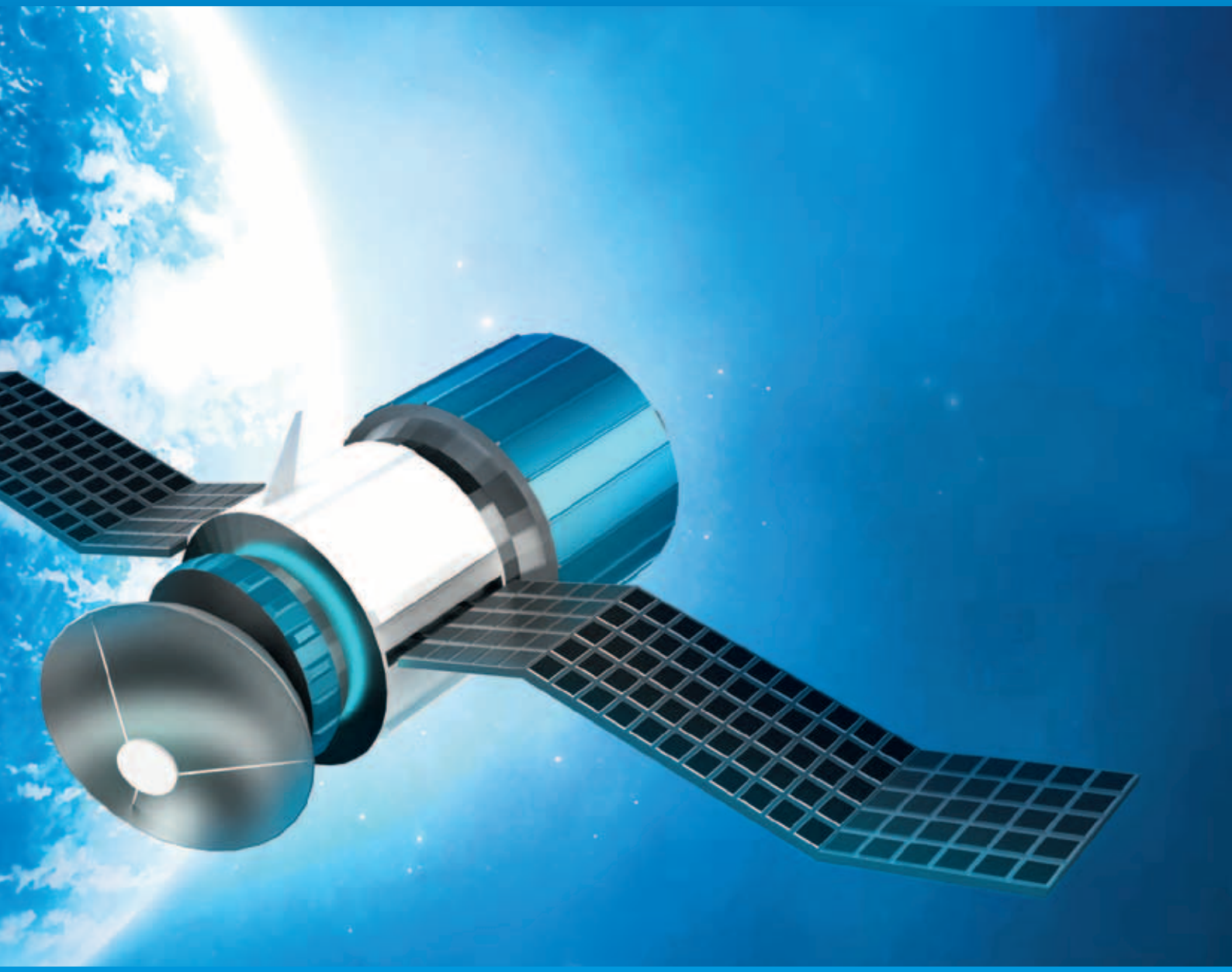
The Holding Company complies with the requirements for marketing products set forth in Federal Law No. 170-FZ dated 21 November 1995 "On the Use of Nuclear Energy". ARMZ enterprises hold licences from the Federal Service for Ecological, Technological and Nuclear Supervision (Rostechnadzor) for the safe handling of nuclear materials.

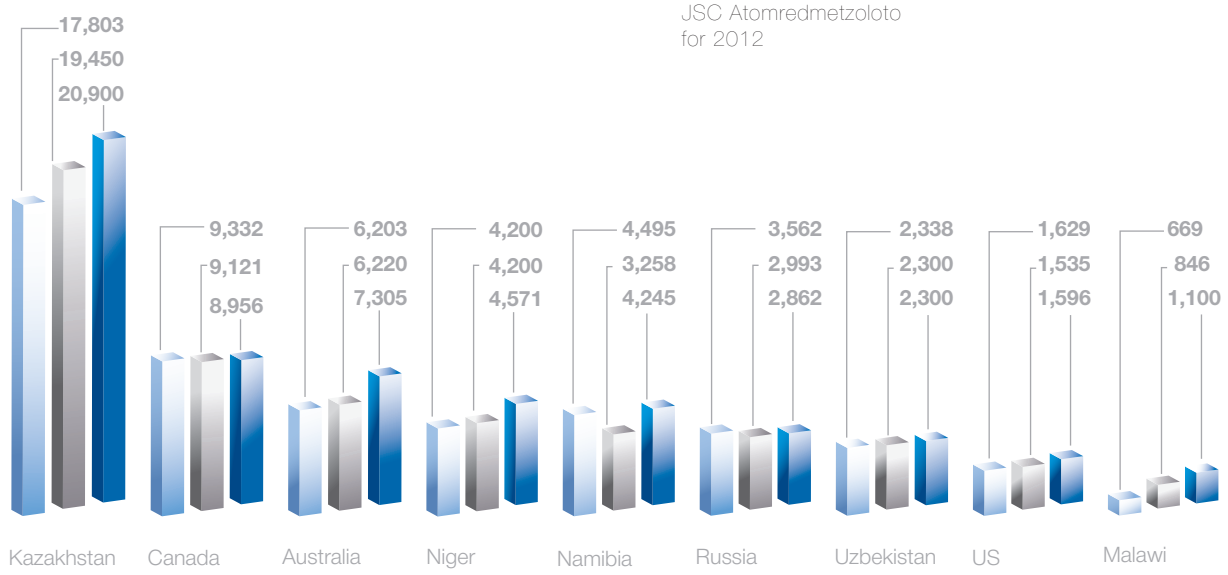
* Detailed information on the areas and assignments of the Holding Company's marketing and sales policy was given in ARMZ's 2011 annual report (pp. 31-33).

NUCLEAR-POWERED SPACE PROBES

The development of materials capable of turning radiation into electricity is currently under way. It is possible that this technology will in future help supply energy to space probes and satellites.

OVERVIEW OF THE GLOBAL NATURAL URANIUM MARKET





P04 Uranium mining by country in 2010-2012, tonnes

Sources: ARMZ estimate, based on the data of press releases and company reports, EIA.

2010 2011 2012

- In 2012 world uranium production stood at 57.3 thousand tonnes, or nearly 7% more than during the previous two years, during which production was around 53.7 thousand tonnes.

- The nine largest uranium-producing countries (with production of more than one thousand tonnes a year) accounted for nearly 94% of global production. Kazakhstan remained the leader, with a 36% share of worldwide production. Namibia and Malawi showed the highest rates of growth (30% each compared to 2011). Production in Australia increased by 17% and in Niger by 9%.

- The largest uranium mining companies (with production of more than one thousand tonnes a year) accounted for 88% of worldwide production.

- The National Atomic Company Kazatomprom (JSC NAC Kazatomprom) retained first place among the largest uranium mining companies, producing 11.9 thousand tonnes of uranium. Cameco ranked second (more than 8.4 thousand tonnes). The alliance of ARMZ and Uranium One Inc. retained third place, producing 7.6 thousand tonnes.

- All major companies showed an increase in uranium mining, except Cameco (which planned a slight reduction in 2011). The largest growth in production indicators was demonstrated by Rio Tinto (38.3%), Paladin Energy (33.9%), and the alliance of Chinese companies CNNC and CGNPC (27.6%).

The first products were mined by a number of new uranium mining companies in 2012:

- Mining began at the Azelik mine (CNNC) in Niger (Agadez region);

- The Tummalapalle mine and primary enrichment plant (UCIL) were commissioned in India, in the state of Andhra Pradesh;

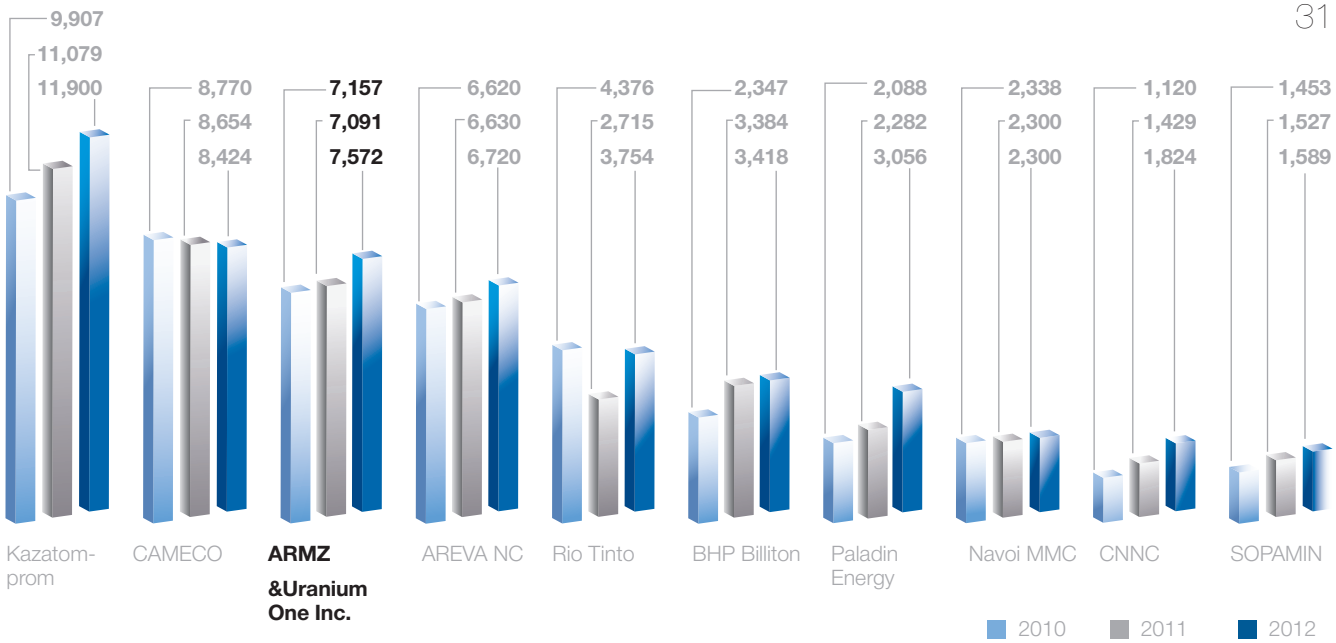
- ISL uranium production began in Uzbekistan at the Aulbek and North Kanimekh fields (Navoi MMC).

In 2012 prospect mining was also performed at the Trekkopje mine, which is under construction in Namibia.

Exploration companies continued to study promising deposits and ore occurrences. The most comprehensive work is under way in Canada, Greenland, the US, and in countries in Africa, South America and in Australia.

MERGERS AND ACQUISITIONS IN THE URANIUM INDUSTRY

- In 2012 the volume of M&A transactions exceeded USD 5 billion. The market tripled in monetary terms compared to 2011, although the number of transactions remained as before.



P05 Uranium mined by the largest companies, tonnes

Sources: based on the data of press releases and company reports. Data for Navoi MMC, SOPAMIN and CNNC are from an ARMZ estimate. Production volume was calculated in proportion to ownership.

- The largest transaction (the acquisition of the Chinese company CGNPC as part of the Husab project in Namibia) was worth more than USD 2.2 billion.

- Cameco led all majors in M&A expenditure. The total volume of its transactions (acquisition of the Australian Yeelirrie deposit from BHP Billiton, AREVA's share in the Millennium project (Canada) and the Nukem Energy uranium trader) amounted to USD 882 million.

DEVELOPMENT OF PROMISING PROJECTS

Due to instability in demand and prices for natural uranium, large companies adjusted their development plans for a number of promising projects in 2012, concentrating on developing existing facilities until the industry situation improves.

- In August BHP Billiton shelved previously announced plans to expand production at the Olympic Dam copper and uranium mine in Australia.

- In November Cameco lowered the target level of its long-term uranium production, and reduced the pace of implementation of a number of projects in Canada, Kazakhstan and Australia.

- AREVA postponed the completion deadlines for projects in Niger and Namibia.

- Paladin Energy postponed expanding its existing enterprise's capacity, and announced a suspension in developing its new projects, owing to low prices for uranium.

However, plans for a number of projects to be commissioned in the near future were maintained and continued to be implemented:

- In 2013 Cameco announced it plans to launch underground uranium mining at the Cigar Lake deposit in Canada, NAC Kazatomprom announced the start of production at the Central Moinkum mine in Kazakhstan, and General Atomics began mining at the Four Mile mine in Australia. ISL uranium production is scheduled to begin under a number of projects in the US.

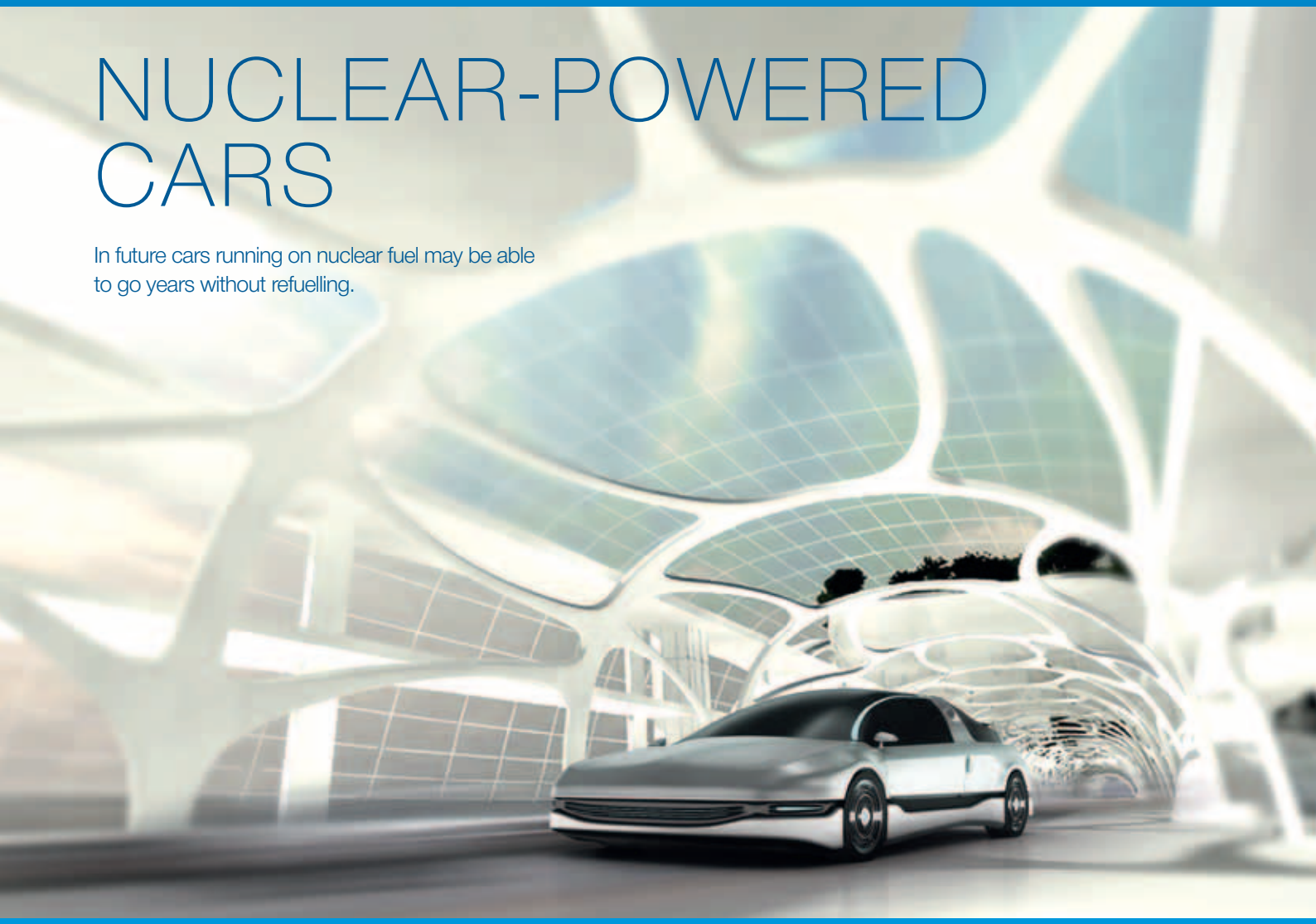
- The CGNPC-controlled company Taurus Mineral Ltd. began construction of a new mine at the Rossing South deposit (Husab project) in Namibia in 2013.

OUTLOOK FOR 2013

- World uranium production in 2013 is expected to be around 60 thousand tonnes. It is anticipated that greater production in Kazakhstan and Canada will drive an increase in uranium production.

NUCLEAR-POWERED CARS

In future cars running on nuclear fuel may be able to go years without refuelling.

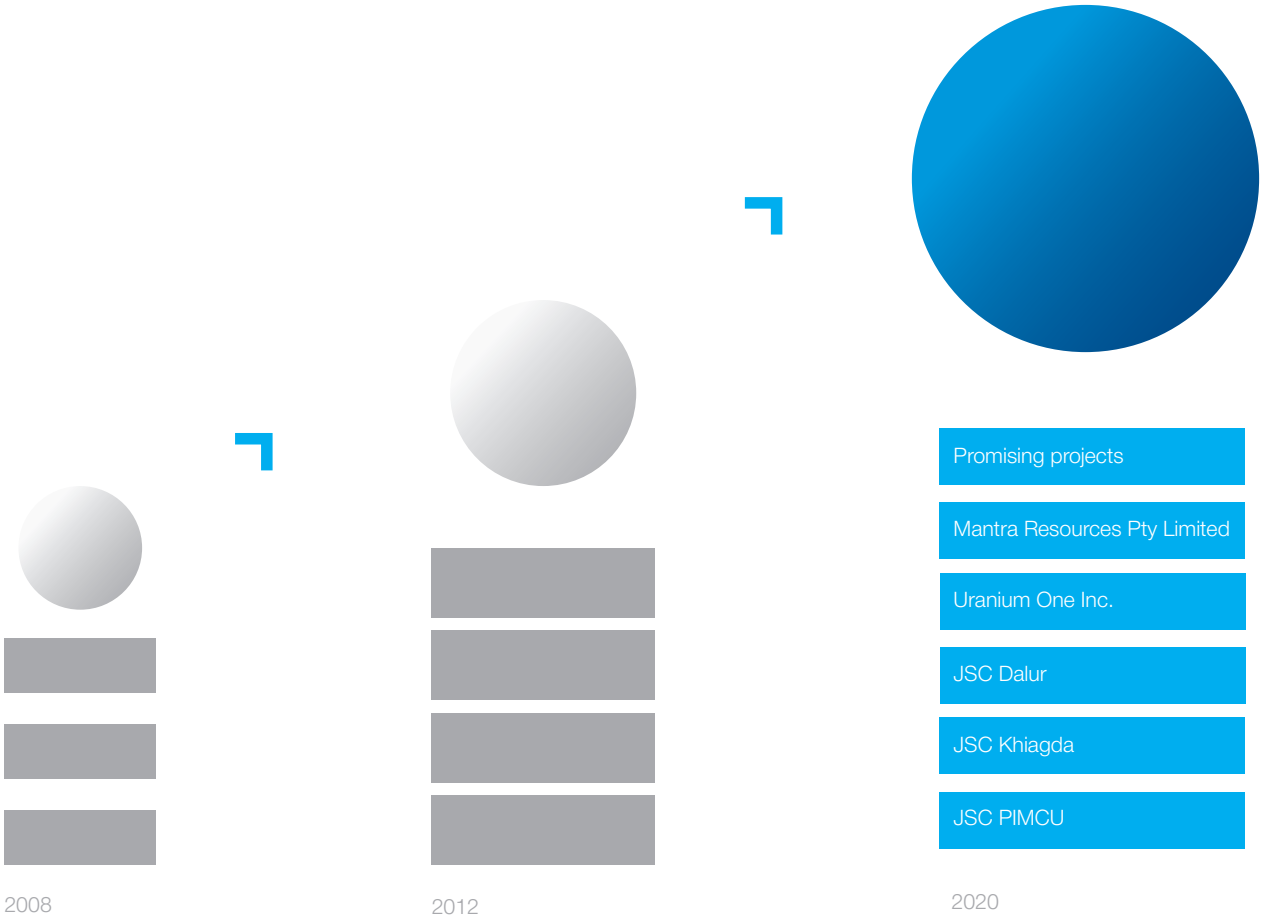


DEVELOPMENT STRATEGY AND INVESTMENT

DEVELOPMENT STRATEGY

After progressing through a number of development stages in previous years, ARMZ Uranium Holding Company secured a place among the largest world players on the natural uranium market. Going forward, the Holding Company plans to secure a place among the world's top-three uranium mining companies, with a gradual expansion of its international presence (see **P06**).

P06 Evolution of ARMZ Uranium Holding Company



International expansion as a development priority will allow the Holding Company to maintain its leading positions in production volume, including as a low cash-cost producer. This will be achieved through including in the portfolio of highly effective foreign assets located in the US, Australia, Tanzania and Kazakhstan. The Canadian company Uranium One Inc., which has a diversified operations base, is ARMZ's global growth platform.

Uranium production continues to play an important role in maintaining and enhancing technical, tech-

nological and management competencies in the Russian Federation. A medium-term development programme for JSC PIMCU was approved as part of the development of Russian assets in 2012. This programme developed and implements a set of measures aimed at stabilising production indicators, improving operating efficiency, attracting qualified personnel, ensuring the replacement and preparation of reserves, improving the effectiveness of interactions with suppliers, etc. More detailed information on the results of the measures performed is given in the respective sections: Staff and social policy, Innovation and performance management, and Management system.

For the first time in 20 years, a major underground asset was launched at JSC PIMCU in 2012 – the first stage of development of mine No. 8. A variety of new engineering decisions designed to improve the cost effectiveness and labour productivity of the project were used during project implementation. Construction of new mines with strong potential and attainment of full capacity will ensure competitiveness over the medium and long term.

Development of other production assets in Russia is an important part of the implementation of the corporate strategy. The most prominent of these are JSC Khiagda and JSC Dalur, where uranium production is already in place.

The Holding Company continues to implement the Elkon project, one of the largest and most promising projects in the world. The cost effectiveness of the construction of the enterprise, the launch of production at which was postponed until after 2025 following the revision of long-term price projections as a result of the Fukushima accident, was confirmed based on the results of a revaluation.

International and Russian projects are crucial to the Company's strategy, helping to optimise the project portfolio while ensuring diversification by geography, production methods and life-cycle stages:

- Expansion of current high-margin production, mainly located abroad (with further diversification of business outside the CIS, including in Africa, Australia and other regions with the best mining conditions, apart from Kazakhstan);
- Gradual development of Russian strategic reserves, to meet market demand in future.

In light of the significant fluctuations in market trends in 2012, another strategic priority is to improve the cost effectiveness of existing production facilities and future projects. The Holding Company's objective is not uranium production at any cost: effective foreign acquisitions and investments in Russian assets have already formed a stable foundation for the company's operations. The parameters of further development of the enterprises will be determined by market realities, based on cost effectiveness criteria.

Up to 2030, the Holding Company's core business will remain the mining and processing of natural uranium. Moderate diversification into the base and strategic metals segments is planned, to increase the scale of the mining business and reduce the risks specific to the uranium market. As part of the implementation of this area of the strategy in 2012, ARMZ joined the Pavlovskoye project (through the acquisition of 99.5 % of shares in JSC First Ore-Mining Company). More detailed information on existing and new projects can be found in the section "Production".

SUSTAINABLE DEVELOPMENT STRATEGY

Corporate social responsibility and sustainability are key components of the Holding Company's values and strategy. The sustainable development strategy encompasses economic, environmental and social measures aimed at effective management of all stages of the mining life

cycle, during which the Holding Company strives first and foremost to:

- Provide the market with high-quality products.
- Establish solid, long-term business relations with suppliers and consumers.
- Ensure safe working conditions, and provide social support to its employees, their family members and to society as a whole.
- Minimise its negative environmental impact.

ARMZ adheres to an integrated and systematic approach to risk management in relation to sustainable development. The Holding Company pays special attention to the social protection of its employees, providing competitive wages, and it promotes opportunities for the professional development and the advanced training of its personnel. With due account for the fact that it manages a local economic mainstay (JSC PIMCU), ARMZ also makes a considerable contribution to developing the regions in which it operates.

The management of the Holding Company pays close attention to trends in global best practices in sustainable development, including monitoring compliance with the latest standards in sustainable development and stakeholder engagement.

Medium-term JSC PIMCU development programme

Priargunsky Industrial Mining and Chemical Union (JSC PIMCU, previously Priargunsky Mining and Chemical Plant) has been the largest uranium mining company in Russia for a number of decades. A total of more than 130 thousand tonnes of uranium have been mined here since its foundation in 1968.

However, for a number of reasons the enterprise placed priority for the longest time on working the most abundant ore bodies. When the majority of them had been exhausted, the uranium content, and subsequently production and financial indicators, began to fall. At that time, a considerable outflow of qualified workers, especially miners, was seen at the plant. As a result, whereas uranium production at PIMCU in 2010 stood at 2.9 thousand tonnes, in 2011 it was 2.2 thousand tonnes. The continued development of the situation by inertia would have threatened a fall in production in 2012 to less than 1,600 tonnes.

To rectify this, ARMZ Uranium Holding Company and JSC PIMCU created a crisis recovery programme in 2012, aimed at improving operating performance and levelling off production at 2,000 tonnes per year.

A whole range of technical measures to increase ore production was performed under this programme: the operation of underground transport was improved, a schedule for commissioning a new block was drafted, and measures for the purchase of machinery, equipment, materials and spare parts were approved.

Active work was also undertaken to retain current and engage new specialists. Measures were taken throughout 2012 to improve the employee incentive system. Average wages had increased by 28% at the end of 2012, to RUB 36,659 a month. At the same time, 1,593 people were hired to work

at the enterprises of the union (875 highly qualified workers, 718 apprentices), through implementing a set of measures to recruit new employees.

The crisis recovery programme also stipulated a number of organisational measures. A crisis management team made up of representatives of ARMZ and PIMCU was formed for the prompt consideration of current production problems. The Holding Company and the Plant began for the first time to use new tools for communication with staff. Meetings with the staff of PIMCU were held throughout the year as part of information days, special corporate sessions were held to develop coordinated decisions, and the council of brigadiers was restored.

As a result of these and other measures, the plant met all the key indicators of its production plans in 2012. The uranium production plan was met at 102.6% (2,120 tonnes of uranium), and ore production at 105.5% (1,804 thousand tonnes). Target output of finished products was met at 100% (2,001 tonnes).

The first stage of the crisis management programme was approved in September 2012 by Rosatom State Corporation, in the form of a comprehensive medium-term development programme (MDP) for JSC PIMCU containing a detailed description of the plant's development strategy. The employees of PIMCU participated actively in creating the MDP through strategic sessions devoted to the development of the programme.

The main goal of the programme is to maximise PIMCU's production potential and reduce unit costs, in order to reach the breakeven point. The resolution of this task, with due account for the reduction in the uranium content in the ore, assumes a considerable increase in production indicators of rock mass. The programme also stipulates the improvement of a number of processes through the implementation of projects to develop management systems in various areas (production, supply, repair, human resources, etc.).

The second stage of the MDP proposes the effective development of the Gluboky No. 1, No. 2 and No. 8 mines, making it possible for PIMCU to reach the breakeven point in its operating activity by 2020.

The third and fourth parts of the MDP should improve the enterprise's position in the medium term. The cornerstone of the third part, from the perspective of strengthening corporate economics, is the construction of mine No. 6.

The fourth part of the MDP stipulates the performance of large-scale exploration work to search for new deep occurring deposits within the Streltsovsky ore field. In the opinion of a number of experts, there is a high likelihood that new deposits similar to the Antei deposit will be detected through exploration, which could significantly improve corporate economics.

The implementation of the medium-term development programme will be supported by a set of initiatives to develop Trans-Baikal Territory and Krasnokamensk and to upgrade the municipal social infrastructure. The main goal of this work is to improve the appeal of PIMCU as an employer by improving the quality of life in Krasnokamensk. To increase the amount of funds used for municipal development, Rosatom State Corporation and the Administration of the Trans-Baikal Territory signed a partnership agreement in 2012 prescribing the inclusion of JSC PIMCU in a consolidated group of taxpayers (for more detailed information, see the Development of Regions of Operation section).

INVESTMENT

The specific features of mining and development of uranium deposits stipulate considerable capital expenditures during the initial stages of development and long project implementation periods. This, in turn, implies the possible emergence of a large number of diverse risks, including operating and financial risks, capable of impacting the end results of the implementation of investment projects. ARMZ strives to make its investments as effective as possible, to ensure that the Holding Company has long-term sources of growth and development.

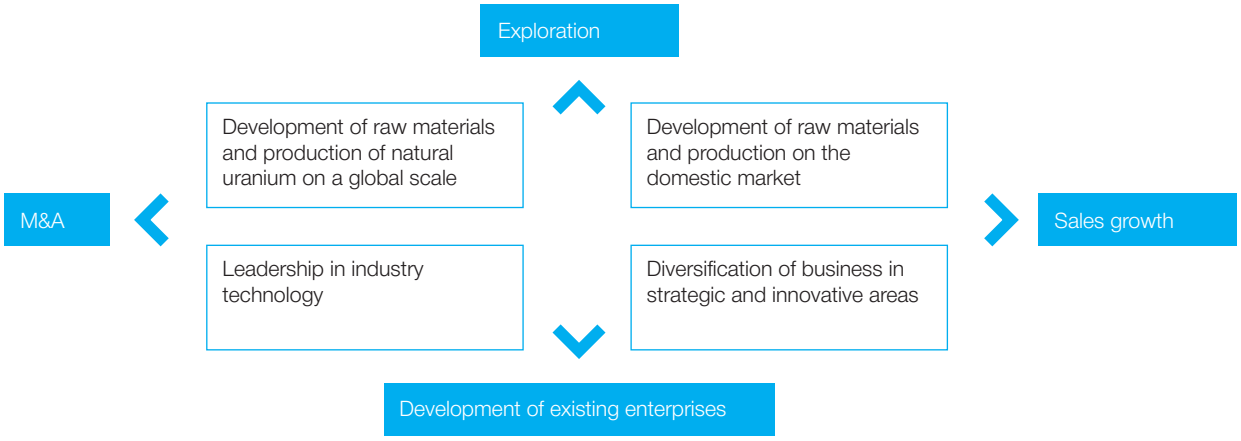
The most attractive assets for the Holding Company today from the operational and development standpoint are foreign deposits with a low cost of production. International expansion, while maintaining the level of uranium mining at existing Russian enterprises, will make it possible for ARMZ to become a low-cost producer by leveraging highly effective assets in Kazakhstan, the US, Australia and Tanzania, thus giving it a serious competitive advantage.

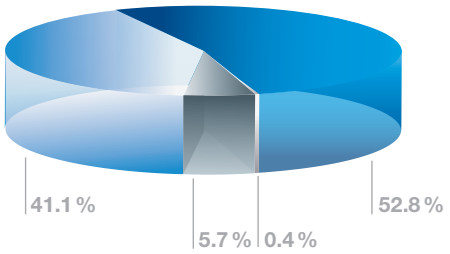
The Holding Company's investment portfolio is made up of projects aimed at reaching the long-term goals of the Holding Company and Rosatom State Corporation. All long-term strategic goals have been grouped by market characteristics into strategic initiatives, the list of which was approved by the Director General of Rosatom State Corporation. This ensures the principle of compliance of all projects to be implemented by the organisations of Rosatom State Corporation (including ARMZ) with overall high-level strategic goals.

Based on the strategic initiatives of Rosatom State Corporation and ARMZ, and taking into account established growth drivers, the investment priorities of the Holding Company are designed to:

- develop the resource base and natural uranium mining in Russia.
- develop the global resource base and natural uranium mining based on the global growth platform.
- lead the industry in uranium mining and processing technology.
- diversify into strategic and innovative materials.

P07 Key investment priorities of ARMZ





- Development of raw materials and production of natural uranium in Russia
- Diversification into strategic and innovative materials
- Development of raw materials and production on a global scale
- Leadership in industry technology

P08 Structure of investments in 2012

The main criteria of project investment appeal (for its inclusion in the Holding Company's pool of projects) were drawn up and approved as part of the Holding Company's investment memoranda for 2011-2015 and 2012-2016. These criteria include:

- Compliance with ARMZ's strategy (possibility for inclusion in certain strategic initiatives).
- The cost effectiveness of the project.
- An acceptable level of risk and fundamental feasibility.

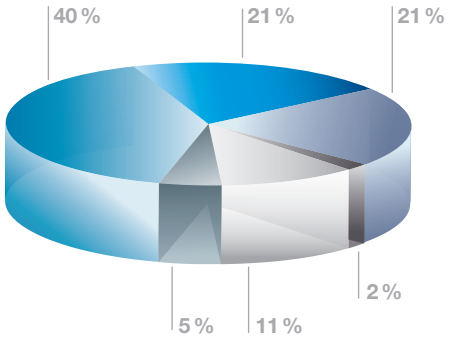
The bulk of investments was focused on developing the resource base and production of natural uranium: investments in Russian assets, including in key uranium mining companies (JSC PIMCU, JSC Khiagda, JSC Dalur), accounted for 52.8% of investments, and investments in foreign assets – 41.1% of total investments.

Total investments in existing Russian uranium mining assets in 2012 were around RUB 9 billion. These funds were used to:

- finance construction and installation work at production sites and infrastructure and power facilities.
- design production facilities.
- perform exploration and mine preparation work.
- upgrade and retrofit production sites.
- perform design work and R&D.
- purchase production and drilling equipment.

The main areas of the Holding Company's investment in 2012 were: JSC PIMCU, JSC Khiagda, JSC Dalur, the Pavlovskoye project, Uranium One and Mantra Resources Limited. 21% of the investment programme related to investments in JSC PIMCU, and another 21% related to construction of the production facilities of JSC Khiagda.

P09 Key ongoing projects of ARMZ Uranium Holding Company



- JSC PIMCU
- JSC Khiagda
- Uranium One Inc. и Mantra Resources Pty Limited
- JSC Dalur
- Pavlovskoye
- Other projects

ARMZ raised its investment in Russian and other projects by 40% in 2012 year-on-year. The plan is to increase these allocations by another 21% in 2013, primarily through the continued development of key existing companies (JSC PIMCU, JSC Khiagda, and JSC Dalur).

In 2012 the key results of investment in vital Russian projects were as follows:

T02 Results of investment in Russian projects in 2012

JSC PIMCU	JSC DALUR	JSC KHIAGDA
▪ Implementation of programme to stabilise production at 2,000 tonnes a year ▪ Commissioning of the 1st stage of Mine No. 8	▪ Production works were continued at Ust-Uksyansky block ▪ The test site of the Khokhlovskoye field was upgraded ▪ A licence was received to explore and mine uranium at the Khokhlovskoye field (licence received in January 2013)	▪ Protection of reserves of the Kolichkanskoye field ▪ Start of exploration at Vershinnoye field ▪ Completion of exploratory drilling at Korektkonde field ▪ Capital mining operations

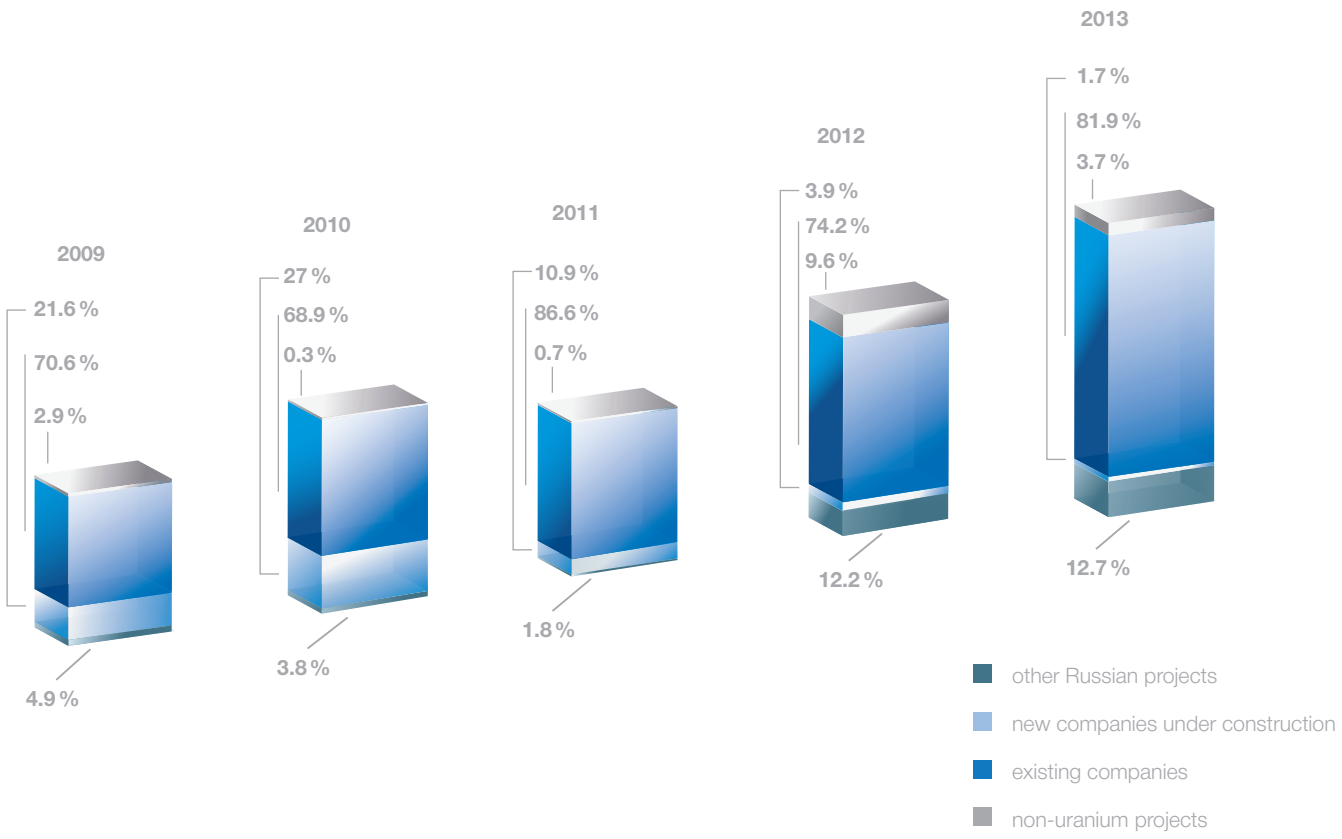
The continued investment in existing uranium companies is connected with active construction at JSC Khiagda (the main processing building of the engineering building, the sulphuric acid plant, production warehouses). An increase in the share of investment in existing companies to 82% is planned in 2013.

The share of investment in new companies under construction in overall investment in Russian assets fell by 7% in 2012. This share is scheduled to fall to 1.7% in 2013. These dynamics are due to the Holding Company's focus on improving the efficiency of existing production facilities.

The share of non-uranium projects in the structure of investments increased by 9% in 2012 compared to 2011. These structural changes in ARMZ's investment programme are connected with the diversification of the product portfolio.

The Pavlovskoye project is currently under way, the goal of which is to create a cost-effective production complex at the lead-zinc deposit which includes a mine and an enrichment plant with a rated annual capacity of 2.5 million tonnes of ore. ARMZ's other non-uranium projects include Lunnoe and others.

ARMZ raised its investment in Russian and other projects by 40% in 2012 year-on-year.



P10 Investment in Russian projects-performance in 2009-2013

The payback period of key projects in Russia is more than 10 years (except for Dalur), which is typical for uranium mining and exploration projects.

In general, the Holding Company's cost effectiveness indicators showed a positive trend based on performance results for 2012. The following were among the measures and projects that were the main drivers of this positive trend:

- The development and implementation of the medium-term development plan for PIMCU, prepared by a leading consulting company and the employees of ARMZ and PIMCU, whose implementation will increase the company's effectiveness.
- Optimisation of the high-profile Elkon project by a leading international engineering company as part of the preparation of the Scoping Study report. Project indicators improved significantly thanks to this optimisation.
- Accounting for the growth in the forecast resources of Mantra Resources Limited.
- Approval of the completion deadlines of the Pavlovskoye project, which has high investment appeal, as part of the diversification of ARMZ's business.

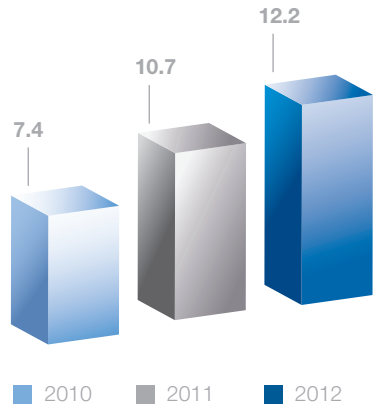
INTERACTION WITH URANIUM ONE INC.

In December 2010 ARMZ Uranium Holding Company consolidated a controlling shareholding in Uranium One Inc., one of the largest publicly traded uranium mining companies, which is registered in Canada.

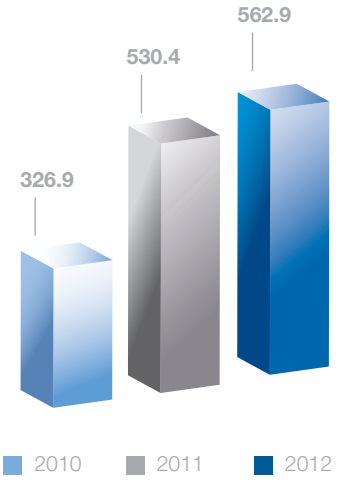
Uranium One Inc. is the global growth platform of ARMZ Uranium Holding Company's business. The Company has a diversified portfolio of projects in Kazakhstan, the US, Australia and Tanzania.

KEY PERFORMANCE INDICATORS

P11 Uranium production, million lbs of U_3O_8



P12 Revenue, USD million



During 2012 uranium production by the companies of Uranium One Inc. (with due account for the share of products to be allocated) increased by 15%, equalling 12.2 million pounds of uranium oxide (U3O8, around 4.7 thousand tonnes of uranium), against 10.7 million pounds of U3O8 (around 4.1 thousand tonnes of uranium) in 2011.

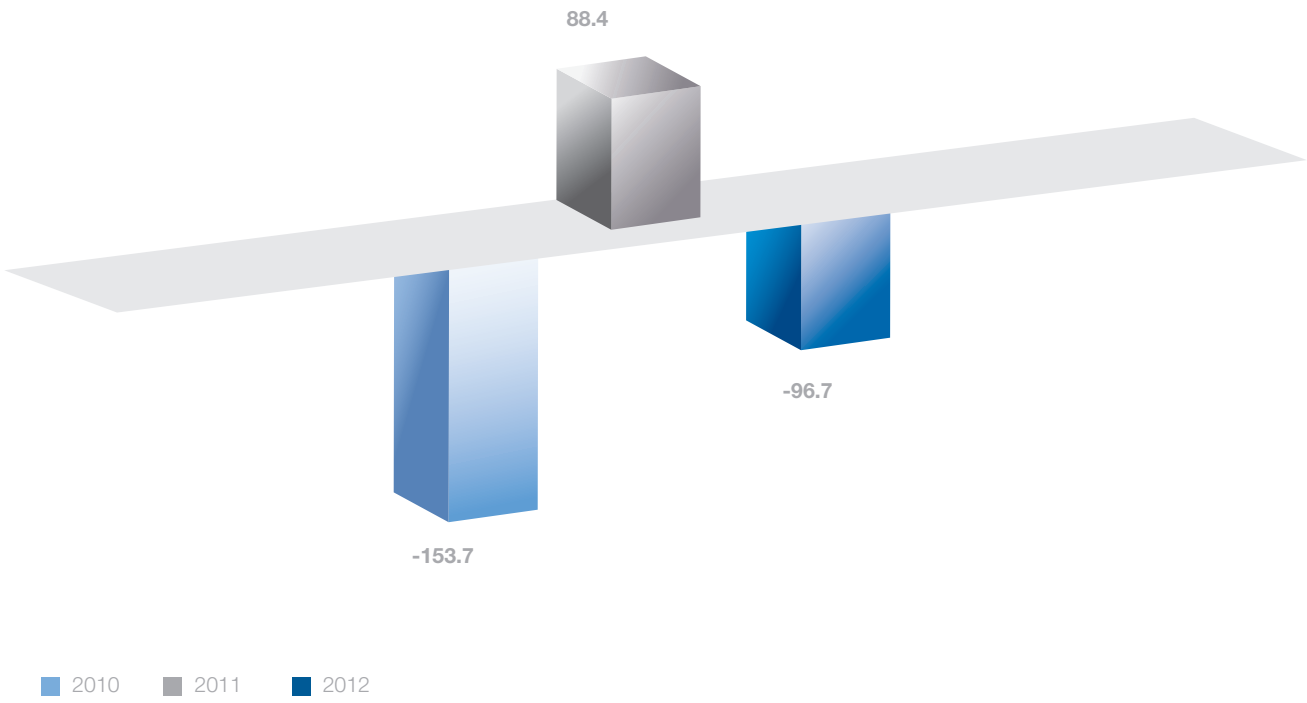
Uranium One Inc.'s revenues in 2012 increased by 6% over the same indicator for 2011, and stood at USD 562.9 million.

Uranium One confirmed its status as a cost-effective company with the lowest cost of production in the industry – USD 16 per pound of U3O8 (USD 41.6 per kilogram of uranium) on average in 2012.

The fall in market prices for natural uranium (see the section The Company's uranium market position) affected 2012 financial indicators. In particular, there was a drop in the company's net profit compared to the same period in the previous year. Net losses equalled USD 96.7 million, compared to USD 88.4 million in net profit in 2011.

Adjusted net profit amounted to USD 68.2 million, and this figure does not take into account impairment losses on Mantra Resources and Zarechnoye assets.

P13 Net profit/loss of Uranium One Inc., USD million



URANIUM ONE INC. AS A GLOBAL GROWTH PLATFORM

As part of the implementation of the strategy to create a global growth platform for ARMZ's uranium mining business based on Uranium One Inc., the latter became the operator of the Mkuju River project after the closing of the transaction to purchase Mantra Resources Pty Limited in 2011. ARMZ Uranium Holding Company and Uranium One Inc. also concluded a Put/Call Agreement on 100% of shares in Mantra Resources Pty Limited with an effective term of up to 7 June 2013. The agreement provided for a partial exercise of the option, and Uranium One used this opportunity. On 16 January 2012 Uranium One announced its decision to partially exercise the option agreement to purchase 13.9% of shares in Mantra Resources Pty Limited for USD 150 million.

THE MANAGEMENT SYSTEM. INTERACTION WITH MINORITY SHAREHOLDERS

ARMZ Uranium Holding Company manages Uranium One Inc. in accordance with international best practices, with due respect for the rights of minority shareholders. The common goal of ARMZ and the minority shareholders of Uranium One Inc. is long-term growth in enterprise value.

Uranium One Inc. complies with Canadian corporate and security market laws, disclosure requirements, and the rules on engaging with minority shareholders.

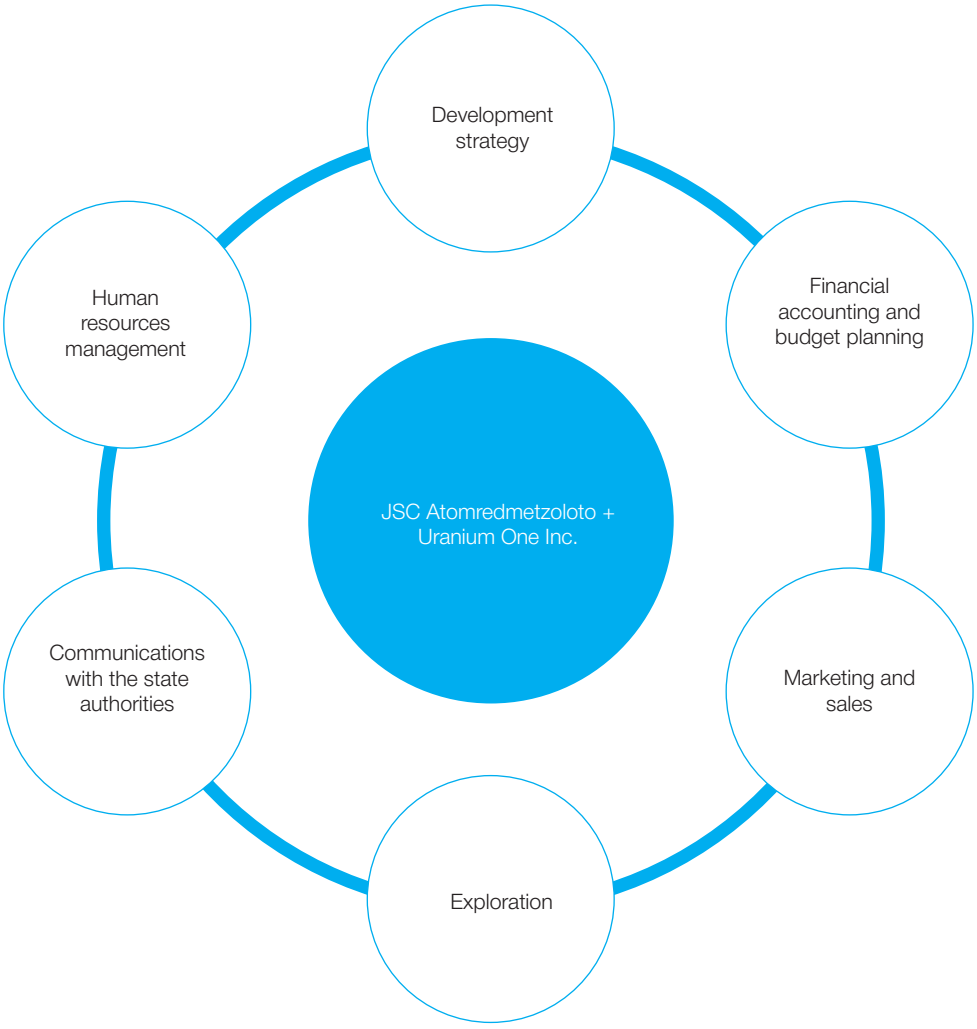
Uranium One Inc. is directly controlled by the Board of Directors, which in 2012 included:

- the CEO;
- the directors nominated by ARMZ and Uranium One Inc.;
- five independent directors, two of whom were nominated by ARMZ (under Canadian Securities Commission rules).

Independent directors are personally liable for their decisions, and act strictly in the interests of the Company while also ensuring compliance with the interests of Uranium One's minority shareholders. In particular, related-party transactions are subject to majority approval by the independent directors who have no stake in the transaction.

A cooperation and integration agreement was signed between ARMZ and Uranium One Inc. on 4 June 2012. The agreement sets out the general arrangements for coordinating and integrating the parties across six areas of activity – the compa-

P14 Main areas of integration of ARMZ and Uranium One Inc.



14 января 2013 года Урановый холдинг «АРМЗ» заключил соглашение о консолидации 100 % акций Uranium One Inc.

nies' development strategy, financial accounting and budget planning, marketing and sales, exploration, communications with the state authorities, and human resources management – and in addition extends the effective term of a number of corporate governance norms. These norms were set forth in the amended framework agreement dated 8 June 2010, signed by ARMZ on the consolidation of a controlling shareholding in Uranium One Inc.

PLANS FOR FURTHER INTERACTION BETWEEN ARMZ URANIUM HOLDING COMPANY AND URANIUM ONE INC. IN 2013

During 2012, JSC Atomredmetzoloto and Uranium One Inc. jointly performed the integration of Uranium One Inc. into the structure of ARMZ Uranium Holding Company. The plan for 2013 is to continue this work in a number of areas including strategy, marketing and sales, management of the mineral resources base, public relations (PR), and finance and accounting.

IMPORTANT INFORMATION ON EVENTS AFTER THE REPORTING PERIOD

In view of the situation in the natural uranium market, as well as the strategic and investment appeal of Uranium One Inc., on 14 January 2013 ARMZ Uranium Holding Company concluded an agreement on the consolidation of 100% of shares in Uranium One Inc.

The Company is an attractive investment asset, and the consolidation of 100% of shares makes it possible to develop Uranium One Inc. as a private company based on ARMZ's internal strategic plan – regardless of the rates of recovery of the stock market, which would be impossible with a publicly traded company.

Under the terms of the agreement, ARMZ acquires all ordinary shares of Uranium One Inc. not currently held by JSC Atomredmetzoloto and its affiliates at a price of CAD 2.86 per share. This price represents a 32% premium on the average cost of ordinary shares over the 20-day period ending on 11 January 2013 (the last day of trading before the announcement of the deal). Under the transaction, minority shareholders will receive a total of nearly CAD 1.3 billion for their securities.

On 7 March 2013 the transaction was approved by the shareholders of Uranium One Inc. at an extraordinary meeting. The agreement with ARMZ was passed by more than two-thirds of votes placed by the holders of ordinary shares, as well as the majority of minority shareholders. The transaction requires the approval of a number of regulatory bodies in Uranium One Inc. countries of operation. The deal is expected to be closed in 2013. A delisting of the shares of Uranium One Inc. will subsequently be performed.

OUTLOOK FOR THE FUTURE

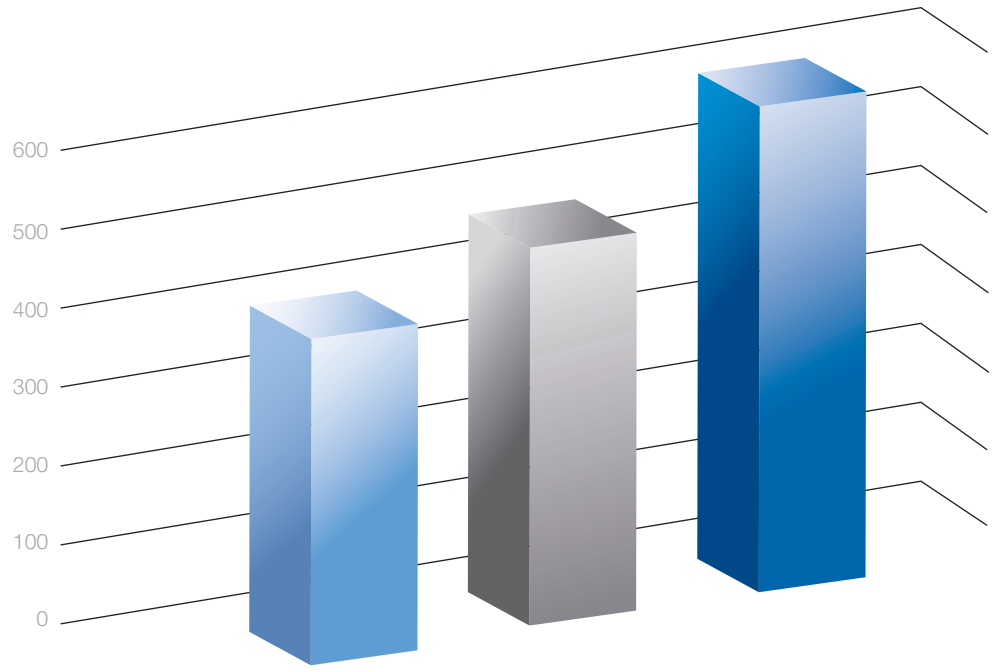
PROSPECTS FOR THE GLOBAL NUCLEAR INDUSTRY

In the global energy balance, nuclear energy today ranks fourth (14%), after coal (41%), gas (21%) and hydro power (16%).

The challenges encountered by the industry in 2011-2012 (the Fukushima accident and the resulting uncertainty surrounding the future of nuclear energy in Japan and several other countries) will not (as was expected) cause fundamental shifts in the global energy balance. Continued growth in demand for electricity (both from industry and the private sector), together with concerns over climate change decree a high demand for nuclear energy along with a systematic improvement in safety levels. Most countries have confirmed their commitment to developing nuclear energy, and continue to execute previously announced plans to build nuclear reactors.

The main regions where active construction of nuclear reactors is planned are China, India, the US and Russia, with additional centres of growth in South Korea and South Africa. A gradual reduction in nuclear reactor capacity is planned in Europe (mainly due to the abandonment of nuclear energy in Germany and its reorientation towards using renewable energy sources).

P15 Installed NPP capacity growth globally up to 2030, GW



Source: Rosatom State Corporation forecast.

2012 2020 2030

OUTLOOK FOR THE GLOBAL NATURAL URANIUM MARKET

The short- and medium-term market outlook will depend on fundamental factors (the adoption of necessary decisions and a genuine willingness to restore nuclear energy in Japan; implementation of plans to increase global reactor capacity; the scope and tempo of involvement of material from secondary sources, etc.)

In the long term, rising demand for natural uranium and the gradual depletion of the most cost-effective deposits will prompt companies to develop higher cash-cost deposits, thus ensuring a steady increase in natural uranium prices.

COMPANY DEVELOPMENT FORECAST

Up to 2030 JSC Atomredmetzoloto plans to retain its place among the top-three uranium mining companies in the world, by maximising its enterprise value for its shareholder, Rosatom State Corporation.

The sustainability of business will be ensured by optimising the project portfolio, diversification by stages of the life cycle, geography, mining methods and other parameters based on cost-effectiveness criteria.

MOBILE FILLING STATIONS

There were projects in the USSR to create mobile filling stations to provide energy to civil and military objects in remote regions of the Far North and Siberia. In future scientists may wish to return to this project, implementing it on a whole new technological level.

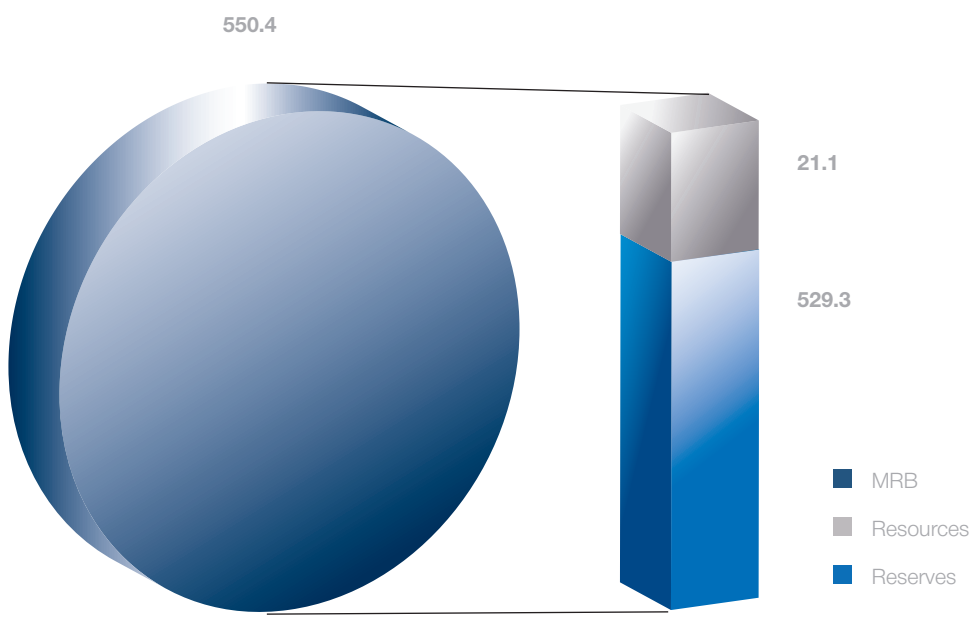
PRODUCTION

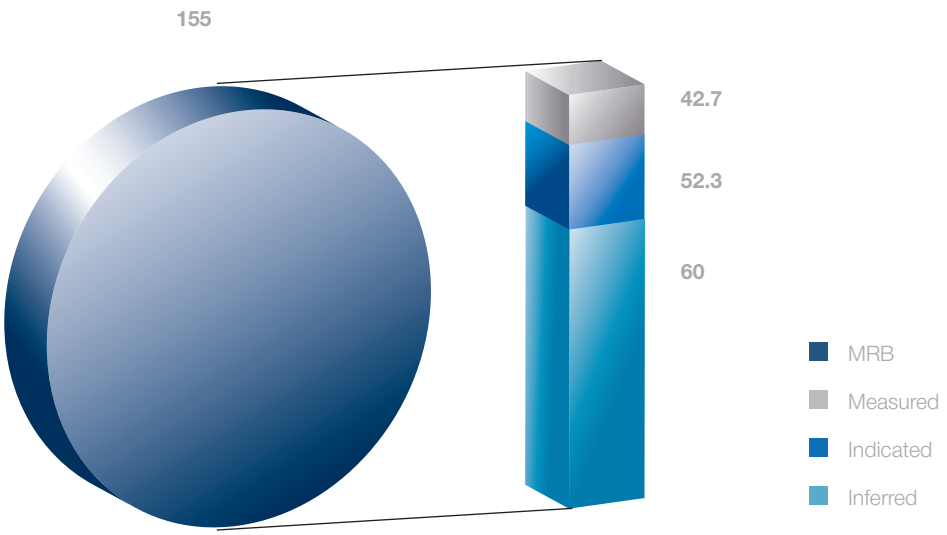
A significant part of ARMZ's production efforts during 2012 were aimed at implementing a set of measures at JSC PIMCU to stabilise production at 2000 tonnes a year and to improve the cost effectiveness of the union's work. As a result of the measures taken, JSC PIMCU reached its production plans in key areas. The uranium production plan was met at 102.6% (2,120 tonnes), and ore production at 105.5% (1,804 thousand tonnes). Target output of uranium was met at 100% (2,001 tonnes).
Concurrently, the active construction of the JSC Khiagda facilities continued throughout the year.

DEVELOPMENT OF THE MINERAL RESOURCE BASE

ARMZ's stable development depends to a large extent on supplying the Holding Company's production programme with the necessary raw materials and commercial reserves sufficient for stable growth.

P16 Reserves and resources of ARMZ companies in Russia as of 1 January 2013, '000 tonnes





P17 Mineral resource base of Uranium One Inc. ('000 tonnes)*

On 1 January 2013 ARMZ Uranium Holding had the second largest mineral resource base (MRB) among the world's largest uranium mining companies. The Holding Company is working in the following areas to maintain these positions:

- exploration to prepare commercial reserves for production
- the licensing of new fields
- acquiring uranium fields with a low cost of production (up to USD 80 per kg)
- searching for new (primarily hydrogenous) fields

T03 Reserves and resources of ARMZ companies in Russia as of 1 January 2013, '000 tonnes

COMPANY	RESERVES	RESOURCES	TOTAL MRB
JSC PIMCU	111.1		111.1
JSC Dalur	10.7	6.5	17.2
JSC Khiagda	31.9	14.6	46.5
JSC Elkon MMP	357.1		357.1
JSC OMCC	13.5		13.5
JSC UMC Gornoe	4.6		4.6
JSC Lunnoe	0.4		0.4
Total	529.3	21.1	550.4

* Based on the data of Uranium One Inc., including the mineral resource base of the Mkuju River project (100%).

T04 Uranium mineral resource base of Uranium One Inc. in Kazakhstan, tonnes*

COMPANY	MINE	SHARE OF URANIUM ONE INC.	CATEGORY				TOTAL
			$B+C_1$	C_2	$B+C_1+C_2$	R_1	
LLP Betpak Dala	Akdala Mine	Total reserves and resources	2,135	5,920	8,055	1,470	9,525
		Share of Uranium1	1,494	4,144	5,638	1,029	6,667
	South Inkai Mine	Total reserves and resources	15,181	35,156	50,337	30,431	80,768
		Share of Uranium1	10,627	24,609	35,236	21,302	56,538
Karatau	Karatau Mine	Total reserves and resources	2,890	12,662	15,552	32,428	47,980
		Share of Uranium1	1,445	6,331	7,776	16,214	23,990
JSC JV Akbastau	Akbastau Mine	Total reserves and resources	13,830	29,664	43,494	42,540	86,034
		Share of Uranium1	6,915	14,601	21,516	21,270	42,786
ZARECHNOYE	Zarechnoye Mine	Total reserves and resources	11,013	4,394	15,407	22,760	38,167
		Share of Uranium1	5,470	2,183	7,653	11,305	18,958
	South Zarechnoye Mine	Total reserves and resources	0	1,427	1,427	4,600	6,027
		Share of Uranium1	0	709	709	2,285	2,994
LLP Kyzylkum	Kharasan-1 Mine	Total reserves and resources	5,050	27,766	32,816	54,192	87,008
		Share of Uranium1	1,515	8,330	9,845	16,258	26,103
Total for Kazakhstan		Share of Uranium1	27,466	60,907	88,373	73,448	161,821

EXPLORATION

All exploration work performed by ARMZ and its subsidiaries is performed in accordance with the laws on the environment and occupational and industrial safety. Site restoration work is performed after the completion of exploration.

In 2012 exploration was performed at the Elkon uranium mining region fields, the Khiagda ore field and at the Dalmatovskoye and Berezovoye fields. Total investments amounted to RUB 835.3 million, and the growth in reserves was 40.9 thousand tonnes of uranium. No compliance notices were received from the Federal Service for Supervision of Natural Resource Management

* According to official accounts of the enterprises (form 8GR).

(Rosprirodnadzor) during the implementation of these measures.

Main activities and results of 2012

- Uranium reserves at the fields of JSC Elkon MMP in the Southern Zone (Elkon, the Elkon plateau, Kurgung, Neprokhodimoye, and Druzhnoye) and the Severnoye fields were restated, leading to a growth in C1+C2 reserves of 40.8 thousand tonnes.

- The uranium reserves at the Dalmatovskoye field (JSC Dalur) were determined, leading to a growth in C1+C2 reserves of 100 tonnes.

- As a result of exploration and a revaluation performed at the Nyota deposit in Tanzania, the total amount of the resource base increased by 27%, from 119.4 to 152.1 million pounds of U3O8 (~58.5 thousand tonnes of uranium). In this regard, the explored reserves in the Measured&Indicated category increased by 33%, to 124.6 million pounds of U3O8 (~47.9 thousand tonnes of uranium).

- Growth of 2.5 thousand tonnes in the Inferred category of reserves was obtained based on the results of exploration at the Goulds Dam and Yarramba plots in Australia.

- LLP Karatau. Detailed exploration of plot No. 2 at the Budenovskoye field was completed, and the geological report on the transfer of reserves from category R1 to category C1 and C2 was submitted to the SRC of the Republic of Kazakhstan.

- JSC JV Akbastau. Detailed exploration continued at plots No. 1, 3 and 4 of the Budenovskoye field, where 124 exploratory wells were drilled. The feasibility study on permanent exploratory standards and the report on the calculation of reserves were presented at the SRC of the Republic of Kazakhstan, leading to a growth in category C1 and C2 reserves at plots No. 3 and 4.

- LLP JV Betpak Dala (South Inkai Mine). A report on the detailed study of the transfer of uranium reserves from category C2 to C1 was presented at the SRC of the Republic of Kazakhstan.

Plans for 2013

- Obtain a licence for exploration and uranium mining at the Khokhlovskoye field by JSC Dalur.

- Explore and renew a uranium mining pilot survey at the Khokhlovskoye field.

- Continue exploration of the Nyota deposit in Tanzania to identify new resources and transfer resources from the category Inferred to the category Measured&Indicated; continue greenfield exploration work near the Nyota deposit and at new plots of the Mkuju River; perform a pilot survey to study the option of using the underground in-situ leaching method.

- Complete a feasibility study on the Mkuju River project in Tanzania.

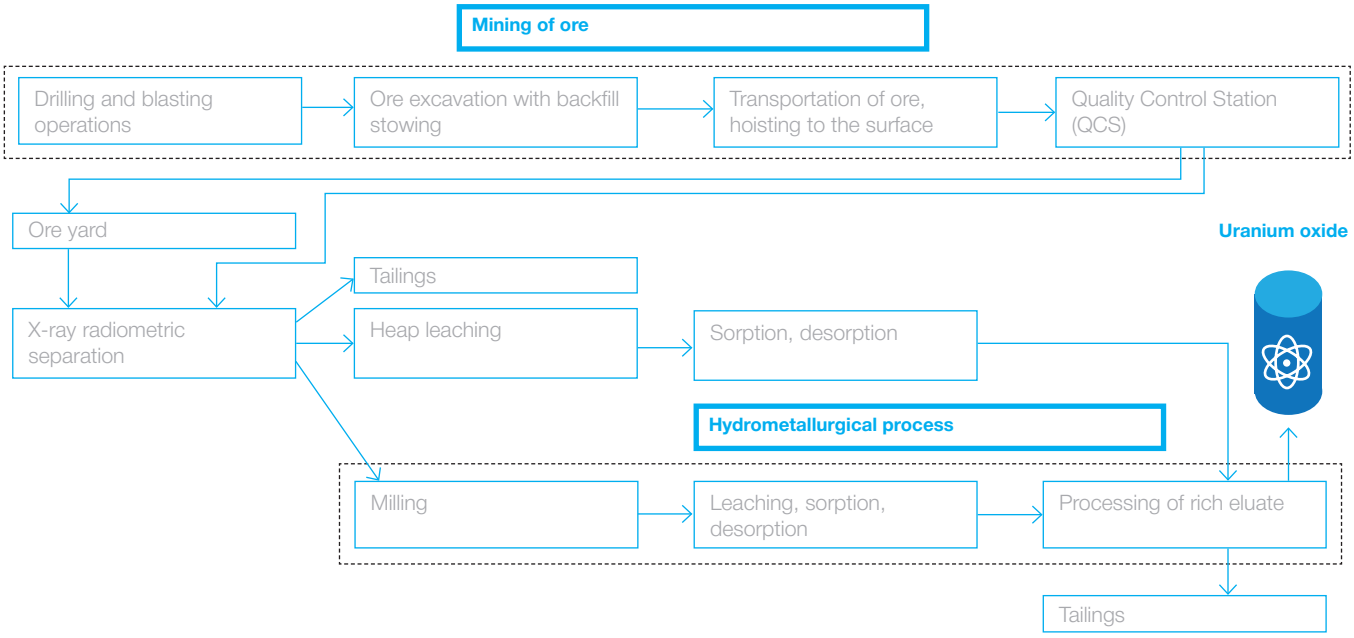
- Obtain a licence to develop the Mkuju River project.

URANIUM PRODUCTION

The key objective of the Holding Company's uranium mining facilities is to meet the raw material needs of Rosatom State Corporation and to consolidate the positions of the Russian nuclear industry in all segments of the nuclear fuel cycle.

URANIUM MINING METHODS

JSC PIMCU mines uranium using the subsurface mining method, and is carrying out work to introduce a new mining method, block in-situ leaching, as part of its R&D.



P18 Diagram of uranium mining at JSC PIMCU

P19 Aspects of the impact of the technological cycle on sustainable development

STAGE	PROCESS STAGE	ECONOMIC ASPECT	SOCIAL ASPECT	ENVIRONMENTAL ASPECT
		JSC PIMCU		
1	Drilling and blasting operations			
2	Ore excavation with backfill stowing			
3	Transportation of ore, hoisting to the surface			
4	Quality Control Station (QCS)			
5	Ore yard			
6	X-ray radiometric separation			
7	Tailings			
8	Heap leaching			
9	Sorption, desorption			

10	Milling			
11	Leaching, sorption, desorption			
12	Processing of rich eluate			
13	Tailings			

At JSC Khiagda and JSC Dalur, and at Uranium One Inc. companies in Kazakhstan, mining is performed using the underground in-situ leaching method, the most environmentally friendly and safe uranium mining method with a closed, zero-waste production cycle.

P20 Diagram of uranium mining at JSC Khiagda and JSC Dalur

P21 Aspects of the impact of the technological cycle on sustainable development

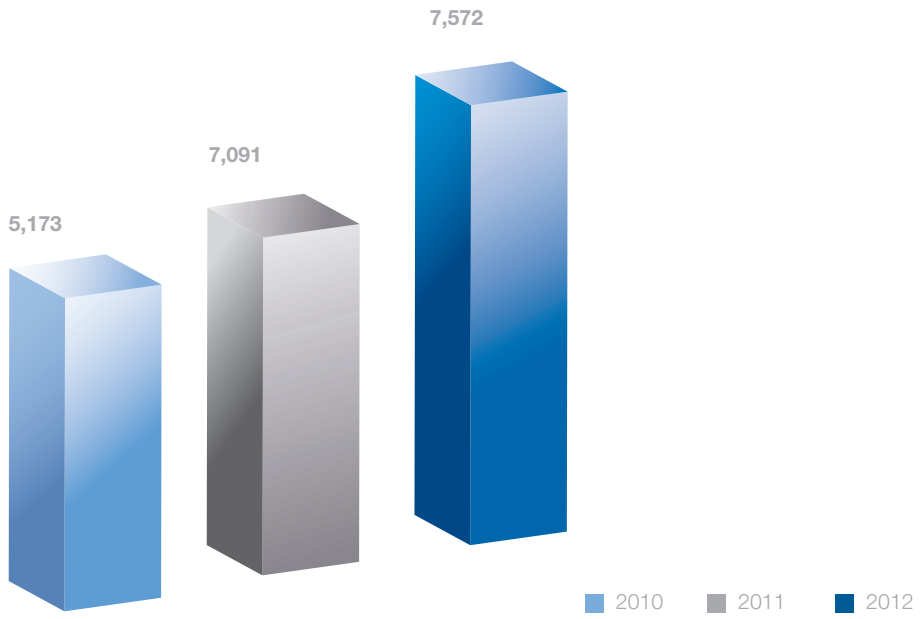
STAGE	PROCESS STAGE	ECONOMIC ASPECT	SOCIAL ASPECT	ENVIRONMENTAL ASPECT
		JSC Dalur and JSC Khiagda		
1	Drilling, construction and hookup of production wells			
2	Acidification of ore bodies, leaching			
3	Pumping and feed of pregnant solutions for sorption			
4	Processing of solutions, sorption, desorption			
5	Processing of rich eluate			

maximum impact
moderate impact
minimum impact
strong impact
weak impact

GROWTH IN PRODUCTION VOLUME

The Holding Company increases the volume of uranium production from year to year. Growth of 46% was witnessed from 2010 to 2012. Average annual growth during these three years was 20.5%. The expansion of the company's presence in the global market through the consolidation of a controlling shareholding in Uranium One Inc. has become a key driver.

Uranium production in 2010-2012, tonnes



ASSET	2010	2011	2012
Russian companies of ARMZ			
JSC PIMCU	2,920	2,191	2,001
JSC Dalur	507.8	535.2	529.1
JSC Khiagda	135.1	266.4	331.7
Companies of Uranium One Inc.			
LLP Betpak Dala* (South Inkai)	-	1,083.8	1,309
Karatau*	854.2**	1,087.3	1,067.6
LLP Betpak Dala* (Akdala)	-	780	766.5
JSC JV Akbastau*	369.8	552.7	601.3
ZARECHNOYE*	386.5	364.6	467.8
Willow Creek	-	82.6	239
LLP Kyzylkum (Kharasan)*	-	128	174.6
Honeymoon*	-	19.6	84.6
Total	5,173.4	7,091.2	7,572.2

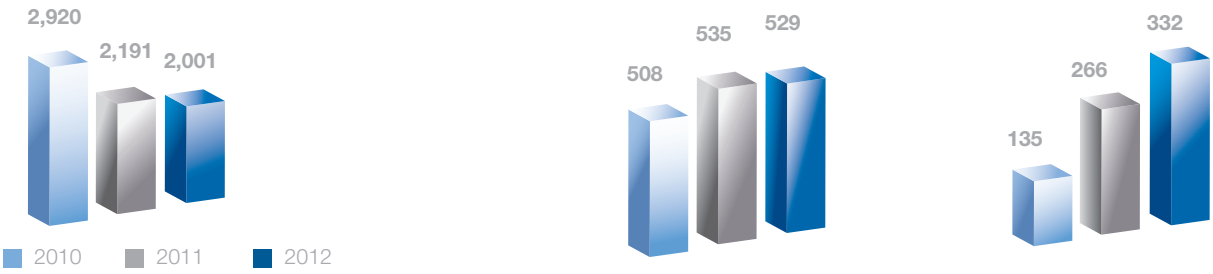
* With due account for the share in corresponding company.
** According to the off-take contract.

Uranium production by the Russian companies of ARMZ Uranium Holding Company

COMPANY

JSC PIMCU	JSC Dalur	JSC Khiagda

Uranium production in 2010-2012, tonnes



Total for 2012

JSC PIMCU	JSC Dalur	JSC Khiagda
The decline in production observed over the past few years is due to the depletion of ores and a number of other systemic problems. A set of measures aimed at improving operating efficiency was implemented during the reporting year to stabilise annual production at 2,000 tonnes. Generation of electricity and heat at JSC PIMCU is performed by the cogeneration plant, which is powered by coal mined at the company's own open-pit mine of the Urtiuskoye mine group (3.1 million tonnes of coal mined in 2012). The cogeneration plant needs ~1.5 million tonnes of coal a year to generate electricity, and the remaining 1.6 million tonnes mined in 2012 were sold to outside consumers. Key events of the reporting year were preparing a comprehensive medium-term development programme for JSC PIMCU and its approval by Rosatom State Corporation, and the start of operations at facilities of the first stage of development of mine No. 8, with an annual capacity of 100 thousand tonnes. Work also began on preparations to construct mine No. 6. The implementation of these projects will continue in 2013.	In 2012 work was completed on the development and implementation of the quality management system and the environmental management system. Certificates of compliance with international standards ISO 9001:2008 and ISO 14001:2004 were issued based on the results of the external (certification) audit.	Production increased by 24.8% compared to 2011. The construction of the company's facilities continued throughout the year. A key event was the performance by the Finnish company Fortum of an environmental audit of the company as part of its cooperation with ARMZ Uranium Holding Company on monitoring the nuclear fuel supply cycle. In the audit results Fortum noted that JSC Khiagda is striving for the integrated development of quality management, environmental protection, and health and safety systems.

Plans for 2013

JSC PIMCU	JSC Dalur	JSC Khiagda
▪ Continued construction of facilities at Mine No. 8. ▪ Continued implementation of the mine No. 6 project. ▪ Increase in uranium production to 2,133 tonnes. ▪ Preparation for certification of quality management systems that meet the requirements of the international standards ISO 9001:2008 and ISO 14001:2004. ▪ Assimilation by companies of high-performance (high-speed) headway methods. ▪ Implementation of the strategy to upgrade backfill stowing facilities. ▪ Exploration as part of the resurvey of boundaries and deep horizons of producing deposits in the Streltsovsky ore field.	▪ Launch of a pilot installation for ancillary production of bulk concentrate of rare-earth metals (REM) from pregnant solutions extracted during uranium mining. ▪ Increase in uranium production to 560 tonnes. ▪ Continued implementation of R&D to optimise underground in-situ leaching technology, to reduce expenses on reagents at all stages of block development.	▪ Increase in uranium production to 440 tonnes. ▪ Completion of construction of start-up complex facilities. ▪ Completion of resurvey of the Khiagda deposit. ▪ Preparation for certification of quality management systems that meet the requirements of international standards ISO 9001:2008 and ISO 14001:2004.

COMPANY		
JSC PIMCU	JSC Dalur	JSC Khiagda
Long-term plans and outlook		
Implementation of measures of the comprehensive medium-term development programme for JSC PIMCU.	Start of commercial development of the Khokhovskoye field.	Completion of construction of the company.
Finished products		
Uranium oxide	Natural uranium concentrate (yellow cake)	

URANIUM PRODUCTION BY URANIUM ONE INC. COMPANIES

Production increased at Uranium One Inc. companies in 2012. Total uranium production by these companies, taking into account the share of allocated production, stood at 4,710 tonnes of uranium.

T05 Summary table for Uranium One Inc. companies****

LOCATION	COMPANY*	URANIUM PRODUCTION IN 2012, TONNES	SHARE OF URANIUM ONE INC.	SHARE OF URANIUM ONE INC. IN TOTAL PRODUCTION, TONNES	RESTRICTIONS UNDER THE URANIUM MINING LICENCE, '000 TONNES/YEAR	MAIN URANIUM MINING METHOD***
Kazakhstan	LLP Betpak Dala (Akdala) *	1,095	70%	766	1,000	ISL
	LLP Betpak Dala (S. Inkai) *	1,870	70%	1,309	2,000	ISL
	Karatau*	2,135	50%	1,068	2,000	ISL
	JSC JV Akbastau*	1,203	50%	601	1,920	ISL
	ZARECHNOYE*	942	49.67%	468	-	ISL
	LLP Kyzylkum (Kharasan) *	582	30%	175	3,000	ISL
Australia	Honeymoon Project	85	100%	85	-	ISL
US	Willow Creek Project	239	100%	239	-	ISL

* For a more detailed description of each mine, see the Uranium production by Uranium One Inc. companies section of ARMZ's 2011 annual report (pages 48-66).
** Information on the uranium reserves of these mines is given in the Uranium mineral resource base by Uranium One Inc. company in Kazakhstan, tonnes table of this section. Uranium reserves at Uranium One Inc. Company companies.
*** ISL – in-situ leaching method.
**** Data rounded off.

NEW PROJECTS*

The Holding Company continued to develop new projects in view of the strategic importance they hold for the diversification of ARMZ's business and the development of its production.

COMPANY			
ELKON	Lunnoe		
JSC Elkon MMP	JSC Lunnoe		
Region			
Republic of Sakha (Yakutia)	Republic of Sakha (Yakutia)		
C_1+C_2 reserves, tonnes			
U	U	AU	AG
357,146	408	3	36.2
Uranium content			
U	U	AU	AG
0.150%	0.054%	3.9 g/t	47.5 g/t
2012 results			
▪ Subsoil use rights based on a licence for subsoil exploration and the mining of uranium at the Interesnaya Zone deposits was terminated in the summer of 2012. The licence was returned to the Subsoil Management Department for the Republic of Sakha (Yakutia) (Yakutnedra) **. ▪ The Steering Committee of JSC Development Corporation of South Yakutia and the Government of the Republic of Sakha (Yakutia) sent a letter to Rosatom State Corporation requesting to postpone the design deadlines until 2019 and to initiate procedures to make the relevant amendments to Resolution No. 302-r of the Government of the Russian Federation dated 10 March 2009.	▪ Exploration work resulting in the current estimate of gold and uranium reserves in 2008-2012 was completed. ▪ The first gold, in the amount of 250 kg, was produced in 2012. ▪ Under the pilot production project, JSC Lunnoe began mining work for the mining and processing of uranium-bearing ore.		
Plans for 2013			
▪ To prepare and send the case for amendments to the terms of the effective licences to Yakutnedra. To make amendments to the licensing terms. ▪ To perform environmental monitoring at the licence blocks of the uranium fields of the Elkon uranium ore region.	▪ To produce 500 kg of gold.		

* A detailed description of the projects was provided in the 2011 ARMZ annual report (pages 59-61).
** Performed due to the need to optimise the project's economic indicators.

COMPANY	
Berezovoye-Gornoe	Olovskoye
JSC UMC Gornoe*	JSC OMCC
Region	
Trans-Baikal Territory	Trans-Baikal Territory
Uranium reserves	
C_1+C_2	C_1+C_2
4,613	13,535
Uranium content	
0.147%	0.082%
Results for 2012	
▪ Criticisms from the Federal Subsoil Management Agency (Rosnedra), based on the results of audits of the compliance of the licence agreements on the Berezovoye and Gornoe fields, were eliminated.	▪ A project was prepared and site restoration performed at existing mine openings and dump sites at the Olovskoye field.
Plans for 2013	
▪ Preparation of the pilot development project (PDP) for the Berezovoye field, in the amount of up to 600 thousand tonnes of ore by the end of 2015. ▪ State expert appraisal of the pilot development project (PDP) for the Berezovoye field.	▪ The Company plans to continue work to find a co-investor for the project.

SERVICE COMPANIES

COMPANY			
RUSBURMASH INC	LLP JV RBM-KAZAKHSTAN	LLC USC ARMZ	JSC VNIPIPROMTECHNOLOGII
Services provided by the company			
▪ The full line of exploration work. ▪ Drilling and construction of wells for various purposes and of varying levels of difficulty (except gas and oil wells)	▪ Drilling of exploratory wells. ▪ Construction of production wells at the uranium fields of the South Kazakhstan Province of the Republic of Kazakhstan.	▪ Supplies of primary and other commodities and equipment to ensure an uninterrupted production cycle at uranium mining companies.	▪ Scientific research. ▪ Integrated design of companies of the mining industry and facilities for disposal of radioactive materials in Russia and abroad.
Key indicators and achievements in 2012			
▪ The planned exploration programme for ARMZ companies was performed in full. ▪ The following were developed and presented at the SRC: a feasibility study on justifying exploratory standards, a report on exploration with an estimate for the group of gold and uranium fields of the Southern Zone (Elkon, the Elkon plateau, Kurgung, Neprokhodimoye, and Druzhnoye); a report on exploration with a current estimate for fields of the North Elkon ore region.	▪ The amount of work increased by 15%. ▪ An in-house service for repair and reclamation work was created.	▪ Procurement procedures at Russian companies of ARMZ were organised and effectively supported. ▪ Export shipments of sulphuric acid in leased rolling stock were organised to cover the deficit of chemical reagents at companies in Kazakhstan. ▪ The number of thermal coal shipments from the Urtuysky open-pit mine (JSC PIMCU) inside Russia increased.	▪ Design documentation on the expansion of the company at the Khiagda deposit (the development project for the Istochnoye field) was drafted. ▪ Work continued on implementing the EurAsEC programme to restore the territories of former uranium production facilities in areas of the former Soviet Union. ▪ The implementation of a large-scale project on radiation safety and the handling of radioactive waste began on the orders of FSUE National Operation for the Management of Radioactive Waste

* The Gornoe project was suspended based on a decision of the Company's Investment Committee.

COMPANY			
RUSBURMASH INC	LLP JV RBM-KAZAKHSTAN	LLC USC ARMZ	JSC VNIPIPROMTECHNOLOGII
▪ A feasibility study on justifying exploratory standards for the group of uranium deposits of the Khiagda ore field (8 deposits, including Khiagda, Istochnoye, Kolichikanskoye, Dybrynskoye, Namaruskoye, Koretkondinskoye and Vershinnoye) was drafted and presented at the SRC. ▪ The first stage of pilot hydrogeological and wellfield works at the sandstone-hosted uranium deposit in Tanzania. ▪ For the purposes of carrying out exploration projects in the Republic of Kazakhstan, a branch of the company was established in Almaty. Required permits and licences for geological maintanenceat deposits were received.			
Plans for 2013 and long-term outlook			
▪ Implementing the programme to improve production efficiency in order to reduce the cost of drilling. ▪ Diversification of business, entry into foreign markets for solid minerals exploration and drilling services, development of new service areas. ▪ Strengthening the company's exploration and drilling work market positions in Russia and the former Soviet Union, based on a high quality-to-cost indicator. ▪ Improving the company's competitiveness through organisational efficiency and use of innovations.	▪ Improving production efficiency, reducing the cost of drilling work. ▪ Expanding the scope of services provided to meet the needs of companies of the uranium industry. ▪ Entry onto the drilling for solid minerals market in Kazakhstan.	▪ Increasing the amount and expansion of the assortment of shipments of strategic materials to the Holding Company's Russian mining companies. ▪ Organising uninterrupted shipments of inventories to the Holding Company's Russian mining companies under urgent emergency shipments. ▪ Minimising the cost of inventory shipments for the Holding Company's Russian mining companies. ▪ Organising the process of selling mined coal to external consumers.	▪ Implementing the project for creating an Engineering Centre. ▪ Developing the concept of an Automated Design System. ▪ Developing design and planning based on mining simulation analysis.

JSC SY Corporation

The Corporation is engaged in the Integrated Development of South Yakutia (IDSY) investment project, coordinated by the Government of the Republic of Sakha (Yakutia).

Based on public-private partnership principles, the project involves the setting up of a new large industrial area with a focus on a high-level processing of minerals.

One of the key IDSY projects is the construction of the Elkon MMP, which was added to the list of projects funded by the Investment Fund of the Russian Federation.

PROJECTS WITH NON-NUCLEAR MATERIALS

(including rare-earth metals)

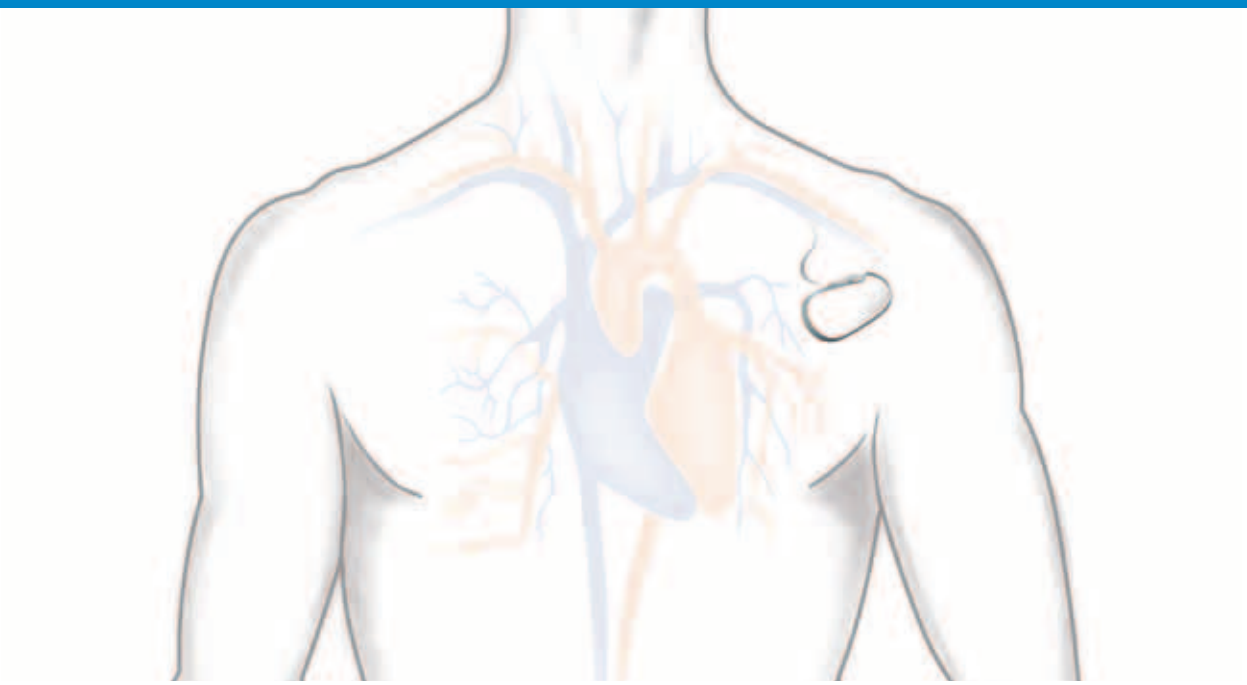
Rare-earth metals are mined under the initiative to diversify business through the inclusion into the business of strategic and innovative materials*.

COMPANY		
Pavlovskoye	REM production development	Ancillary REM production
Description		
The Pavlovskoye project stipulates the creation of a cost-effective production complex based on the Pavlovskoye silver-bearing lead-zinc deposit (Bezymyansky ore cluster, Southern islands of the Novaya Zemlya archipelago, Arkhangelsk Region), which with a mineral resource base of 9.5 million tonnes of ore (C1+C2 reserves, forecast P1+P2 resources) is among the five largest globally. The subsoil use licence for this subsoil plot is owned by JSC First Ore-Mining Company**.	This project is aimed at creating a high-technology, cost-effective vertically integrated full-cycle company specialising in the mining of rare-earth metals and the manufacture of products based on these metals.	The Ancillary production of the rare-earth metals project stipulates the creation of a complex for auxiliary mining of bulk REM oxide concentrate from pregnant solutions extracted during uranium mining at JSC Dalur.
Results for 2012		
▪ ARMZ acquired 99.5% of shares in JSC First Ore-Mining Company. ▪ An amendment request was sent on the introduction of amendments to extend the subsoil use licence to the subsoil plot. ▪ The receipt by JSC First Ore-Mining Company of approval from the Russian Ministry of Defence to perform business activity on the licence plot was initiated.	▪ As part of project implementation, JSC Atomredmetzoloto acted as the centre of competence of Rosatom State Corporation during development of the Development and Improvement of its Competitiveness state industry programme, approved by Resolution No. 2539/r of the Government of the Russian Federation dated 27 December 2012. ▪ The Company studied various options for expanding its own REM competencies.	▪ The technology for ancillary production of bulk REM oxide concentrates from pregnant solutions extracted during uranium mining was developed. ▪ The pilot installation for ancillary production of bulk REM oxide concentrates from pregnant solutions extracted during uranium mining was designed and created. Work began on the assembly of pilot installation at the JSC Dalur production site.
Plans for 2013		
▪ Perform Greenfield exploration work at the licence plot. ▪ Obtain a licence for exploration and development of a subsoil plot at the Pavlovskoye deposit. ▪ Consolidation of 100% of shares in JSC First Ore-Mining Company.	▪ Continue work to receive state support and allocation of special-purpose financing from the federal budget. ▪ Perform R&D work on the production of rare-earth metals.	▪ Launch and start test operation of the pilot installation to confirm the effectiveness of developed technology for the ancillary production of rare-earth metals from solutions extracted during uranium mining. ▪ Continue studying options for industrial ancillary production of bulk REM concentrate from solutions extracted during uranium mining.

* See the Investment section.
** Reserves of the Pavlovskoye project.

CATEGORY	LEAD, '000 TONNES	ZINC, '000 TONNES	SILVER, '000 TONNES
C_1	12.5	57.5	0.0208
C_2	440.9	1,909.7	0.6507
Total	453.4	1,967.2	0.6715

INNOVATION AND PERFORMANCE MANAGEMENT



NUCLEAR-POWERED PACEMAKERS

In future, nuclear-powered pacemakers may be able to work for decades without needing to be replaced.

PERFORMANCE MANAGEMENT

Performance management* is one of ARMZ's key strategic objectives. Work in this area is organised based on the principles of enterprise value management, and is aimed at improving productivity and cutting costs. The main areas of activity in this regard are the implementation of the Rosatom Production System (RPS)**, the focus of which is improving the efficiency of production and management processes at companies of the Holding Company, and strengthening control over the use of energy resources.

IMPLEMENTATION OF RPS PROJECTS

Implementation of RPS projects at Holding Company companies began in October 2011. In 2012 work under the RPS was aimed at involving teams in the RPS culture, forming teams and identifying production system leaders. The performance of comprehensive production diagnostics for subsequent improvement of business processes was another goal set during the reporting year. Based on the results for 2012, over 500 people, or more than 4% of all Holding Company employees, took part in the implementation of this initiative. 26 people were recognised as RPS leaders.

Key achievements of work under the RPS included:

- The optimisation of seven production flows of key products.
- The delivery of scrap metal and the sale of non-liquid assets worth more than RUB 1 million.
- Freeing up more than 4.5 thousand m^2 of production area and 1.4 thousand m^2 of warehouse space.

At the company level, in particular at JSC PIMCU, the ore-mining process was streamlined at the Gluboky mine. In addition, as part of a comprehensive production optimisation project, JSC PIMCU conducted a series of brainstorming sessions with the participation of four subsidiaries – HMP, PCU, SMB and BUM. As a result, 70 initiatives were selected to make up the company's performance improvement programme.

The overall actual effect of measures implemented over the year at JSC PIMCU amounted to approximately RUB 95 million.

Key results of implementing the RPS at other Holding Company companies were as follows:

- At JSC Dalur, work process standardisation was performed at the end-product shipping yard.
- At JSC Khiagda, work process standardisation was performed at the end-product warehouse.
- At RUSBURMASH INC, the EAU Khiagda Drill Site warehouse was optimised.

* A set of management processes (planning, organisation of performance, monitoring and analysis) which make it possible to determine strategic goals and then assess and manage the activity to achieve these goals via optimal use of available resources.
** Detailed information on the Rosatom Production System was given in the ARMZ 2011 annual report (page 72).

Plans for 2013

The Holding Company's plans for 2013 include continued work under the RPS in three key areas: production, business process efficiency, and administrative efficiency.

OTHER PERFORMANCE MANAGEMENT RESULTS AT HOLDING COMPANY ENTERPRISES IN 2012

- A medium-term development programme was drafted and a development strategy was established for JSC PIMCU for the period up to 2020 (more detailed information can be found in the Development strategy and investment section).
- The actual productivity of a stope miner exceeded planned productivity by 5%, and actual results in 2011 by 14%.
- The risk of not meeting production targets has been reduced significantly, through:
  - hiring highly qualified staff (875 people), apprentices (718 people), and the professional development and training of staff (623 people);
  - an influx of resources (equipment and materials).
- A strategy for upgrading backfill stowing facilities was developed and approved.

COMPREHENSIVE PROGRAMME FOR ENERGY CONSERVATION AND IMPROVED ENERGY PERFORMANCE

One of ARMZ's most important areas of activity is improving the energy efficiency of production. The main sources of electricity for the Holding Company's Russian entities in 2012 were coal and natural gas, from which 6,474 TJ of electricity was generated and consumed.

JSC PIMCU was the most energy-intensive company in the Russian Federation in 2010-2012, with an average consumption of 594 million KW/h per year. The average consumption of electricity at JSC Dalur and JSC Khiagda was 30 and 12 million KW/h, respectively. No other renewable or non-renewable energy sources were used at any company. 3 million KW of intermediate energy, generated outside the organisation, was purchased by JSC Dalur. In this regard, more than 6.3 million KW/h (64 TJ) of electricity was conserved over the course of 2012 compared to 2009*. The Russian company JSC PIMCU also managed to reduce emissions of CO_2 equivalent into the atmosphere by 108 thousand tonnes, through a reduction in indirect fuel consumption** by 70.4 thousand tonnes.

* The year 2009 was established as the base period, pursuant to Order No. 1/676-P of Rosatom State Corporation dated 9 August 2011.
** Indirect fuel consumption is determined as the amount of fuel consumed under subcontracting agreements, during business travel and the travel of employees to and from work.

T06 Gross energy consumption by major production facilities of ARMZ, direct energy use, terajoules

1 – YEAR, 2 – COMPANY, 3 – COAL, TJ, 4 – '000 RUB, 5 – FUEL OIL, TJ, 6 – '000 RUB, 7 – NATURAL GAS, TJ, 8 – '000 RUB, 9 – ELECTRICITY, TJ, 10 – '000 RUB, 11 – PETROL, TJ, 12 – '000 RUB, 13 – DIESEL FUEL, TJ, 14 – '000 RUB

1	2	3	4	5	6	7	8	9	10	11	12	13	14
2010													
	JSC Atom-redmetzoloto	0	0	0	0	0	0	11.22	4,282	0	0	0	0
	JSC PIMCU	22,481.03	488,737	138.45	37,517	0	0	6,117.01	336,194	16.62	9,056	224.45	99,403
	JSC Dalur	0	0	0	0	50.06	4,537	324.55	81,875	10.1	5,045	20.95	9,146
	JSC Khiagda	23.4	4,043	0	0	0	0	99.59	22,810	4.85	2,451	26.86	14,751
	Total	**22,504.43**	**492,780**	**138.45**	**37,517**	**50.06**	**4,537**	**6,552.37**	**445,161**	**31.57**	**16,552**	**272.26**	**123,300**
2011													
	JSC Atom-redmetzoloto	0	0	0	0	0	0	11.23	4,458	0	0	0	0
	JSC PIMCU	20,484.27	529,538	33.28	8,672	0	0	5,874.36	669,997	17.31	11,777	207.02	123,161
	JSC Dalur	0	0	0	0	46.13	4,432	280.02	84,739	9.6	5,954	19.6	11,241
	JSC Khiagda	20.26	3,493	0	0	0	0	114.04	34,342	4.85	3,334	31.46	22,905
	Total	**20,504.53**	**533,031**	**33.28**	**8,672**	**46.13**	**4,432**	**6,279.65**	**793,536**	**31.76**	**21,065**	**258.08**	**157,307**
2012													
	JSC Atom-redmetzoloto	0	0	0	0	0	0	12.29	4,069	7.46	5,539	0	0
	JSC PIMCU	20,145.00	555,760	32.90	10,833	0	0	6,009.71	715,132	19.63	16,231	230.15	171,272
	JSC Dalur	0	0	0	0	45.93	4,738	292.33	85,163	6.9	4,798	15.6	10,376
	JSC Khiagda	23.54	3,417	0	0	0	0	184.29	48,106	4.49	3,978	34.04	33,234
	Total	**20,168.54**	**559,177**	**32.90**	**10,833**	**45.93**	**4,738**	**6,498.62**	**852,470**	**38.48**	**30,546**	**279.79**	**214,882**

Three types of projects were implemented under the programme for energy conservation and continued reduction of energy costs (the planned year-on-year reduction should equal 17.4% in 2013):

- an upgrade of the site lighting system was performed to reduce energy consumption by 25% (project estimate) at JSC PIMCU. The actual assessment will be received at the end of 2013.
- to rule out the possibility of standing idle in case of an emergency shutdown of electricity, the equipment used to ensure a switch to a stand-by power supply was replaced.
- To regulate the risks of an unscheduled use of energy resources at JSC PIMCU, an energy metering system was installed and the relay protection and controls were overhauled.

The programme's implementation will contribute to resolving the issue of global warming and neutralising the risks of standing idle in the event of an emergency shutdown of electricity. In 2012 idle time made up 0% of overall working hours.

INNOVATION

Expenses on innovation projects, including R&D, totalled RUB 226 million in 2012, RUB 110 million of which was allocated for the advancement of R&D. There was a 44% growth in financing compared to the previous year. The innovation projects of JSC Atomredmetzoloto were financed using the Holding Company's own funds.

Work was performed under 42 projects in 2012 to achieve economic and technological efficiency of production processes.

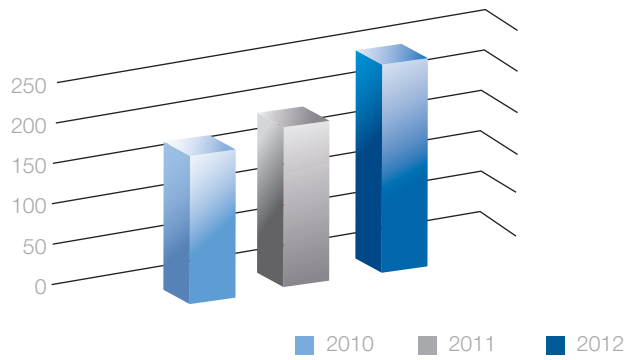
TECHNOLOGICAL DEVELOPMENT PROGRAMME

The Technological Development Strategy of the Ore Mining Division up to 2030 was considered and taken under advisement at the Presidium of the Science and Engineering Council of Rosatom State Corporation in November 2012. The key objectives of the strategy are: the stable, long-term supply of natural uranium for the domestic and foreign needs of Rosatom State Corporation and leadership in uranium ore mining and processing technology. The strategy gives a development forecast for supporting, groundbreaking, new and mandated technology. During 2012-2030 plans include the allocation of RUB 3.4 billion for the development of innovative technology.

Innovative development programme

Plans for the development of groundbreaking, mandated (environmental protection and industrial safety support) and supporting technology have been grouped into four innovation projects. Implementation of the projects began in 2011 under the Innovative Development Programme of JSC Atomredmetzoloto (2011-2020), which is part of the Innovative Development Programme of Rosatom State Corporation.

P22 Costs to implement the Holding Company's innovative development programme, RUB million



Project No. 1

Creation of a new process platform for uranium mining using geo-technological methods

The project seeks to create highly efficient and environmentally friendly geo-technologies to develop uranium fields at all project stages (from exploration and production to subsoil and surface site restoration)*.

Main results of the project in 2012:

- Research was performed on improving the construction of production wells, to improve their quality and reliability. Wells were built at underground in-situ leaching (ISL) sites using this technology.
- Due to the fall in uranium content in ores at existing JSC PIMCU mines, work has been carried out to increase the efficiency of heap leaching and underground block leaching methods*.

* Detailed information on the project was given in the 2011 ARMZ annual report (page 74).

- Economic models have shown that continued development of part of the remaining reserves using the UBL method at existing JSC PIMCU mines is 3.5% cheaper than the traditional method for mining ore bodies in horizontal layers with consolidated stowing.

Project No. 2

Development of a technology to enrich and reprocess refractory uranium ores from fields of the Elkon and Streltsovsky uranium ore areas

About 80% of commercial uranium reserves in Russia are contained in the refractory ore deposits of the Elkon and Streltsovsky areas. However, in view of the high capital intensity and low uranium extraction levels of development of this type of ore, the goal of this project is to reduce the cost of the end product through the introduction of modern, highly efficient technologies and integrated subsoil development**.

Main results of the project in 2012:

- JSC PIMCU conducted research into energy-saving technologies, supporting a reduction in the expenditure of manganese dioxide through the use of atmospheric oxygen as an oxidising agent during the hydrometallurgical processing of ore. The use of this technology will result in a 30% reduction in oxidising agent expenditure.

- JSC PIMCU performed pilot engineering work on sifting and radiometric separation of 50 thousand tonnes of off-balance-sheet ore, to identify and involve standard enrichment products in reprocessing. Increase in enrichment by 1.7 times was achieved.

- To streamline and reduce costs on the processing and reprocessing of uranium ores of the Streltsovsky uranium field, the first stage of pilot testing of rough grinding and separate leaching of sand and slurry products of ore processing was performed at the MMP of JSC PIMCU***.

Project No. 3

Adoption of systems for geological mine modelling and planning of mine operations. Creation of a unified geological database****

Main results of the project in 2012:

- It was shown, using the example of an exhausted production block, that the use of modern mining and geological computer technology makes it possible to reduce contamination of ore by 20% and to increase the uranium content in the extracted ore (compared to the traditional mining method).

Project No. 4

Development of a new generation hardware-methodical logging complex for direct determination of uranium in wells by prompt fission neutrons*****

Main results of the project in 2012:

- Design documentation has been drafted, and developmental prototypes of the AMK KND-M-48 downhole tool for the direct determination of uranium in ores in-situ at the place of their occurrence using the prompt fission neutron method have been manufactured. The operational life of the ING-12-50-100BT neutron generator (200-250 hours) corresponds to foreign equivalents, and is unmatched in terms of the small outside diameter of the well probe (48 mm). The reduction in the diameter of the probe from 60 to 48 mm made the measuring of the most common designs of exploratory and production wells in

* Heap leaching (HL) and underground block leaching (UBL).
** Detailed information on the project was given in the 2011 ARMZ annual report (page 74).
*** It is difficult to give a precise assessment of the reduction in costs at this stage of the project.
**** Detailed information on the project was given in the 2011 ARMZ annual report (page 75).
***** Ibid.

Russia and abroad possible. Metrological testing and certification of the tool, as well as pilot work and certification of the measuring method, will be performed in 2013.

- In 2012 the Creation of integrated technology for developing low-value uranium ore using geo-technological methods project won the tender of the Russian Ministry of Education and Science Federation on the right to receive subsidies for the performance of R&D in the amount of RUB 150 million in 2013-2015. RUB 30 million was allocated for R&D in 2013*.

- Starting in 2013, plans include introducing a project-based approach to the financing of R&D, namely the consideration of R&D as one stage of the innovative development, implementation and commercialisation chain. It is believed that this approach will make R&D self-supporting in future.

The Technological Development Strategy of the Ore Mining Division up to 2030 was considered and taken under advisement at the Presidium of the Science and Engineering Council of Rosatom State Corporation in November 2012. The key objectives of the strategy are: the stable, long-term supply of natural uranium for the domestic and foreign needs of Rosatom State Corporation and leadership in uranium ore mining and processing technology.

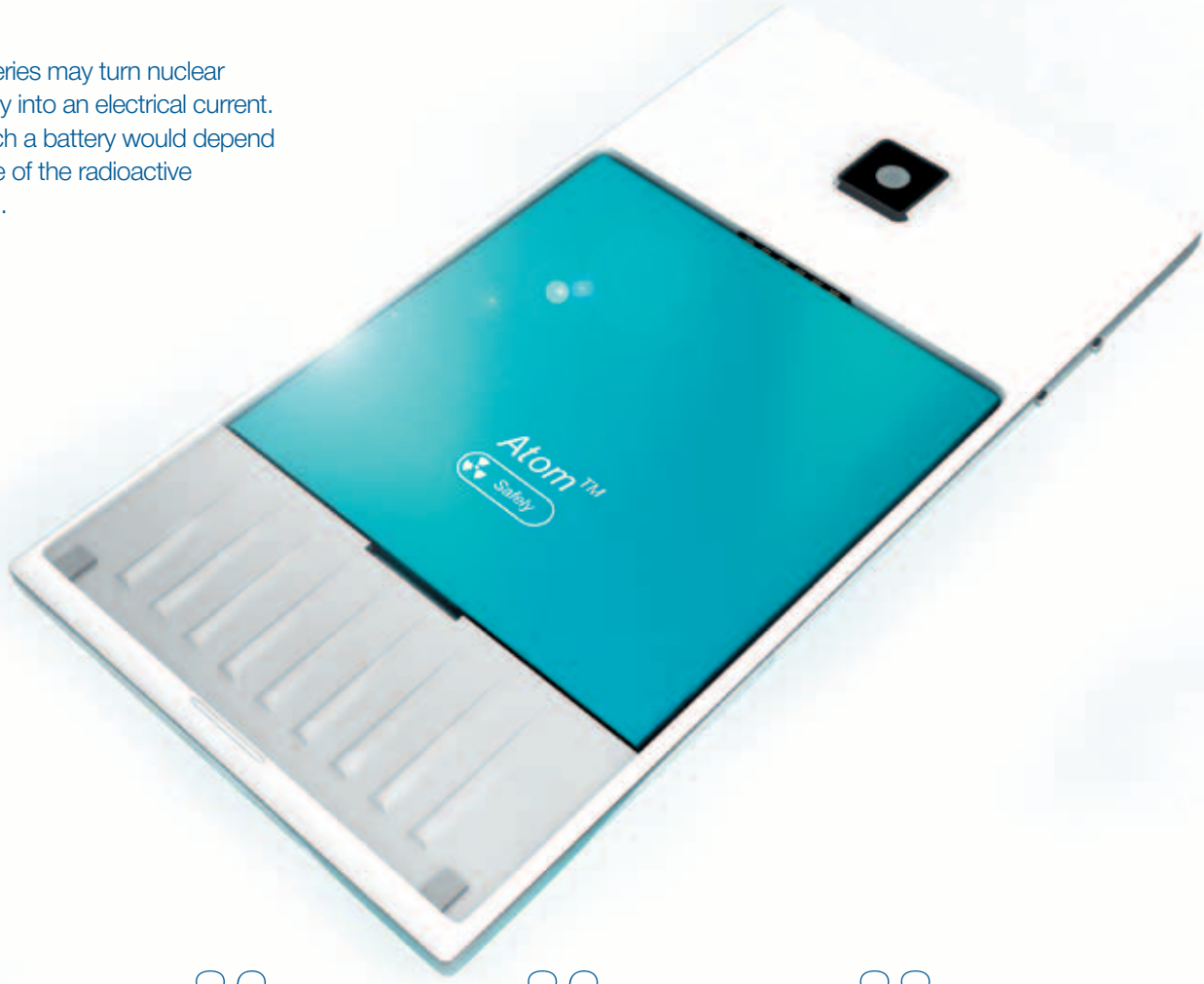
* Detailed information on the project is available on the Holding Company's website at **http://www.armz.ru/press/news/?id=402&p=1.**

MANAGEMENT SYSTEM

Corporate governance

ATOMIC BATTERIES

In future batteries may turn nuclear energy directly into an electrical current. The life of such a battery would depend on the half-life of the radioactive material used.



CORPORATE GOVERNANCE

APPROACH TO CORPORATION GOVERNANCE

JSC Atomredmetzoloto is carrying out serious work to improve the quality of corporate governance and the transparency of its activity in general. The attention given to this issue stems, first and foremost, from ARMZ's mission, which is to maximise the value of the mining business for shareholders.

ARMZ sees the following as priority tasks in improving the corporate governance system:

- compliance with international and Russian standards of corporate governance;
- improving management processes at the Holding Company;
- protecting the rights and interests of minority shareholders;
- increased openness of the Holding Company's activity for investment and industry communities, business partners, employees, and other stakeholders.

In its operations, ARMZ complies strictly with the laws of the Russian Federation and the countries where it operates. The corporate governance system is improved taking into account the best Russian and international practices, as well as OECD corporate governance principles.

The Holding Company has drafted a Charter and other internal documents governing the management and control bodies in accordance with the legislation of the Russian Federation and best practice recommendations.

In 2012 the Holding Company prepared a Code of Corporate Conduct and agreed it with Rosatom State Corporation. As part of the resolution of corporate governance tasks in 2013, plans include the introduction of the Code of Corporate Conduct at subsidiaries, including JSC PIMCU and JSC Dalur, and the continued formalisation of corporate business processes at ARMZ as a whole.

A corporate reporting system was created at the Holding Company, during the formalisation of which ARMZ entities provided information and reports on the execution of decisions of governing bodies, the timely disclosure of material information, and other issues.

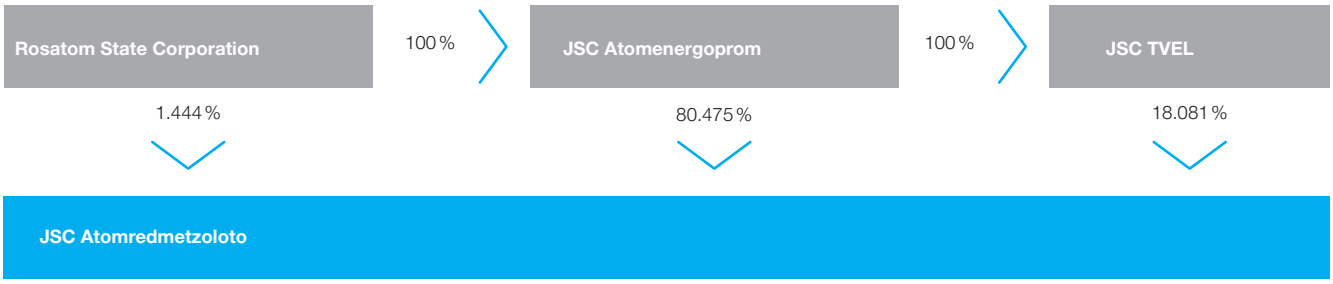
Material information on important events in the Holding Company's operations are published on the website (www.armz.ru), and brought to the attention of shareholders of all business entities managed by the Holding Company in detail and on a timely basis. When taking business decisions, the Holding Company strives to take the interests of minority shareholders into account to the greatest possible extent. Interaction with shareholders and other stakeholders is a regulated process, based on internal documents and provisions.

AUTHORISED CAPITAL AND ARMZ SHAREHOLDERS

As of 31 December 2012:

- the amount of authorised capital is RUB 22,430,368,503;
- ARMZ placed 22,430,368,503 ordinary registered shares with a par value of RUB 1.00 each. The issue was assigned the registration number: 1-01-03912-A;
- there were a total of three parties registered in the shareholders' register (Rosatom State Corporation, JSC Atomenergoprom, JSC TVEL)

P23 Shareholders' structure (as of 31 December 2012)



T07 Changes in shareholder structure during 2012

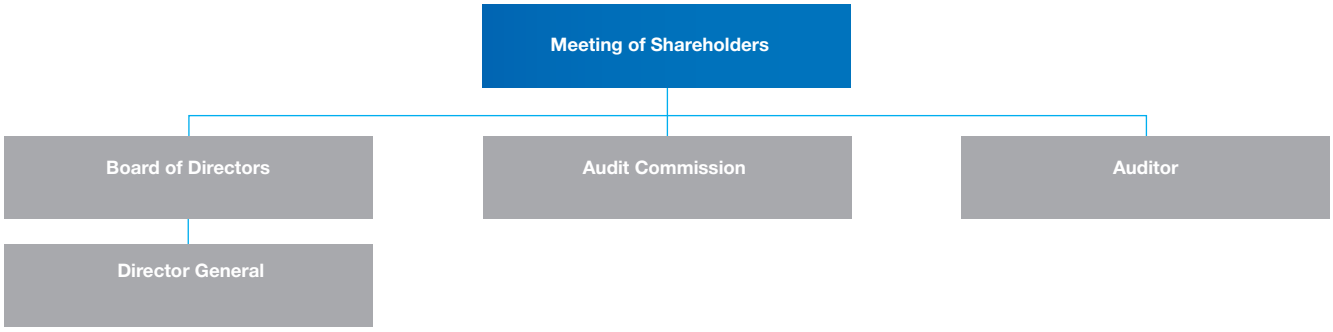
№	SHAREHOLDER	SHARE IN ARMZ'S AUTHORISED CAPITAL, %	
		AS OF 1 JANUARY 2012	AS OF 31 DECEMBER 2012
1	JSC Atomenergoprom	79.489	80.475
2	OAO TVEL	18.994	18.081
3	Rosatom State Corporation	1.517	1.444

To finance the investment programme in 2012, JSC Atomredmetzoloto placed an additional share issue by private subscription, resulting in a total of 1,077.5 million ordinary shares being issued to JSC Atomenergoprom. As a result of the additional issue in 2012, the Holding Company raised financial resources totalling RUB 5.172 billion.

MANAGEMENT SYSTEM

The corporate governance system, as a fundamental component on which the Holding Company's activity is based, consists of several levels.

P24 Structure of ARMZ's corporate governance and control bodies



General meeting of shareholders

The supreme governing body of JSC Atomredmetzoloto is the general meeting of shareholders. In 2012 the Company held four general shareholder meetings, which adopted a number of decisions, including:

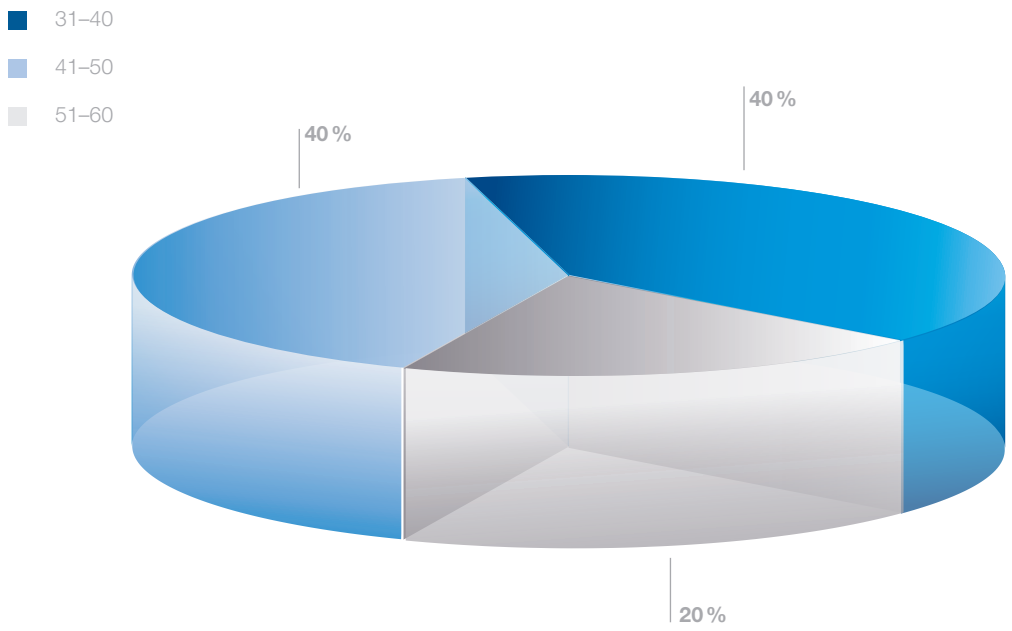
- an increase in the Company's authorised capital through the placement of additional shares;
- the formation of management and control bodies;
- approval of the annual report and annual financial statements for 2011;
- determining areas of distribution of the profits received;
- payment of remuneration to the chairman of the Board of Directors.

Board of Directors

The Board of Directors performs the overall management of the Holding Company and the implementation of strategy. It consists of five members who are not employees of the Company, elected by the general meeting of shareholders according to a procedure prescribed under Russian law and the charter of JSC Atomredmetzoloto.

All board members have the necessary skills as well as extensive professional nuclear industry experience.

P25 Age distribution of board members



BOARD MEMBERS*

Vadim Lvovich Jivov

Member of the Board of Directors since 7 September 2007, Chairman of the Board of Directors since 4 May 2011

Born in 1963, place of birth: Moscow, graduated from the Moscow Power Engineering Institute

03.2006 – 08.2007	▪ Advisor to the Director General; ▪ First Deputy Director General for Natural Resources Management; ▪ First Deputy Director General; ▪ First Deputy Director General – Chief of Raw Material Supply for the Directorate of JSC Tekhsnabexport.
06.2007 – 05.2011	▪ First Deputy General Director; ▪ Director General of ARMZ.
04.2011– the present	▪ Advisor to the Director General; ▪ Divisional Director of Rosatom State Corporation – Deputy Director of the Development and International Business Department of Rosatom State Corporation.
12.2010 – the present	▪ President of Uranium One Inc.
02.2012 – the present	▪ Member of the Management Board of Rosatom State Corporation.

Kirill Borisovich Komarov

Member of the Board of Directors since 30 June 2011

Born in 1973, place of birth: St Petersburg, graduated from the Ural State Law Academy

04.2007 – 12.2007	▪ Director General of JSC Atomenergomash.
12.2007 – the present	▪ Deputy Director; ▪ Executive Director; ▪ Director of JSC Atomenergoprom.
03.2010 – the present	▪ Executive Director of the Nuclear Park Directorate; ▪ Deputy Director General of the Development and International Business Department of Rosatom State Corporation.
05.2011 – the present	▪ Member of the Management Board of Rosatom State Corporation.

* Information as of 31 December 2012.

Vladislav Igorevich Korogodin

Member of the Board of Directors since 7 September 2007

Born in 1969, place of birth: Moscow, graduated from the Moscow Institute of Physics and Technology

06.2004 – 10.2007	▪ Deputy Chief of the Nuclear Materials Management Office; ▪ Deputy Chief of the Nuclear Energy Sector and Nuclear Fuel Cycle Office of the Federal Agency for Atomic Energy.
10.2007 – 03.2010	▪ Director of the Department of Marketing and Sales Markets; ▪ Deputy Director of JSC Atomenergoprom.
03.2010 – the present	▪ Deputy Director of the Nuclear Park Directorate; ▪ Director of the Department of the Nuclear Fuel Cycle and Nuclear Reactors of Rosatom State Corporation.

Ekaterina Viktorovna Lyakhova

Member of the Board of Directors since 30 June 2011

Born in 1975, place of birth: Ekaterinburg, graduated from the Ural State Law Academy and Universiteit Antwerpen Management School

07.2008 – 02.2010	▪ Director General of JSC Koltsovo-Invest.
02.2010 – 03.2011	▪ Vice-President of JSC TVEL.
04.2011– the present	▪ Deputy Director of JSC Atomenergoprom.
07.2011 – the present	▪ Deputy Director of the Nuclear Park Directorate; ▪ Director of the Department of Investments and Operating Efficiency of Rosatom State Corporation.

Yury Alexandrovich Olenin

Member of the Board of Directors since 7 September 2007

Born in 1953, place of birth: Kirovabad, Azerbaijan SSR, graduated from the Yerevan Karl Marx Polytechnic Institute and Penza State Technical University

01.2004 – 03.2007	▪ Director General of FSUE PO Start, Zarechny, Penza Region.
03.2007 – the present	▪ First Vice-President, President of JSC TVEL.
02.2012 – the present	▪ Member of the Management Board of Rosatom State Corporation.

Members of the Board do not own JSC Atomredmetzoloto shares. In line with the recommendations on corporate governance best practices, the Chairman of the Board is not concurrently an executive manager of the Company.

Information on remuneration

In 2012 the executive body and members of the Board of Directors of the Company were paid remuneration of RUB 33,887,733

Chief executive officer

The day-to-day operatins of the Company were managed in 2012 by a temporary chief executive officer, the Acting Director General. As part of his job duties, he ensured the execution of decisions of the general meeting of shareholders and the Board of Directors of JSC Atomredmetzoloto, and took management decisions. The Acting Director General of the Company was Tigran Garikovich Khachaturov. He does not own shares in JSC Atomredmetzoloto.

THE COMPANY'S MANAGEMENT*

Key management positions at JSC Atomredmetzoloto are held by highly qualified specialists with extensive professional experience. Detailed biographical information on the Company's senior managers can be found in the relevant section of the JSC Atomredmetzoloto website**.

Tigran Garikovich Khachaturov

Acting Director General

Igor Yevgenievich Zhilkin

First Deputy Director General – Executive Director

Ilya Mikhailovich Yampolsky

Deputy Director General

Marina Ivanovna Liborakina

Deputy Director General for Strategy

Yury Anatolievich Tokmachev

Deputy Director General – Director for Security

Vladimir Nikolaevich Verkhovtsev

Deputy Director General for Special Projects

Anna Dmitrievna Pozdeeva

Chief Accountant, Acting Chief Financial Officer

* Information as of 31 December 2012.
** Detailed information has been placed on the Holding Company's official website: **http://www.armz.ru/company/management/**

AUDIT COMMISSION

The activity of the Audit Commission, as a corporate governance body, is to facilitate improving the efficiency and transparency of management processes. The Audit Commission's main functions include overseeing the financial and economic activities of the Holding Company, including:

- Audits of financial records, results of inventories, regulatory compliance, validity of concluded contracts.
- Analysis of the Company's financial position, liquidity and solvency.
- Analysis of resolutions made by JSC Atomredmetzoloto governing bodies regarding their competence and compliance with the Charter.

The annual general meeting of shareholders of JSC Atomredmetzoloto (minutes No. 11 dated 29 June 2012) elected the following individuals to the Audit Commission:

- Viktoria Aleksandrovna Andrienko – Chief Accountant of Rosatom State Corporation;
- Marina Vladimirovna Atmazhitova – Chief Specialist, NFC Production Planning Unit, NFC Coordination and Development Department, Nuclear Park Directorate of Rosatom State Corporation;
- Valery Pavlovich Konovalov – Head of the Internal Control and Audit Department, Rosatom State Corporation.

Members of the Audit Commission do not own JSC Atomredmetzoloto shares. In 2012 no remuneration was paid to members of the Audit Commission.

DIVIDENDS

Having a well-founded and transparent system for paying dividends ensures the protection of the interests of shareholders, and increases the investment appeal of the business for potential investors.

As part of implementing the Company's development strategy, the governing bodies of JSC Atomredmetzoloto took the conscious decision not to pay dividends from 2008 to 2012, in order to reinvest the profit generated to implement the investment programme. At the time of preparing this annual report, the Company's governing bodies had not taken a decision on the use of net profit for 2012.

MAJOR TRANSACTIONS AND AFFILIATED-PARTY TRANSACTIONS

To secure the rights and interests of stakeholders, and to uphold its reputation in the investment and industry communities, all procedures performed by the Company in relation to major transactions were performed in strict compliance with Russian law.

JSC Atomredmetzoloto did not perform any major transactions or affiliated-party transactions in 2012 requiring approval by the governing bodies, in accordance with Federal Law No. 208-FZ dated 26 December 1995 On Joint Stock Companies.

INFORMATION ON THE COMPANY'S REGISTRAR

Joint-Stock Company Registrar R.O. S. T., a professional participant on the securities market performing operations to maintain the registers of owners of securities based on RF FFMS licence No. 10-000-1-00264 dated 3 December 2002, keeps the register of the Company's shareholders.

REGISTRAR'S DETAILS:

OGRN 1027739216757, INN 7726030449.
Location: 18/13 ul. Stromynka, Moscow.
Telephone/fax (495) 771-73-36.
Website: http://www.rrost.ru/

KPIs

Since 2009 the Holding Company has used a target-based management system (key performance indicators), aimed at making sure that employees' compensation is directly linked to the achievement by the Holding Company of its strategic goals. The system is a successful tool for incentivising employees to achieve the short-term goals that are integral to the Company's long-term development.

The KPIs, the formation of which starts at the level of Rosatom State Corporation, cover various organisational and functional levels of the Holding Company. Categories of indicators related to the KPI map of the chief executive officer are established at the level of Rosatom. In parallel, the Rosatom State Corporation divisions that oversee specific lines of business form a number of functional indicators that are included in the map of the functional directors of the Holding Company.

Then goals are broken down at lower levels in the system of KPIs: from the management company to the directors and heads of divisions at subsidiaries.

The list of KPIs is consistent with the strategic objectives of the Holding Company, and also meets continuity and SMART principles.

In 2012 a non-financial indicator for staff ("level of engagement") was included in the list of KPIs (for more information, see the Staff and social policy section).

No significant changes to KPIs are planned for 2013; however, a number of measures to improve the system are being developed. In particular, to improve employee engagement in the process of achieving positive performance results in 2013, it is planned to extend KPIs via a further segmentation to the level of specialists of the corporation, with the formation of individual goals. Individual KPIs will be linked to the performance-related pay of employees.

The introduction of team KPIs is also planned. Both directors and the other employees capable of affecting the indicator, regardless of the position they hold, will have a stake in achieving results.

REPORT OF THE BOARD OF DIRECTORS ON PRIORITY LINES OF BUSINESS

The Board of Directors held 21 meetings in 2012, considering and adopting resolutions on the Holding Company's most important management issues:

- Target key performance indicators (KPIs) were approved.
- The principles of integration of Uranium One Inc. into the structure of Rosatom State Corporation were approved.
- Amendments were made to the Company's organisational structure, to ensure the implementation of the comprehensive medium-term development programme for JSC PIMCU (for more information on the amendments, see the Development strategy and investment section).
- The transaction to acquire shares in JSC First Ore-Mining Company was approved.
- Amounts of remuneration to be paid to senior management were approved.
- The implementation of Rosatom State Corporation's Uniform Industry Procurement Standard was approved.

The Board of Directors' priority lines of business in 2013 will be the continued improvement of corporate governance mechanisms.

RISK MANAGEMENT

The existence of a risk management system is dictated by the need to improve the level of performance efficiency of Rosatom State Corporation and the organisations under its management.

Building a risk management system is part of ARMZ Holding Company's efforts to achieve the strategic goal of transforming Rosatom State Corporation into a global company that meets best practices in terms of risk management systems, while improving the manageability and efficiency of Rosatom and the organisations it manages.

In this regard, in 2012 ARMZ's key tasks were:

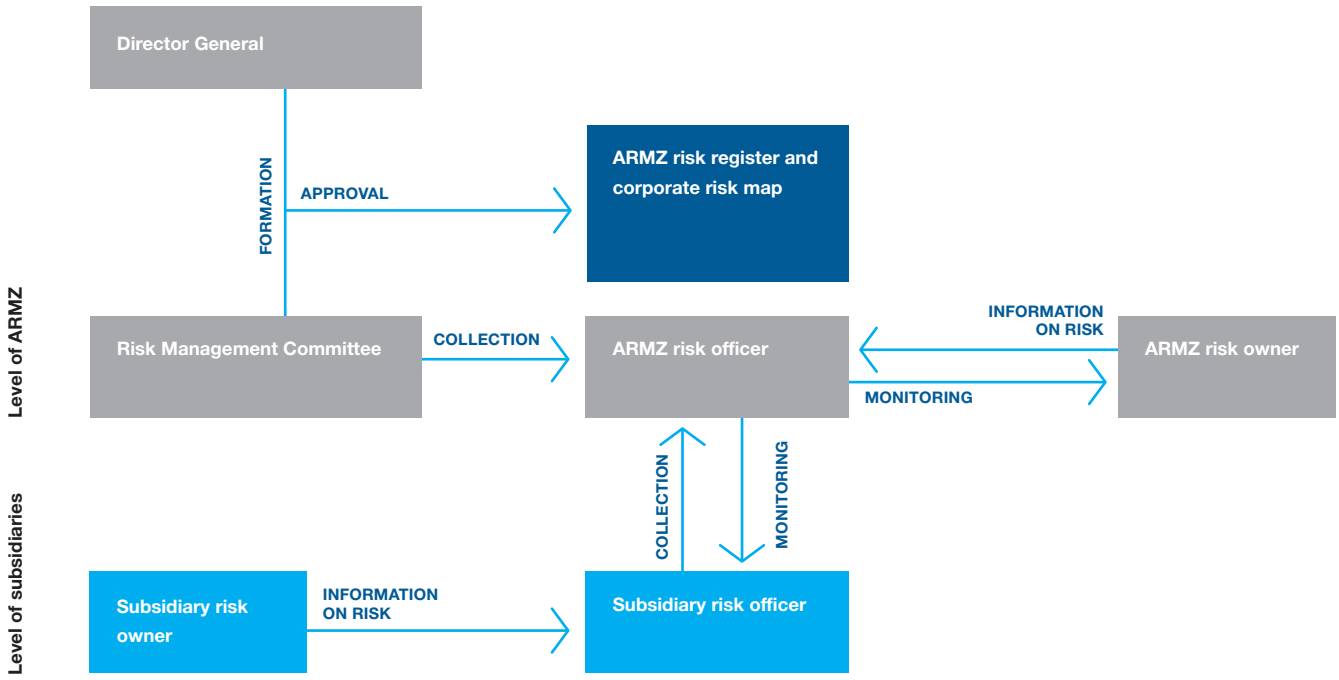
- further integration of internal risk management mechanisms into the evolving corporate risk management system (CRMS) of Rosatom State Corporation, by bringing the Holding Company's business processes into compliance with the approaches and standards of the main shareholder;
- managing certain types of critical financial risks to mitigate the consequences of their emergence.

In 2012 ARMZ teamed up with Rosatom State Corporation to implement a number of measures to improve the risk management system, including:

- the development and improvement of the CRMS aimed at its switchover to risk assessment using quantitative indicators and links to specific risk readiness parameters.
- determining ARMZ's risk readiness, the establishment of critical risk limits, and the carrying out of risk management measures.
- implementing at JSC Atomredmetzoloto and key Holding Company enterprises uniform industrial risk management regulatory documents.
- effective implementation of the risk hedging programme, making it possible for the Holding Company to limit the impact of risks on a number of the Holding Company's readiness parameters and individual performance indicators in the reporting year, having reduced the difference between actual and planned results.

Building a risk management system is part of ARMZ Holding Company's efforts to achieve the strategic goal of transforming Rosatom State Corporation into a global company that meets best practices in terms of risk management systems.

P26 Organisation of risk management process at ARMZ



The key group participants in the risk management process have been determined at all entities of the Holding Company:

- risk owners, whose duties include risk identification, initial accounting for risk parameters and its assessment, determining the likelihood of the emergence of a risk and the scope of its consequences using established methods and tools, developing and implementing risk management measures;

- risk officers, whose duties include: collecting information on potential risks to the enterprise and risk management measures, interaction with the appointed risk owners, organising information on risks based on risk passports and the risk register.

The list of critical risks subject to regular monitoring is determined at the level of the management company. The Risk Management Committee, an advisory body under the chief financial officer of JSC Atomredmetzoloto, which includes representatives of the management of ARMZ and Rosatom State Corporation, establishes the risk management action plan based on the proposals of risk owners, for the adoption of decisions by the director general and their implementation by risk owners.

Changes in risks are generally monitored directly at the level of the risk owners, and in the event of the emergence of negative trends or conditions capable of leading to the appearance of a risk, the risk owner develops possible risk management measures and initiates the decision-making process with the support of the risk management group and the Risk Committee. A timely and effective response to risks and their consequences is secured in this way.

APPROACHES TO RISK MANAGEMENT

JSC Atomredmetzoloto's risk management strategy was developed taking into account the different time horizons, and has been conditionally split into operating and strategic approaches. The strategic approach is determined in line with the Holding Company's strategic goals, namely maximising the value of the mining business for shareholders, the achievement by Rosatom State Corporation of leading global positions in uranium mining and, accordingly, strengthening its export potential at a fundamentally new level.

The specific features of mining and development of uranium deposits necessitate considerable capital expenditures during the initial stages of development and long project implementation periods. Against the background of the emergence of external risk factors (the consequences of the Fukushima accident, changes in market trends (price risk), forecasts for the balance of supply and demand), increased risk assessment criteria have been placed on mining projects at uranium deposits, which determine the stability (viability) of a project, i.e. its ability to generate profit. For this reason, the most-sought-after assets today are foreign deposits with a lower cost of production. An international expansion, while maintaining the level of uranium mining at existing Russian enterprises, will make it possible for the Holding Company to become a low-cost producer throughout the strategy's entire implementation horizon, by leveraging highly effective assets in Kazakhstan, the US, Australia and Tanzania.

The achievement of the set strategic goals to develop highly effective assets for ARMZ Uranium Holding Company determines the requirements on building the risk management system, which involves timely risk identification, evaluation, ranking, selecting the risk response method, and follow-up on the measures put in place.

The operational approach is formed as part of day-to-day management processes in relation to risks directly related to core activity, production and financial risks, risks connected with tax and legal issues, etc. At this stage an important risk management principle is the building of a tenable link between risk factors and the achievement of the Holding Company's key performance indicators. ARMZ's risk readiness or risk appetite indicator, which characterises the number of possible differences between the Holding Company's actual and planned performance parameters (EBITDA, nuclear and radioactive safety, social responsibility, etc.), here plays an important role.

ARMZ RISK REGISTER

The success of implementing ARMZ's growth and development strategy depends directly on the level and quality of risk identification. In view of this, a detailed analysis of potential risk events that may emerge during the Holding Company's operating activity is performed as part of the risk management process.

P27 The risk management process at ARMZ

Timely risk identification

Compilation of the Holding Company's risk register, with passports including a detailed description of risk parameters.
Approval of the corporate map of risks, the emergence of which could lead to the non-fulfilment of KPIs, appointment of critical risk owners

Assessment and ranking of identified risks

Quantitative assessment of the Holding Company's sensitivity to internal and external factors influencing the appearance of critical risks using various tools (modelling, expert assessment)

Determining risk management methods and their implementation

Development and implementation of critical risk management methods

Monitoring the effectiveness of the measures taken

Analysis of the effectiveness of risk mitigation methods used, adjustment and improvement of these methods

CRITICAL RISKS OF JSC ATOMREDMETZOLOTO AND MITIGATION METHODS IN 2012

TYPE OF RISKS	RISK MITIGATION METHODS
Operational risks	
Property risks, risks of loss or damage of assets (risk of damage to property, destruction of property resulting from accidents at work, reduced income of the Holding Company as a result of business interruption)	▪ A system for regular performance oversight is used that ensures continuous monitoring of the Holding Company's plants. ▪ Based on this oversight, operational decisions that take into account the current progress in execution of the production program are made. ▪ Early response measures are taken, aimed at preventing accidents and hazardous situations at the Holding Company's plants. ▪ Leading Russian insurance companies insure property at its market value and the companies' liability to third parties.
International political and regulatory risk	▪ JSC Atomredmetzoloto, its subsidiaries and affiliates continuously monitor changes in existing laws in Russia and the jurisdictions where they have a presence on subsoil and nuclear energy management, environmental requirements and tax regulation, and the specific features of corporate law in Russia and its jurisdictions of presence. ▪ The recommendations of international and national supervisory and regulatory authorities on issues related to the Holding Company's core activity are taken into account. ▪ All contracts are subject to mandatory approval by the legal departments of the companies (with independent consultants engaged in certain cases).
Reputational risk	▪ The Holding Company has instituted a procedure for monitoring reputational risk, which determines the key risk management procedures. ▪ Regulations have been elaborated on interacting with the media.
Social risks	
Employee-related risks	ARMZ pursues an active personnel management and motivation policy, including: ▪ a programme to recruit workers with mining experience from other regions, as well as highly skilled workers from related industries; ▪ a progressive system of employee remuneration, benefits and social protection in order to retain skilled employees; ▪ a comprehensive training programme for employees at all levels, including an executive succession pool programme; ▪ active engagement in infrastructure development in the Holding Company's regions of operation.
Risks related to non-fulfilment of key corporate values	Against the background of unrelenting attention to the state of the nuclear industry in 2012, the Holding Company focused on improving the level of occupational health and safety at enterprises and in the regions in which it operates. The following are performed under this priority area of activity: ▪ implementation of a set of measures to improve the level of safety of employees and communities in areas of operation; ▪ mitigation of factors that could result in emergencies and threats to the life and health of employees. ▪ supporting the balance of local ecosystems, in compliance with the technological norms of natural uranium mining and processing.
Environmental risks. Nuclear and radiation safety risks	
Process risks, including nuclear and radiation safety	Managing process risks related to the mining and processing of natural uranium, including nuclear and radiation safety risks. A number of special measures are performed, including: ▪ a process equipment upgrade programme at the Holding Company's plants; ▪ compliance with existing production process standards; ▪ a supervisory function both by internal departments and external organisations; ▪ third-party and employee liability insurance of plants.
Risks related to environmental impact	ARMZ Uranium Holding companies participating in all stages of the natural uranium production process closely monitor compliance with all standards required by the laws of the countries of operation in terms of their impact on the environment. An active policy to reduce this impact and to improve the environmental safety of the production cycle is pursued.

TYPE OF RISKS	RISK MITIGATION METHODS
Financial risks	
Currency risks	Currency risks have been traditionally managed by centralising risks to the parent company of the Holding, which allows ARMZ's operating companies to focus on key areas of industrial activity. The mitigation of currency risks is performed: ▪ by managing the Holding Company's open foreign exchange position. The results were used to pursue a restructuring of the loan portfolio in order to align the foreign currency assets and liabilities of the parent company. ▪ through using derivatives.
Interest rate risks	For the conclusion of loan agreements, this risk was minimised by balancing floating and fixed interest rates.
Insolvency (liquidity) risks	In 2012 liquidity risks did not have a major impact on ARMZ, which pursued a focused and consistent policy throughout the year to manage these risks, which included: ▪ setting limits for ARMZ Uranium Holding Company entities in several banks; ▪ adopting cash pooling to ensure the effective use of balances in the bank accounts of group entities; ▪ adopting the JSC Atomenergoprom-based Zero Balancing Account system, which provides for centralised management of intra-group liquidity by the physical redistribution of funds; ▪ restructuring the loan portfolio to build up the long-term section of the portfolio; ▪ regular monitoring of the liquidity of group entities.
Credit risks (risk that contracting parties will fail to perform their financial obligations)	▪ the main buyers of products manufactured at ARMZ plants are Rosatom State Corporation entities, which significantly reduces ARMZ's credit risks. ▪ when purchasing raw materials and supply for the Company's plants, credit risks are minimised by reducing the advance payments under contracts with contracting parties, by including these restrictions into tender requirements (all purchases are made using competitive procedures). ▪ the Company's plants cooperate with major lending institutions and insurance companies of Russia in compliance with ARMZ regulations and those of Rosatom State Corporation.
Commodity risks	This type of risk is managed and mitigated by: ▪ preserving ARMZ's solid positions on the uranium market, which are secured by growing demand for the Company's products on the global market, underpinned by the current and future needs of the global nuclear energy sector. ▪ pursuing a balanced pricing policy and managing available resources taking current global practices into account. ▪ diversifying the product line and seeking new products; in this connection the Company participates in managing enterprises engaged in the production of gold and non-nuclear materials.
Specific risks: mining production risks	
Risk of errors in assessing the quality and volume of uranium fields	To obtain the most complete high-quality information on existing fields and to reduce the risk of discrepancies between geological survey data and actual reserves at this stage, ARMZ: ▪ uses the best of the latest international and Russian practices to keep track of the reserves balance and calculate resources; ▪ uses cutting-edge exploration methods, using geological and mathematical models across the Company's entities.
Political risks (risks of political instability and political changes in business regions that may interfere with the Company's goals).	Historically, the main assets of ARMZ have been concentrated in Russia and Kazakhstan. ▪ In early 2009, the Company decided to expand the geographical resource base and launch active expansion. In the long term, this approach will help reduce the Company's vulnerability to geopolitical risks.

TYPE OF RISKS	RISK MITIGATION METHODS
Investment project risks	The activity of the Mining Division involves the acquisition of uranium fields and their development under the auspices of enterprises that produce uranium products. In view of the specific features of investment decisions in the mining sector (projects are capital-intensive and have extended payback periods), project risks are assessed when making investment decisions. When a decision is made to implement a particular project, consideration is given not only to calculating the efficiency of the project, NPV and IRR, but also to the overall strategic goals of Rosatom State Corporation, the social implications of a particular decision, and the regional and country risk. Detailed information on projects carried out by ARMZ is provided in the Development Strategy and Investment Activity section of this report.
Risk of reduced demand for uranium products in connection with the potential future effect of shale gas revolution	The effect of the shale gas revolution on the development of the uranium market is estimated to be low, since the prospects for developing shale gas technology are unclear. This is related to the immaturity of the production technology, the existence of serious environmental risks, and the high cost of production of the gas produced. Taking into account new discoveries and achievements in geology and technological processes, we believe there are positive prospects and demand for all types of energy, including shale gas and uranium products. This is also due to global forecasts from various respected organisations for growing energy demand. In this respect, demand for uranium will not only be maintained but will grow in the medium and long term.

The company intends to further develop the risk management system by:

- integrating the CRMS with key planning and management decision-making processes (budgeting, medium-term planning, strategic management, investment management)
- elaborating a methodology for and the implementation of managing individual financial risks (credit, interest-rate, commodity, etc.)
- improving the automated model used to calculate risks and their impact on the key financial indicators and applying the model to other financial risks.
- further integrating ARMZ into the CRMS as part of Rosatom's strategic objective to develop an organisational risk management structure and subsequent reinforcement of the CRMS organisational structure.

PROCUREMENT MANAGEMENT

For the purposes of creating a transparent and comprehensible procurement system, procurement procedures at ARMZ are arranged on the basis of a basic governing document, the Single Industrial Procurement Standard (the Procurement Regulations), elaborated by Rosatom State Corporation and approved by the JSC Atomredmetzoloto Board of Directors.

The Procurement Regulations determine procurement activity policies, the functions and authorities of procurement activity participants, the means and types of procurement, additional procurement procedure elements, and the procurement process. This document can be examined in detail on the official website for the placement of orders for goods, work and services

for the needs of Rosatom State Corporation (**http://zakupki.rosatom.ru/**).

The key principles the Company relies on when making procurements are:

- informational transparency of the process;
- fairness and the absence of discrimination and unjustified barriers to competition in respect of procurement participants;
- ensuring the targeted and economically efficient expenditure of funds when acquiring goods, work and services (where necessary, taking into account the lifecycle cost of products to be procured) and measures aimed at reducing client costs;
- reliable and timely provision of equipment, spare parts, raw materials, consumables and services in the interests of guaranteeing the continuity of the production process;
- free access to participation in procurement procedures by preventing the establishment of unquantifiable requirements on procurement participants.

As part of the overall development strategy, the Company's key procurement activity goals are:

- forming a market-based price for products repurchased by clients, and a justified reduction in client costs;

The total economic effect (the difference between the starting procurement price and the offer of the procurement were) based on the results of competitive procedures was RUB 1.071 billion.

- expanding opportunities to participate in procurement and incentives for such participation, with the development of good-faith competition;
- ensuring openness and transparency of the procurement process;
- preventing corruption and other abuses in the field of procurement;
- using procurement procedures to implement the development strategy of the nuclear sector (both as a whole and in individual aspects).

Based on the results of 2012, the authorised body of the Company organised and conducted more than 2,000 open competitive procedures for the needs of ARMZ enterprises, with a total value of RUB 16 billion. The total economic effect (the difference between the starting procurement price and the offer of the procurement were) based on the results of competitive procedures was RUB 1.071 billion. In order to assess the quality of procurement, including of the authorised body of ARMZ, in 2012 Rosatom State Corporation established the following key performance indicators for the procurement system:

T08 KPI for procurement in 2012

KPI	STATUS	
Timeliness of preparation approval of the GPP 2013	Achieved	At the target level
Timeliness of procurement procedures	Achieved	At the target level
Share of public procurement procedures	Achieved	At the target level
Share of procurement procedures in electronic form	Achieved	At the target level
Share of procurement procedures, for which complaints were deemed justified	Achieved	At the target level

CONTROLS OVER PROCUREMENT ACTIVITY

A bilateral system for monitoring and controlling procurement activity has been created at ARMZ.

On the one hand, control activities are carried out by the public by showing an interest in the system of state procurements, the justification for their prices and the quality of orders fulfilled. Legal protection and support for this attention at statutory level promotes increased transparency and efficiency of the entire system as a whole, which makes procurement process participants more responsible.

Interested parties may analyse the nature of the procurement activity of ARMZ with the help of procurement information published on the Internet in publicly available sources (at the sites **http://zakupki.rosatom.ru/**and **http://zakupki.gov.ru/**), access to which is available for any user.

On the other hand, procurement activity is also monitored by the internal structures of the Company, as well as at the level of Rosatom State Corporation.

Internal controls performed directly by the Company itself include the following:

- The Internal Control and Audit Department of ARMZ forms both current (scheduled) and follow-up (unscheduled) controls over the Company's compliance with Procurement Regulations.
- A Standing Technical Commission (STC) reviews whether documentation contains state secrets.
- The relevant specialists of the Company's technical services review the technical parts of bids received for competitive bidding, specifically for the requirements and criteria established by the client and the procedure for determining the procurement price.

At the level of Rosatom Corporation, the procurement system is monitored by the Department of Internal Control and Audit and the Asset Protection Department.

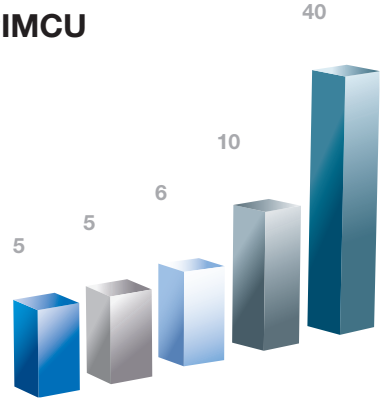
- The Rosatom Department of Internal Control and Audit reviews the effectiveness of the internal control systems of organisations under the management of the Corporation and oversees compliance by such enterprises with the Procurement Regulations.
- The Asset Protection Department of Rosatom State Corporation provides for economic security, asset protection and anticorruption measures, which is a component part of the overall system of ensuring the safe use of atomic energy and the functioning of atomic power and industry facilities, and oversees the Integrated Programme against Corruption and Embezzlement in the Atomic Sector.

Over the course of 2012, 25 complaints were submitted to the Rosatom State Corporation Central Arbitration Committee in relation to ARMZ's actions as the organiser of procurement, 20 of which were found to be unjustified.

In accordance with the Company's development priorities, more than 2,500 procurement procedures are planned for 2013, with a total value of more than RUB 26 billion. Key participants in procurement will be JSC PIMCU, JSC Khiagda, JSC Dalur, and RUSBURMASH INC.

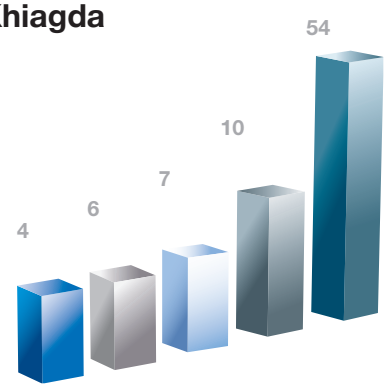
P28 Planned allocation of procurements by ARMZ enterprises by categories in 2013, %

JSC PIMCU



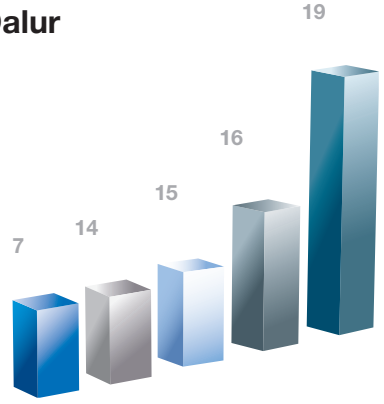
- Energy resources, petroleum products
- Transportation equipment
- Mining and drilling equipment
- Chemical products
- Construction and installation services

JSC Khiagda



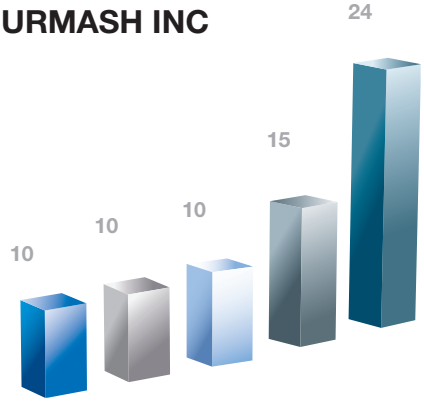
- Geological work and services
- Energy equipment
- R&D, design, engineering
- Chemical products
- Construction and installation services

JSC Dalur

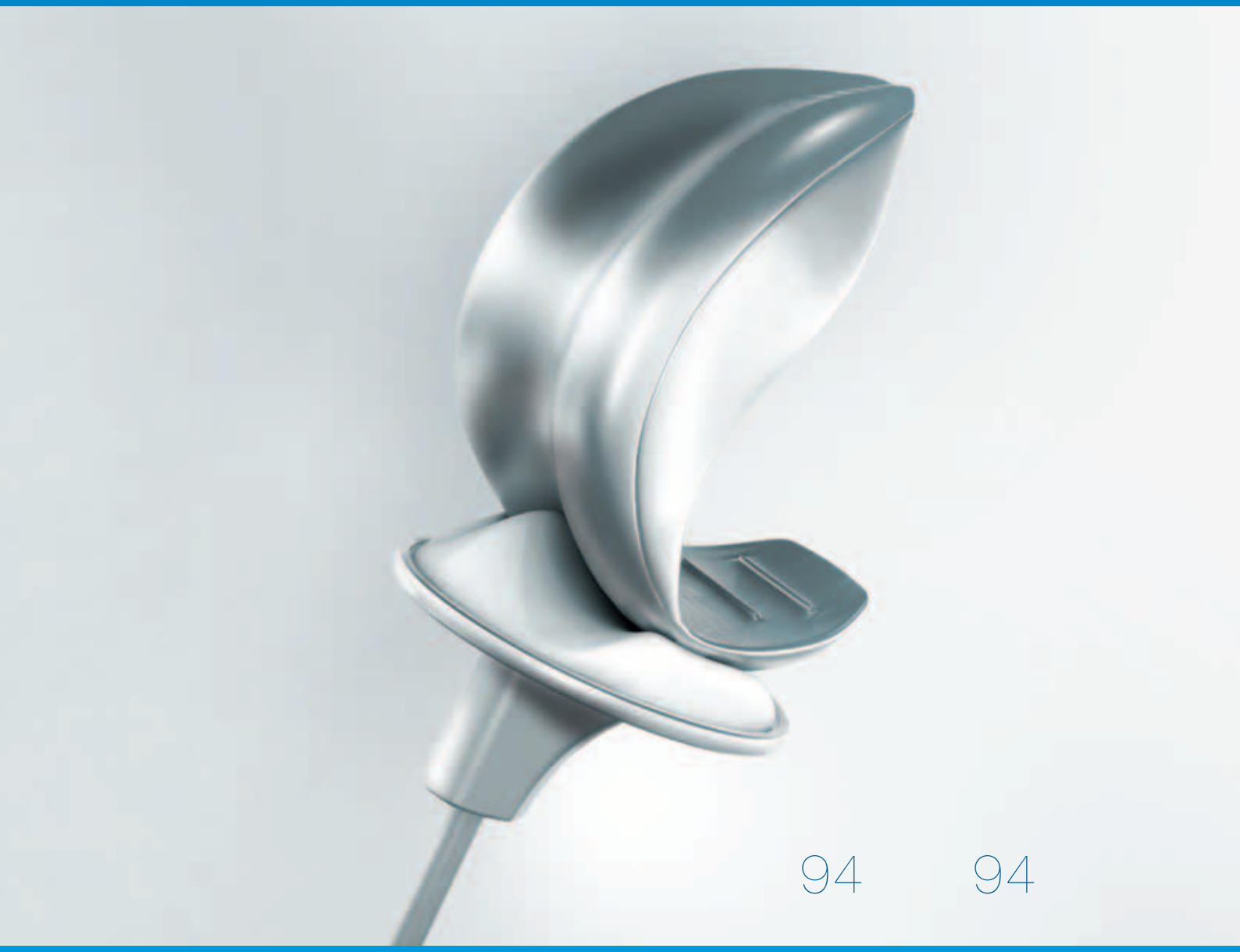


- Chemical products
- Geological work and services
- General industrial and specialised equipment
- Construction and installation services
- R&D, design, engineering

RUSBURMASH INC



- Geological work and services
- Mining and drilling equipment
- R&D, design, engineering
- Transportation equipment
- Energy resources, petroleum products



EMPLOYEES AND SOCIAL POLICY

URANIUM IN MEDICINE

In the past, uranium salts were used to attempt to treat diabetes, various skin infections and even tumours. Today medicine makes use of a product from the radioactive decay of uranium – radium (for x-rays, magnetic resonance imaging, radon baths and radiation therapy).

Today uranium is being studied for its possible use in the preparation of polymer materials for prosthetics. It may be used to create the latest models of artificial joints, stents, etc.

Employees represent the key asset of ARMZ Uranium Holding Company. For this reason, in striving to improve both labour productivity and labour safety, the Company pays great attention to improving its human resource management, and specifically to creating an attractive social benefits package. ARMZ uses both material and non-material incentives for its employees, and also works to create a corporate culture of efficiency.

MANAGEMENT SYSTEM

The ARMZ Uranium Holding Company human resources policy is implemented by the Human Resources Directorate, which at the corporate centre level in Moscow is responsible for planning, implementing and monitoring HR projects. Employees of subsidiaries and associates responsible for human resources engage in operational activity and implement local projects in this area.

KEY PERFORMANCE INDICATORS

In 2012 the list of KPI was supplemented by a human resources indicator "level of employee engagement", with a target figure equal to 50 percentage points (pp). Based on a survey, in 2012 the level of employee engagement was:

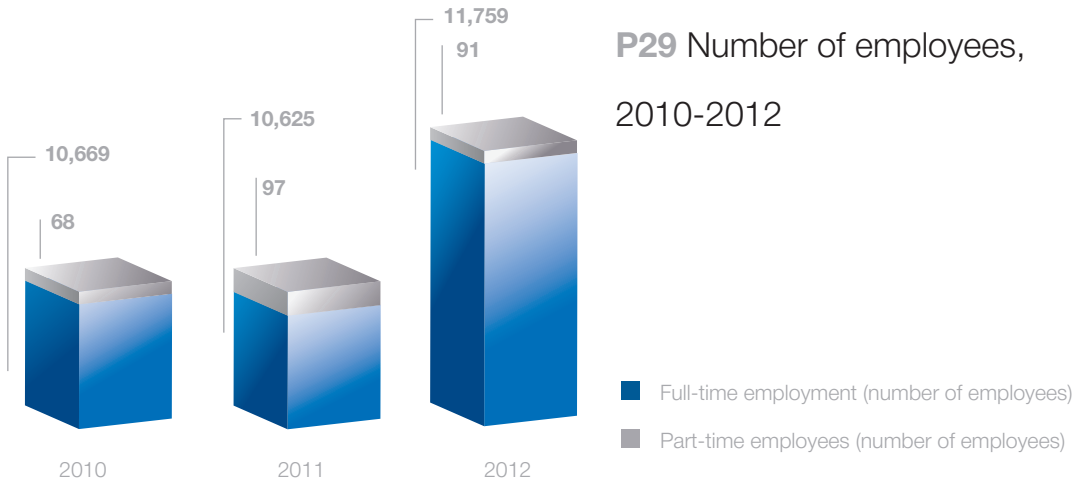
- 50 pp at JSC Atomredmetzoloto
- 49 pp at JSC PIMCU against a target of 49 pp
- 62 pp at RUSBURMASH INC against a target of 62 pp

Such research was not performed at JSC Khiagda and JSC Dalur. Based on the results of the survey, four focus groups were held with employees and four roundtables with enterprise managers, on the basis of which an action plan was drawn up to improve employee engagement.

Key human resources policy goals include:

- recruiting professional managers and highly qualified specialists who can implement the company's strategy;
- developing competencies and improving the qualifications of ARMZ employees;
- creating a flexible and efficient human resources management system;
- ensuring competitive working conditions;
- maintaining a corporate culture aimed at fostering a corporate spirit among employees.

EMPLOYEES

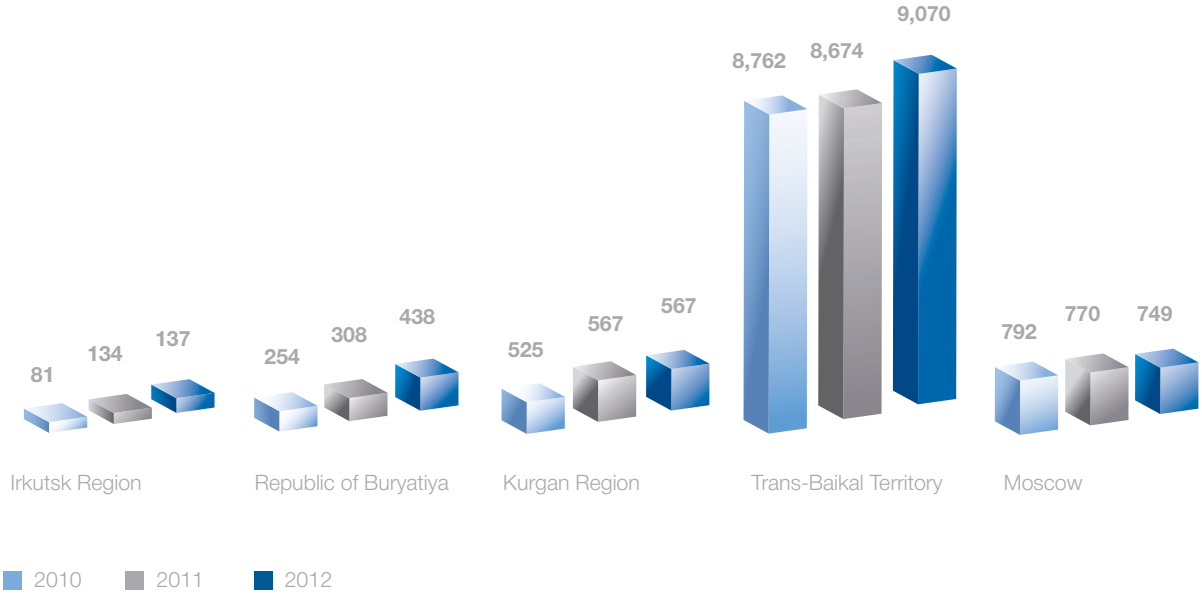


P29 Number of employees, 2010-2012

The number of employees in 2012 increased considerably on the previous year – by 1,182 – to 11,850, of which 11,445 work under an employment agreement concluded for an unlimited term, and 405 under a fixed-term employment agreement.

The increase in the number of employees was due to the need to recruit additional specialists to stabilise the production figures of JSC PIMCU (for more information on the development of the plant see the Production Activity section) and an increase in production at JSC Khiagda. The number of both full-time and part-time employees increased. The number of supervised workers also increased, from 119 in 2010 and 103 in 2011 to 215 in 2012.

P30 Average headcount in main business regions



At the same time, the largest average staffing numbers of the Company was in Trans-Baikal Territory – the region of operations of JSC PIMCU, JSC Khiagda and RUSBURMASH INC.

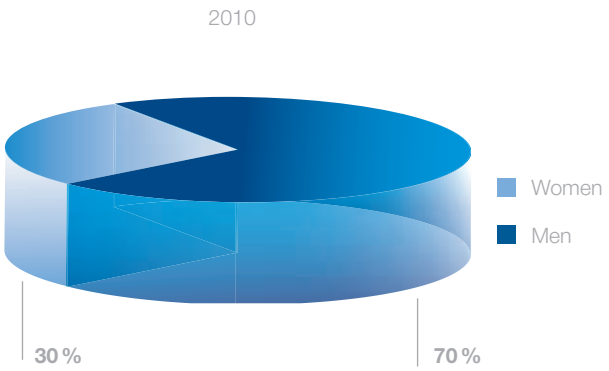
During the reporting period a total of 91 employees worked part-time at all subsidiaries and associates of ARMZ Uranium Holding Company, or less than 1% of employees.

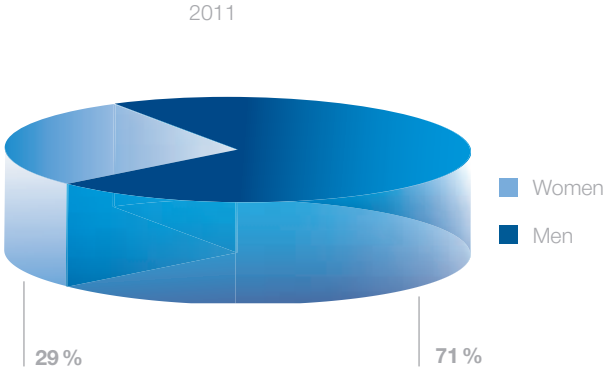
The main increase in headcount was due to the implementation of the medium-term development programme at JSC PIMCU (whose headcount increased by more than a thousand in 2012). The number of RUSBURMASH INC employees also rose, due to an expansion of geological exploration work, and headcount increased at JSC Khiagda in connection with increased production.

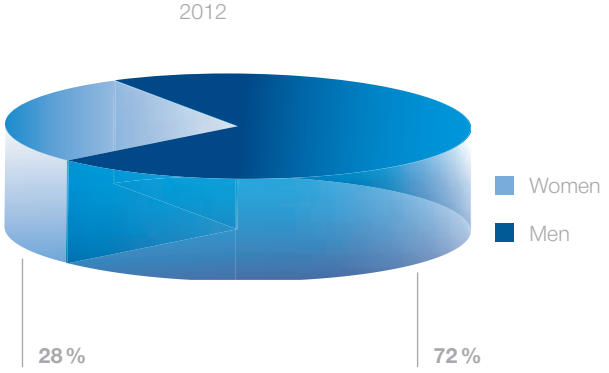
ARMZ Uranium Holding Company enterprises do not use forced labour, mandatory labour or child labour. During the period 2010-2012, there were no recorded cases at ARMZ operations of discrimination by gender, on ethnic or religious grounds, or in connection with foreign or social origin, as defined by the International Labour Organisation, or other forms of discrimination towards internal and/or external interested parties.

GENDER AND AGE STRUCTURE OF THE WORKFORCE

P31 Gender structure of the workforce



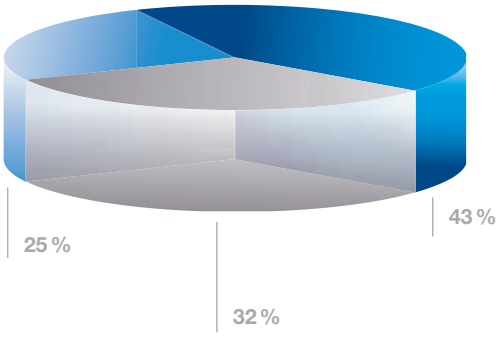




In 2010 7,116 men and 2,980 women worked at ARMZ Uranium Holding Company, in 2011 7,521 men and 3,147 women, and in 2012 8,571 men and 3,279 women.

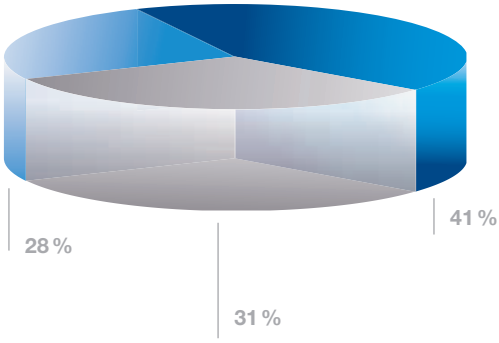
P32 Age structure of the workforce

2010



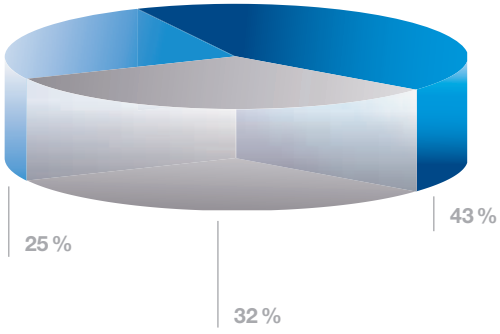
- Over 50 years old
- 35 years old or less
- 36 to 50 years old

2011



- Over 50 years old
- 35 years old or less
- 36 to 50 years old

2012



- Over 50 years old
- 35 years old or less
- 36 to 50 years old

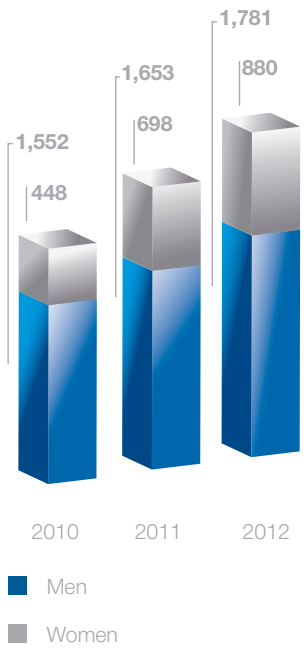
The number of employees in 2012 increased considerably on the previous year – by 1,182 – to 11,850.

In 2012 the share of employees aged 50 and older fell to 25%, while the share of employees in the age categories 35 years or less and 36-50 years rose proportionately, from 41% to 43% and from 31% to 32%, respectively (see the Appendices).

STAFF TURNOVER

The Company adheres to principles of equality of opportunity and diversity in employment. Candidates for job vacancies are accepted regardless of gender or membership in a minority. Only the professional qualifications and skills of applicants are considered when making hiring decisions.

P33 Number of employees leaving, by gender, in 2010-2012



In absolute figures, the number of male leavers is greater than the number of women leavers; the same situation can be seen for staff turnover figures (for more details on the number and composition of leavers, see the Appendices).

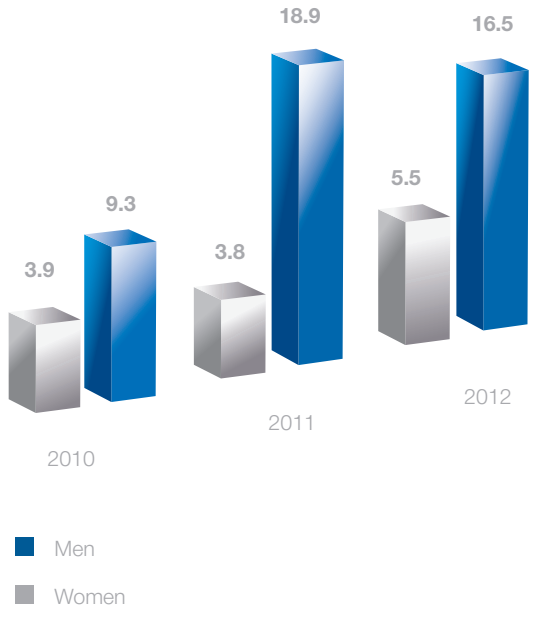
In the reporting period, total turnover in the Company fell from 23% to 17%.

In the reporting period, total turnover in the Company fell from 23% to 17%, including from 35% to 30% at JSC Atomredmetzoloto (see the Appendices section). The increase (from 6 to 11%) of turnover at JSC VNIPIPROMTECHNOLOGII is related to the retirement of a large number of employees, and also to a reduction in the amount of work performed. Broken down by gender, employee turnover in 2012 was 17% for men and 5% for women.

SHARE OF LOCAL POPULATION

The Company's enterprises operate in remote regions and this presents human resource challenges: there are difficulties in recruiting locally employees with the necessary level of qualifications, especially for management positions.

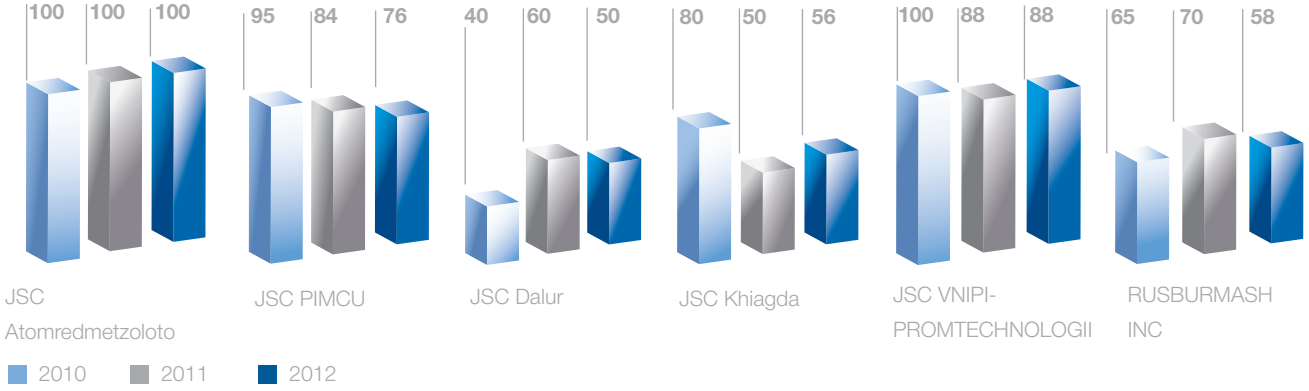
P34 Employee turnover, by gender, in 2010-2012, %



P35 Share of the local population among employees, %

From the trend shown above, it can be seen that the share of the local population in 2012 decreased at several ARMZ Uranium Holding Company enterprises. One of the reasons for this was the launch of a programme to rotate employees within Company enterprises. This initiative is aimed at developing employee competencies, promoting their professional growth, and reducing the gap in the level of their knowledge by giving them the opportunity to share experience. The rotation programme was launched in 2011 and remains in force. ARMZ complies with the Labour Code of the Russian Federation: when hiring, attention is paid to qualifications and skills, and no preference is given to local residents.

P36 Share of senior managers from the local population, %



The share of senior managers from the local population* has fallen over the past three years, due to an increase in requirements for candidates for senior management positions and a shortage locally of employees with the necessary qualifications. The largest share of senior managers from the local population is at JSC Atomredmetzoloto (100%), and the lowest is at JSC Dalur (50%). However, at JSC Dalur the figure grew by 10% compared to 2010 (for more detail on the makeup of the management bodies of organisations, with a breakdown by gender and age, see the Appendices section).

At the same time, taking into account the significant scope of the business and the specifics of its operations, this indicator can be considered to be moderate (see Appendices).

* Senior management is understood to be the general director and all directors for three levels below him within the framework of JSC Atomredmetzoloto, and for two levels below in all subsidiaries and associates.

REMUNERATION SYSTEM

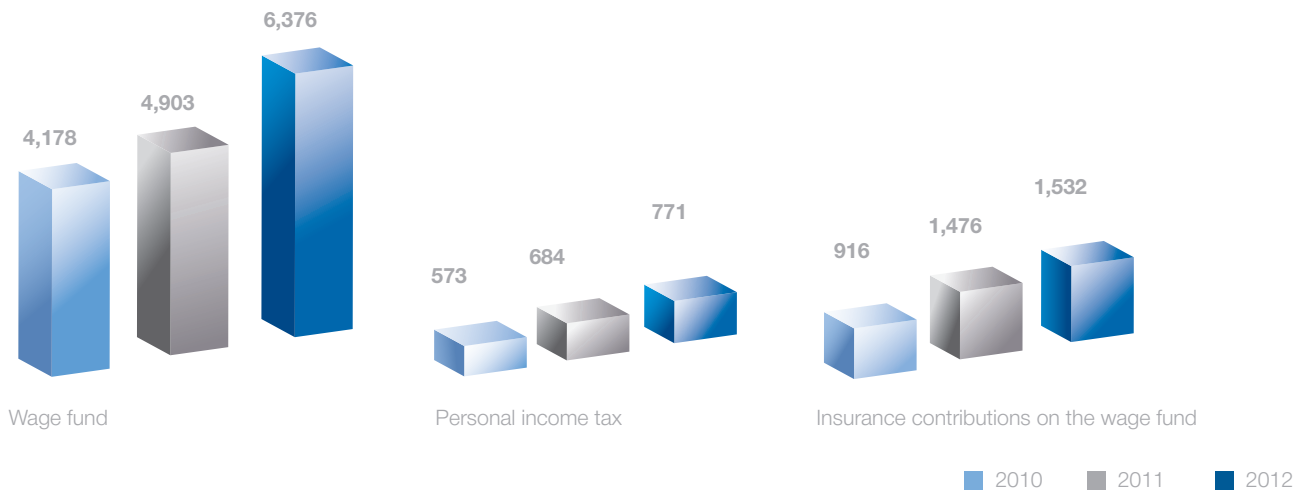
The ARMZ Uranium Holding Company maintains an egalitarian position in regard to setting employee remuneration, regardless of gender. In 2011 all ARMZ entities switched to the Unified Remuneration System (URS), which involves a unified approach to setting salaries in the Company. In 2012 ARMZ introduced a number of measures to link employee remuneration to the performance results of the production programme.

As part of the employee recruitment and retention plan, salaries were indexed for the main working specialisations to a level exceeding the average figure for the business regions (for more detailed information, see the Appendices section).

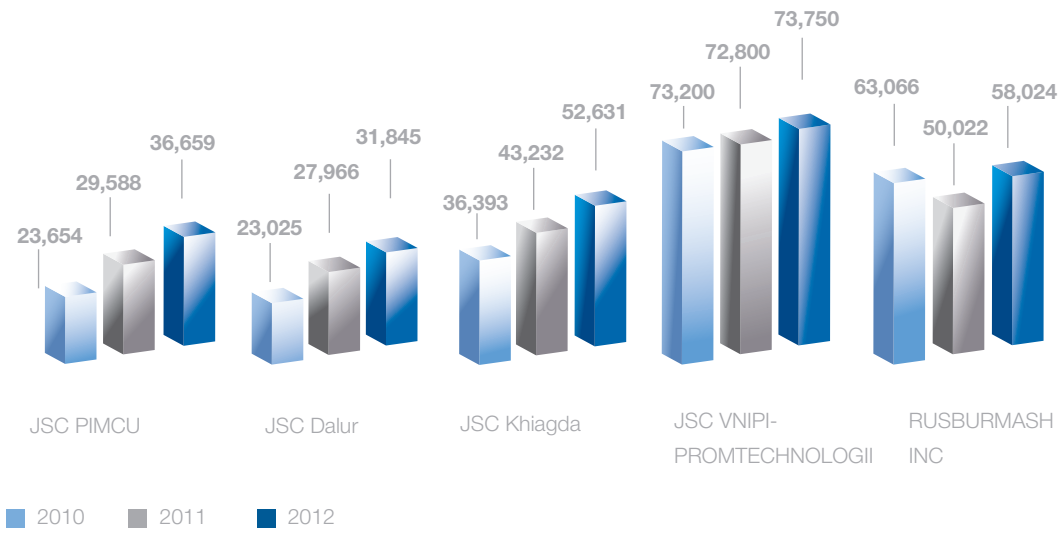
In order to improve employee motivation to carry out the production programme, in November 2011 JSC PIMCU introduced Individual Incentive Premium (IIP-2) for employees in the underground group of the plant's Uranium Mining Directorate. This premium covers 2,646 employees – more than 80% of staff working underground. The IIP-2 is calculated and accrued for achieving/exceeding target figures of the division and takes into account the contribution of each employee in achieving the set goals.

In April 2012 JSC Khiagda began to implement an action plan to raise the salaries of its employees to a competitive level for the region. The main goal was to maintain optimal staff quantity and quality. In implementing the plan, salaries were increased by changing the remuneration matrix. This measure had a positive effect on labour productivity growth.

P37 Expenses and withholdings related to wages, million RUB



The implementation of the measures listed above made it possible to significantly increase the wage fund at many enterprises over the course of two years, which led to growth in payments of personal income tax and insurance contributions to the wage fund.

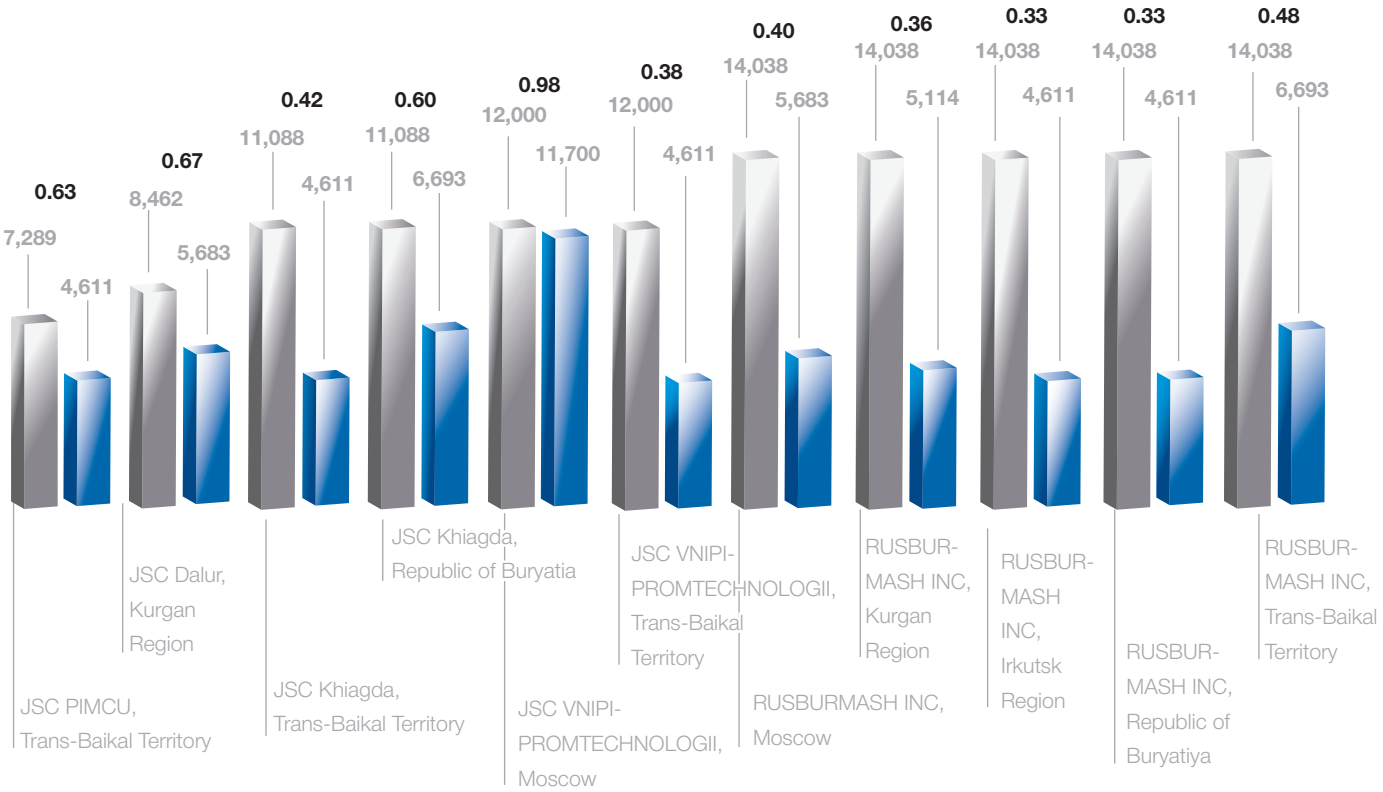


P38 Size of wages, RUB

The size of the average wage rose on average by 15% (at JSC PICMU and JSC Khiagda the growth exceeded 20%).

The minimum wage at all enterprises is higher than the minimum wage in the business regions, which is clearly demonstrated in the table below.

P39 Ratio of minimum wage in the business region to starting wages, RUB



To calculate the starting wage, the statutory minimum wage was used. In situations where the enterprise was located across several regions, the minimum wage for the enterprise was compared with the minimum wage in the region of operations*.

PLANS AND EVENTS FOR 2013

- Introduction of the Rosatom State Corporation unified standard for social policy; creation of a unified division awards policy; and improved management transparency, including through developing an internal communications system to inform employees of the challenges and development outlook for ARMZ and Company enterprises.
- Measures to harmonise the URS: unification of wage structure (types of payment), taking into account the requirements of the Methodological Recommendations on the URS and implementation of measures to review salaries and change the wage matrix.

SOCIAL POLICY

Aware of increased competition on the labour market, JSC Atomredmetzoloto strives to foster an image as an attractive employer, pursuing a set of measures as part of its social policy that are aimed at recruiting and retaining highly qualified personnel.

ARMZ's priority is to ensure decent working conditions that are continually improved, in order to promote the necessary level of employee loyalty.

The Company's social policy, as a component part of its human resources policy, is implemented as part of corporate social programmes in the following areas:

- voluntary medical insurance of employees (VMI);
- accident and illness insurance for employees;
- treatment and leisure time at sanatoria and resorts;
- providing assistance to improve housing conditions;
- pension support (non-state pension plan);
- social programme for providing assistance to employees**;
- support for Company veterans and pensioners;
- providing meals to employees;
- organising sporting and cultural events;
- awards policy.

The Company complies with all law requirements on the provision of childcare leave and appropriate related benefits and guarantees, including retention of position during the leave period and subsequent return to work.

* Region of operations means the constituent subject of the Russian Federation where the Holding Company operates: Moscow, Trans-Baikal Territory, Kurgan Region, the Republic of Buryatiya, and Irkutsk Region.

** The social programme for providing assistance to employees is a material assistance programme (for example material assistance to an employee on the birth/adoption of a child (children), material assistance to an employee in the event of the death of a close relative, material assistance in the event of serious illness). This includes additional payments to employees in cash, over and above those required under the Labour Code, and providing additional paid leave due to family circumstances.

SOCIAL BENEFITS TO EMPLOYEES

From 2010 to 2012 social benefits for employees increased from RUB 125 million in 2010 to RUB 144 million in 2011 and RUB 177 million in 2012.

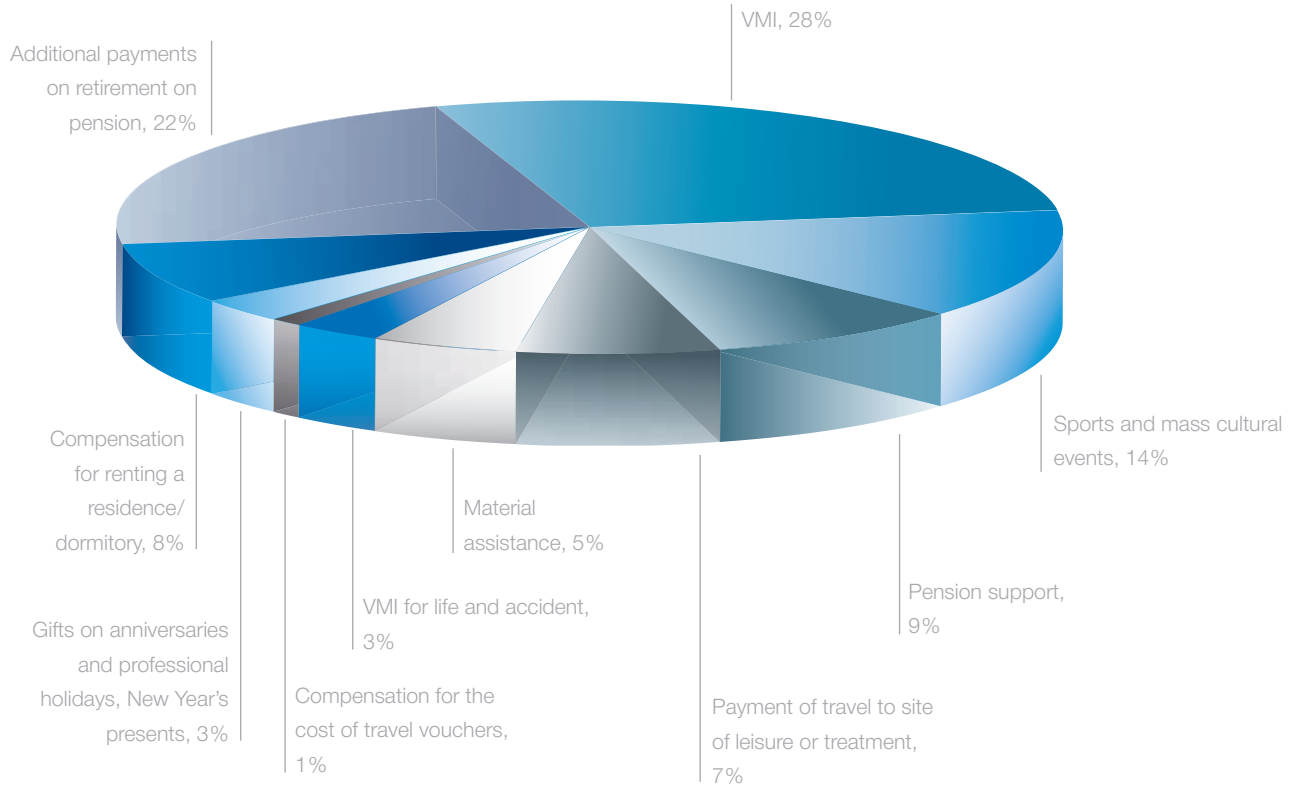
The following payments and benefits to ARMZ employees, irrespective of position, are standard, but are not provided to employees working in a combined position or to temporary employees:

- accident and illness insurance
- VMI
- participation in the non-state pension plan

The non-state pension plan operates under the laws of the Russian Federation. Non-state pension support is financed by the employee (from 0.8% to 3.3% of the employee's salary, depending on the employee's age) and the employer (from 1.5% to 10.0% of the employee's salary).

Non-state employee pension plans are in operation only at JSC PIMCU and JSC Dalur, and are based on the Corporate Social Pension Plan of Rosatom State Corporation and its Organisations, Subordinate Enterprises and Their Subsidiaries*.

P40 Structure of social benefits



* The Corporate Social Pension Plan of Rosatom State Corporation and its Organisations, Subordinate Enterprises and Their Subsidiaries was created in accordance with the following regulatory acts: Federal Law No. 317-FZ of 1 December 2007 On the State Atomic Energy Corporation Rosatom; Resolution No. 705 of the Government of the Russian Federation of 20 September 2008 On the Operating Programme of the State Atomic Energy Corporation Rosatom for the Long Term (2009—2015); Federal Law No. 56-FZ of 30 April 2008 On Additional Insurance Contributions for the Accumulative Part of the Employment Pension and State Support for the Formation of Pension Savings; Federal Law No. 75-FZ of 7 May 1998 On Non-State Pension Funds; industry agreements on atomic energy, industry and science.

An employee may participate in both programmes simultaneously. ARMZ also has in place a Programme to support veterans and pensioners, which includes the following types of assistance:

- VMI;
- compensation of 90% of the cost of travel to sanatoria and resorts for non-working pensioners;
- material assistance on retirement (amount dependent on the pensioner's status);
- provision of material assistance to relatives in connection with the death of a pensioner;
- provision of material assistance to WWII participants and veterans on the occasion of Victory Day;
- participation in corporate events related to anniversaries and holidays;
- congratulations on anniversaries and holidays.

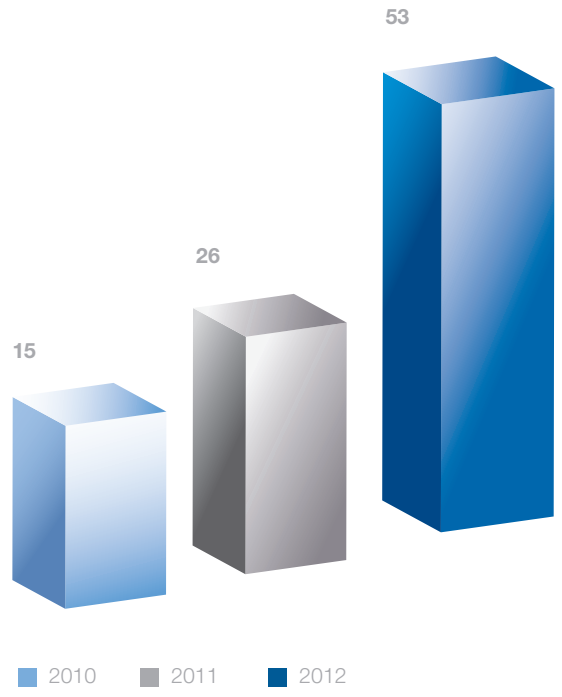
EMPLOYEE TRAINING AND DEVELOPMENT

With the aim of developing the personal and professional competencies of employees, the RECORD system is used, which has been approved at the level of Rosatom State Corporation. Under this programme, annual performance is assessed, which allows employees to obtain feedback on their performance, and also work with managers to determine their goals and targets for the following year by creating an individual development plan.

The results of the assessment form the basis for including the employee in the management reserve.

To develop employee skills, the Company sends employees on training courses in the following disciplines: project management, accounting and audit, risk management, changes in current legislation, and English language. If training is prescribed in the development plan and promotes the development of skills and the acquisition of knowledge to meet goals, employees are sent on trainings at external educational institutions at the expense of ARMZ. In accordance with the Labour Code of the Russian Federation, trainees are given extended leave, with the guaranteed retention of their position.

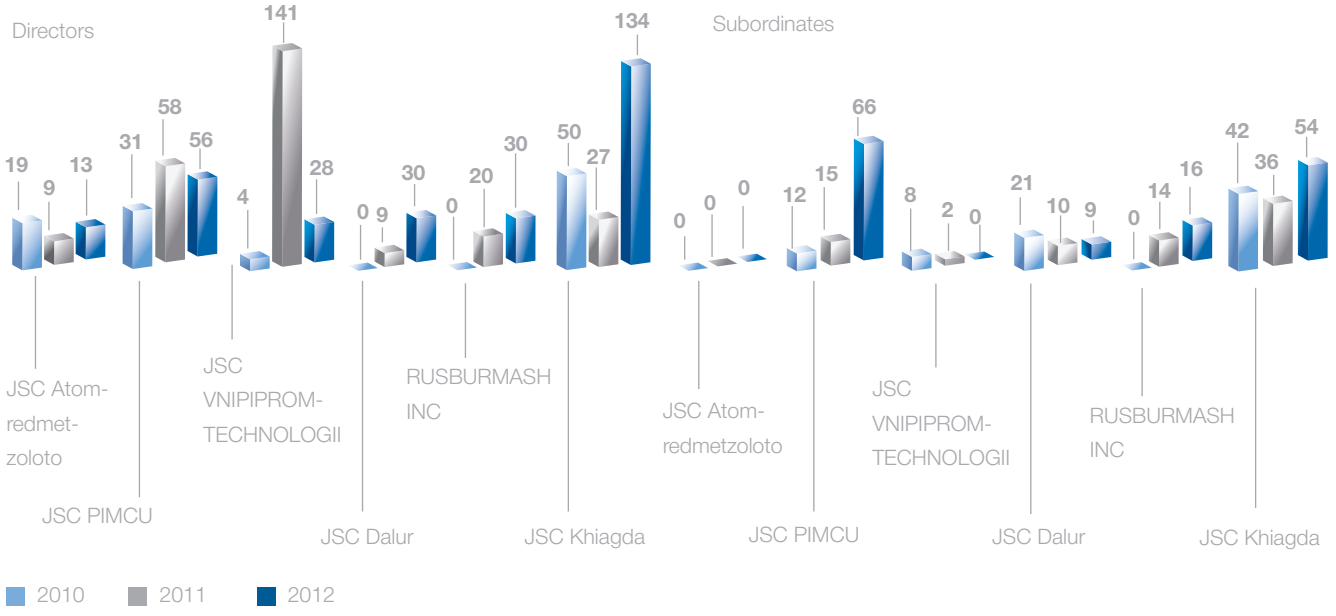
P41 Total number of training hours per employee per year in ARMZ



T09 Measures within the ARMZ employee training and development framework in 2012

Value of the employee	▪ Employee Information Days were held. More than 4,200 division employees took part in the fourth quarter (36% of total).
Internal communications	▪ Divisional football tournaments for seven teams were organised and held. The ARMZ team took part in the TEK Cup competition.
Professional development and training	▪ The distance-learning system continued to be developed. ▪ A modular management skills training programme for middle and line management was launched. Three modules were conducted; 31 ARMZ employees are taking part. ▪ 12 production division employees did internships at JSC PIMCU. ▪ A programme to transfer key knowledge and experience to young specialists was implemented. ▪ A programme was launched for the professional development of employees through developing a system of continuous training and implementing advanced training methods. ▪ Corporate English language training courses were launched. Since 2011 the programme was launched in the management company at manager level; in 2012 it was extended to specialist level. ▪ JSC PIMCU operates a training centre and hold seminars and meetings during which experience is exchanged. ▪ JSC PIMCU has launched the Foreman School programme, in which foremen develop people management skills. 190 foremen have been trained so far. For HR employees, the ARMZ Professional Mastery School has been set up, which develops the management skills of foremen and trains internal People Management programme trainers.
Management reserve	▪ The total size of the management reserve in 2012 for all subsidiaries and associates was 61. The above measures made it possible to increase the training hours per employee from 15 in 2010 to 26 in 2011 and 53 in 2012.

P42 Training hours per person broken down by enterprises of the ARMZ Uranium Holding Company



PLANS AND EVENTS FOR 2013

The Company plans to continue developing and implementing projects aimed at the professional development and advanced training of employees, the development of internal communications, and increasing value.

T10 Plan of actions within the ARMZ employee training and development framework in 2013

Employee value	▪ Holding a divisional sports event (Olympics) which includes at least five sports.
Internal communications	▪ Organising and conducting training and moderation sessions for functional areas/subsidiaries and associates. ▪ Developing a Welcome to the Company induction session for new employees.
Professional development and training	▪ Creation of career matrices for production personnel (JSC PIMCU). ▪ Developing a Mining Master School programme, organising professionally oriented events aimed at selecting candidates for post-secondary education in 2013 (targeted recruitment). ▪ Launch of an employee training programme for post-secondary and vocational secondary institutions (targeted training). ▪ Continued expansion and development of the mentoring system (adaptation and professional development). ▪ Launch of a training programme (ARMZ Business School) for uranium production managers and the ARMZ Professional Mastery School programme to train workers and technical engineering personnel in uranium ore production technologies (deferred from 2012 to 2013 for conceptual revision).
Management reserve	▪ Based on results of assessment procedures, the creation of a management reserve for the division made up of employees in the positions of: General Director of subsidiaries and associates, Deputy General Director of subsidiaries and associates.

WORK WITH STUDENTS AND YOUTH

The foundation for highly qualified ARMZ Uranium Holding Company enterprise personnel is created by specialists who have received a high-quality professional education. For this reason, significant attention is paid to working with students and youth.

Key goals:

- personnel support to develop long-term scientific and production potential;
- ensuring continuity within ARMZ.

ARMZ Uranium Holding Company enterprises work with Tomsk Polytechnical University, Irkutsk State Technical University, Trans-Baikal State University, Moscow State Mining University, Urals State Technical University, the Siberian Federal University of Krasnoyarsk, Ammosov North-East Federal University, and the secondary specialised vocational institutions: Trans-Baikal Mining College and Krasnokamensk Polytechnical Institute (branch of MEPhI National Research Nuclear University).

In 2011 ARMZ Uranium Holding Company launched a stipend project for those studying in post-secondary institutions. Winners were awarded with Company-branded stipends, and were included in the young specialists' reserve of ARMZ. 13 people were chosen for the project in 2012. Priority is given to students whose essays and dissertations are related to the operations of ARMZ enterprises.

In 2012 a presentation on the Company and its subsidiaries was given at Tomsk Polytechnical University to attract students for work-study sessions and subsequent hiring. ARMZ also took part in a job fair at the University.

A competition was planned for 2012 for teachers of related technical institutes, with the organisation of internships for ARMZ enterprises. The project was not realised, as it was transferred to Rosatom State Corporation.

Each Company enterprise pursues its own initiatives in working with students and youth:

- In 2012 JSC VNIPIPROMTECHNOLOGII concluded three long-term contracts with educational institutions on the joint organisation and conduct of introductory training, production, and pre-diploma practical training for students studying in specialisations key for the institute.
- The Young Specialist School operates at JSC VNIPIPROMTECHNOLOGII, which includes lectures on professional topics, adaptation measures, and business areas. A distance-learning graduate course is also available to present candidate dissertations on topics relevant to Rosatom State Corporation.
- In 2011 JSC PICMU created the Youth Council of the Association. Its main work consists in coordinating the operations of youth councils of all divisions of the enterprise. In 2012, 39 sporting events were held, in which young JSC PICMU specialists were actively involved.
- JSC Dalur organises the training of employees and family members at post-secondary institutions (targeted training) with the obligation of subsequent hiring (in 2012, 12 contracts were concluded with educational institutions to train employees at the enterprise's expense). The enterprise also recruits students who are majoring in key subjects for the enterprise for production and pre-diploma practical training (in 201212 students did production and pre-diploma practical training).
- In 2012 RUSBURMASH INC determined the key positions and divisions to which students are planned to be brought in for practical training.

PLANS FOR 2013

- Holding a divisional forum for the youth of ARMZ and its subsidiaries and associates, with the participation of competition-winning students from relevant post-secondary institutions. Students majoring in key subjects for the enterprise will also be recruited for production and pre-diploma practical training, with possible subsequent hiring.
- Continuing work with students in the Young Talents Programme, including through research competitions, with subsequent payment of company-branded stipends.

UNIONS AND COLLECTIVE AGREEMENTS

Trade unions are currently in place at JSC PIMCU and JSC VNIPIPROMTECHNOLOGII. In 2012 a trade union was also created at the Separate Structural Division Khiagda Drilling Office (SSD Khiagda DO) of RUSBURMASH INC (joined by 60 employees). At JSC Dalur there is a Workforce Council, which participates actively in relations between the employer and employees.

Accordingly, collective agreements are in effect at three subsidiaries and associates, where management and employees have concluded collective three-year agreements, covering important areas of management-employee relations.

The provisions of collective agreements stipulate that employees must be notified in writing at least two months in advance of upcoming changes in the terms of the collective agreement determined by the parties. Employees who have not been hired under the collective agreement are notified of significant changes in the organisation's operations, in accordance with the Labour Code.

T11 Share of employees covered by collective agreements in 2012

ENTERPRISE	NUMBER OF WORKERS COVERED BY COLLECTIVE AGREEMENTS	TOTAL WORKERS	SHARE OF EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS
JSC PIMCU	8,741	8,753	99.86%
JSC Dalur	437	437	100%
JSC VNIPIPROMTECHNOLOGII	442	442	100%

TOMOGRAPHY OF THE FUTURE

Tomography equipment today consists of enormous, expensive stationary machines. The development of atomic technologies will help to make them much more compact.

HEALTH, SAFETY AND THE ENVIRONMENT

Industry specifics and the particular nature of the production process make ensuring safety at each stage of work an important component of the stable and sustainable development of ARMZ. The Company maintains an integrated approach based on placing the utmost value on life and health, and preserving the environment and promoting sustainability in the face of physical, economic, informational and reputational risks.

MANAGEMENT SYSTEM

The safety strategy is determined by Rosatom State Corporation. The strategy is implemented by the Security Directorate of JSC Atomredmetzoloto, as well as the relevant divisions or authorised parties in these subsidiaries and associates.

At ARMZ Uranium Holding Company, issues of radiation safety, the environment, and occupational health and safety are handled by the Directorate of Health, Safety, Environment and Radiation Safety (HSER). Strategic decisions related to the environment and health and safety are taken at the level of Rosatom State Corporation, and are then implemented by the HSER Directorate and the relevant bodies or authorised officials of the subsidiaries and associates. At JSC PIMCU the Deputy General Director is responsible for this area of operations. His subordinates include the Department of Environmental Protection, the Industrial Safety Department, the Occupational Safety Department, and the Radiation Safety Service. At JSC Khiagda and JSC Dalur, the HSER departments are responsible for this area.

Issues of physical and informational security are handled by the Security Directorate; at enterprise level, deputy general directors for security are responsible.

REGULATORY FRAMEWORK

The key regulatory document in the field of safety is the IAEA Convention On the Physical Protection of Nuclear Material, which prescribes that participating states must meet obligations to ensure the integrity and safety of nuclear materials. ARMZ's operations are also governed by the federal laws On the Use of Atomic Energy, On the State Atomic Energy Corporation Rosatom, On State Secrets, On the Fight against Terrorism, and On the Protection of Information, as well as the resolution of the Government of the Russian Federation On Approving the Rules for the Physical Safety of Nuclear Materials, Nuclear Facilities and Storage Sites for Nuclear Materials.

In accordance with IAEA plans to strengthen control over the safety of nuclear materials, in 2012 Company specialists took part in elaborating Practice in the Rational Management of Nuclear Safety in the Uranium Industry.

Recognising the important of radiation safety issues for key stakeholders, the Company participates in creating industry-wide regulatory documents in this field. Specifically, in 2012, as part of implementing the instructions and recommendations of Rosatom State Corporation, JSC Atomredmetzoloto completed work on creating Official Safety Rules for the Development of Uranium Deposits by Means of Heap and Well Leaching.

PHYSICAL, INFORMATION AND ECONOMIC SECURITY

Physical and informational security and risk management in the field of statutory compliance and economic risks are key areas of the Company's security work (for more information on risk management issues, see the Management System section).

In 2012 ARMZ operations in this area were concentrated on ensuring protection against cyber-attacks and terrorism threats. The Company's enterprises strengthened the anti-terrorist protections they have in place, and also increased the level of physical and informational security. Nuclear and radiation safety has traditionally always received significant attention.

TECHNICAL FACILITIES FOR ENSURING SAFETY

ARMZ ensures the safety of its operations through using an array of technical facilities: physical (specialised barriers, the use of security organisations, etc.) radiation safety equipment (reinforced doors, radiation sensors etc.) and tools to provide information security.

PHYSICAL SECURITY

Results of 2012

In order to ensure the physical security of nuclear facilities, Programme to Improve the Physical Protection Systems of Nuclear Facilities was developed for JSC Atomredmetzoloto and its subsidiaries and associates. As part of this programme, work was performed in 2012 to upgrade the engineering and technical facilities for physical protection at JSC PIMCU and to create similar facilities at JSC Khiagda. Similar work at JSC Dalur had already been completed by the start of the reporting period.

Plans for 2013

Continuing work on ensuring physical security initiated in 2012.

Implementation of the Rosatom programme Improvement of the Physical Protection of Nuclear Materials, Nuclear Facilities and Storage Sites for Nuclear Materials for the Period up to 2015.

INFORMATION SECURITY

The technical means used by the Company to ensure information security include systems to: monitor and manage vulnerabilities in the corporate network; analyse and correlate information security events; and manage employee access to information resources. In addition, JSC Atomredmetzoloto has used electronic digital signatures for three years.

2012 results

ARMZ enterprises met the information security targets set by Rosatom Corporation for 2012 in full. Among other things, the Company took part in a project to create a unified industry document management system.

Plans for 2013

- Continuing to work on ensuring the conditions for information security and compliance with information security requirements.
- Creation of an information security management system (ISMS) in accordance with ISO/IES 27001.

ECONOMIC SECURITY

In 2012 and before, the task of ensuring economic security was partially performed by the internal control and audit department, as well as other divisions of the Company.

As part of managing corruption-related risks, the Company has performed preventative work to reduce these risks and eliminate the background conditions for embezzlement, fraud, and other corruption-related violations. All six enterprises (100%) of the Company have been analysed as part of consolidation for this section in respect of corruption-associated risks.

Key events of 2012

- An anti-corruption expert appraisal and revision of regulatory documents was performed to prevent abuse.
- The Unified Procurement Standard of Rosatom State Corporation has been implemented at all Company enterprises.
- Measures have been taken to establish the chain of ownership of all counterparties.

Plans for 2013

- An Asset Protection Department has been created in the Security Directorate, whose chief assignment will be to develop a system of measures to ensure economic security and protect assets.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety is the foundation to ensure the effective work of ARMZ employees, and is also one of the priorities of operating activity.

JSC Atomredmetzoloto's goals in the field of occupational health and safety (OHS) are:

- Preventing on-the-job accidents
- Complying with safety requirements
- Preventing industrial accidents
- Minimising factors leading to occupational illnesses

RADIATION SAFETY

Results of 2012

At JSC PIMCU during the reporting year, as part of work on improving the radiation conditions in the mines, equipment was modernised and a number of measures were taken to improve the protection of employees. The level of radiation safety is already sufficiently high at JSC Dalur and JSC Khiagda due to the specifics of their production technology.

Thanks to timely work to minimise radiation risks, the individual effective dose did not exceed 20 mSv for

any worker at JSC PIMCU, JSC Dalur and JSC Khiagda during the reporting period. Since 2007, not a single incident has been recorded at JSC PIMCU enterprises of anyone exceeding an individual dose of 100 mSv. The average effective dose for 2012 was 3.0 mSv and did not exceed the average figure for the past three years. At JSC Dalur and JSC Khiagda in 2012 the average annual exposure of personnel was 1.44 mSv and 1.05 mSv, respectively, which is a comparatively low dose.

Plans for 2013

JSC PIMCU plans to launch a mine ventilator at Deposit No. 8 in 2013, and also to take a number of additional measures to replace obsolete equipment. Despite the completion in 2011 of the technical re-fitting programme, the Company will continue to upgrade its production facilities as necessary.

MAIN OCCUPATIONAL AND INDUSTRIAL SAFETY EVENTS

In 2012 the Company implemented a set of measures to reduce the accident rate and ensure safe working conditions. Inter alia, a Standard was introduced on the internal investigation of occupational health and safety incidents at JSC Atomredmetzoloto and its subsidiaries and associates. All accidents occurring in 2012 were investigated using the standard.

Since the start of 2012 the Company has developed and implemented seven regulatory occupational health and safety documents, including the Safety Management System of JSC Atomredmetzoloto (SMS ARMZ).

One of the important regulatory documents at JSC PIMCU is the Regulations on the Organisation and Performance of Production Control over Safety Requirements at Hazardous Production Facilities of JSC PIMCU. In order to successfully implement this document the plant modernised the structure of the production control service in accordance with the requirements of the document. Another important achievement was developing and implementing Regulations on the Procedure for the Internal Investigation, Registration and Analysis of Incidents at JSC PIMCU Facilities; 25 incidents have already been investigated under the requirements of these regulations. The introduction of this practice at the enterprise represented a major step forward in improving work safety.

The Company regretfully reports three incidents that occurred in 2012 at JSC PIMCU, as a result of which one employee died and two were seriously injured. All the cases were thoroughly investigated in accordance with Standard and were considered at meetings attended by the acting general director of JSC Atomredmetzoloto. The results of the investigation identified the key reasons for the accidents; as a result a total of 46 organisational, technical and personnel corrective measures were developed and implemented.

Since the start of 2012, an increasing amount of attention has been given by the management of the Company and its subsidiaries and associates to work in the field of health, safety, environment and radiation safety, which has been reflected in the following additional organisational measures:

- Implementing weekly operational meetings to discuss safety issues, as well as the results of monitoring the reduction in repeat violations identified by the SMS, which is constantly maintained at JSC PIMCU.
- Monthly evaluations by division heads of the organisation of work in occupational health and safety at JSC PIMCU.
- Holding quarterly meetings at JSC Atomredmetzoloto with the management of subsidiaries and associates on occupational health and safety issues.

With the aim of fostering the necessary mentality among JSC PIMCU employees, a contract was concluded during the reporting year with the company DuPont Science and Technologies to develop a safety culture

on the basis of global best practices, including about 1,000 employees, from foremen to the management of JSC PIMCU. A project is also being implemented that prescribes developing a standard for personal protective devices (PPD), which will make it possible to set uniform criteria for selecting them when carrying out competitive procedures.

In order to minimise the number of incidents related to human error and a negligent approach to safety rules, a targeted PR campaign was conducted for the first time at JSC PIMCU enterprises. Among other things, 11 films on occupational health and safety were created in 2012, including with the participation of those who have suffered accidents. These films were shown during repeat safety training, and also were transmitted on a weekly basis on eight monitors installed in divisions of the plant.

JSC Dalur and JSC Khiagda developed Rules for Occupational Safety when Developing a Deposit Using Well and Heap Leaching and implemented a set of other measures, including training under the SMS of employees of subsidiaries and associates. Company enterprises hold seminars and meetings on a monthly basis, during which experiences are exchanged. Work with employees is conducted in the following areas:

T12 Employee assistance programs

PROGRAMME AUDIENCES	EDUCATION/TRAINING		CONSULTING		PREVENTION/RISK CONTROL		TREATMENT	
	YES	NO	YES	NO	YES	NO	YES	NO
Employees	√		√		√		√	
Employees' families		√		√		√		√
Representatives of the public		√		√		√		√

ARMZ has not created official joint committees on health and safety, since they are not mandatory under Russian law.

MEASURABLE RESULTS

The results of the work of ARMZ Uranium Holding Company to develop its health and safety have had an effect on relevant coefficients reflecting the accident rate and level of safe working conditions*.

The accident rate (lost time injury frequency rate, or LTIFR) at JSC Atomredmetzoloto fell compared to the previous three-year base period, from 1.11 (on average over three years) to 0.39. This is a 65% reduction, compared to a target figure of 10% established by JSC Atomredmetzoloto. The reduction of the accident frequency compared to 2011 was 83%.

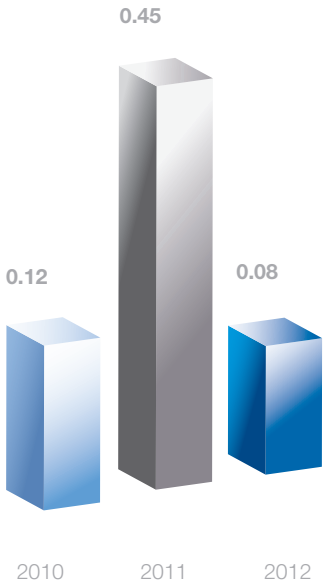
The occupational accident rate (OAR) fell to the lowest level in the past three years.

All registered accidents occurred at JSC PIMCU. Compared to 2011, the number was less than half: a reduction from 15 to 7. The number of fatal outcomes fell from 2 to 1**, compared to the indicator of 2010. Nevertheless, the Company does not consider this to be an "improve-

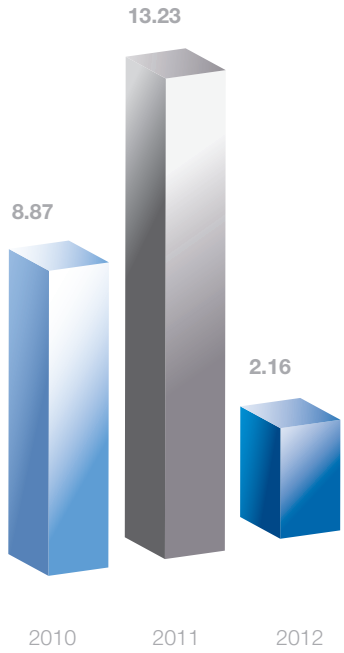
* Minor injuries are not taken into account when calculating ratios. When calculating (days lost), in accordance with the Russian Labour Code calendar days were used, rather than business days according to the schedule. «Days lost» were counted from the time an injury occurred. When recording accidents and preparing the relevant reports, ARMZ was also governed by the Russian Labour Code.

** An employee of JSC PIMCU perished, a man in Trans-Baikal Territory; the accident was investigated by a commission of Rosatom, involving senior figures

P43 Occupational accident rate (OAR)



P44 Days lost ratio (DLR)



ment": every fatality is an enormous and irreversible loss, and ARMZ will continue to work to improve its health and safety system until it achieves the complete elimination of on-the-job accidents. ARMZ's plans include the record-keeping of fatal incidents, including for independent contractors.

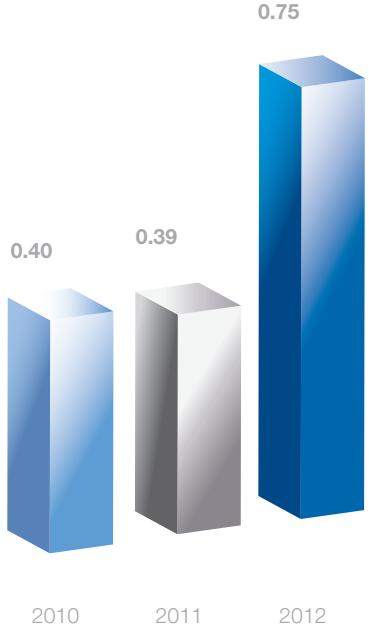
The number of lost days of JSC PIMCU employees as a result of injuries fell by a factor of six. Among other reasons, this is related to the share of minor incidents compared to the previous year within the total number of accidents.

The number of repeat violations of safety rules at JSC PIMCU fell over the second half of 2012 by 45% (from the time procedures of monitoring repeated violations were organised). Accidents investigated in accordance with federal laws and rules did not occur during 2012 at ARMZ facilities.

The lost days figure, like the injury rate, reached its lowest value for the past three years, which attests to the success of the preventative measures undertaken.

ARMZ conducts an annual preventative inspection of all personnel; when illness is detected the employee is sent

P45 Rate of occupational illnesses (OI)



to the relevant institution for treatment. At the same time, the rate of occupational illness reached a minimum level during the past three years.

PLANS FOR 2013

- To continue the implementation at JSC PIMCU of action plan measures on occupational health and safety, including the project Developing a Culture of Safety.
- Based on the results of an occupational health and safety audit and benchmarking conducted at ARMZ in 2012, to revise the action plan and begin its implementation, including through employee training, preparing internal trainers on occupational health and safety, and developing internal standards, including carrying out a behavioural audit.

ENVIRONMENTAL SAFETY

For ARMZ Uranium Holding Company, ensuring environmental safety is one of the key factors of its production operations. The Company strives to make optimal use of natural resources, with an eye not only on meeting current but also future needs, thereby complying with sustainable development principles across the entire technological chain, and is oriented not only towards financial indicators, but also towards social and environmental sustainability in its regions of operations.

This responsible approach to environmental issues is reflected in key corporate values (more detailed information is given in the About the Company section), which include maintaining the balance of local ecosystems, ensuring that environmental standards are met, and increasing environmental safety.

ARMZ personnel responsible for environmental protection work undergo regular training in accordance with environmental legislation. In 2012, 17 specialists from JSC PIMCU were trained in the programme Professional Training for the Right to Work with Hazardous Waste, while at JSC Dalur one specialist was trained in the programme Support for Environmental Safety by Directors and Specialists of the Environmental Services and Environmental Control Systems.

REGULATORY FRAMEWORK OF ENVIRONMENTAL PROTECTION

The fundamental document in the field of environmental protection at the Company level is the Environmental Policy (the Policy), which complies with the principles of the environmental policy of Rosatom State Corporation. In accordance with the Policy, enterprises that fall under the management of ARMZ Uranium Holding Company have developed environmental procedures that take the nature of their production operations into account.

The following are the fundamental principles according to which all enterprises of the Company are governed when meeting the challenges of the environmental policy:

- developing and implementing measures to reduce as far as possible the environmental impact;

- preserving the natural environment in regions of industrial operations and the recultivation of land;
- reduced emissions of industrial effluent and harmful substances;
- rational use of energy resources;
- constant environmental monitoring.

A Consolidated Plan for the implementation of environmental policy has been developed at the level of Rosatom State Corporation, under which each ARMZ enterprise develops an annual plan of environmental protection measures that must be agreed on with the Company.

In order to keep the principles and obligations of environmental policy consistently up to date, policies are periodically assessed against the current situation at the enterprise level, which enables necessary corrections to be made in a timely manner, so as to achieve optimal environmental safety results.

IMPLEMENTATION OF AN ENVIRONMENTAL MANAGEMENT SYSTEM

ARMZ enterprises are working to implement environmental management systems and obtain certifications of compliance with ISO 14001:2004. JSC Dalur received the corresponding certificates in 2012, while preparatory work at ARMZ, JSC Khiagda and JSC PIMCU has been performed to obtain certificates in 2013-2014.

PRODUCTION ENVIRONMENTAL CONTROLS

In accordance with environmental legislation, each ARMZ Uranium Holding Company enterprise has in place a programme of production environmental controls approved by the state supervisory authorities. The main goals of production environmental controls are to:

- provide on-going operational monitoring of environmental impacts;
- analyse the state of the natural environment;
- assess the impact of production activity on the environment;
- develop environmental protection measures.

For the purposes of optimising the system of environmental impact monitoring, the Company strives to implement innovative monitoring methods. For example, in 2012 JSC PIMCU prepared design and budgeting documentation to implement an automated production environmental monitoring system. All Company enterprises prepare annual monitoring schedules, indicating sample sites and a list of indicators, taking into account the specifics of production technology. Monitoring is performed both by the chemical-analytical laboratories of the enterprises, and with the help of specialised laboratories of supervisory authorities, thus ensuring that the data obtained is reliable.

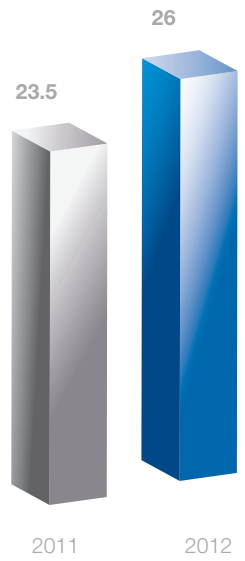
PROTECTION OF LAND RESOURCES AND BIODIVERSITY

Taking into account the nature of the ore-bearing formation and provided it is possible to select the means of uranium production, preference is given to the in-situ leaching method, which has a minimal impact on land resources. In-situ leaching is used at JSC Khiagda and JSC Dalur.

When a deposit is developed using underground mining (JSC PIMCU), an underground mined-out space is formed. In order to ensure this space is safe and to minimise the possibility of the release of radon, the BUM prepares a mixture of cement, sand and gravel, and stows the mined-out space with it. The stowing also uses fly ash from the PCU. In 2012 48 thousand tonnes of fly ash were used, which is 40.6% of total disposal. The stowing of waste in the mined-out space not only reduces the environmental impact but

P46 Total quantity of disturbed land of JSC PIMCU over 2010-2012, ha

P47 Total quantity of disturbed land at JSC Dalur for 2010-2012, ha



also reduces risks of emergencies as a result of mine collapses.

The Urtuyskoye surface mining bureau of JSC PIMCU produces brown coal through open-pit mining; all amounts of overburden are placed in internal spoil heaps.

ARMZ works on the reclamation of disturbed lands, which proceeds in several stages. The technical stage of land reclamation includes preparing the land for subsequent target use. Work to restore the land plot is completed after production of the deposit is completed.

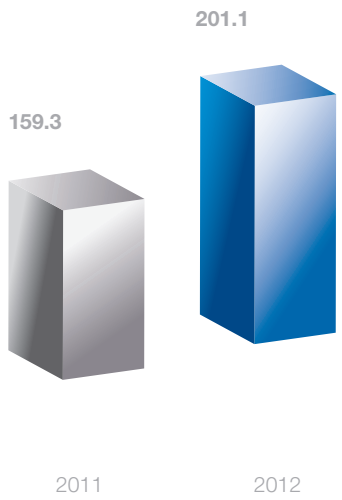
During the reporting period, JSC PIMCU disturbed 10 ha of land, bringing the total area of disturbed land as at 1 January 2013 to 2,657.6 ha.

At JSC Dalur the area of disturbed land for 2012 amounted to 2.5 ha; the total area of disturbed land was about 26 ha.

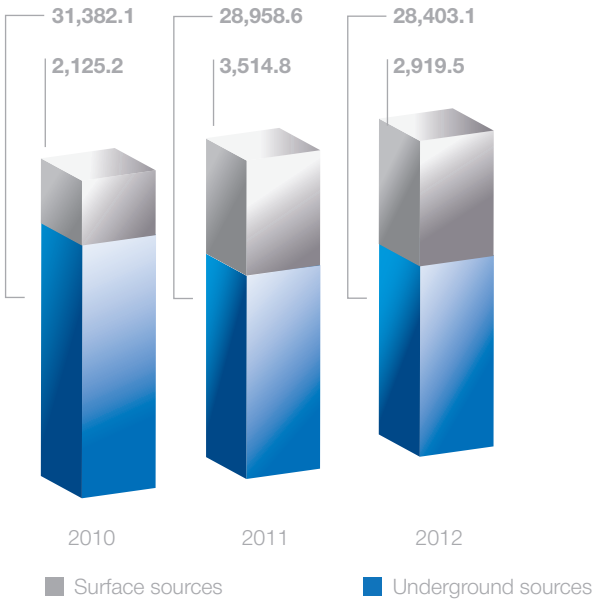
At JSC Khiagda 41.8 ha were disturbed in 2012, bringing the total quantity of disturbed land as at 1 January 2013 to 201.1 ha.

Despite the fact there are no specially protected natural reserves in the region where the Company's production facilities are located, ARMZ nonetheless performs regular environmental surveys of the territories of deposits, and performs observations of the shrub and tree cover. The results of these surveys have led to the conclusion that there is no substantial damage to biodiversity in the regions of ARMZ Uranium Holding Company operations.

P48 Total quantity of disturbed land at JSC Khiagda for 2010-2012, ha



P49 Total intake of water at JSC PIMCU, broken down by sources, over 2010-2012, thousand m^3



KEY MEASURES IN 2012 TO PROTECT LAND RESOURCES AND BIODIVERSITY

JSC PIMCU

- Development of software to assess the geo-environmental effects of developing uranium deposits.
- Performance of reclamation work.
- On-going clean-up work of polluted industrial roads.

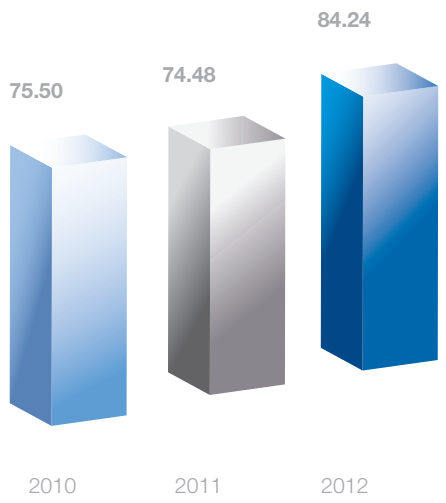
JSC Dalur

- Radio-environmental monitoring of the enterprise's industrial zone and surrounding territory (taking into account site monitoring of the subsoil).
- Preparatory work to implement the Federal Targeted Programme Reclamation of Territories Polluted as a Result of the Performance of Geological Survey and Testing Work by the JSC Dalur in the village of Uksyanskoye, Dalmatovsky district of Kurgan Region, during which areas and scope of work for 2013-2015 were determined and technical specifications were prepared.
- Landscaping of the area of the local sorption unit (LSU) of the Ust-Uksyansky site.

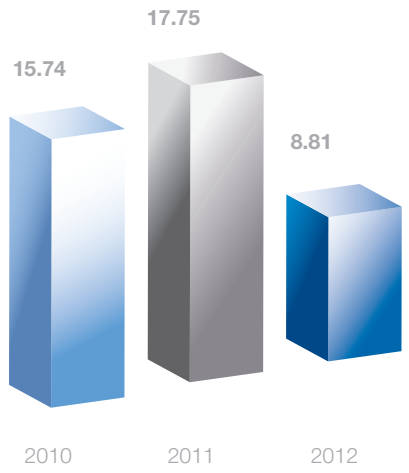
JSC Khiagda

- Organising a system for collecting drilling slurry, with the development of technical solutions to protect the area where the drilling platform is based.

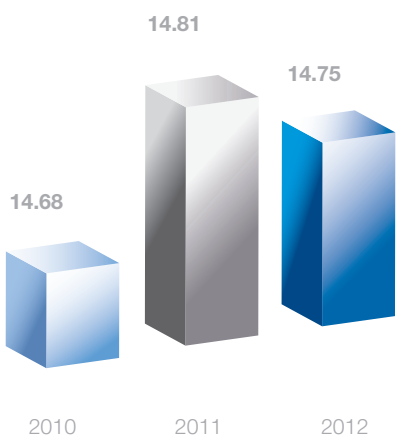
P50 Total intake of water at JSC Dalur over 2010-2012, thousand m^3



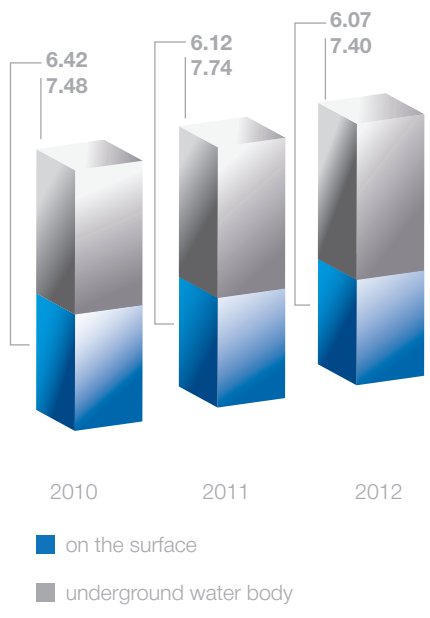
P51 Total release of effluents by JSC Dalur over 2010-2012, thousand m^3



P52 Total intake of water at JSC Khiagda over 2010-2012, thousand m^3



P53 Release of effluents with breakdown by type of treatment at JSC Khiagda over 2010-2012, thousand m^3



PROTECTION OF WATER RESOURCES

ARMZ strives to use water rationally, to implement recycling systems, and to reuse water resources in order to minimise its water intake and emissions of effluents. During production operations, Company enterprises draw water from underground and surface sources for production and internal needs.

WATER INTAKE

During 2012, JSC PIMCU reduced its total intake of water by 3.5%, to 31,322.6 thousand m^3, of which 28,403.1 m^3 was taken from underground sources and 2919.5 m^3 was taken from surface sources.

JSC Dalur takes water only from underground sources. Over the reporting period, the enterprise had an intake of 84.24 thousand m^3, which is 13% higher than the indicator for 2011.

JSC Khiagda also takes in water only from underground sources. In 2012 its water intake remained approximately unchanged from 2011, at 14.75 thousand m^3.

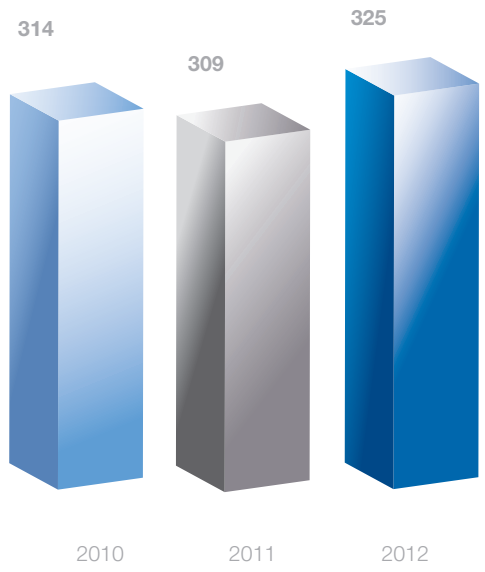
RELEASE OF EFFLUENTS

JSC Dalur and JSC Khiagda did not release any industrial effluents, thanks to the use of closed cycle technologies.

Over the reporting period, JSC Dalur transferred 8.8 thousand m^3 of effluent to municipal organisations for treatment, which is 50% less than the volume of release over the previous reporting period.

At JSC Khiagda the release of effluents over 2012 was 13.47 thousand m^3, of which 6 thousand m^3 was directed to an underground water facility, and approximately 7 thousand m^3 was released onto the surface.

P54 Circulating water supply at JSC PMCU over 2010-2012, million m^3

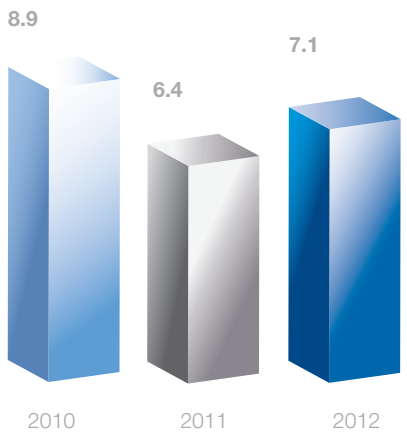


WATER RECYCLING

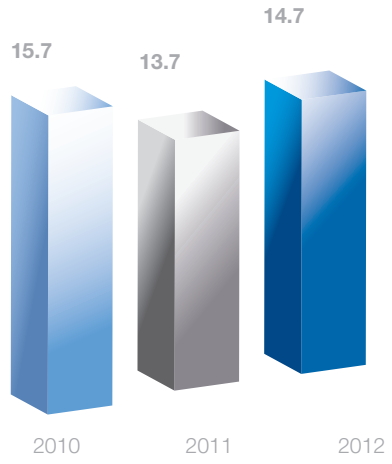
For rational use of water resources purposes, several company enterprises have implemented water recycling systems, and also practice reusing effluents for internal needs. Specifically, at JSC PIMCU the volume of circulating water in the reporting period increased by 5%, and equalled 325.3 million m^3.

The volume of water reused by JSC PIMCU in the reporting period increased compared to 2011 by 12% to 7.13 million m^3.

P55 Re-use of water at JSC PIMCU 2010-2012, million m^3



P56 Pollution emissions at JSC PIMCU over 2010-2012, thousand tonnes



KEY WATER RESOURCE PROTECTION MEASURES IN 2012

JSC PIMCU

- Agreement on design and budget documentation for the reconstruction of existing sewage facilities, aimed at implementing environmentally safe technologies and upgrading main production stock.
- Maintaining water diversion in the downstream side of the pyrite repository of the sulphuric acid plant at the required level; in the reporting period 34.6 thousand m^3 of water were diverted and returned to the pyrite repository.
- Minimise the speed of propagation of pollutants from the Shirondukuy gully to the Sukhoi Urulyunguy gully – during the reporting period the speed of sulphate propagation was close to zero.
- Use of 100% of the drainage of the Urtyusky pit for technical needs.

JSC Dalur

- Acquisition of a unit for the collection and clarification of solutions during repair and restoration work, with the aim of preventing impacts on surface waters;
- Drainage of the Ust-Uksyanskaya formation, aimed at preventing impacts on surface waters;
- Organising the transfer of wastewater to a specialised enterprise for treatment.

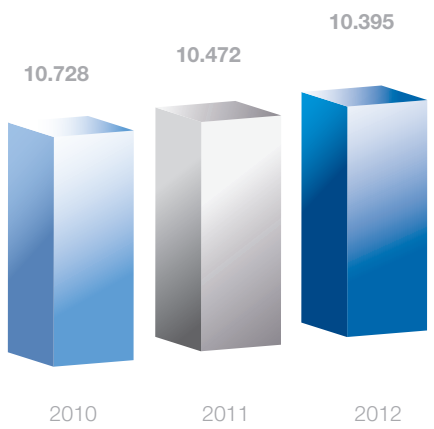
JSC Khiagda

- Organising a system for the collection and clarification of solutions during repair and restoration work, with the aim of preventing impacts on surface waters;
- Constructing a system to divert external floodwaters and collect surface runoff from the territory of operating blocks;
- Launching facilities for the full biological treatment of wastewater of the working quarters;

T13 Structure of emissions at JSC PIMCU for key pollutants

POLLUTANT	2010, TONNES	2011, TONNES	2012, TONNES
Carbon monoxide	845.964	765.31	870.87
Sulphur dioxide	6,162.136	5,674.676	6,424.873
Nitrogen dioxide	1,522.11	1,493.209	1,499.807
Nitrogen monoxide	240.13	236.134	238.134
Inorganic dust, ash	6,083.508	5,086. 341	5,223.292
Inorganic dust	187.228	187.098	205.753
Other	224.74	216.41	239.191
Total	15,265.816	13,659.178	14,701.92

P57 Emission of pollutants at JSC Dalur over 2010-2012, tonnes



T14 Structure of emissions of JSC Dalur by main pollutants

POLLUTANT	2010, TONNES	2011, TONNES	2012, TONNES
Carbon monoxide	4.908	4.560	4.501
Sulphur dioxide	0.000	0.000	0.000
Nitrogen dioxide	2.161	2.011	1.983
Nitrogen monoxide	0.351	0.326	0.322
Inorganic dust	0.001	0.001	0.001
Other	3.307	3.574	3.588
Total	10.728	10.472	10.395

- Constructing facilities to treat run-off water and melt-water from the enterprise's industrial site;
- Preparatory work to construct a network of observation wells.

PROTECTION OF THE ATMOSPHERE

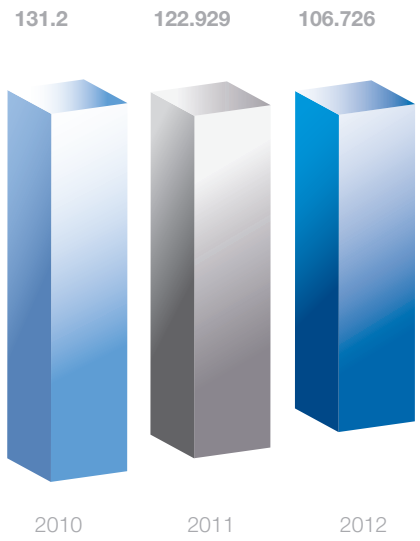
In the reporting period, there was virtually no change in the overall level of the environmental impact of Company enterprises on the atmosphere, despite an increase in the production capacity of enterprises.

Gross atmospheric pollutant emissions at JSC PIMCU stood at 14,701.9 tonnes, which is 7.6% greater than in 2011. The increase in emissions is related to an increase in the sulphur content in coal and the increase in the production of sulphuric acid at the sulphuric acid unit.

At JSC Dalur, gross atmospheric pollution emissions over the past three years have remained practically unchanged. Over the reporting period a total of 10.4 tonnes of pollutants were released into the atmosphere.

For the past three years JSC Khiagda has observed a positive trend in its emissions. Over the reporting period, gross emissions amounted to 106.7 tonnes of pollutants, 13.2% less than in 2011.

P58 Emission of pollutants at JSC Khiagda over 2010-2012, tonnes*



KEY MEASURES IN 2012 TO PROTECT THE ATMOSPHERE

JSC PIMCU

- Maintaining the design efficiency of existing electrical filters of the PCU and installation of improved dust filtration equipment (wet filtering) in boiler units.
- Reducing the dust formation of the cinder repository of the sulphuric acid plant by removing pyrite cinders from the site of their placement and replacing the free space with water.

JSC Dalur

- Organising monitoring of pollutant emissions into the atmosphere.

T15 Structure of emissions of JSC Khiagda by main pollutants*

POLLUTANT	2010, TONNES	2011, TONNES	2012, TONNES
Carbon monoxide	79.377	80.396	73.819
Sulphur dioxide	25.776	9.650	9.882
Nitrogen dioxide	10.47	16.41	4.60
Nitrogen monoxide	–	–	–
Inorganic dust, ash	11.738	12.568	17.929
Inorganic dust	0.843	0.035	0.141
Other	3.044	3.872	10.981
Total	131.248	122.929	117.352

JSC Khiagda

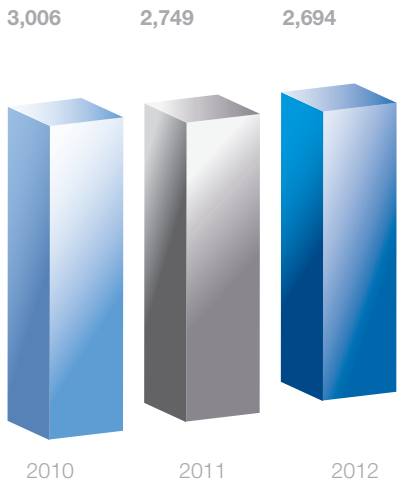
- Commencing work to install gas filtering equipment (finished products unit).
- Commencing work to install gas filtering equipment (construction of the sulphuric acid unit).

GREENHOUSE GAS EMISSIONS

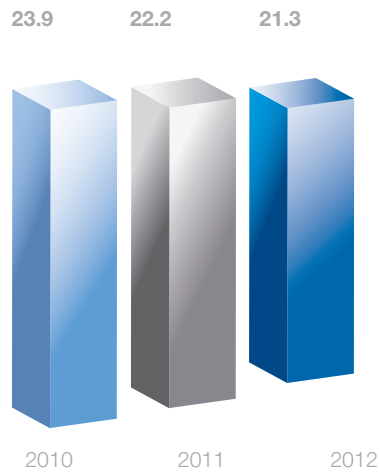
The production operations of Company enterprises are intrinsically associated with the consumption of energy and, as result, with emissions of greenhouse gases. In 2012 JSC PIMCU's emissions of greenhouse gases

* The data in tables P58 and T15 may differ due to differences in the calculation methodology used.

P59 Atmospheric emissions of CO2 by JSC PIMCU over 2010-2012, thousand tonnes



P60 Generation of waste at JSC PIMCU over 2010-2012, million tonnes



P61 Atmospheric emissions of CO2 at JSC Khiagda over 2010-2012, thousand tonnes

equalled 2.7 million tonnes of CO2 equivalent. Energy efficiency measures are considered in more detail in the Efficiency innovation and management section.

WASTE HANDLING

During the reporting period, the Company continued to implement various measures to effectively resolve the issue of waste disposal. Key measures included:

- R&D to increase the percentage extraction of valuable components from ore, which as a result significantly lowers the formation of waste*;
- work to stow waste in mined-out areas of mines;
- transferring waste to specialised organisations for use and decontamination.

Over the reporting period, JSC PIMCU generated 21.3 million tonnes of waste, which is 4.06% less than in 2011.

* R&D performance is considered in detail in the Innovation and energy efficiency section.

T16 Structure of waste at JSC PIMCU over 2010-2012, with a breakdown by hazard class*

TYPE OF WASTE	2010, TONNES	2011, TONNES	2012, TONNES
Hazardous waste (classes 1-4)	2,753.44	3,313.15	2,956.71
Non-hazardous waste (class 5)	23,909,745	22,180,541	21,279,598
Total	23,912,498.44	22,183,854.2	21,282,554.71

T17 Structure of waste at JSC PIMCU in 2010-2012, with a breakdown by type*

TYPE OF WASTE	2010, '000 TONNES	2011, '000 TONNES	2012, '000 TONNES
Overburden	23,811.4	22,030	21,157.723
Fly ash	94.256	63.865	70.289
Tailings of hydrometallurgical processing			1,335.840
Total			22,563.8521

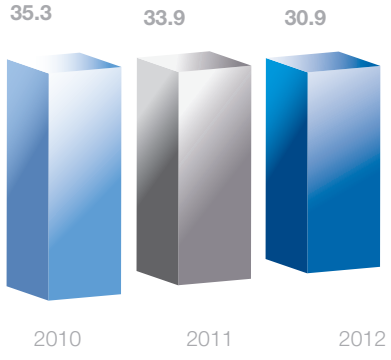
Waste in the fifth hazard class made up 99.99% of total waste generated that was used at the enterprise.

The main types of waste formed during the production activity of JSC PIMCU consist of overburden and fly ash, which are in hazard class 5. In 2012, 21.2 million tonnes of overburden and 70,000 tonnes of fly ash were generated. All class-5 waste was used at the enterprise to fill in mines and quarry pits. Tailings from hydrometallurgical processing of 1.3 million tonnes were placed in middle and upper tailings repositories. The reduction in the formation of class-5 waste was due mainly to a reduction in overburden work at the Urtuysky coal mine.

JSC Dalur has also had a reduced quantity of waste in 2012 compared to 2011, at 30.87 and 33.87 tonnes, respectively.

Of the total quantity of waste generated, 75% consisted of waste in the first to fourth hazard classes, while the remainder was non-hazardous waste.

P62 Generation of waste at JSC Dalur in 2010-2012, tonnes



T18 Structure of waste at JSC Dalur in 2010-2012, with a breakdown by hazard class

TYPE OF WASTE	2010, TONNES	2011, TONNES	2012, TONNES
Hazardous waste (classes 1-4)	26.19	24.17	23.27
Non-hazardous waste (class 5)	9.1	9.7	7.6
Total	35.29	33.87	30.87

* The data in tables T16 and T17 may differ due to differences in the calculation methodology used.

About 72% of the waste generated at JSC Dalur was used at the enterprise, while the remainder was transferred to specialised organisations for decontamination.

At JSC Khiagda the formation of waste over the reporting period was 11.8 thousand tonnes, slightly more than the figure for 2011 (11.6 thousand tonnes).

The structure of waste consisted of non-hazardous waste and waste in the first to fourth class (57% to 43% of the total quantity, respectively).

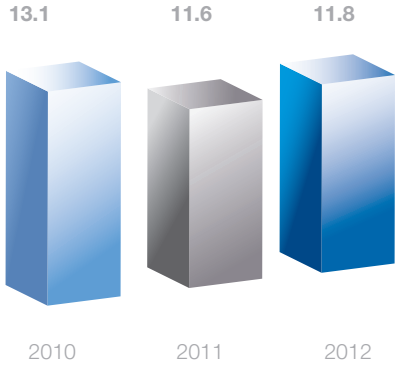
The enterprise placed 99.9% of the waste generated at its own sites; the remainder was transferred to specialised enterprises for disposal.

KEY WASTE HANDLING MEASURES IN 2012

JSC PIMCU

- Developing a project to handle radiation-contaminated metal scrap, in order to improve methods for collecting radioactive ferrous metal scrap, conserve it and find ways to dispose of it;
- 38,598 tonnes of pyrite cinders from the sulphuric acid plant were shipped to the cement industry.

P63 Creation of waste at JSC Khiagda in 2010-2012, ‘000 tonnes



T19 Structure of waste at JSC Khiagda in 2010-2012, with a breakdown by hazard class

TYPE OF WASTE	2010, TONNES	2011, TONNES	2012, TONNES
Hazardous waste (classes 1-4)	4,074.05	4,340.79	5,115.54
Non-hazardous waste (class 5)	9,027.26	7,224.47	6,714.9
Total	13,101.31	11,565.26	11,830.44

JSC Dalur

- Organisation of the transfer of waste to specialised enterprises.

JSC Khiagda

- Organisation of the transfer of waste to specialised enterprises.

The waste-handling measures undertaken by the Company resulted in a reduction in the formation of waste, with no limits being exceeded.

ENVIRONMENTAL PROTECTION COSTS

Together with the development of production capacities, during the reporting period ARMZ Uranium Holding Company continued to invest in measures aimed at protecting the environment. In addition to on-going expenditures protecting atmosphere, water and land resources, JSC Atomredmetzoloto invests in research and development, the installation of new filtering equipment, personnel training, developing internal monitoring and control systems, and environmental-protection-related project work.

During the reporting period, current spending by JSC PIMCU on environmental protection aimed at measures to prevent environmental damage totalled RUB 234.8 million, which is 13% higher than environmental protection spending in 2011.

Capital investments by JSC PIMCU related to environmental protection in 2012 totalled RUB 67.1 million

JSC Dalur increased its amount of current spending on environmental protection in 2012 by 24% compared to 2011 (costs in 2012 and 2011 totalled RUB 3.8 and RUB 3.65 million, respectively).

Current spending on environmental protection by JSC Khiagda in 2012 amounted to RUB 25.3 million. Total capital investments by JSC Khiagda on environment protection in the reporting period stood at RUB 16.9 million.

PLANS FOR 2013

JSC Atomredmetzoloto strives to carry out its operations in accordance with the principles of sustainable development, the foundation of which is the satisfaction of current production needs while also taking into account future needs. Accordingly, the Company focuses significant attention on long- and short-term environmental protection planning measures.

The Company has developed a plan for implementing the environmental policy of the production organisations of JSC Atomredmetzoloto for the period up to 2015. Under the plan, the Company plans to carry out the following key measures in 2013:

JSC PIMCU

- Continuing to develop new environmentally friendly technologies, while upgrading key production equipment.
- Consistently maintaining the required level of environmental education of specialists who make decisions on ensuring environmental safety.
- Maintaining consumption of river water at a zero level thanks to internal water supplies.
- Maintaining the design efficiency of existing electric filters of the PCU.
- Conducting preparatory work to implement an environmental management system.

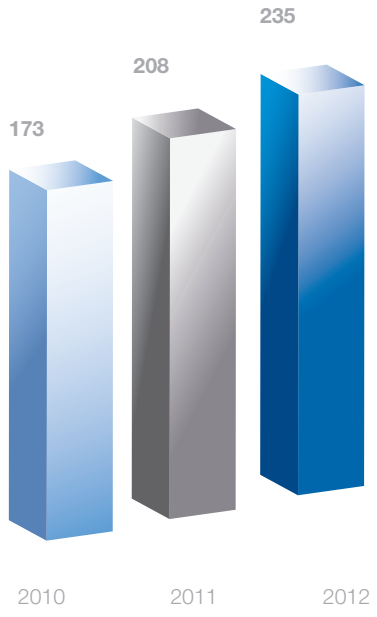
JSC Dalur

- Developing and improving the environmental permit documentation for the Khokhlovsky, Dobrovolny and Dalmatovsky deposits.
- Improving the regulatory and technical environmental protection framework.

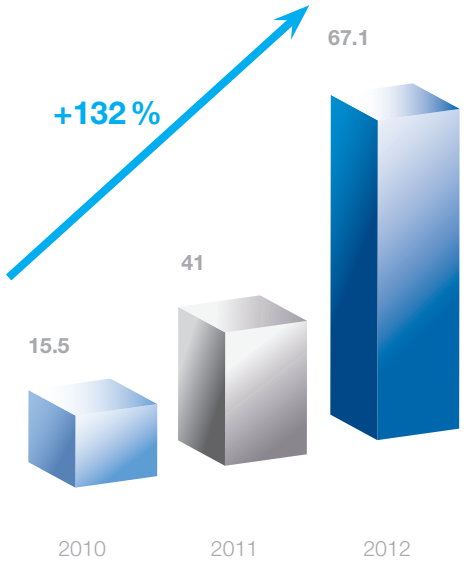
JSC Khiagda

- Conducting preparatory work to implement an environmental management system.
- Elaborating Document on Maximum Permissible Radioactive Emissions into the atmosphere (MPRE).
- Renewing the hazardous waste management license.
- Continuing work on installing gas cleaning equipment in the finished products and sulphuric acid units.
- Installing flow meters to measure the consumption of fresh water in technological processes.
- Starting work to construct filter dams on watercourses and artificial streambeds located outside the production site.

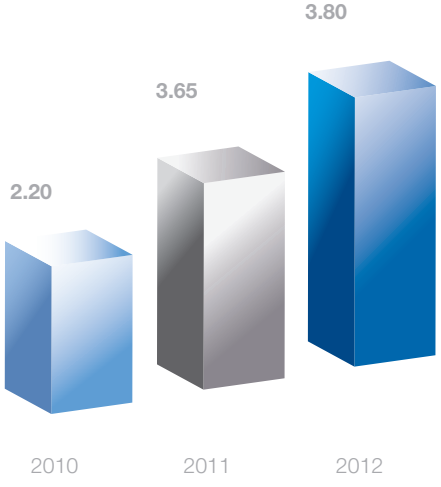
P64 Current environmental spending by JSC PIMCU in 2010-2012, million RUB



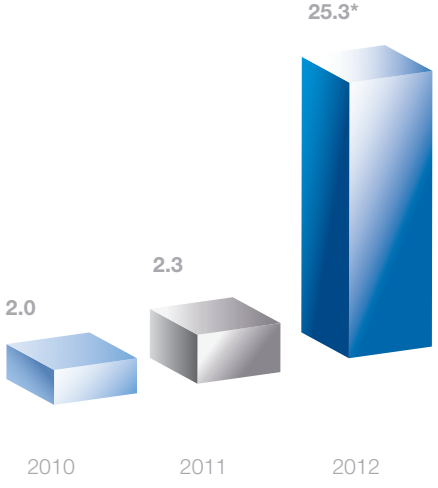
P65 Capital investments related to environmental protection at JSC PIMCU in 2010-2012, million RUB



P66 Current environmental spending by JSC Dalur in 2010-2012, million RUB



P67 Current environmental spending by JSC Khiagda in 2010-2012, million RUB



* The increase in corresponding costs relates to continuing work on commissioning new production facilities.

SOCIAL DEVELOPMENT IN REGIONS OF OPERATION

COMPACT GENERATION UNIT

Many companies are already actively developing compact nuclear reactors that do not require complex servicing and which are capable of operating without replacing the fuel for an extended period. In future these reactors could, for example, independently provide the energy needs of large buildings.

134 Social development in regions of operation

139 Charity and sponsorships

SOCIAL DEVELOPMENT IN REGIONS OF OPERATION

The implementation of large-scale programmes to develop the Russian production assets of ARMZ Uranium Holding Company would be virtually impossible without significant investments in the Company's regions of operation. The work of JSC Atomredmetzoloto in this area is integrated and systemic in nature, and is carried out with the support of Rosatom State Corporation.

In 2012 significant attention was given to projects related to the development of Krasnokamensk, the city that is home to employees of the main Russian asset of ARMZ Uranium Holding Company, JSC PIMCU*.

MANAGEMENT SYSTEM

The Communications Directorate implements its own social projects to develop regions of operation. At the level of the corporate centre in Moscow, this division is responsible for the planning, implementation and monitoring of social development projects in regions of operation, sponsorship and charity. At the level of subsidiaries and associates, operating activity in this area is performed by employees responsible for public relations (JSC PIMCU) and for human resources (JSC Dalur, JSC Khiagda).

COOPERATION AGREEMENTS WITH TRANS-BAIKAL TERRITORY AND THE REPUBLIC OF BURYATIA

Continuing its efforts to develop its regions of operation, in 2012 JSC Atomredmetzoloto, in conjunction with Rosatom State Corporation, concluded a number of cooperation agreements with the administrations of regions where Company enterprises are located. These agreements are aimed at strengthening relations and assisting in the social-economic development of these territories.

On 14 December 2012 a respective agreement was signed by Rosatom State Corporation and the Trans-Baikal Territory Government. The document prescribes that JSC PIMCU will join the consolidated group of taxpayers of Rosatom. It is expected that this measure will allow for a significant increase (RUB 600 million 2013) in tax revenue for the Trans-Baikal Territory budget. In turn, the regional administration will allocate about 75% of these funds to the development of Krasnokamensk, where employees of JSC PIMCU reside. Key priorities for Rosatom State Corporation and JSC Atomredmetzoloto under this agreement with Trans-Baikal Territory are the reestablishment of air connections between Krasnokamensk and Chita, construction of new and reconstruction of existing kindergartens and sports facilities, and developing transportation infrastructure. It is expected that about RUB 450 million will be allocated to these purposes in 2013.

On 25 December 2012 Rosatom State Corporation signed a cooperation agreement with the government of the Republic of Buryatia. The document prescribes that JSC Khiagda will join the consolidated group of taxpayers of Rosatom State Corporation, which will also have a positive effect on the region's tax revenues. Priorities for the use of taxes from the entry by JSC Khiagda into the group of consolidated taxpayers include support for and development of infrastructure in the region of operation, including construction of roads, high-voltage power lines and social infrastructure facilities.

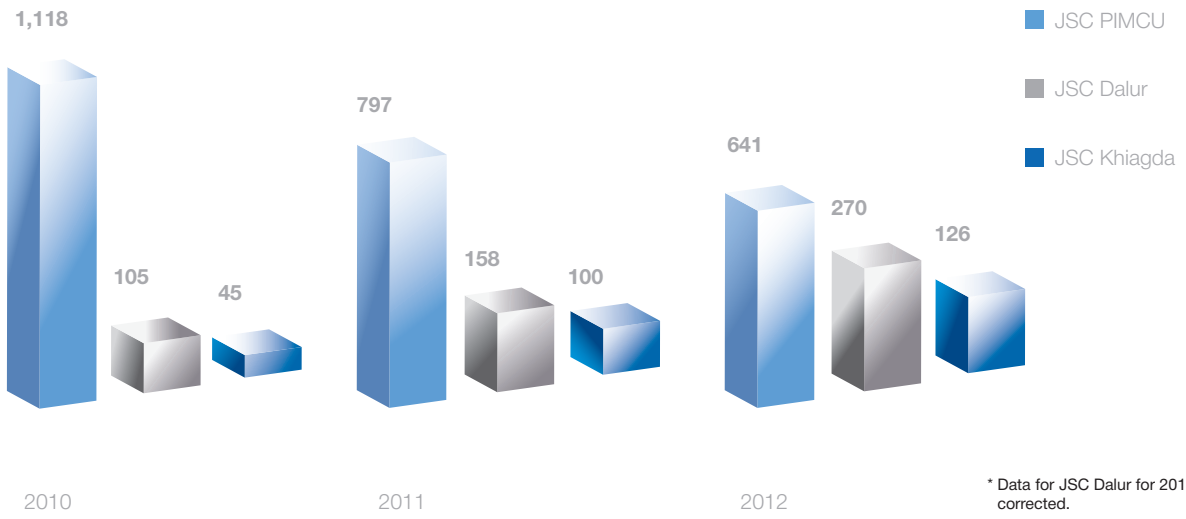
* JSC PIMCU provides jobs to 29% of the city's residents (ARMZ data).

ECONOMIC IMPACT ON REGIONS OF OPERATION

As one of the largest taxpayers in the regions of its operations, the Company has a significant economic impact. The inclusion of JSC PIMCU and JSC Khiagda in the Rosatom consolidated group of taxpayers in 2012 will make it possible to further increase the Company's contribution to the socio-economic development of its regions of operation.

In 2012, the tax remittances of JSC Khiagda increased by 26% compared to 2011, while those of JSC Dalur increased by 71%. The reduction in the amount of tax remittances of JSC PIMCU by 29% in 2011 and 19.5% in 2012 is related to the overpayment of corporate income tax in 2009-2010, caused by a reduction in the tax base of the enterprise.

P68 Tax remittances of key ARMZ Uranium Holding Company enterprises to regional budgets (taxes and duties paid in the regions), million RUB*



* Data for JSC Dalur for 2010-2011 has been corrected.

PARTICIPATION IN ROSATOM STATE CORPORATION SOCIAL PROJECTS

As the mining division of Rosatom, the Company participates actively in implementing the social initiatives of Rosatom State Corporation; specifically, it provides support to the international children's creative project Nuckids. The children of employees of ARMZ enterprises took part in this project in 2012. The purpose of the project is to foster friendly ties between children of employees of atomic enterprises in Russia and abroad, to develop new traditions of cultural interaction and children's creativity, and to popularise atomic energy among the upcoming generation.

KEY JSC ATOMREDMETZOLOTO PROJECTS

Recognising the importance of social investments in projects to work with the younger generation and to foster responsible behaviour towards the environment, the Company continues to implement initiatives aimed at developing and strengthening the creative potential of children and youth in the regions of its operations.

In February-August 2012, ARMZ Uranium Holding Company held its first creative musical competition ARTnova. The 54 participants in the project, selected during castings for children living in Krasnokamensk, were to prepare a dance and vocal show under the guidance of experienced pedagogues from Moscow.

The premiere of the show Dreams of a Composer took place on 15 May 2012. More than 1,500 guests attended the two performances. The project team later adapted the show for a street venue, and Dreams of a Composer was again presented on 25 August in Krasnokamensk during City Day celebrations. The performance drew a record audience: approximately 12,500 people came to see the show.

The project was carried out with the support of the Faculty of Arts of Lomonosov Moscow State University, and the Dom Yakobi Arts and Sciences Support Foundation. More than 350 aspiring players took part in the selection stage. Immediately after the show's premiere, the names of project winners were announced: 14 participants who received first degree diplomas won a trip for two weeks to an arts camp in Greece. Another 40 finalists received valuable prizes from the project organisers.

Another significant project was the holding in March-May 2012 the Artline-2012 youth arts competition, which was conducted in Trans-Baikal Territory and Kurgan Region. Contest participants were asked to prepare works in the genres of still life, landscape and portrait painting. In total more than 200 works were submitted to the competition. The winners were determined by a qualified jury that included professional art experts, headed by A.P. Lobodanov, the Dean of the Faculty of Arts of Lomonosov Moscow State University. Contest winners received valuable prizes from the organisers.

In October 2012 the second Ecoline-2012 youth educational forum was held in Krasnokamensk. The forum seeks to encourage activism among children and young people living in areas where the Company operates and to promote environmentally responsible behaviour. Students from schools, high schools and vocational institutes in Krasnokamensk were able to take part in three competitions: the ECOART youth photography competition, the SOS youth video clip competition, and the Word journalism competition (held for the first time). The event's popularity has increased significantly since the first ECOLINE a year ago. The number of works submitted for ECOART increased from 350 to more than 1,100. Many participants did not limit themselves to one competition, but submitted applications to participate in several at once. The results were announced at a gala ceremony on 8 October 2012 on the stage of Krasnokamensk's Dauriya Community Centre. The 36 winners selected by the qualified jury received valuable prizes from the organisers. The awards were presented by ARMZ and PIMCU executives and representatives of the regional and local authorities.

WORK OF SUBSIDIARIES AND ASSOCIATES IN THE SOCIAL DEVELOPMENT OF REGIONS OF OPERATION

JSC Priargunsky Industrial Mining and Chemical Union

- In conjunction with the regional authorities work has begun to promote the opening of a branch of Trans-Baikal State University in Krasnokamensk.
- As part of developing the infrastructure of utilities, with the organisational support of JSC PIMCU the preparatory stage for construction of the second phase of water treatment facilities of Krasnokamensk has been completed; the design has passed state expert appraisal, a positive opinion has been received, the necessary tender procedures were performed and a general contractor selected.
- As part of implementing a joint programme with the Trans-Baikal Territory Government to improve vocational training, JSC PIMCU allocated RUB 3.5 million to reinforce the training grounds of Professional Institute No. 11, upgrade the training shops, laboratories, and specialised facilities, and create a training and production laboratory under the auspices of the central R&D laboratory of JSC PIMCU to allow senior-year students to undergo practical vocational training and internships with instructors and masters of vocational training.

JSC Dalur

- The license agreement with the administrations of Dolmatovsky and Shumikhinsky Districts of Kurgan Region was fully implemented.
- In the residential quarter of JSC Dalur in Uksyanskoye, landscaping was performed and infrastructure facilities were commissioned.
- As part of its work with students of Uksyanskoye General Secondary School, six graduates received scholarships to post-secondary institutions for specialised training under the state plan to educate research workers and specialists for defence industry organisations.
- Additional material assistance was provided to a number of social institutions and the administrations of the villages of Uksyanskoye, Novopetropavlovskoe, Lyubimovo, including kindergartens and schools, among them an arts school.
- In addition, in 2012 ARMZ Uranium Holding Company paid for the construction of three playgrounds at the kindergarten in Uksyanskoye village (Dalmatovsky district of Kurgan Region).

JSC Khiagda

During 2012 JSC Khiagda continued to work to support projects aimed at developing children's and youth sport, and provide assistance to war veterans and pensioners.

Plans for 2013

As part of work related to the social development of its regions of operation, the Company will continue to work together with regional and local authorities in 2013, and implement its own projects aimed at developing the creative potential of children and youth.

45 Actions for the 45th Anniversary of JSC PIMCU*

The year 2013 marks 45 years since the foundation of Priargunsky Industrial Mining and Chemical Union. In September 2012 the Company, together with JSC PIMCU, announced the 45 Actions for the 45th Anniversary of JSC PIMCU programme, which will be completed in August 2013. Investments in the programme total RUB 408 million.

The programme involves a set of measures aimed at improving working conditions at JSC PIMCU, stimulating the social life of Krasnokamensk, and modernising the city's infrastructure.

PROGRAMME MEASURES IMPLEMENTED IN 2012 INCLUDED:

- in the run-up to the new school year, awarding book bags to first-grade students whose parents are JSC PIMCU employees;
- opening a memorial composition dedicated to the first director of Priargunsky Industrial Mining and Chemical Union (PIMCU), S.S. Pokrovsky, at Krasnokamensk School No. 7;
- conducting the Second Ecoline-2012 Youth Educational Environment Forum;
- launching the corporate supplementary pension support programme;
- competition among JSC PIMCU employees in the contest for the visualization of the award medals Best in Profession and the anniversary pin 45 years of PIMCU;
- organising the marathon competition "5 working weeks for the 45th anniversary of PIMCU"
- commissioning the facilities of the first phase of Mine No. 8;
- relaunching the corporate newspaper Gornyak Priargunya [Priargun Miner];
- organising New Year trips for families of employees of JSC PIMCU to the Gornyak sanatorium-preventative care centre;
- introducing payments for travel to leisure sites for JSC PIMCU employees.

MAIN MEASURES PLANNED FOR IMPLEMENTATION IN 2013:

- completing a number of infrastructure projects, including the repair and upgrade of the facades of buildings and internal residential premises of the Gornyak sanatorium and repairs to the children's convalescence camps Sputnik and Argun;
- outfitting 11 children's playgrounds (one in each neighbourhood of Krasnokamensk);
- starting construction of the ATLET 4 sports and treatment centre;
- opening a branch of the Academy of Health (municipal kinaesthetic therapy centre);
- completing reconstruction of the Dauriya Community Centre, including the cinema (opening of the rebuilt community centre is planned for August 2013);
- dedication in Pokrovsky Park of a sculptural composition with a memorial to the first director of the plant;
- holding the Second Youth Creative Project Artnova-2013;
- founding the Krasnokamensk Youth Union;
- holding the Artline-2013 youth arts competition, in the form of a city-wide graffiti competition;
- concluding 45 targeted training contracts at post-secondary and secondary vocational institutions, with the payment of company branded stipends;
- creating a Labour Hall of Fame Alley in Krasnokamensk.

* Detailed information on the programme is available on the JSC PIMCU website (**http://www.priargunsky.armz.ru/about/45/**).

CHARITY AND SPONSORSHIPS

In its charitable efforts ARMZ Uranium Holding Company supports cultural, educational and health-care initiatives and activities. Charitable activity is performed in accordance with the Methodological Recommendations of Rosatom State Corporation on accounting for charitable expenses.

Charitable initiatives in 2012 focused special attention on regions of operation.

Key projects in 2012

- Cooperation continued with the Illustrated Books for Blind Children Foundation, which specialises in publishing books for visually impaired and blind children. AMRZ has partnered with the foundation since 2000. As in 2011, efforts prioritised providing these publications to children living in Trans-Baikal Territory, the Republic of Buryatia and the Kurgan Region.
- Support was provided to the Give Life Foundation supporting children with cancer, haematological and other serious conditions.
- As part of the project to support the production of a feature film based on the Oleg Kuvayev novel The Territory, additional sponsorship was provided to the St. Andrew's Flag Foundation.
- Sponsorship was provided to the Krasnokamenskie Neposedy ensemble to help them take part in a musical festival in Sochi.

Sponsorship was also provided to a number of research and educational organisations.

ENGAGEMENT WITH STAKEHOLDERS

URANIUM ARMOR

Uranium armour (a multi-layer armour using depleted uranium, which began to be used in the 1980s) is in the opinion of military specialists 2.5 times better than homogenous steel plate in terms of shell resistance. Third-generation tanks are planned to be equipped with uranium-based armour.

ARMZ Uranium Holding Company is strongly interested in its relations with stakeholders. The Company defines stakeholders as persons or groups of persons who affect the operations of ARMZ or lie within its sphere of influence. Stakeholders, who include shareholders, suppliers, consumers and partners, set the business agenda of the Company. In so doing, ARMZ provides jobs for thousands of people; enterprises controlled by the Company include a company that is the dominant employer in its town (JSC PIMCU).

ARMZ Uranium Holding Company strives for a balance of interests of its key stakeholders. In order to define and prioritise these interests, a stakeholders map was prepared in 2010, based on a long-term development strategy and taking into account existing relations.

During the preparation of the concept for the 2012 Report, the stakeholders map was adjusted in accordance with internal and external factors that affect ARMZ's approach to doing business.

T20 Map of stakeholders

KEY STAKEHOLDERS	KEY ISSUES
Shareholders	▪ Growing and diversifying the resource base ▪ Investment efficiency ▪ Security a priority
Personnel	▪ Competitive social benefits package ▪ Personnel training and development ▪ Sufficient wages
Local communities in regions of operation	▪ Expectations of local communities ▪ Company sustainable development projects
Consumers	▪ Stability, reliability and continuity of deliveries
Business partners on the global market	▪ Stable cooperation ▪ Protecting the rights of and taking into account shareholder interests ▪ Implementing modern projects
State and local government authorities	▪ Responsible HR policies ▪ A responsible environmental safety position ▪ Tax revenues ▪ Social development of regions of operation
Investment community	▪ Efficiency investments and quality of growth
The media	▪ Operating efficiency of the company ▪ Stable development
Public organisations	▪ Option to implement joint sustainable development projects

Relying on various forms and mechanisms of engagement, the Company supports a consistent dialogue with stakeholders and takes the information received from them into account in its short-, medium-, and long-term planning.

T21 Mechanisms for engaging stakeholders

Shareholders	▪ General meetings of shareholders ▪ Disclosure of information on external website ▪ Provision of regular reporting
Personnel	▪ Drafting and conclusion of collective agreements ▪ Regular meetings of management and employees regarding issues of the Company's operations, including the Foremen's Council of JSC PIMCU ▪ Implementing social programmes for employees ▪ System of corporate media and feedback ▪ Holding public hearings as part of publication of annual report
Local communities and regions of operation	▪ Public opinion surveys ▪ Public hearings as part of publication of annual report ▪ Public hearings as part of the construction of new facilities ▪ Media
Consumers	▪ Regular meetings ▪ Disclosure of information on external website
Business partners on the global market	▪ Meetings ▪ Disclosure of information on external website
State and local government authorities	▪ Conclusion of corporation agreements ▪ Holding regular meetings
Investment community	▪ Holding regular meetings ▪ Disclosure of information on external website
Media, public organisations and the public in general	▪ Press conferences and press briefings ▪ Public hearings as part of publication of annual report ▪ Organising press tours for Russian and foreign media ▪ Commenting on issues related to JSC Atomredmetzoloto operations

DIALOGUE WITH STAKEHOLDERS

Based on 2012's operating results, three meetings were held with stakeholders as part of the process of drafting the annual report. Participants in these meetings included representatives of the management of JSC Atomredmetzoloto, non-profit organisations, journalists and consultants. Thanks to videoconferencing, the directors and managers of JSC PIMCU, JSC Dalur and JSC Khiagda, as well as representatives of regional authorities and local government authorities of regions of operation were able to express their opinion in relation to the issues discussed during the dialogues.

The dialogue on the topic Concept of the JSC Atomredmetzoloto 2012 Annual Report took place on 29 January 2013. The dialogue discussed the conceptual basis of the 2012 JSC Atomredmetzoloto Annual Report. Two main topics – Modernisation and Development of Russian Production Assets and Investments in Regions of Operations as One of the Main Elements of the Company's Sustainable Development – were approved as priorities for the Report. The substantive part and scope of the annual report were agreed on during the first dialogue. The decision was taken to reduce the scope of the textual version in order to make the document easier to understand. Dialogue participants made an array of proposals on revising specific wordings on approaches to creating individual sections and forms for the presentation of information in the Report. The discussion also considered a proposed list of performance indicators that were to be disclosed in the Report, including data characterising key aspects of financial and production operations, as well as the impact of Company enterprises in three areas of sustainable development: economic, social and environmental. The dialogue also resulted in corrections to the proposed list of stakeholder representatives participating in public certification of the Annual Report.

A second dialogue was held on 15 March 2013, dedicated to one of the priority topics of the report, issues related to modernising and developing the Russian production assets of ARMZ Uranium Holding Company. This topic was selected as a key topic of the Report, since 2011 was a crisis year for JSC Priargunsky Industrial Mining and Chemical Union, the leading Russian enterprise of the Company. In his speech, a representative of the Company's management described in detail the work of the anti-crisis team, which was charged with the task of bringing the enterprise out of the red. Thanks to a quickly developed and successfully launched medium-term development programme (MDP), the enterprise achieved positive forward movement in respect of meeting its production targets. One of the mechanisms employed by the team to prepare the programme to lead the enterprise out of crisis was the active involvement of stakeholders, specifically employees of the enterprise. More than 100 employees took part in developing the MDP for JSC PIMCU, including senior executives, middle managers and mine directors. Among other things, a Foremen's Council was created which began to have regular meetings with the management of the enterprise and of ARMZ Uranium Holding Company. Dialogue participants were also informed of the results of the production operations of JSC Dalur and JSC Khiagda. During the discussion process, stakeholder representatives submitted a number of recommendations on including supplementary data in the text, specifically information on plans for 2013, and also proposed adjustments to certain wordings and the removal of less essential information from the document so as to make the text less cumbersome.

One 28 March 2013, a third dialogue was held to discuss issues of investments in regions of operation as one of the fundamental elements of the Company's sustainable development. In so doing, participants were

given the opportunity to study a working version of the relevant chapters of the Report. Those present heard a report from representatives of the Company, who spoke of a systemic approach to the socio-economic development of regions of operation, and also reported on the main social projects implemented in the reporting year. Dialogue participants noted the importance of this topic and the need to cover it in detail in the Report, due to the fact that the Company's enterprises have substantial influence in regions of operation. For the first time, the report included a description of ARMZ's approaches to managing this process. It was decided that information on a series of seminars on approaches in the region to managing sustainable development and corporate social responsibility would be included in the following report, in a section entitled Development Strategy and Investment Activity, since these seminars are being conducted at JSC Atomredmetzoloto outside the bounds of the reporting period. JSC PIMCU representatives proposed adding information on the enterprise's activity in the social sphere as part of the 45 Actions for the 45th Anniversary of JSC PIMCU programme. In view of the contribution of JSC Khiagda to developing its regional operations, dialogue participants noted the importance of stating in the report that the enterprise had joined the consolidated group of taxpayers of Rosatom State Corporation. The presentation in the chapter of the report under discussion of information on the social operations of JSC Dalur was assessed as being sufficiently complete.

PUBLIC HEARINGS

Public hearings were held on the draft 2012 JSC Atomredmetzoloto Annual Report on 23 April 2013. Participants in the meeting included directors of ARMZ, the management of subsidiaries and associates, consultants specialising in the preparation of corporate reporting, and also representatives of stakeholders: trade unions, state authorities and local government authorities of regions of operation, the investment and financial community, mining companies, environmental and charitable organisations, and the media.

The hearings capped a cycle of measures organised by the Company in its work on the Report. Participants were asked to assess how well the document prepared by the Company complies with the principles of completeness and materiality as regards information disclosure, and how well it reflects the Company's reaction to the needs of stakeholders, to analyse how completely the Report presents information on sustainable development and how well all aspects of the Company's operations that affect the economy, society, and the environment are described.

On the whole, participants in the hearings confirmed that the text of the Report takes into account the comments and proposals expressed during previous dialogues. During the discussion, questions were raised regarding clarifications to the methodology for calculating certain indicators, including those related to wages and occupational injuries.

Representatives of the regions emphasise the socially oriented nature of the operations of the Company's enterprises and express the hope that mutually beneficial cooperation will continue. At the same time a wish was expressed that the Report present information on cooperation with all regions of operation of the Company.

A large part of the discussion concerned the presentation in the Report of the environmental impact of the Company's production operations. It was proposed that greater attention be devoted to operations on handling radioactive waste. Representatives of environmental organisations recommended that greater efforts be made

to bring public environmental protection organisations into the dialogue, including those critical of the atomic industry. In their opinion, relations with such opposing organisations are necessary both within the framework of preparing reporting, and on an on-going basis, as this would help raise the level of public confidence in the atomic industry. It was also proposed that greater efforts be made to send Company specialists to participate in forums and conferences dedicated to nuclear safety issues.

Company representatives drew the attention of those present to the fact that safety at production facilities is maintained in full compliance with Russian statutory requirements. They informed the stakeholders of the Company's approaches to information disclosure in this matter, and confirmed that there were no outstanding conflict situations with local communities related to the specifics of production operations and their possible danger for residents of regions of operation.

The company asserted its dedication to the principles of openness and transparency, and expressed a willingness to discuss industry issues in an independent forum, specifically the Public Chamber of the Russian Federation, with the participation of public organisations, including those at federal level, involved in nuclear safety issues and antinuclear projects, and also to organise visits by representatives of the community to the Company's production facilities.

Stakeholder representatives drew attention to the importance of using graphic elements to facilitate the assimilation of large volumes of information, and positively assessed the use of this approach in certain sections of the Report.

The comments and proposals of stakeholders expressed during the hearings, including recommendations on improving the Company's reporting, were recorded in minutes.

A comprehensive table recording the proposals and comments of stakeholders expressed during the dialogue and public hearings is shown below. Several participants of the hearings signed the Statement on Public Certification (see the Appendices section).

T22 Table of stakeholder proposals

	STAKEHOLDER REQUESTS	RESULT OF COMMENTS
1.	With the aim of reducing the volume of textual information, provide data on the Company's marketing policy in the About the Company section of the Report, and in the Geography of Operations subsection.	Implemented
2.	Include representatives of the Republic of Buryatia in the list of stakeholder representatives certifying the Annual Report.	Implemented (the head of Administration of Buantovsky district was added to the list)
3.	Make additions to the section of the report on plans for 2013 of JSC PIMCU: on R&D work on explosive substances and on sorting ores, which in addition to increasing the yield of products may reduce the amount of waste; on completion of the first stage of pilot production work on in-situ leaching; on the decision on heap leaching and hydrometallurgy; on the launch of a project to change the enterprise's safety culture.	Partly implemented
4.	Supplement the section on plans for 2013 with information on the implementation of the project to certify the quality management system and environmental management system of the Company's enterprises with ISO 9001 and 14001.	Implemented
5.	In order to create a more integrated picture in the report, provide information on the results of work over the reporting year as linked to strategic goals.	Implemented
6.	Provide a link in the report to the 45 Actions for the 45th Anniversary of JSC PIMCU programme on the company's website.	Implemented
7.	Mention JSC VNIPIPROMTECHNOLOGII in the report as the ARMZ research centre and the Company's future Engineering Centre, and also report on the Institute's experience in handling radioactive waste	Implemented
8.	Give special attention to information on how taxes paid by Company enterprises are allocated to meet the needs of regions.	Partly implemented. For the future
9.	Expand the list of participants in the hearings and invite representatives of public environmental organisations, including those critical of the atomic industry, to dialogues with stakeholders and public hearings.	For the future
10.	Provide a more graphic representation of the trend of changes in occupational injury indicators.	Implemented
11.	Organise an excursion for environmentalists and representatives of the Public Council of Rosatom State Corporation to the enterprises of the Company, first and foremost to JSC PIMCU.	For the future
12.	State the position and principles of ARMZ Uranium Holding Company regarding sustainable development in the text of the report and declare the development of these principles as part of the plans for 2013.	For the future

T23 Implementation of plans indicated in 2011 annual report

SECTION	SUBSECTION	PLANS
Production activities		
Exploration		
Russia		Obtain licences for the exploration and development of the Khokhlovskoye field.
		Continue exploration of the Khiagdinskoye ore field and the Lunnoye field; have the feasibility study of conditions in the Yuzhnaya Zone evaluated by FSI SCMR; complete a feasibility study of the conditions for the Lunnoye field; finalise the feasibility study of conditions for the Khiagdinskoye ore field; continue work on the Severnoye and Druzhnoye fields.
		Start exploration of the Khokhlovskoye field.
		Exploration investments will total RUB 1.4 billion.
Africa		Explore the Nyota field to move the resources from Inferred to Measured & Indicated and add those to the project.
		Perform Greenfield exploration near the Nyota field in the new areas of the Mkuju River and Satellite Targets.
		Perform regional prospecting in the Karoo system deposits in Tanzania and Mozambique.
Uranium One Inc.	Kazakhstan	Defend the report at a higher level based on the results of a detailed exploration of site No. 2 of the Budennovskoye field.
		Defend and secure the approval of the SCMR of the Republic of Kazakhstan for the results of a detailed exploration performed within the Northern Kharasan field in 2007–2010 and a feasibility study of permanent conditions.
	US	Continue operational exploration of the Christensen Ranch field.
	Australia	Prepare and release a technical report on exploration of the Honeymoon and East Kalkaroo fields.
		Continue exploration of the region and Goulds Dam field, with due account for the Company's development strategy and the progression of the field's development.
Uranium production		
JSC PIMCU		Perform R&D on the underground block leaching technology to improve production efficiency.
		Continue construction of mine No. 8
		Complete optimisation of the mine No. 6 construction project.
		Maintain uranium output at the level of 2,000 tonnes, including through commissioning new production capacities.
	Construction of mine No. 8	Commission the strengthening of the 14 RESH borehole.
		Complete the second stage of the start-up of the INCO hoist for 14 RESH borehole.
		Commission the main fan unit.
		Commission the cross-site utility connections.
		Commission horizons IV-V.
		Complete the construction work and commission the start-up complex.
	Construction of mine No. 6	Start amending the design documents to optimise the solutions.

IMPLEMENTATION IN 2012
The work required to obtain the licences was completed (the licence was obtained in 2013)
The feasibility study was approved for the provisional exploration conditions to calculate uranium reserves in fields in the Yuzhnaya Zone (Elkon, Elkon Plateau, Kuring, Neprokhodimoye, Druzhnoye) and the Severnoye field. The uranium reserves of the fields in the Yuzhnaya Zone (Elkon, Elkon Plateau, Kuring, Neprokhodimoye, Druzhnoye) and the Severnoye field were approved. The increase totalled 40,800 tonnes. The feasibility study was approved for the permanent exploration conditions for the group of Khiagdinskoye ore field deposits. The Greenfield exploration was completed in the area of the Streltsovskoye ore field within the framework of the geological exploration licence (CHIT 01865 (TP)
Plans for 2013
Total investments amounted to RUB 835.5 million.
As a result of the additional exploration and revaluation of the resources of the Nyota field, the total volume of the resource base increased by 27%: from 119.4 million to 152.4 million lbs of U3O8, meanwhile explored measured and indicated reserves increased by 33% to 124.6 million lbs of U3O8 (~47,900 tU)
The radon method and exploratory drilling performed near the Nyota field identified sites offering a potential increase in uranium. In the area of the Mkuju River, geological signs of the manifestation of oxidation zones were identified.
One of the six prospecting wells drilled in 2012 in Mozambique uncovered rich uranium ores with a content of 0.25% over a 5-metre capacity, including a 1% interval of 0.8 metres.
The report was submitted to the SCMR of the Republic of Kazakhstan in August 2012 and defended on 6 March 2014. The reserves will be entered on the balance sheet in 2013. The expected increase in reserves will exceed 40,000 tonnes.
Deferred to 2013.
The exploratory drilling results complied with the targets established for the preparation of reserves and production of uranium.
The technical report of SWRPA was released, including a valuation of reserves as of 31 December 2011.
An increment of 1,638 tonnes in inferred reserves was obtained at the Yarramba plot.
R&D work on the underground block leaching technology started.
The first line of mine No. 8 was commissioned with a capacity of 100,000 tonnes of ore a year. A seismic station has been commissioned.
Within the framework of the construction of mine No. 6, the Scoping Study was completed. A decision was taken to optimise and modify the project, reactivation work started (the dewatering of the boreholes started).
The production plan was discharged in full: 2,001 tonnes of uranium were produced. The technical retooling programme was implemented.
Implemented.
Implemented.
Implemented.
Implemented
Implemented.
The start-up complex was commissioned.
The Scoring Study was completed, a decision was adopted to optimise and modify the project.

SECTION	SUBSECTION	PLANS
		Start reactivating the facilities.
		Develop a bulk sampling design.
		Start strengthening and deepening the borehole.
		Decide if the construction design for the mine shaft water treatment work for mines 2, 4, 6 should be streamlined; proceed to amend the design and build water treatment facilities.
JSC Dalur		Produce 525 tU.
		Complete construction of the garage in the Central Production Site.
		Build two single-family houses in a residential area of Uksyanskoye.
	On the Dalmatovskoye field	Complete drilling on block U-12V.
		Complete work to connect the production wells to producing blocks U-12A and U-12B.
	On the Khokhlovskoye field	Obtain an exploration and production licence to develop and mine uranium.
		Renovate and expand the pilot plant.
		Start drilling operations to be followed by the connection of production wells to producing blocks 1 and 1-1.
		Perform design and survey work and elaborate detailed design documents to develop the sites and renovate the pilot plant.
	Continue R&D	Build a permanent model of the well field.
		Streamline the ISL technology to reduce consumption of chemicals at all stages of the block operation.
		Develop a comparative multivariate analysis of block operation, develop and implement an information system for the production complex and the tracking of inventory movements.
JSC Khiagda		Increase production to 310 tU.
		Complete the construction work on the Energy Complex Site.
		Draft the design documents to develop the Istochnoye and Kolichikanskoye fields.
		Complete construction of the start-up complex facilities (main building, sorbent storage facility, finished products storage, process piping racks, and physical protection complex) and the sites of the Central Production Site and cross-site utility connections.
		Complete the construction work and installation of the process equipment in the sulphuric acid production shop.
Uranium One Inc.		Maintain production at Akdala and Karatau at the designed capacity level.
		Increase output at the Yuzhny Inkai, Akbastau and Zarechnoye entities.
New companies		
JSC Elkon MMP		Obtain FSI SCMR approval of the Yuzhnaya Zone field report, as well as field reserve reports on the Yuzhnaya Zone fields and the Severnoye field.
		Submit a justification of changes in the terms of the effective licences to the Mineral Resources Department of the Republic of Sakha (Yakutnedra).
		Return the licence and discontinue use of the subsoil assets of the Interesnaya Zone field.
JSC UMC Gornoe		Perform office processing of exploration results.
		Perform design and survey work.

IMPLEMENTATION IN 2012
Work was started to reactivate mine No. 6 (the dewatering of the borehole of mine No. 6 has started).
The surface of area Mine No. 6 was duly fitted for dewatering. Dewatering work was started at 13K and 19 RESH borehole. Work was performed on the construction design of the mine shaft water treatment for the Spb-Giproshakt ore, a decision was adopted to amend the design of the mine shaft water treatment facilities.
In all 529 tU was produced.
Construction of the garage at the Central Production Site was completed.
Two single-family houses were built in a residential area of Uksyanskoye.
The drilling work on the U-12B and U-12C was completed.
The piping and acidification of the new blocks U12A, U12B and U12C was completed. The producing blocks U2, U-12A, U-12 B and U-12C were commissioned.
Work was completed to obtain the subsoil licences for the Khokhlovskoye field (the licence was obtained in January 2013).
Work continued on maintaining the equipment in operable condition at the Khokhlovskoye field until receipt of the production licence. The first phase of work was performed to upgrade the local sorbent facility and commence site reactivation work.
In all 62 wells were drilled, including 36 producing wells, 24 prospecting wells and two operational drilling wells.
Implemented.
Work plan for 2012 was implemented.
Work plan for 2012 was implemented.
Work plan for 2012 was implemented.
In all 331.7 tU were produced – 24.5% more than in 201.
General construction work was performed during the year.
2013 plans.
Work plan for 2012 was implemented. Completion of construction is scheduled for 2013.
Work plan for 2012 was implemented.
The 2012 plan on the production of uranium at the enterprises Akdala and Karatau was exceeded.
Each entity reported production growth.
The feasibility Report for the provisional exploration conditions for the group of fields in the Yuzhnaya Zone (Elkon, Elkon Plateau, Kuring, Neprokhodimoye, Druzhnoye) and the Severnoye field was prepared and approved (minutes No. 324-K of the FSI SCMR dated 21 June 2012).
2013 plans.
The right to use the subsoil licence YAKU 14724 TE for the geological study of the subsoil and production of uranium for the Interesnaya Zone field was terminated on 28 June 2012 (Order No. 734 of the SCMR. The licence was handed in to the Mineral Resources Department of the Republic of Sakha (Yakutnedra).
The office processing of the exploration results was completed.
The technical solutions were drafted, the design documentation is being drafted. Work was performed on engineering and geodesic surveys at the field.

SECTION	SUBSECTION	PLANS
		Develop a pilot project on the Berezovoe field (including the pregnant solutions processing unit, pit, industrial site with a rotational camp, in-site roads, Arey – Berezovoe motorway, HL pad, crushing and screening plant).
		Renew the licence for handling nuclear materials.
		Address the remarks of Rosprirodnazor.
JSC Lunnoe		Complete exploration to extend reserves.
		Obtain FSI SCMI approval of the Lunnoe field reserve report.
		Build a pilot plant and infrastructure facilities, purchase processing and mining equipment.
		Begin mine preparation and extraction work.
JSC OMCC		Address the remarks of Rosprirodnazor.
		Develop a project to conserve mine workings on the Olovskoye field.
Service companies		
RUSBURMASH INC		Ensure that all types of work on the Russian uranium fields are performed in due time and in compliance with quality standards.
		Launch the programme to improve production efficiency for long-term cost savings.
LLP JV RBM-Kazakhstan		Set up and develop an in-company repair work unit and provide repair services to uranium mining joint ventures.
		Renew the stock of drilling equipment.
JSC VNIPIPROMTECHNOLOGII		Continue work to set up the Engineering Centre.
LLC USC ARMZ		Increase and diversify the supply of strategic materials to the Russian mining plants of the Holding Company.
		Organise the supply of sulphuric acid from JSC PIMCU to JSC Khiagda using leased rolling stock.
		Increase the supply of chemicals to Kazakhstan's plants.
		Diversify the thermal coal sales market by accessing the Chinese market.
Zirconium Project		Adopt a decision to launch the pilot development of the titanium-zirconium sands of the Itmanovskaya placer deposit (the Lukoyanovskoye field) by hydraulic borehole mining.

IMPLEMENTATION IN 2012

Work was performed to select the sites and perform engineering and geological surveys for the sites allocated for the construction of industrial and household building and facilities.

The licence for handling nuclear materials was renewed.

The remarks of the Federal Subsoil Agency (Rosnedra) were addressed based on the results of the audit of the compliance of the licence agreements for the Berezovoe and Gornoye fields.

The geological prospecting work was completed. Based on the results of the geological prospecting work, gold and uranium reserves were promptly valued.

In plans for 2013

The heap leaching plant was built and commissioned at the field; the production equipment was delivered and assembled. The crushing and screening plant was assembled and commissioned, the rotation camp was built.

In accordance with the project for the performance of pilot work, CJSC Lunnoye started performing mining work – the mining and processing of uranium ores.

The remarks of Rosprirodnazdor were fully addressed.

The project was prepared and existing mine workings and dumps were conserved at the Olovskoye field.

Within the framework of orders on the drilling work of the mining production plants of the holding company, RUSBURMASH INC is meeting targets for the drilling of wells for various requirements.

In plans for 2013

It has established an in-company repair and recovery work unit. Since March 2012 it has repaired 400 wells at the Budennovskoye field.

The stock of drilling equipment was increased within the framework of the renewal programme by two drilling units, raising the total number to 23. In addition, three units were commissioned for repair and recovery work and well clean-up: two UOS-700 units and one UPS-700 unit

- The concept of the Engineering Centre project was updated.
- As part of the plan to ramp up competencies and establish new lines of business:
  - research competencies in the area of ore processing technologies were created;
  - competencies in the area of geo-technological production methods were increased;
  - competencies in the geology of fields were increased;
  - marketing and sales competencies were created;
  - within the framework of the development of the project approach, the corporate standard Contract Initiation Procedure was drafted;
  - within the framework of the development of a customer-oriented approach to the business, a representative office of JSC VNIPIPIPROMTECHNOLOGII was opened in Chita;
  - the partnership programme with leading engineering companies was launched.
- Within the framework of the development of IT infrastructure and CAD:
  - the enterprise data network was connected;
  - the data processing centre was created;
  - the corporate portal was launched;
  - the pilot project was launched, using 3D modelling.

Supplies of thermal coal to the Urtuysky open-pit mine (JSC PIMCU) increased.

Exports of sulphuric acid were organised, using leased rolling stock to offset the shortfall in chemical reagents at the assets in Kazakhstan.

Exports of sulphuric acid were organised, using leased rolling stock to offset the shortfall in chemical reagents at the assets in Kazakhstan.

The company announced first operations on the Chinese market (128,903 tonnes of brown coal from the Urtuyski open-pit mine were sold for RUB 96 million).

In connection with a change in the Company's priorities, the adoption of a decision to launch the pilot development has been deferred. The project has been transferred to sleep mode.

SECTION	SUBSECTION	PLANS
Pending projects related to non-nuclear materials		Draft the state programme Development of the Production Infrastructure for Rare Earth Metals in Russia for 2013–2030.
		Continue to explore options to improve competencies related to REM in Russia and internationally.
Comprehensive programme for energy conservation and improved energy performance		Renovate the relay protection and automation systems (RPA) and create emergency control automatics (ECA) at the PCU of JSC PIMCU.
		Create an AIIS UE system for JSC PIMCU.
		Upgrade the site lighting system at JSC PIMCU.
		Upgrade the stock of variable frequency drives at the PCU of JSC PIMCU.
		Perform the design work at JSC Dalur to implement VFDs and upgrade the lighting system.
Implementation of the projects of the Rosatom Production System (RPS)		As part of the integrated production optimisation programme, run comprehensive site inspections of JSC PIMCU plants to identify bottlenecks in the production processes and develop a programme for further optimisation of production.
		Train plant employees in comprehensive site inspections and continue the RPS training process as per the approved schedule.
		Implement five additional pilot projects as part of the RPS rollout at JSC PIMCU:
		Implement a pull system for coal feeding;
		Implement a pull system for ore feeding;
		Implement a pull system for U3O8 feeding;
		Develop and build a flow to manufacture VG-4S trolleys;
		Develop and build a flow to manufacture TUK-119 shipping packaging sets.
		Continue implementing pilot projects at JSC PIMCU, JSC Dalur, JSC Khiagda and RUSBURMASH INC.
		Implement a scoring system to monitor RPS progress across all the Company's plants.
		When implementing the integrated production optimisation project, constantly share experience between the Company's plants and leading Rosatom State Corporation companies.
Innovations	R&D priorities for 2012	Create a geo-dynamic ground at the Streltsovskoye ore field.
		Define rock-bump hazard criteria for solid mass using the acoustic emission method.

IMPLEMENTATION IN 2012
Within the framework of executing the order of the President of the Russian Federation, the Company acted as the competency centre of the Rosatom State Corporation and played a leading role in drafting the Sub-Programme Development of the Rare Metals and Rare-Earth Metals Industry of the state programme The development of the Industry and Increasing its Competitiveness. The State Programme was approved by Instruction No. 2539/4 of the Government of the Russian Federation dated 27 December 2012.
The company has explored different options for ramping up its REM competencies.
The relay protection and automation systems (RPA) were renovated and the emergency control automatics (ECA) were created at the PCA of JSC PIMCU.
The Creation of the AIIS UE system of JSC PIMCU programme was launched.
The lighting system managed by JSC PIMCU has been upgraded.
Plans for 2013.
Implemented.
Within the framework of the integrated production optimisation programme, comprehensive site inspections were performed at JSC PIMCU plants to identify bottlenecks in the production processes (see Chapter 5, Innovation and Performance Management).
Training was organised for plant employees in comprehensive site inspections and the RPS training continues as part the approved schedule (see Chapter 5, Innovation and Performance Management).
Partially implemented, implementation will continue in 2013.
It did not prove possible to achieve the set goals in 2012. The project will be continued in 2013.
The project was successfully completed.
The project was completed successfully.
The project was completed successfully.
The project will be continued in 2013.
At JSC Dalur: ▪ Standardisation of the work process at the end-product shipping yard At JSC Khiagda: ▪ Standardisation of the work process at the end-product shipping yard At RUSBURMASH INC: ▪ Optimisation of warehouse at the EAU (Economically Autonomous Unit) Khiagda Drill Site
The system was implemented at four of the Holding's plants.
Employees of JSC Atomredmetzoloto and the Holding's plants participated in a number of industry events dedicated to optimising production: ▪ In February-March an industry seminar on the topic Integrated Production Optimisation was held at JSC MSZ, issues arising from comprehensive site inspections were considered. 8 employees from OJSC Atomredmetzoloto and JSC PIMCU participated; ▪ In February an industry seminar on the topic Repairs was held at Kursk NPP, attended by four employees of JSC PIMCU and JSC Khiagda; ▪ In March an industry seminar was held at Smolensk NPP on the topic RPS. Warehouses, attended by three employees of JSC PIMCU and JSC Khiagda; ▪ In June the division educational and training seminar was held at JSC PIMCU on the topic Valuation Creation Flow. Pull System, attended by 45 employees from JSC Atomredmetzoloto, JSC PIMCU, JSC Khiagda, JSC Dalur, RUSBURMASH INC; ▪ In November JSC Dalur was the venue for the division educational and training seminar on the topic Organising the Warehouse using RPS Tools, attended by 13 employees of JSC PIMCU, JSC Khiagda, JSC Dalur, RUSBURMASH INC; ▪ 10 employees of the Holding participated in the RPS industry forum which took place on 7-8 November 2012 in Moscow
Part of the main technical equipment of the geo-dynamic ground was developed, assembled and commissioned. All the equipment will be commissioned in 2014 after installation of the hardware implemented during project implementation.
The key indicators were formed together with the algorithm for their use, in order to define the shock-resistance criteria of the solid mass.

SECTION	SUBSECTION	PLANS
		Create a geo-dynamic ground of the Streltsovskoye ore field.
		Improve the technology to process non-commercial ores of JSC PIMCU.
Management by targets – KPIs		In 2012 there were plans to improve the target-based AMRZ management system aimed at further enhancing the competitiveness of the Company and at optimising business processes, proceeding from the objectives and requirements established by the shareholders, taking into account best corporate governance practices. The strategic objectives of the Company will be broken down for all ARMZ executives to the fifth level of reporting to the General Director at subsidiaries and affiliates (except for specialists and workers).
Personnel and social policy		
Personnel	Employee policy priorities	Harmonise and adjust the URS as necessary.
		Continue implementing educational projects, including those involving outside experts and work placement at foreign entities.
	Upgrade, training and development	Implement a programme to transfer key expertise and experience to young professionals.
		Enhance staff skills by developing the continuous staff training system and adopting advance training techniques.
		Launch corporate English training courses.
		Launch the ARMZ Business School program to train managers in uranium production management and the ARMZ School of Excellence program to train workers and engineers in uranium mining technology.
Social policy		Extend the housing programme launched by JSC PIMCU to the Holding Company's other entities.
		Create a unified divisional award policy.
		Increase management transparency, which implies, inter alia, promptly and comprehensively notifying employees of the ARMZ Holding Company's goals and the decisions taken.
		Organise and hold divisional sporting events.
	Youth policy	Hold a contest for teachers at technical universities, arranging work placements at the Holding Company's foreign entities.
		Implement a programme for scholarship holders from the Talent pool of young professionals.
		Hold a presentation at Tomsk Polytechnic University introducing the Company and its entities to the university's students to encourage enrolment in on-the-job training with subsequent employment.
Health, safety and environment		
Safety		Improve and upgrade the physical protection systems at nuclear hazardous facilities of the Company's subsidiaries.
		Create an automated system to manage confidential document flows at the Corporation's Security Department.
		Evaluate the Corporation's local area network for compliance with the information security requirements as part of Rosatom's project to create a single, industry-wide Information Security System.
		Certify the Corporation for ISO 27001 compliance.
		Create a system to raise employee awareness about information security issues.

IMPLEMENTATION IN 2012
Work continued on improving the effectiveness of the KB and underground block leaching methods.
A set of measures were developed to involve in the processing, using KB methods, unconditioned (non-commercial) ores, including the preliminary ore sorting of the raw materials, which makes it possible to expand significantly the raw material base of JSC PIMCU and obtain additional products.
Improvements continued to be made to the target-based ARMZ management system. A corporate reporting system was introduced. The breakdown of strategic objectives continued together with the formation of a KPI system that incorporates different levels of the Company: from the management company to directors and area managers at subsidiaries and associates.
The implementation of URS harmonisation measures will be continued in 2013: unification of the wage structure (types of payments) with due account of the requirements of the URS Guidelines and implementation of measures aimed at revising official salaries and changing the wage matrix.
Educational projects, including the involvement of outside experts and work placement. There were no work placements at foreign entities in connection with the transfer of this area to Rosatom State Corporation.
A programme to transfer key expertise and experience to young professionals was implemented
A programme was launched to upgrade the skills of employees through the development of the continuous staff training system and adoption of advanced training techniques.
Corporate English training courses were launched. A corresponding programme has been launched at the management company at manager level since 2011 and at specialist level in 2012.
JSC PIMCU started a Foremen's School programme where foremen develop people management skills. A total of 190 foremen were trained under this programme. In addition, the ARMZ School of Excellence programme was created for HR employees where the management skills of foremen are developed and internal trainers undergo training in the People Management programme.
An employee housing improvement programme is in effect at JSC PIMCU, JSC Dalur and JSC Khiagda.
The unified divisional award policy was not developed in connection with the planned transition as part of Rosatom State Corporation in 2013 to the Unified Industry Social Policy of Rosatom State Corporation and its entities.
Notification Days were also held at JSC Atomredmetzoloto at the Holding Company's entities.
Divisional competitions in football were organised and held for seven teams. The ARMZ team participated in competitions for the TEK cup.
There were no work placements at foreign entities in connection with the transfer of this area to Rosatom State Corporation.
In 2011 the Uranium Holding Company ARMZ launched the scholarship project for university students. The winners are awarded scholarships of the Holding Company and are also included in the ARMZ talent pool of young professionals. In 2012 13 people were selected within the framework of the project.
The Company and its entities were presented in a bid to convince students to attend the on-the-job training programme with subsequent employment.
The project to create physical protection systems at HMP of PIMCU continues to be implemented. A PPS is being built for the main production site of JSC Khiagda.
The software complex for the confidential document flows Delo-S has been commissioned at the Corporation's Security Department.
The Holding Company has played an active role in the project to establish an industry-wide document management system.
The establishment of an information security management system (ISMC) according to ISO/IES 27001 was deferred to 2013.
The system to raise employee awareness about information security issues has undergone pilot testing. Commissioning is scheduled for the 3rd quarter of 2013.

SECTION	SUBSECTION	PLANS
		Implement an automated system to address security-related informational and analytical tasks based on information integration solutions.
Occupational health and safety		Continue implementing measures to ensure the radiation safety of the employees of the Holding Company's entities.
Environmental protection and safety	At JSC PIMCU	Improve and maintain the achieved level of physical protection at RW repositories of HMP Verkhneye and Sredneye
		Maintain water diversion in the downstream side of the purple ore repository of the corrosion protection station at the required level; minimise the rate of propagation of man-made pollutants from the Shirondukuy gully to the Sukhoy Urulyunguy gully.
		Maintain the design efficiency of the active electric filters at the PCU and fit boiler units with improved dust trapping equipment (wet trapping).
		Improve the methods used to collect radioactive scrap metal to ensure its safety, and look for disposal solutions.
		Perform regular land reclamation in the company's areas of operations.
		Replace old sewage collector pipes with (corrosion-resistant) polyethylene ones.
		Reduce dust generation at the purple ore repository of the corrosion protection station by removing the purple ore from its placement area and replacing the emptied space with diversion water.
		Carry out PCU fly ash disposal.
		Design and build a new ash landfill for the PCU.
		Continuously clean radioactively contaminated roads.
		Perform land rehabilitation in the Oktyabrsky area.
		Reclaim the Bambakay gully in accordance with the Nuclear and Radiation Safety Targeted Federal Programme approved by the Russian Government.
		Carry out wastewater treatment
		Renovate and increase the capacity of the radioactive waste (RW) repository at HMP Sredneye according to the Nuclear and Radiation Safety Targeted Federal Programme approved by the Russian Government.
	At JSC Dalur	Post the Environmental Policy on the corporate website of the entity.
		Implement the ISO 14001:2004 environmental management system.
		Implement measures under the Nuclear and Radiation Safety Targeted Federal Programme for 2008 and until 2015
		Implement industrial environmental measures:
		Radio-environmental monitoring of the industrial zone of the plant and the surrounding area.
		Monitor compliance with atmospheric emissions standards.
		Transfer hazard class I, II, III and IV waste to specialised organisations.
		Transfer wastewater to a specialised treatment plant.
		Conduct environmental monitoring of groundwater and surface water within the company's mining sites.
		Coordinate schedules for on-site monitoring of compliance with MPE standards.
	At JSC Khiagda	Publish an annual report on environmental safety.
		Develop draft standards for Maximum Permitted Radioactive Atmospheric Emissions (MPRAE).

IMPLEMENTATION IN 2012
An automated information-analytical system for the resolution of security tasks of JSC Atomredmetzoloto has been commissioned and is being used in test regime.
In 2012 measures continued to be implemented to ensure the radiation safety of the personnel of entities. In addition, the Holding Company participated in the establishment of industry regulatory documents in this area. In particular, in 2012 within the framework of the execution of the orders and recommendations of Rosatom State Corporation, JSC Atomredmetzoloto completed work to draft Departmental Safety Rules for the Development of Uranium Through Heap and In-Situ Leaching.
Implemented.
In all 34.6 thous. m^3 of water were intercepted and returned to the purple ore repository. The rate of propagation of sulphate distribution for 2012 is close to zero.
Is being implemented. The dust trapping equipment is being fitted at the 1st boiler unit.
Is being implemented. In 2012 JSC VNIPIPROMTECHNOLOGII developed a Project for Handling Radioactive Metal Scrap formed at the facilities of JSC PIMCU.
Is being implemented during the hot season.
Is being implemented.
The purple ore is removed for sale and the emptied space is filled with water.
Is being implemented. Utilisation of 48,106.4 tonnes of fly ash in mining production. Utilisation level – 40.6 %
Is being implemented. A new ash landfill project is being drafted for the PCU. In 2012 engineering and environmental surveys were performed.
Is being implemented. During the year 771.8 tonnes of ore spill were exported to the Central Ore Yard.
The regional authorities are responsible for this work – the city administration receives the necessary finance.
Commencement deadline of the work – 2015.
Design and estimate and working documentation have been drafted on the reconstruction and expansion of existing KOC. 2. A mine water treatment plant was not built at the new mine No. 6 owing to a financing shortfall.
Is being implemented. Geological engineering surveys are being performed; the main slurry pipeline has been repaired.
Deferred to 2013.
Implemented.
According to the Targeted Federal Programme, clause 229 “Rehabilitation of contaminated areas as a result of geological prospecting and pilot work of CJSC Dalur”, financing was made available for 2013–2015.
Implemented.
Implemented.
Implemented.
Implemented.
Implemented.
Implemented.
Implemented.
Implemented.
Implemented.

SECTION	SUBSECTION	PLANS
		Renew the hazardous waste management licence.
		Introduce solution collection procedure for repair and renewal operations on the wells.
		Install gas-cleaning equipment at the plant's finished products facility.
		Install gas-cleaning equipment (sulphuric acid facility project).
		Install flow meters to measure production process water consumption.
		Launch full biological wastewater treatment facilities at the field camp.
		Construct storm and melt water treatment facilities.
		Build a solid domestic waste landfill – basins 2 and 3.
		Conduct environmental monitoring of the environment and subsoil resources.
		Organise environmental production monitoring (EPM) at the company's mining sites.
Social development in regions of operations. Charity and sponsorship		
Development of business regions		Continue cooperation within the framework of implementation of the vocational training improvement programme, including:
		Strengthen the training ground of the State Self-Supporting Educational Institution of Secondary Vocational Education "PU No. 11", including the acquisition of new training equipment and capital repairs to three classrooms.
		Continue implementing projects related to the upgrade and development of the utilities infrastructure, inter alia transfer to the municipality the project for the construction of the second line of the treatment facilities so that a construction tender is organised.
		Continue implementing measures aimed at supporting at an appropriate level social infrastructure facilities, and also at supporting veterans and pensioners.
	JSC Dalur	Continue implementing projects aimed at supporting education, culture and sport, and developing the infrastructure of the regions of operations.
	JSC Khiagda	Continue implementing projects related to support for children's and youth sport, WWII veterans and pensioners.
Charity and sponsorship		Target cooperation with charities more, providing support first and foremost to projects being implemented in the regions of operations of ARMZ Uranium Holding Company has a presence.

IMPLEMENTATION IN 2012
The implementation of this point has been transferred to 2013 in connection with the amendments to environmental legislation on the management of waste production and consumption that have entered into force.
Implemented.
The construction of the end-product processing unit for the industrial enterprise is not completed. The scheduled commissioning date of the unit - 2014.
Construction of the sulphuric acid facility continues. The scheduled commissioning date of the unit - 2014.
In 2012 consumption metres were not installed for organisational and technical reasons.
Implemented.
Is being implemented. Completion is earmarked for 2013.
Is being implemented. Completion in 2013–2015.
Is being implemented. Based on the monitoring results, an annual report is compiled on the state of the environment. A programme has been developed for the object monitoring of the state of the subsoil.
Is being implemented.
Implemented.
Performed within the framework of implementing the joint programme with the Trans-Baikal Territory Government to improve vocational education (the volume of financing from JSC PIMCU totalled RUB 3.5 million).
With the organisational support of PIMCU, the preparatory stage for the construction of the second line of the treatment facilities was completed. The project was subject to state expert appraisal and received a positive assessment. The necessary tender procedures were performed and the general contractor was selected.
Implemented.
Implemented.
Implemented.
Implemented.

URANIUM GLASS

Uranium compounds are used to paint glass red or green or to imbue it with an original green-yellow hue. In addition to glass bottles, uranium compounds have been used at different times to manufacture slabs for the finishing of kitchens and bathrooms, original decorations and items of decor.

FINANCIAL INDICATORS

The Financial Indicators section has been prepared on the basis of the consolidated financial statements according to the International Financial Reporting Standards for the period ended on 31 December 2012 (Appendix 6*).

T24 Profit and loss statement

ITEM RUB MILLION	2012	2011**	2010**	CHANGE 2012/2011	% 2012/2011
Proceeds on sales	**47,795**	**44,495**	**30,222**	**3,300**	**7.4**
Cost of sales	**-35,819**	**-31,502**	**-16,166**	**-4,317**	**13.7**
Include cost of product sales net of amortisation	-26,991	-25,609	-14,682	-1,382	5.4
Gross profit	**11,976**	**12,993**	**14,056**	**-1,017**	**-7.8**
Administrative and selling expenses***	-6,412	-7,110	-4,244	698	-9.8
Other expenses	-417	-315	-201	-102	32.4
Operating profit	**5,147**	**5,568**	**9,611**	**-421**	**-7.6**
Balance of other earnings (+) / expenses (-)	-12,948	162	9,875	-13,110	-8,092.6
Income before income tax	-7,801	5,730	19,486	-13,531	-236.1
Income tax expense	-1,429	-2,530	-6,382	1,101	-43.5
Net profit	**-9,230**	**3,200**	**13,104**	**-12,430**	**-388.4**
Profit attributable to:					
Shareholders of the Company	-9,240	2,638	13,013	-11,878	-450.3
Minority interest	10	562	91	-552	-98.2
For reference					
EBITDA	14,091	11,578	11,252	2,513	21.7
Net operating profit after taxes (NOPAT)	4,204	3,110	6,463	1,095	35.2

Against the backdrop of a fall in global uranium prices, the company managed to ramp up proceeds and EBITDA by increasing sales volumes. Compared to 2011 administrative expenses and product sales expenses were cut by 9.8%. The change in the balance of other earnings (+)/expenses (-) occurred to large extent due to the impairment of goodwill formed as a result of acquiring a subsidiary, which was attributable mainly to the fall in uranium prices after the events at the Fukushima nuclear power plant.

T25 Balance Sheet

ITEM, RUB MILLION	31.12.2012	31.12.2011II	31.12.2010II	CHANGE 2012/2011	% 2012/ 2011
Current assets, including	**44,687**	**48,165**	**61,657**	**-3,478**	**-7.2**
cash and cash equivalents	17,104	22,694	41,704	-5,590	-24.6
accounts receivable	11,529	8,154	6,765	3,375	41.4
inventory	13,130	14,398	12,038	-1,268	-8.8
Non-current assets, including	**163,008**	**176,660**	**118,769**	**-13,652**	**-7.7**
property, plant and equipment	54,879	47,805	34,592	7,074	14.8
intangible assets	68,709	77,395	62,708	-8,686	-11.2
goodwill	28,052	40,638	12,103	-12,586	-31.0
exploration and valuation assets	8,069	5,735	5,446	2,334	40.7
TOTAL ASSETS	**207,695**	**224,825**	**180,426**	**-17,130**	**-7.6**
Short-term liabilities, including	**18,139**	**13,247**	**19,464**	**4,892**	**36.9**
accounts payable	7,281	7,679	6,086	-398	-5.2
short-term loans and borrowings	9,630	3,550	8,386	6,080	171.3

* The data presented in this section are based on the IFRS consolidated financial statements.

** The indicators for 2010-2011 may differ from similar indicators presented in the annual report for 2011.

*** Subject to depreciation.

ITEM, RUB MILLION	31.12.2012	31.12.2011II	31.12.2010II	CHANGE 2012/2011	% 2012/ 2011
Long-term liabilities, including	**57,900**	**63,975**	**35,720**	**-6,075**	**-9.5**
long-term loans and borrowings	32,947	39,595	20,613	-6,648	-16.8
provisions	10,497	8,461	4,652	2,036	24.1
deferred tax liability	14,447	15,038	10,455	-591	-3.9
Equity	**131,656**	**147,603**	**125,242**	**-15,947**	**-10.8**
TOTAL LIABILITIES	**207,695**	**224,825**	**180,426**	**-17,130**	**-7.6**

The fall in the balance-sheet total in 2012 by 7.6% was attributable primarily to the fall in the value of non-current assets due to the impairment of goodwill.

The replacement of some long-term debt by short-term debt was due to focused actions to increase the effectiveness of credit portfolio management. The reduction in long-term debt that is more expensive to service is at the same time offset by the participation of Group entities in the cash pooling system of OJSC Atomenergoprom and the opening of overdrafts at servicing banks, which as a result ensures the high quality of the debt.

T26 Key financial indicators

ITEM	2012	2011*	2010*	CHANGE 2012/2011	% 2012/2011
Financial stability indicators					
Share of equity in assets	0.63	0.66	0.69	-0.02	-3.4
Liquidity ratios, decimal fraction					
Current liquidity ratio	2.5	3.6	3.2	-1.2	-32.2
Acid test ratio	1.6	2.3	3.0	-0.8	-32.2
Return on sales, %					
Profit margin	25.1%	29.2%	46.5%	-4.1%	-14.2

* The indicators for 2010–2011 may differ from similar indicators presented in the annual report for 2011.

The revaluation (impairment) of financial investments (cost of sold uranium mining projects) in connection with the fall in uranium prices after the events at the Fukushima nuclear power plant and a corresponding adjustment to equity resulted in an insignificant fall (3.4%) in the indicator share of equity in assets. However, this indicator takes into account the highly capitalised nature of the company and remains significantly higher than the regulatory standard.

The fall in liquidity ratios (within the framework of the adopted norms) is the result of the Group's deliberate policy to enhance liquidity management and reduce clear balances on corporate bank accounts.

The increase in operating earnings (EBITDA) made it possible to maintain the Debt/EBITDA ratio at 3.02, within the limits of generally accepted regulatory standards. At the same time, the high percentage of raised long-term project finance in the credit portfolio to develop new mining projects, which will result in an increase in operating earnings in future, and also the financing of some projects through a contribution to the capital of the main shareholder, attest to the company's continued long-term financial stability.

JSC Atomredmetzoloto prepares consolidated financial statements according to international financial reporting

standards. In addition, all the Group's entities compile standalone financial statements in accordance with Russian accounting standards.

BUDGETING AND COST MANAGEMENT

In 2012 the company continued to implement measures aimed at reinforcing budget control and reducing costs:

1. Rosatom State Corporation developed and approved the medium-term development programme of JSC PIMCU for the period to 2020. Implementation of this programme in the medium and long term will make it possible to maintain the volumes and cost of uranium production at the entity at an economically effective level.

2. Within the framework of medium-term planning, targets have been prepared for subsidiaries related to cost reduction, working capital reduction and productivity improvement programmes.

3. A performance improvement programme has been approved and is being implemented at the uranium mining entities in the Republic of Kazakhstan, as part of which the following measures were implemented for cost reduction purposes:

- Commencement of the merger of two entities – JSC JV Akbastau and Karatau – for the purpose of reducing administrative expenses.
- Optimising the cost of constructing mining ranges, a reduction in standard expenditure on materials, and other technological and organisational measures.

APPENDICES

BALLAST

Depleted uranium is used as ballast in the aerospace industry during the creation of the flight control surfaces of aircraft. It is also used in high-speed gyroscope rotors and large flywheels as ballast in space descent vehicles and racing yachts, and in bolides during the drilling of oil wells.

ABBREVIATIONS AND TERMS USED IN THE REPORT

AIIS KUE	Automated Information and Measuring System for Commercial Energy Metering
AIIS TUE	Automated Information and Measuring System for Technical Energy Metering
AIIS UE	Automated Information and Measuring System for Energy Resources Management
AIEMS	Automated Industrial Environmental Monitoring System
NPP	Nuclear Power Plant
SCMR Rosnedra, FCI SCMR	State Commission on Mineral Reserves
HMP	Hypermetallurgical Plant
EP	End Products
EW	Exploration Work
SA	Subsidiaries and associates
VHI	Voluntary health insurance
CSP	Crushing and screening plant
URS	Unified Remuneration System
UUO	Uranus uranic oxide
IT	Information technologies
HL	Heap leaching
KPI	Key performance indicators
CSR	Corporate Social Responsibility
IFRS	International Financial Reporting Standards
CRMS	Corporate Risk Management System
IAEA	International Atomic Energy Agency
LSU	Local sorption unit
R&D	Research and development
EIA	Environmental Impact Assessment
OECD	Organisation for Economic Cooperation and Development

PW	Pilot work
UL	Underground leaching
BSRW	Burial site for radioactive waste
DS	Design and survey
PS	Pregnant solution
ISL	In-situ leaching
RW	Radioactive waste
SW	Standard wages
SAP	Sulphuric acid plant
PIES	Process information exchange systems
JV	Joint venture
ISL	In-situ leaching
ISMS	Information security Management system
HSE	Health, safety and environment
SDW	Solid domestic waste
TTA	Technical training aids
FS	Feasibility study
PCU	Power cogen unit
BUM	Bureau of Uranium Mining
PSPU	Pregnant solutions processing unit
FCSM	Federal Commission for the Securities Market
FMBA	Federal Medical and Biological Agency
FFMS	Federal Financial Markets Service
FEB	Financial and economic block
CCNU	Chemical concentration of natural uranium
PSPS	Pregnant solutions processing shop
VFD	Variable frequency drive
NFC	Nuclear fuel cycle
GRI	Global Reporting Initiative
INES	International Nuclear Events Scale
JORC	Joint Ore Reserve Committee Code
SMART	System for developing key performance indicator parameters in Rosatom State Corporation
WNA	World Nuclear Association

TABLE OF STANDARD GRI DISCLOSURES

GRI PARAGRAPH	CORE PERFORMANCE INDICATOR NUMBER (RUEI)
Standard GRI reporting disclosures Part 1: Characteristics	
1. Strategy and Analysis	
1.1. Statement from the most senior decision-maker of the reporting organisation	
1.2. Description of key impacts, risks, and opportunities	
2. Organisational profile	
2.1 Name of the organisation	
2.2 Primary brands, products and/or services	
2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	
2.4 Location of the organisation's headquarters	
2.5 Number of countries where the organisation operates, and names of countries where either the major or most sustainability relevant operations for this report are conducted	
2.6 Nature of ownership and legal form	
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	
2.8 Scale of the organisation	
2.9 Significant changes during the reporting period regarding size, structure, or ownership	
2.10 Awards received during the reporting period	
3. Report parameters	
3.1 Reporting period (e.g., fiscal/calendar year) for information provided	
3.2 Date of most recent previous report (if any)	
3.3 Reporting cycle	
3.4 Contact details for questions regarding the report or its contents	
3.5 Process for defining report content	
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	
3.7 State any specific limitations on the scope or boundary of the report	
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	
3.10 Explanation of the effect of any restatement of information provided in earlier reports, and the reasons for such restatements (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	
3.11 Significant changes from previous reporting periods in the coverage, scope or measurement methods applied in the report	
3.12 Table identifying the location of the Standard Disclosures in the report	
3.13 Policy and current practice with regard to seeking external assurance for the report	
4. Governance, Commitments, and Engagement	
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	
4.2. Indicate whether the Chair of the highest governance body is also an executive officer	
4.3. For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	

REPORT COVERAGE	PAGE	REPORT SECTION/PARAGRAPH	COMMENTS
In full	18-19	Address by the Chairman of the Board of Directors	
In full	37-38, 82-88	Development strategy and investments	
In full		Cover of the annual report	
In full	20, 27, 50-52, 53-58, 60-61	About the Company Production activities	
In full	24-26	About the Company	
In full	208	Appendices	
In full	24-25	About the Company	
In full	22-23, 26	About the Company	
In full	24-25, 28	About the Company	
In full	6 94-98 164-165	Key figures Employees and social policy Financial indicators	
In full	8 23 75	Major events in 2012 About the Company Management system	
In full	8	Awards and successes for 2012	
In full	12	Report Profile	
In full	14	Report Profile	
In full	12	Report Profile	
In full	208	Appendices	
In full	12-14	Report Profile	
In full	12	Report Profile	
In full	12	Report Profile	
In full	12-14	Report Profile	
In full	12-14	Report Profile	
In full	14	Report Profile	
In full	14	Report Profile	
In full	172-179	Appendices	
In full	13-14 185-191	Report Profile Appendices	
In full	74-80 200-202	Management system Report on compliance with the provisions of the Code of Corporate Conduct appendix	
In full	78-79	Management system	
In full	200	Report on compliance with the provisions of the Code of Corporate Conduct appendix	

GRI PARAGRAPH	CORE PERFORMANCE INDICATOR NUMBER (RUEI)
4.4. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	
4.5. Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	
4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided	
4.7. Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	
4.8. Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	1.1
4.9. Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	
4.10. Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	
4.11. Explanation of whether and how the precautionary approach or principle is addressed by the organization	
4.12. Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	
4.13. Memberships in associations (such as industry associations) and/or national/international advocacy organizations	3.3.5
4.14. List of stakeholders engaged by the organisation	
4.15. Basis for identification and selection of stakeholders with whom to engage	
4.16. Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	
4.17. Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	
Standard disclosures, part III: Performance indicators	
Economic performance indicators	
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	1.2-1.7
EC3 Coverage of the organisation's defined benefit plan obligations	1.8
EC5 Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	
EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	3.3.1-3.3.8
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts	
Environmental performance indicators	
EN1 Materials used, by weight or volume	
EN2 Percentage of materials used that are recycled input materials	2.1
EN3 Direct energy consumption by primary energy source	2.2
EN4 Indirect energy consumption by primary energy source	
EN5 Energy saved due to conservation and efficiency improvements.	
EN7 Initiatives to reduce indirect energy consumption and reductions achieved	
EN8 Total water withdrawal by source	2.3.1
EN10 Percentage and total volume of water recycled and reused.	

REPORT COVERAGE	PAGE	REPORT SECTION/PARAGRAPH	COMMENTS
In full	74	Management system	Employees may forward the activities of senior management or issue recommendations within the framework of administrative reporting channels.
In full	81	Management system	
In full	74-80	Management system	
In full	76	Management system	
In full	7	Mission and values	
	200-202	Report on compliance with the provisions of the Code of Corporate Conduct appendix	
In full	81-88	Management system	
In full	81	Management system	
Not applicable			
Partially			The Holding complies with the principles of the Social Charter of Russian Business
In full	22	About the Company	
In full	142	Stakeholders' Engagement	
In full	142	Stakeholders' Engagement	
In full	143	Stakeholders' Engagement	
In full	144-161	Stakeholders' Engagement	
In full	6	Key figures	
	100-104	Employees and social policy	
	135	Development of business regions	
	192-196	IFRS consolidated financial statements	
	202-204	Appendices	
In full	103-104	Employees and social policy	
In full	100-102	Employees and social policy	
In full	88-90	Management system	
In full	98-99	Employees and social policy	
In full			
In full	134-139	Development of business regions	
In full	134-135	Development of business regions	
Partially	50-58	Production	
Not applicable			
In full	67-68	Innovation and performance management	
In full	67-68	Innovation and performance management	
In full	67-68	Innovation and performance management	
In full	67-68	Innovation and performance management	
In full	121-123	Health, safety and environment	
In full	123-124	Health, safety and environment	

GRI PARAGRAPH	CORE PERFORMANCE INDICATOR NUMBER (RUEI)
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	
MM1 Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	
EN16 Total direct and indirect greenhouse gas emissions by weight	
EN17 Other relevant indirect greenhouse gas emissions by weight.	
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	
EN19 Emissions of ozone-depleting substances by weight	
EN20 NOx, SOx, and other significant air emissions by type and weight	2.6.1
EN21 Total water discharge by quality and destination	
EN22 Total weight of waste by type and disposal method	2.8
MM3 Total amounts of overburden rock, tailings, and sludges and their associated risks	
EN23 Total number and volume of significant spills	
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	2.11
EN27 Percentage of products sold and their packaging materials that are reclaimed by category	
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	
EN30 Total environmental protection expenditures and investments by type	2.12
Social: Labor practices and decent work	
LA1 Total workforce by employment type, employment contract, and region, broken down by gender	3.1.1
LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region	3.1.1-3.1.2
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	
LA4 Percentage of employees covered by collective bargaining agreements	3.1.4
LA5 Minimum notice period (s) regarding significant operational changes, including whether it is specified in collective agreements	
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	3.1.5-3.1.8
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	
LA10 Average hours of training per year per employee by gender, and by employee category	3.1.10
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	
LA13 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	
LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	
Social: Human rights	
HR4 Total number of incidents of discrimination and corrective actions taken	3.2.2
HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	
HR6 Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	

REPORT COVERAGE	PAGE	REPORT SECTION/PARAGRAPH	COMMENTS
In full	119-121	Health, safety and environment	
In full	119-121	Health, safety and environment	
Partially	121	Health, safety and environment	
In full	126-127	Health, safety and environment	
In full	126-127	Health, safety and environment	
In full	67	Innovation and performance management	
	125-127	Health, safety and environment	
In full	125-126	Health, safety and environment	
In full	125-126	Health, safety and environment	
In full	122-123	Health, safety and environment	
In full	127-129	Health, safety and environment	
In full	128	Health, safety and environment	
In full	119	Health, safety and environment	There were no material spills in the reporting period
In full	119	Health, safety and environment	
	129-130	Implementation of plans indicated in the annual report for 2011 table	
	148-161		
Not applicable			
In full	118-119	Health, safety and environment	
In full	129-131	Health, safety and environment	
In full	95-97	Employees and social policy	
	204-205	Appendices	
In full	97-98	Employees and social policy	
	205-206	Appendices	
In full	103-104	Employees and social policy	
	202-204	Appendices	
In full	108	Employees and social policy	
In full	108	Employees and social policy	
Not applicable			
In full	116-118	Health, safety and environment	
Partially	116	Health, safety and environment	
Partially	104-105	Employees and social policy	
In full	104-106	Employees and social policy	
In full	99	Employees and social policy	
	207	Appendices	
Not disclosed			Statistics not kept
In full	96	Employees and social policy	
Partially	108	Employees and social policy	
Partially	96	Employees and social policy	

GRI PARAGRAPH	CORE PERFORMANCE INDICATOR NUMBER (RUEI)
HR7 Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	
HR11 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	
Social: Society	
SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs	
SO2 Percentage and total number of business units analyzed for risks related to corruption	
SO5 Public policy positions and participation in public policy development and lobbying	3.3.4
MM9 Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	
Social: Product responsibility	
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	

REPORT COVERAGE	PAGE	REPORT SECTION/PARAGRAPH	COMMENTS
Partially	96	Employees and social policy	
In full	96	Employees and social policy	
In full	118-119	Health, safety and environment	
	134-138	Development of business regions	
In full	114	Health, safety and environment	
In full	134	Development of business regions	
		In 2012 the Company did not resettle any people	
In full	53-55	Production	
In full	28	About the Company	
Partially	28	About the Company	
In full	28	About the Company	
In full	86-87	Management system	
In full	90	Management system	

TABLE OF DISCLOSURES AS PER THE REPORTING STANDARD OF ROSATOM STATE CORPORATION

INDICATOR DESIGNATION	INDICATOR	PAGE	REPORT SECTION
2.1 Economic performance	2.1.1 Profit		About the Company
	2.1.3 Financial stability		
2.3 Production base development	2.3.1 Investments in fixed capital for the reporting period		Strategy and investments
9.1 Supply of skilled and competent human resources	9.1.1 Supply of skilled human resources		Employees and social policy
	9.1.2 Training of employees		
10.1 Economic performance	10.1.1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, investment donations and other community investments, retained earnings, and payments to capital providers and governments EC1 GRI		Key performance indicators About the Company Management system
10.3 Indirect economic impact	10.3.1 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement EC8 GRI		Development of business regions
	10.3.2 Awareness and description of significant economic impacts, including their extent EC9 GRI		
11.1 Environmental impact management	11.1.3 Initiatives to reduce indirect energy consumption and reductions achieved EN7 (add) GRI		Innovation and performance management
	11.1.6 Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation EN26 GRI		Health, safety and the environment
11.2 Consumption of materials, energy, water	11.2.2 Direct energy consumption by primary energy source EN3 GRI		Innovation and performance management
	11.2.4 Total water withdrawal by source EN8 GRI		Health, safety and the environment
11.3 Environmental impact (emissions, discharges and waste), other than radiation exposure	11.3.8 NOX, SOX and other significant pollutants by type and weight EN20 GRI		Health, safety and the environment
	11.3.10 Total weight of waste by type and disposal method EN22 GRI		Health, safety and the environment
12.1 Employment	12.1.1 Total workforce by employment type, employment contract and region LA1 GRI		Employees and social policy
	12.1.2 Total number and rate of employee turnover by age group, gender and region LA2 GRI		
	12.1.4 Proportion of specialists under 35		
	12.1.7 Ratio of ratios of the standard entry-level wage compared to the local minimum wage in major footprint regions EC5 GRI		

INDICATOR DESIGNATION	INDICATOR	PAGE	REPORT SECTION
12.3 Social security for employees	12.3.1 Payments and benefits provided to full-time employees that are not provided to temporary or part-time employees, broken down by major operations LA3 GRI		Employees and social policy
	12.3.5 Total expenditure on social security programmes for employees		
	12.4.2 Rates of injury, occupational diseases, lost days, and absenteeism, and the total number of work-related fatalities by region and gender LA7 GRI		Health, safety and the environment
	12.4.4 Health and safety issues covered in formal agreements with trade unions LA9 GRI		Employees and social policy
	12.4.5 Monitoring employee radiation dose levels		Health, safety and the environment
	12.4.6 Employee health and safety costs		
13.1 Social impact in footprint regions	13.1.2 Procedures for local hiring and proportion of senior management hired from the local community in major footprint regions EC7 GRI		Employees and social policy
13.4 Charity	13.4.1 Charity projects and funds allocated to these projects		Development of business regions
14.4 Ethical practice and human rights	14.4.8 Total number of discrimination incidents and actions taken HR4 GRI		Employees and social policy

STATEMENT OF PUBLIC ASSURANCE

INTRODUCTION

JSC Atomredmetzoloto (hereinafter, ARMZ Uranium Holding Co., ARMZ, the Corporation, the Company) requested that we assess the 2012 Annual Report of the Holding Company (hereinafter, the Report) from the perspective of the completeness and materiality of the information disclosed therein, and also the response of JSC Atomredmetzoloto to stakeholder requests and expectations. Accordingly, we participated in the Public Hearings of the draft Report. We also knew that previously three dialogue meetings had been held with stakeholders to discuss the concept of the Report, issues related to the upgrade and development of the Russian production assets of ARMZ, and also the contribution of the Holding Company's enterprises to the development of footprint regions. The public hearings, attended by representatives of the Public Council of Rosatom State Corporation, members of the Public Chamber of the Russian Federation, representatives of the governmental authorities and local authorities of regions of operations, customers and partners of the holding company, the investment and financial community and environmental, educational and charitable organisations, were the culmination of the public hearings on the draft Annual Report of JSC Atomredmetzoloto.

All the participants of the above events had the opportunity to freely express their opinions regarding the topics and texts proposed to them for discussion.

The event participants, including the representatives of the certifying party, also had the opportunity to preview the draft and final versions of the report. The procedure governing the public certification of the Report took account of the provisions of international standards (Sustainable Reporting Guidelines of the Global Reporting Initiative (GRI, version G3.1), the series of standards AA1000 Institute of Social and Ethical Accountability), and also corresponding standards and recommendations from Rosatom State Corporation. The hearings were conducted by an independent moderator who facilitated a free exchange of opinions.

During the public certification we performed a comparative analysis of the draft 2012 annual report submitted to us and the final version, studied the minutes of dialogue meetings with stakeholders and the opinions of participants in the Public Hearings. An audit of the system for collecting and analysing the information, the reliability of the actual data presented in the report, and equally confirmation of the degree of compliance of the Report with any reporting systems did not constitute part of the goal of public assurance. Maintaining our independence and objectivity, we express our personal expert opinion, but not the opinion of the organisations that we are representing.

OVERALL ASSESSMENT AND RECOMMENDATIONS

It is with great satisfaction that we note the Company's adherence to the principles of transparency and accountability, as demonstrated by another annual report, which is already being prepared for a third time within the framework of stakeholder engagement. Both directly in the text of this Report, and also in the presentations of the company's representations during engagement with stakeholders, JSC Atomredmetzoloto comprehensively reflected the development results of the ARMZ Uranium Holding Company in 2012, did not only disclose in detail data on its production activities and the effective corporate governance system, but also described its development strategy and investments. A significant place in the Report was also allocated to issues of social policy, occupational health and safety. As the Company uses an integrated reporting system to better inform stakeholders, all the Company's operations and their impact on the socio-economic development of the regions where it has a presence, and also on the environment, are presented in the Report comprehensively from a sustainability context. The fact that information on many performance indicators is presented for a number of years makes it possible to analyse objectively the change in the situation and assess the Company's development dynamics.

While displaying a balanced approach to presenting information, ARMZ is aware of the Company's operational issues and forms plans and obligations for future periods. During the preparation of the Report, ARMZ demonstrated its readiness to engage with stakeholders not only for the purpose of determining the strategic development goals of the Holding Company, but also to look for mutually acceptable solutions on the most material development issues facing individual enterprises.

We would like to highlight in particular the high level of organisation of the actual reporting process and the involvement of a broad range of senior management and specialists of the company in this work.

All of the above enables us to assess the level of information disclosure as high. We are not aware of any facts that would lead us to doubt the veracity of the information presented in the Report.

Nevertheless, we recommend that the Company:

- perform a familiarisation tour to Holding Company enterprises not only for federal, industry and regional journalists, which ARMZ already does, but also the representatives of other stakeholders, including non-governmental and environmental organisations;
- discuss more extensively during the reporting process aspects of occupational health and industrial

safety, including engaging on an audit representatives of non-governmental environmental organisations that criticise the nuclear power sector.

COMPLETENESS

We believe that the Report discloses with a significant degree of completeness information in the area of sustainability and the sustainability indicators of JSC Atomredmetzoloto, describes virtually all aspects of the Company's operations that impact the economy, the social sector and environment and which are of interest for the stakeholders. The governance system of the Holding Company is also described clearly and fully. For the purpose of more accurate compliance with the principle of completeness, the Report makes references to regulatory documents and additional public sources of information, including those posted on the corporate website.

The concept and structure of the report were approved during one of the dialogue meetings with stakeholders. The stakeholders did not raise any complaints about the completeness of the information presented in the document at any of the discussions of fragments of the Report during the dialogue meetings or of the draft version during the Public Hearings, other than a proposal to increase the scope of the description of one of the social projects, which was duly considered in the final version of the Report.

MATERIALITY

Complying with the materiality principle, the Company selected the information to be included in the report, taking into account its influence on stakeholder decisions and actions. In addition to strategy, the report cites the key financial and economic performance results of the Holding Company, the results of its social, environmental and economic influence, and its position in the area of corporate social responsibility.

In 2012 the focus of the Company's development switched to its Russian enterprises. Consequently one of the two key topics of the Report was the Holding Company's performance in relation to the upgrade and development of production assets, and in particular the situation at JSC Priargunsky Industrial Mining and Chemical Union (JSC PIMCU).

We believe that material information was disclosed on these topics in the Report, and that insignificant facts and excessive detailed descriptions were deleted in accordance with stakeholder recommendations. Consequently, the overall reduction in the size of the document has, in our opinion, contributed to a greater clarity of presentation, while information that is material for the stakeholders has been retained. We do not know of other topics that are material for stakeholders and which the Holding Company should have included in the Report.

RESPONSE

During the assurance of the Report, we analysed the Company's response to stakeholder requests and expectations. We confirm that the Company has actively sought the views of stakeholders using the dialogue mechanism, including through the video conferencing format, both in terms of the contents of the document being considered, and also in respect of different operating aspects of the Holding Company. In the reporting year there were three dialogue meetings and Public Hearings attended by the representatives of management of JSC Atomredmetzoloto, non-profit organisations and the mass media, consultants, the heads and managers of subsidiaries and associates, and also the representatives of the regional authorities and local government authorities of the Company's regions of operation. In the text of the Report, the proposals of participants in the public events are presented in a special table. We verified the extent of coverage of the comments of stakeholder representatives made during the dialogue meetings and the Public Hearings in the final version of the Report, and can confirm that the Company's management promptly and constructively responded to them. During preparation of the final version of the document, the Company took into account most of the suggestions and comments of the participants in the dialogue meetings and hearings, including additional plans and obligations. We would like to

highlight in particular as a positive factor the use of internal and external stakeholder opinions during the development and implementation of the comprehensive medium-term development programme of JSC PIMCU. At the same time, we would also recommend expanding the list of stakeholders engaged to participate in the dialogue meetings to include representatives of the public.

Head of the Administration The Town of Krasnokamensk
(Trans-Baikal Territory)
Boris Mikhailovich Pichkurenko

Head of the Administration of Bauntovsky District
of the Republic of Buryatia
Yury Mikhailovich Nikulin

First Deputy Head of the Administration of the Dalmatovo District,
the Kurgan Region
Andrei Gennadievich Anosov

Head of the Division of Social Programmes and Corporate Events
OJSC MMC Norilsk Nickel
Svetlana Vladimirovna Ivchenko

Head of Metals, Mining and Power Division, JSC Nordea Bank
Sergey Anatolievich Bazuyev

Head of Nuclear Power Division – Executive Director, Gazprombank
(Open Joint Stock Company)
Andrei Borisovich Kuryndin

Member of the Council of the Centre for Russian Environmental Policies
(CREP), Co-director of Programmes for Radiation and Nuclear Safety,
member of the Public Council of Rosatom State Corporation
Valery Fedorovich Menshchikov

Chairman of the Central Council of the Russian Green League,
Member of the Public Chamber of the Russian Federation
Sergey Vladimirovich Simak

Deputy General Director – Head of the Information Department IA
Nuclear.Ru
Svetlana Veniaminovna Dvoryaninova

Executive Director of the Stroganoff Foundation
Sergey Sergeyevich Selitsky

INDEPENDENT ASSURANCE OF NON-FINANCIAL REPORTS

To Open Joint-Stock Company Atomredmetzoloto and its stakeholders.

Introduction

This auditor's assurance relates to the non-financial part of the public annual report (hereinafter, the Report) of JSC Atomredmetzoloto (hereinafter, the Company) for 2012. The Report was prepared by the Company, which is responsible for the gathering, organisation and presentation of all information contained therein. JSC Bureau Veritas Certification Rus is responsible for limited assurance of the Report solely to the Company as part of an agreed assignment and shall not be responsible to any party for the decisions made, deferred or withdrawn on the basis of this assurance.

Assurance tasks and criteria

The Report was assured on the basis of the formalised methodology of AA1000 Assurance Standard (AS) 2008 and assurance engagements other than audits or reviews of historical financial information ISAE 3000.

During work on the Report, the following tasks were set and achieved:

1. Evaluate whether the Report complies with the principles of inclusivity, materiality and responsiveness set forth in AA1000 Accountability Principles Standard (APS) 2008.

2. Evaluate the extent and quality of stakeholder involvement in the preparation of the Report in accordance with AA1000 Stakeholder Engagement Standard (SES) 2011. Evaluate the extent to which the Company implemented the principles for determining the content and quality of the Report as per the Global Reporting Initiative Sustainability Reporting Guidelines, including the context of sustainability, the completeness of the coverage of material topics, the balanced nature, comparability, precision, etc.

3. Evaluate the extent to which the Report complies with the B+ level (self-assessment of the Company) of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

4. Provide recommendations on the preparation of corporate non-financial public reports in future periods.

Type and level of assurance

The following provisions of AA1000AS (2008) form the basis of the Report Assurance:

- Type of assurance – ("Type 2 – Accountability Principles and Performance Information"), providing for

evaluation of the degree of compliance with the above principles of accountability, together with evaluation of the reliability of the performance indicators (data, statements) included in the Report;

- Level of assurance – moderate.

Assurance methodology and scope of work

- Interviews with management representatives and the Company's key specialists to determine how the Company accounts for the key aspects of its corporate social responsibility in building its long-term business development strategy and how these aspects are integrated into its business processes.
- Verification of achieving corporate social responsibility goals for 2012, as set in the Company's 2010 and 2011 reports.
- Verification of documents (standards, guidelines, etc.) and data (including the primary sources of information) characterising the results of responsible business practices under corporate social responsibility.
- Assessing the efficiency of the Company's approaches to managing economic, environmental and social impacts.
- Verifying the Company's stakeholder relations in the reporting period to assess the criteria and procedures for selecting material, economic, social and environmental aspects to be included in the Report.
- Verifying how the Company gathers, consolidates, processes, analyses and documents the reported data included in the Report.
- Analysing a selection of media and Internet resources which refer to the Company's assurance and also of published third-party statements describing the Company's commitment to corporate social responsibility values as evidence for the validity of the statements in this Report.
- Review of the draft Report to identify possible inaccuracies, discrepancies, and unsubstantiated assertions.
- Verification of the conformity of the information published on the corporate web site to AA1000APS (2008), AA1000SES (2011) standards and GRI guidelines.

The adequacy of a number of the assertions, statements and data presented in the Report was verified through the performance of the following procedures:

- site visit of the assurer in May 2013, interviews with management and specialists on material economic, social and environmental aspects included in the Report;
- visit of the assurer in May 2013 to the design and R&D industrial technology institute JSC VNIPIPROMTECHNOLOGII (part of the management network of the Company), interviews with senior management and specialists regarding the participation of the institute in sustainability activities, verification of the data used during preparation of the Report.

Apart from the reported data, work assurance was based on the information published on the Company's corporate web site http://www.armz.ru/, materials from periodicals (the newspaper Strana Rosatom), information on the official websites of the administrations of the Company's business regions (http://www.kurganobl.ru/34.html, http://красно-каменск.рф/, http://www.bauntrb.ru/), and the website of Rosatom State Corporation (http://www.rosatom.ru/wps/wcm/connect/rosatom/rosatomsite/).

Assurance limitations

- Assurance was not performed in respect of the performance indicators beyond the current 2012 reporting cycle.
- Assurance was not performed in respect of the financial indicators verified by other independent audit organisations.

- Assurance did not take account the opinions, proposals, desires or intentions of the Company to take any actions in the future.
- Assurance did not take into account the performance indicators of the Global Reporting Initiative Sustainability Reporting Guidelines regarded by the Company as immaterial at the time of preparation of the Report.
- Verification of the Company's stakeholder relations did not cover the full range of public events (dialogue meetings, public hearings) conducted during the preparation of the Report
- The assurance was conducted prior to the official publication of the Report on the Company's corporate web site.

Basis of our opinion

When verifying the Report, we relied on an analysis of supporting information submitted by the Company, and other data from available sources, using validation methods. Assurance takes into account the Company's scale, its role and place in the structure of Rosatom State Corporation, and objective existing confidentiality restrictions. The verification of the reporting information was performed on a sample basis, which provides lower assurance than a full check of all the data. With respect to the reported figures, the assurance may not be considered exhaustive to identify all possible inaccuracies. At the same time, the data obtained by the assurer during the work provide an adequate basis for the formation of our moderate assurance opinion on the extent to which the Company complies with the inclusivity, materiality and responsiveness principles set forth in AA1000APS (2008), as well as the quality of disclosures of sustainability performance indicators as per AA1000AS (2008) and GRI Guidelines.

Our general opinion on the Report

- The Report presents objectively the key events and performance indicators of the Company in the reporting period, and also its development trends from the perspective of corporate non-financial public reporting.
- The Report provides a link between the Company's strategy, corporate governance, attained performance indicators, and also the social, environmental and economic sectors in which the Company operates.
- The Company continues to strive to increase the information transparency of its corporate social responsibility operations. Qualitative assertions comply with the quantitative information contained in the Report, and other data from public information sources.
- Corporate social responsibility is considered by the Company as an instrument for implementing the sustainability strategy aimed at minimising non-financial risks.
- The structure of the Report is consistent. The Report is comprehensible, sufficiently accurate, objective, informative and balanced in content. The Report contains information in a volume that is sufficient for stakeholders and at the same time avoids superfluous details. The abbreviations and technical terms are explained. The body of the Report is supported with charts and diagrams, which has a positive effect on the general perception of reported data.
- The Company has implemented effective management systems enabling it to identify material economic, social and environmental operations, to plan, manage and improve the related processes, to determine the stakeholders' expectations in respect of material aspects and promptly respond to them in its operating activities.
- The systems for the organisation, management and control of the public non-financial reporting process by the Company's management are fully supported by its mission, policies, procedures and resources.
- The Company's senior management demonstrates leadership, commitment to the principles of corporate social responsibility and is directly involved in the preparation of the Report.
- Individual inaccuracies and deviations in the quantitative data identified by sampling the draft Report are

not essential, in general do not misstate the information presented in the Report, do not materially affect the ability of the stakeholders to draw appropriate conclusions regarding the Company's performance, and were eliminated by the Company during work on the final version of the Report.

Report consistency with the AA1000APS (2008) principles. Engagement of stakeholders

- The reported data and the direct and indirect evidence we have obtained enable us to conclude that the reported information was compiled taking into account the interests of the key stakeholders.
- The Company provides a comprehensive, coherent and coordinated approach to addressing all material aspects identified during stakeholder relations, and also to identify possible solutions.
- The Company's structured engagement with stakeholders is presented in the Report with information about three dialogue meetings dedicated to discussion of the concept of the Report, disclosure therein of significant topics for stakeholders and also about the public hearings.
- The main stakeholder communication and engagement channels are: reports, including this Report; meetings of the senior management of the Company, its subsidiaries and affiliates with the management and production employees, announcements, press releases, interviews, negotiations, the Company's website, media publications, audits and verification, responses to written requests and complaints, and also other public access mechanisms.
- The Company has a number of years of practice in preparing integrated annual reports, with the disclosure of sustainability topics involving stakeholders, which ensures the consistency and transparency of the reporting process.

Materiality of the information provided

- The Company has developed a methodology and systematic procedures to identify material aspects related to its operations, output, provided services, the regions where it has a presence, and subsidiaries. During the reporting period, material aspects were updated continuously.
- The Report consists of a balanced and reasonable presentation of information on the economic, social and environmental aspects of the Company's operations that are material for stakeholders. The Report lists the key events in 2012 in terms of sustainability.
- When determining material aspects, the Company took into account the main external and internal operating factors, and also the risks, the management of which are accorded particular importance in the Report.
- The priority topics of the Report (upgrade and development of Russian production assets; investments in areas of operation as a sustainability component) were selected, with due account of the Company's development strategy, the priorities of Rosatom State Corporation, and stakeholder interests.
- The Report discloses material information on the Company's economic stability, priority lines of business and investment and innovation policies. Innovations are considered by the Company as a strategic factor for increasing competitiveness and raising the capitalisation of the business and are presented in the Report specifically and informatively.
- The coverage paid in the Report to different topics reflects their relative importance (materiality).
- The Company demonstrates that it understands the concepts of corporate social responsibility and sustainable development, and uses objective information in covering different matters in its Report. The

Report contains a detailed self-assessment of the social obligations assumed for 2012 and prospective sustainability targets for 2013-2014, both for certain operating areas (production and investments) and for subsequent periods.

- The format used to present information and data in the Report enables users to identify trends in the Company's performance indicators, its achievements and, partially, outstanding economic, environmental and social issues.

- The information provided on the material sustainability aspects has sufficient traceability in the processes of data collection, processing, transmission and presentation.

- Analysis of the data of the Report and the interviews conducted shows that no significant corporate social responsibility item was omitted or wrongly excluded from the reports.

- The Report provides sufficient information on the Company's compliance with Russian law and the regulations of Rosatom State Corporation.

Responsiveness to the stakeholders' expectations

- Currently, we are not aware of any matters that could have been, but were not disclosed in the Report to which the Company would be unable to respond as per reasonable stakeholder requests.

- The Company has performed a significant proportion of the plans and commitments presented in the Reports of previous periods. A number of commitments are currently being performed.

- The Company is engaging in customer-oriented activities. One of the strategic areas of its marketing and sales policy is to meet the requirements of Russian enterprises in the nuclear power sector in terms of natural uranium supplies for the long term. The Company consistently works on implementing and certifying quality management systems at uranium production enterprises.

- The Report contains an assessment of the impact of market trends on the Company's future positions. The Company pays significant attention to investments, where it focuses on developing the global resource base and natural uranium production, exploration and mine preparation, and also the retrofitting and upgrading of the production facilities through the introduction of innovative technologies.

- The opinions and expectations of the Company's shareholders are taken into account as part of the corporate governance system framework. The Company considers increasing the quality of corporate governance and operational transparency as one of the most important areas of its long-term development strategy.

- The interests of the Company's employees are accounted for in collective bargaining agreements between the management and trade union committees (Workers' Councils), its subsidiaries and associates.

- Responding to the needs of regions of operation is carried out through implementing a wide range of social programmes and projects. The Company's entities, as major taxpayers and employers, contribute significantly to developing regions of operation. The Company focused its efforts in the reporting period on supporting such areas as developing and consolidating the creative potential of children and youth, the organisation and hosting of educational forums, and the implementation of environmental and vocational education projects.

- The Company considers environmental safety in the operating areas of uranium production entities as a key corporate value and priority area of development. Environmental plans are developed at the Company's entities annually. Regular production environmental control is being implemented. Work is continuing on the certification of a number of production facilities for compliance with the international standard ISO14001:2004. The Company's management and investment decisions take into account environmental aspects. Costs on environmental measures are on the increase.

Report compliance with GRI guidelines

The Report was produced using the third generation of GRI's Sustainability Reporting Guidelines, G3.1. It contains information on all the standard reporting disclosures, and also on the desired number of GRI key performance indicators. The table of GRI standard disclosures objectively reflects the actual level of information disclosure. The principles for determining the content and quality of the Report, including the sustainability context, the timeliness, balance, comparability, completeness, accuracy, and clarity, have been implemented. The Report achieves the B+ reporting grade level. The Report does not contain detailed information on individual GRI performance indicators since the Company is currently accumulating statistical material to substantiate them. In addition, the Company views the individual performance indicators as immaterial for stakeholders and they can be ignored in the reporting.

Extent and quality of stakeholders' engagement as part the AA1000SES (2011) standard

The process of public reporting is broadly consistent with the recommendations of the AA1000SES (2011) standard. The Company has developed, implemented and supports a methodology for identifying stakeholders on the basis of a multi-criteria approach using the criteria including dependence, responsibility, and degree of influence. A stakeholder database is maintained and the process of involving stakeholders in corporate reporting is planned well in advance. The responsibility and powers of the Company's management and employees in relation to interaction with stakeholders are identified and the necessary resources are allocated.

The key interests, needs and expectations of stakeholders are regularly monitored and updated, which serves as the basis for determining engagement priorities and optimal methods of stakeholder relations. Engagement results are documented and promptly sent to stakeholders. The effectiveness of interaction with stakeholders is evaluated. Once prepared, the report is publicly assured, which confirms the materiality and completeness of the information disclosed, as well as the Company's responsiveness to stakeholder requests.

Recommendations on the preparation of corporate non-financial public reports in future periods with due account of best practice

- Disclosure of information in reports according to the principle "performed tasks – plans for next year – prospects for several years going forward".
- Transition to preparing the reports in accordance with the GRI Sustainability Reporting Guidelines GRI 4.0 (introduced from May 2013).

- Further development of the practice of applying infographics during the disclosure of material operating aspects of the Company.

- Further development of the practice of holding public dialogue meetings with stakeholder representatives on the most material sustainability issues of the Company, including in the Company's regions of operation.

Statement of Bureau Veritas Certification Rus on independence, impartiality and competence

- Bureau Veritas is a professional independent company, which has specialised for over 180 years in providing accredited certification services of various management systems (in particular, quality management systems, occupational health and safety, environmental protection, social responsibility, and others).

- JSC Bureau Veritas Certification Rus officially declares that this assurance constitutes an independent assessment from a third-party auditor. JSC Bureau Veritas Certification Rus has no commercial interests in the Company other than the assurance services provided.

- The auditors of JSC Bureau Veritas Certification Rus who performed this assurance have the necessary level of competence in public assurances of non-financial reports in accordance with our internal procedures and the best international practices

Assurer
JSC Bureau Veritas Certification Rus
31 May 2013

Vladimir Mityashin – Lead Auditor, PhD in Economics
IRCA No. 01191213

Moscow

IFRS CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2012

RUB MILLION	2012	2011
ASSETS		
Property, plant and equipment	54,879	47,805
Intangible assets	68,709	77,395
Goodwill	28,052	40,638
Exploration and evaluation assets	8,069	5,735
Financial investments in associates	1,207	1,253
Other non-current assets	2,092	3,834
TOTAL Non-current Assets	**163,008**	**176,660**
Inventories	13,130	14,398
Income tax receivable	937	770
Accounts receivable and prepayments	11,529	8,154
Cash and cash equivalents	17,104	22,694
Other current assets	1,987	2,149
TOTAL Current Assets	**44,687**	**48,165**
TOTAL ASSETS	**207,695**	**224,825**
EQUITY		
Share capital	22,430	20,257
Additional paid-in capital	56,962	53,963
Merger reserve	7,201	7,201
Currency translation reserve	(503)	5,851
Retained earnings	7,897	20,834
Total equity attributable to the shareholders of JSC Atomredmetzoloto	**93,987**	**108,106**
Non-controlling interest	37,669	39,497
TOTAL EQUITY	**131,656**	**147,603**
LIABILITIES		
Borrowings	32,947	39,595
Provisions	10,497	8,461

RUB MILLION	2012	2011
Deferred tax liabilities	14,447	15,038
Long-term accounts payable	9	881
TOTAL NON-CURRENT LIABILITIES	**57,900**	**63,975**
Short-term borrowings and current portion of long-term borrowings	9,630	3,550
Accounts payable and accruals	7,281	7,679
Income tax payable	52	470
Other taxes payable	1,176	1,548
TOTAL Current Liabilities	18,139	13,247
TOTAL LIABILITIES	76,039	77,222
TOTAL EQUITY AND LIABILITIES	207,695	224,825

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

RUB MILLION	2012	2011
Revenue	47,795	44,495
Cost of ales	(35,819)	(31,502)
Gross margins	**11,976**	**12,993**
Administrative and selling expenses	(6,412)	(7,110)
Other expenses	(417)	(315)
Operating profit	**5,147**	**5,568**
Impairment loss	(10,987)	-
Finance income	561	2,000
Finance costs	(3,052)	(1,838)
Profit from acquisition of subsidiary	534	-
Share of loss of associates	(4)	-
(Loss) / profit before income tax	**(7,801)**	**5,730**
Income tax	(1,429)	(2,530)
NET (LOSS) / PROFIT FOR THE PERIOD	**(9,230)**	**3,200**
Other comprehensive (loss) / income after income tax		
Currency transaction reserve	(8,464)	7,874
Effect of hedging transactions	185	(62)
Other comprehensive (loss) / income after income tax	**(8,279)**	**7,812**
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	**(17,509)**	**11,012**
Total net (loss) / profit for the period attributable to		
Shareholders of JSC Atomredmetzoloto	(9,240)	2,638
Non-controlling interest	10	562
Total net (loss) / profit for the period	**(9,230)**	**3,200**
Total comprehensive (loss) / income for the period attributable to		
Shareholders of JSC Atomredmetzoloto	(15,409)	7,992
Non-controlling interest	(2,100)	3,020
Total comprehensive (loss) / income for the period	(17,509)	11,012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

RUB MILLION	NOTE	SHAREHOLDERS' EQUITY OF JSC ATOMREDMETZOLOTO						NON-CONTROLLING INTEREST	TOTAL EQUITY
		SHARE CAPITAL	ADDITIONAL PAID IN CAPITAL	MERGER RESERVE	CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL		
As of 1 January 2011		**20,257**	**48,704**	**7,201**	**435**	**18,378**	**94,975**	**30,267**	**125,242**
Comprehensive income for the period									
Profit for the period		-	-	-	-	2,638	2,638	562	3,200
Other comprehensive income									
Currency translation adjustments		-	-	-	5,416	-	5,416	2,458	7,874
Effect from hedging transactions		-	-	-	-	(62)	(62)	-	(62)
Total other comprehensive income		**-**	**-**	**-**	**5,416**	**(62)**	**5,354**	**2,458**	**7,812**
Total comprehensive income for the period		**-**	**-**	**-**	**5,416**	**2,576**	**7,992**	**3,020**	**11,012**
Transactions with shareholders reflected in equity									
Shareholder contributions and payments to shareholders									
Dividends	23	-	-	-	-	(5)	(5)	-	(5)
Issue of shares	23	-	5,259	-	-	-	5,259	-	5,259
Total shareholder contributions and payment to shareholders		**-**	**5,259**	**-**	**-**	**(5)**	**5,254**	**-**	**5,254**
Transactions with owners of non-controlling interest									
Acquisition of non-controlling interest without loss of control		-	-	-	-	(115)	(115)	115	-
Effect of expenses in the option programme	23	-	-	-	-	-	-	3,937	3,937
Effect of the recognition of an equity component in convertible obligations	23	-	-	-	-	-	-	2,158	2,158
Total transactions with shareholders		**-**	**5,259**	**-**	**-**	**(120)**	**5,139**	**6,210**	**11,349**
As of 31 December 2011		**20,257**	**53,963**	**7,201**	**5,851**	**20,834**	**108,106**	**39,497**	**147,603**
Comprehensive (loss) for the period									
Loss for the period		-	-	-	-	(9,240)	(9,240)	10	(9,230)
Other comprehensive (loss)									
Currency translation adjustments		-	-	-	(6,354)	-	(6,354)	(2,110)	(8,464)
Effect of hedging transactions		-	-	-	-	185	185	-	185
Total other comprehensive (loss)		**-**	**-**	**-**	**(6,354)**	**185**	**(6,169)**	**(2,110)**	**(8,279)**
Total comprehensive (loss) for the period		**-**	**-**	**-**	**(6,354)**	**(9,055)**	**(15,409)**	**(2,100)**	**(17,509)**
Adjustments related to previous periods	**23**	**-**	**-**	**-**	**-**	**(1,404)**	**(1,404)**	**(1,326)**	**(2,730)**

RUB MILLION	NOTE	SHAREHOLDERS' EQUITY OF JSC ATOMREDMETZOLOTO						NON-CONTROLLING INTEREST	TOTAL EQUITY
		SHARE CAPITAL	ADDITIONAL PAID IN CAPITAL	MERGER RESERVE	CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL		
Transactions with shareholders reflected in equity									
Shareholder contributions and payments to shareholders									
Dividends	23	-	-	-	-	(3)	(3)	-	(3)
Issue of shares	23	2,173	2,999	-	-	-	5,172	-	5,172
Total shareholder contributions and payments to shareholders		**2,173**	**2,999**	**-**	**-**	**(3)**	**5,169**	**-**	**5,169**
Transactions with owners of non-controlling interest									
Acquisition of non-controlling interest without loss of control	23	-	-	-	-	(327)	(327)	(737)	(1,064)
Disposal of non-controlling interest without loss of control	23	-	-	-	-	(2,148)	(2,148)	2,148	-
Effect of expenses in the option programme	23	-	-	-	-	-	-	187	187
Total transactions with shareholders		**-**	**-**	**-**	**-**	**(2,475)**	**(2,475)**	**1,598**	**(877)**
As of 31 December 2012		**22,430**	**56,962**	**7,201**	**(503)**	**7,897**	**93,987**	**37,669**	**131,656**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

RUB MILLION	2012	2011
Cash flows from operating activities		
(Loss)/Income before income tax:	(7,801)	5,730
Adjustments:		
Depreciation of property, plant and equipment	4,584	2,792
Amortisation of intangible assets	4,419	3,332
Bad debt loss	32	170
Interest income	(504)	(963)
Interest expense	2,065	1,709
Impairment loss	10,987	-
Profit from acquisition of subsidiary	(534)	-
Other	(433)	295
Cash from operating activities before changes in working capital and paid income tax	**12,815**	**13,065**

RUB MILLION	2012	2011
Change in accounts receivable and prepayments	(3,594)	(1,016)
Change in inventories	876	(3,881)
Change in pension provisions	(64)	(19)
Change in other non-current assets	1,053	263
Change in accounts payable and accruals	(3,403)	3,683
Change in other taxes payable	230	252
Change in other long-term liabilities	-	(39)
Net cash from operating activities before income tax and interest	**7,913**	**12,308**
Income tax paid	(3,358)	(6,625)
Interest paid	(2,853)	(2,528)
Net cash generated from operating activities	**1,702**	**3,155**
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,802)	(10,662)
Interest income received	514	308
Loans issued	(49,819)	(5,180)
Repayment of loans issued	50,749	4,019
Purchase of exploration and evaluation assets	(2,280)	(290)
Investments in subsidiaries	(1,908)	(28,551)
Investments in associates	-	(577)
Net cash from investing activities	**(13,546)**	**(40,933)**
Cash flows from financing activities		
Proceeds from borrowings	11,733	37,670
Repayment of borrowings	(9,617)	(25,619)
Proceeds from share issue	5,172	5,259
Finance lease payments	(217)	(102)
Net cash generated from financing activities	**7,071**	**17,208**
Decrease in cash and cash equivalents	**(4,773)**	**(20,570)**
Effect of changes in exchange rates	(817)	1,560
Change in restricted cash	**(26)**	**360**
Cash and cash equivalents as of 1 January	**22,694**	**41,704**
Cash and cash equivalents as of 31 December	**17,104**	**22,694**

AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF JSC ATOMREDMETZOLOTO

We have audited the accompanying consolidated financial statements of JSC Atomredmetzoloto (hereinafter, the Company) and its subsidiaries (hereinafter, the Group), which comprise the consolidated statements of financial position as of 31 December 2012, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the management of the audited entity for the consolidated financial statements

Management of the audited entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, as well as for such internal control as the management deems necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the reliability of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian federal auditing standards and the International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the professional judgement of the auditor, including an assessment of the risks of material misstatement, whether due to fraud or error. In assessing this risk, the auditor considers the system of internal controls relevant to the preparation and fair presentation of the consolidated financial statements in order to draft the appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit serves as a reasonable basis for expressing our audit opinion on the reliability of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements attached hereto fairly present in all material respects the financial position of the Group as at 31 December 2012, and the results of its operations and its cash flows for the year ended on that date, in accordance with International Financial Reporting Standards.

K. V. Altukhov
Director
(power of attorney No. 24/10 dated 1 October 2010)
CJSC KPMG
31 May 2013
Moscow, Russian Federation

OPINION OF THE AUDIT COMMISSION

Opinion of the Audit Commission on the results of the audit of the financial and economic performance for 2012

Moscow 12 April 2013

In accordance with the Federal Law On Joint Stock Companies, the Charter of the Joint Stock Company Atomredmetzoloto (hereinafter, the Company) and the Regulations on the Audit Commission of the Company, from 25 March 2013 to 12 April 2013 the Audit Commission of the Company audited the Company's financial and economic performance in 2012.

The Audit Commission was elected by the Annual General Meeting of Shareholders, minutes dated 29 June 2012, No. 11, and comprises

Victoria Aleksandrovna Andrienko	Chief Accountant of Rosatom State Corporation
Marina Vladimirovna Atmazhitova	Chief Specialist, NFC Production Planning Unit, NFC Coordination and Development Department, Nuclear Park Directorate of the Rosatom State Corporation
Valery Pavlovich Konovalov	Deputy Head of the Department, Chief of Audit Procedures, Internal Control and Audit Department, Rosatom State Corporation

The Company's Audit Commission did not receive any demands from shareholders and the Company's Board of Directors for unscheduled audits and revisions during the year.

In the course of the audit, the Audit Commission selectively verified the financial statements for 2012, the annual report, and the financial and business documents that reflect the essential aspects of the Company's activities.

In the course of the audit, the Audit Commission relied on the opinion of the Company's auditor LLC Finansovye I Bukhgalterskiye Konsultanty dated 28 February 2013, the Auditor's Report on the Financial (Accounting) Statements of JSC Atomredmetzoloto for the period from 1 January to 31 December 2012.

Based on the results of the audit, the Audit Commission:

Expresses an opinion that the data contained in the annual report and annual financial statements of the Company is accurate in all material respects.

Has found no breaches of the accounting and financial reporting procedures as established by the regulations of the Russian Federation, as well as of the laws of the Russian Federation on financial and economic activities, which could significantly affect the accuracy of the data reported by the Company.

Chairman of the Audit Commission — V.A. Andrienko

Members of the Audit Commission — M.V. Atmazhitova

V.P. Konovalov

OPINION OF INTERNAL CONTROL

Opinion
on the results of the internal audit
of the non-financial data of the annual report
of ARMZ Uranium Holding Co. for 2012

Internal Control and Audit of JSC Atomredmetzoloto monitored the preparation of the annual report of the Company for 2012 (hereinafter, the Report), including the collection and consolidation of material data for stakeholders and the completeness and reliability of the information disclosed therein.

The Report was prepared in accordance with Order No. 30 dated 11 February 2013 “On the Organisation of Preparation of the Annual Report of JSC Atomredmetzoloto for 2012”. Key departments of JSC Atomredmetzoloto participated in the creation of the Report, and also management and specialists of subsidiaries and associates. As part of this work, the Department critically assessed the information on the results for 2012 submitted for inclusion in the report, including data on the implementation of previously announced plans.

Based on the results of the performed verification measures, it can be stated that the data submitted in the Report fully reflects the activities of the Holding Company in all material aspects. The document contains the necessary information on the governance system, the key projects of the Company and the results of their implementation, and the main events and plans.

Head
Internal Control and Audit — G.E. Fedichkin

REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT

NO.	ARTICLE OF THE CODE OF CORPORATE CONDUCT	COMPLIANT OR NON-COMPLIANT	NOTE
Observance of Shareholders' Rights			
1	Observance of the rights and lawful interests of the shareholders in accordance with the laws of the Russian Federation and observance of the fundamental provisions of the Code of Corporate Conduct	Compliant	When a general meeting of shareholders is convened, the periods of notice to hold such meetings are observed and the shareholders exercise the following rights: ▪ get acquainted with the list of persons entitled to participate in the general meeting of shareholders; ▪ review the materials (information) on the general meeting of shareholders; ▪ add issues to the agenda of the general meeting of shareholders
Board of Directors			
2	The power of the board of directors, as contained in the charter of the joint stock company, to annually approve the financial and economic plan of the joint-stock company	Compliant	In accordance with paragraph 13.2 (25) of the Charter, the competence of the board of directors includes approval of annual plans, budgets and estimates for the Company's activities and related progress reports, planned financial and economic performance indicators of the Company
3	The right of the board of directors, as contained in the charter of the joint-stock company, to authorise the suspension of the General Director appointed by the general meeting of shareholders	Compliant	In accordance with paragraph 13.2 (23) of the Charter, the competence of the board of directors includes authorising the formation of a temporary sole executive body of the Company in the event of the General Director's suspension or inability to discharge his duties for any reason, and an extraordinary general meeting of shareholders to decide on the early dissolution of the sole executive body of the Company and the formation of a new executive body of the Company
4	The board of directors of a joint stock-company has at least three independent directors who meet the requirements of the Code of Corporate Conduct	Non-compliant	Independent directors were not elected to the board of directors of the Company
5	The board of directors of the joint-stock company does not include persons: ▪ who were found guilty of economic crimes or crimes against the government, the interests of public service and service in local governments; ▪ who were administratively penalised for violations in the field of business activities or in the field of finance, taxes and duties, securities market	Compliant	The board of directors of the Company does not include these persons
6	The board of directors of the joint-stock company does not include persons who are a member, the general director (manager), a member of the governing body or an employee of a legal entity competing with the joint stock company	Compliant	Members of the board of directors of the Company do not hold management positions in the governing bodies of any competing company

NO.	ARTICLE OF THE CODE OF CORPORATE CONDUCT	COMPLIANT OR NON-COMPLIANT	NOTE
7	Meetings of the board of directors of the joint-stock company during the year that is covered in the annual report of the joint-stock company are held at least once every six weeks	Compliant	Used in corporate governance practice. There were 21 meetings of the board of directors of the Company in 2012. The requirement to hold meetings at least once every six weeks was observed
8	The by-laws of the joint-stock company regulate the conduct of the meetings of the board of directors	Compliant	Section 10 of the Regulations on the Board of Directors of the Company formalises the basis provisions of the rules governing the meetings of the board of directors of the Company
9	The joint-stock company's by-laws stipulate that the board of directors must approve joint-stock company transactions worth 10 or more per cent of the company's assets, with the exception of transactions effected in the ordinary course of business	Compliant	In accordance with subparagraph 12 of paragraph 2.1. of the Regulations on the Board of Directors of the Company, the competence of the board of directors includes approval of a major transaction or a number of inter-related transactions, the subject of which are assets accounting for 10 to 50 per cent of the book value of the Company's assets
10	The board of directors of the Company has committees	Non-compliant	The Company has not set up any committees of the board of directors
Executive Bodies (General Director)			
11	The executive bodies do not include persons who are a member, the general director (manager), a member of the governing body or an employee of a legal entity competing with the joint stock company	Compliant	The Company has not set up a collective executive body (management board). The General Director of the Company is not a member of the governing body or an employee of a legal entity competing with the Company, and was not found guilty of economic crimes, crimes against the government, or other crimes and offenses
12	The executive bodies of the joint-stock company submit annual reports on their work to the board of directors	Partially Compliant	The General Director submits a report on his work to the board of directors when duly instructed and requested by the board of directors
13	Contracts between the joint-stock company and the general director (management company, manager) and the members of the management board stipulate responsibility for the violation of the provisions on the use of confidential and proprietary information	Compliant	The contract with the General Director stipulates the General Director's responsibility for the violation of the provisions on the use of confidential and proprietary information
Company Secretary			
14	The joint-stock company has a specially designated officer (company secretary) whose task is to ensure that the bodies and officers of the joint-stock company comply with procedural requirements protecting the rights and lawful interests of the company's shareholders	Compliant	The Company has an elected corporate secretary who organises the work of the Company's governing bodies
Significant corporate actions			
15	The charter or the by-laws of the joint-stock company require a major transaction to be approved prior to its consummation	Compliant	In accordance with sub-clauses 12.1, 13.2, 14.3 of the Charter, the competence of the governing bodies includes approval of transactions in cases stipulated by Chapter 10 Major Transactions of Federal Law No. 208-FZ dated 26 December 1995 On Joint-Stock Companies
16	An independent appraiser is necessarily engaged to estimate the market value of the property which is the subject of a major transaction	Compliant	Implemented in practice. The Company engages an independent appraiser to determine the value of the Company's shares or other assets planned to be disposed of or acquired

NO.	ARTICLE OF THE CODE OF CORPORATE CONDUCT	COMPLIANT OR NON-COMPLIANT	NOTE
Disclosure			
17	The joint-stock company has a website on which it regularly discloses information	Compliant	The Company discharges its duty to disclose relevant information in accordance with the current laws of the Russian Federation on the website **www.armz.ru**
Control over the Financial and Economic Activities			
18	A special unit of the joint-stock company that ensures compliance with the internal control procedures (control and audit department)	Compliant	The Company has set up an internal control body and elected an audit commission, both of which act in accordance with the approved regulations on them
Dividends			
19	Dividend Distribution	Compliant	The Company distributes dividends in accordance with the decisions taken by the general meeting of shareholders. Dividend distribution details are published on **www.armz.ru** as part of the Company's annual reports

REFERENCE INFORMATION ON THE EMPLOYEES OF THE HOLDING COMPANY

EXPENSES AND WITHHOLDINGS RELATED TO THE WAGES OF EMPLOYEES OF THE KEY RUSSIAN ENTITIES OF ARMZ URANIUM HOLDING COMPANY

COMPANY	YEAR	PAYROLL (RUB '000)	PERSONAL INCOME TAX (RUB '000)	INSURANCE PREMIUMS ON PAYROLL (RUB '000)	RENTAL COST REIMBURSEMENT (RUB '000)
JSC Atomredmetzoloto	2012	1,178,050	115,019	136,972	-
	2011	804,136.6	104,538	39,790	476
	2010	798,639.5	103,823	27,287	744
JSC PIMCU	2012	3,879,503	489,378	1,062,776	6,376
	2011	2 942 814	390,544	1,132,991	2,226
	2010	2,386,606	319,238	687,598	-
JSC Dalur	2012	167,427	21,674	58,941	-
	2011	153,097	18,888	57,181	700
	2010	130,764	14,696	42,392	590
JSC Khiagda	2012	212,208	26,936	69,376	2,864
	2011	156,153	18,939	55,355	3,006
	2010	114,421	14,113	37,149	3,176
JSC VNIPIPROMTECHNOLOGII	2012	392,675	49,023	84,847	-
	2011	419,508	50,525	80,176	-
	2010	430,882	54,928	56,868	-

COMPANY	YEAR	PAYROLL (RUB '000)	PERSONAL INCOME TAX (RUB '000)	INSURANCE PREMIUMS ON PAYROLL (RUB '000)	RENTAL COST REIMBURSEMENT (RUB '000)
RUSBURMASH INC	2012	546,124	69,247	119,410	137
	2011	426,932	100,193	110,516	-
	2010	317,055	65,742	64,417	-
Total	2012	6,375,987	771,277	1,532,322	9,377
	2011	4,902,641	683,627	1,476,009	6,408
	2010	4,178,368	572,540	915,711	4,510

STANDARD WAGES OF EMPLOYEES OF THE KEY RUSSIAN COMPANIES OF ARMZ URANIUM HOLDING CO. AND MINIMUM WAGES BY REGION AND COMPANY

COMPANY	YEAR	SW ACROSS THE COMPANY, RUB	SW IN THE REGION, RUB	MINIMUM MONTHLY WAGE IN THE REGION, RUB	MINIMUM MONTHLY WAGE OF THE COMPANY, RUB	REGION
JSC PMCU	2012	36,659	24,152,3	4,611	7,289	Trans-Baikal Territory
	2011	29,588	20,916	4,611	6,495	
	2010	23,654	19,036	4,330	4,192.5	
JSC Dalur	2012	31,845	17,223,3	5,683	8,462	Kurgan Region
	2011	27,966	14,894	5,114	7,312	
	2010	23,025	13,090	4,979	7,199	
JSC Khiagda	2012	52,631	24,152.3/22,138.5	4,611/6,693	11,088	Trans-Baikal Territory / Republic of Buryatia
	2011	43,232	20,916/20,978	4,611/5,338	9,719	
	2010	36,393	19,036/21,388	4,330/4,330	8,936	
JSC VNIPIPROM-TECHNOLOGII	2012	73,750	51,100/24,152.3	11,700/4,611	12,000	Moscow / Trans-Baikal Territory
	2011	72,800	51,100	10,737	16,200	
	2010	73,200	46,000	8,500	14,500	
RUSBURMASH INC	2012	58,024	51,100/17,223.3/ 26,042/24,152.3/ 22,138.5	11,700/5,683/ 4,611/4,611/ 6,693	14,038	Moscow / Kurgan Region / Irkutsk Region / Trans-Baikal Territory / Republic of Buryatia
	2011	50,022	51,100/14,894/ 35,474/20,916/ 20,978	10,737/5,114/ 4,611/4,611/ 5,338	14,038	
	2010	63,066	46,000/13,090/ 26,123/ 19,036/21,388	8,500/4,979/ 4,330/4,330/ 4,330	9,091	

SOCIAL PAYMENTS TO EMPLOYEES AT KEY RUSSIAN ENTITIES OF ARMZ URANIUM HOLDING CO.

1 – COMPANY, 2 – YEAR, 3 – VHI, RUB '000, 4 – VHI: LIFE AND ACCIDENTS, 5 – RETIREMENT BENEFITS, 6 – SPORTING AND CULTURAL EVENTS, 7 – FINANCIAL ASSISTANCE, 8 – FARE TO HOLIDAY OR TREATMENT DESTINATION, 9 – ADDITIONAL PAYMENT UPON RETIREMENT, 10 – GIFTS FOR ANNIVERSARIES, PROFESSIONAL HOLIDAYS AND NEW YEAR HOLIDAYS, 11 – RENTAL COST REIMBURSEMENT, 12 – TRAVEL VOUCHER COST REIMBURSEMENT

1	2	3	4	5	6	7	8	9	10	11	12
JSC Atomredmetzoloto	2012	4,648	336		6,893	1,619					
	2011	4,719	310	-	10,066	3,757	-	-	1 108	476	-
	2010	7,900	17	-	630.48	3,598	-	-	240	744	38.62
JSC PIMCU	2012	34,477	4,385.4	15,149	12,295.3	4,437	12,551	21,227	3 389,3	9,349	
	2011	16,010	4,213	11,658	9,695	4,154	11,357	18,089	2 561	3,212.5	-
	2010	30,000	4,417.1	10,562	4,080.8	4,847	14,931.9	0	6 044	1,420.6	-
JSC Dalur	2012	3,512	221	1,280	558	1,066		12,486	381	1,287	1,065
	2011	3,021	211	2,627	5,369	5,127	-	1,204	250	1,251	1,051
	2010	2,739	260	10,001	207	2,684	-	1,342	240	590	839
JSC Khiagda	2012	2,359	165		0	425			612,6	2,864	
	2011	2,726.11	192,64	-	137.29	349.72	-	-	-	3,006	-
	2010	1,500	-	-	-	10	-	-	-	5,600	-
JSC VNIPIPROM-TECHNOLOGII	2012	19	147		1,125	887	0	4,695	365	0	194
	2011	0	117	-	968	1,237	0	3,666	546	0	366
	2010	0	0	-	800	800	0	430	300	0	0
RUSBURMASH INC	2012	5,413	294		3,387	528	0		769	137	132
	2011	5,055	287	-	2,456	781	0	0	1 149	0	82
	2010	4,499	336	-	737	1,103	0	0	1 103	0	80

HEADCOUNT DYNAMICS AT KEY RUSSIAN ENTITIES OF ARMZ URANIUM HOLDING CO. BY EMPLOYMENT TYPE

COMPANY	YEAR	FULL-TIME EMPLOYMENT (PEOPLE)	PART-TIME EMPLOYMENT (PEOPLE)	HEADCOUNT	AVERAGE HEADCOUNT
JSC Atomredmetzoloto	2012	252	5	257	236
	2011	235	11	240	223
	2010	217	4	221	252
JSC PIMCU	2012	9,492	38	9,530	8,753
	2011	8,408	39	8,409	8,294
	2010	8,667	39	8,669	8,408
JSC Dalur	2012	426	2	428	437
	2011	441	1	442	433
	2010	429	1	430	416
JSC Khiagda	2012	401	0	401	336
	2011	321	0	321	301
	2010	284	0	284	262
JSC VNIPIPROMTECHNOLOGII	2012	396	34	430	442
	2011	472	32	494	479
	2010	471	21	492	482
RUSBURMASH INC	2012	792	12	804	757
	2011	748	14	762	723
	2010	601	3	604	594
Total	2012	11,759	91	11,850	10,961
	2011	10,625	97	10,668	10,453
	2010	10,669	68	10,700	10,414

AGE STRUCTURE OF EMPLOYEES OF KEY RUSSIAN ENTITIES OF ARMZ URANIUM HOLDING CO.

COMPANY	YEAR	UNDER 35		36-50		OVER 50	
		HEADCOUNT	PERCENTAGE	HEADCOUNT	PERCENTAGE	HEADCOUNT	PERCENTAGE
JSC Atomredmetzoloto	2012	146	56.81	73	28.40	38	14.79
	2011	148	61.67	62	25.84	30	12.50
	2010	141	63,80	68	30.80	12	5.40
JSC PIMCU	2012	4,175	43.81	3,027	31.76	2,328	24.43
	2011	3,476	41.30	2,647	31.50	2,286	27.20
	2010	3,659	42.20	2,753	31.80	2,257	26.00
JSC Dalur	2012	182	42.52	169	39.49	77	17.99
	2011	185	43.22	164	38.31	93	18.47
	2010	188	43.72	154	35.81	88	20.47
JSC Khiagda	2012	202	50.37	119	29.68	80	19.95
	2011	141	43.90	103	32.10	77	24.00
	2010	139	49.00	79	28.00	66	23.00
JSC VNIPIPROM-TECHNOLOGII	2012	133	30.93	66	15.35	231	53.72
	2011	147	29.76	58	11.74	289	58.50
	2010	127	25.80	68	13.80	297	60.40
RUSBURMASH INC	2012	259	32.21	347	43.16	198	24.63
	2011	304	40.00	238	31.00	220	29.00
	2010	183	31.00	340	56.00	81	13.00
Total	2012	5,097	43.01	3,801	32.08	2,952	24.91
	2011	4,401	41.26	3,272	30.68	2,995	28.07
	2010	4,437	41.47	3,462	32.36	2,801	26.18

HEADCOUNT AND TURNOVER OF EMPLOYEES OF THE RUSSIAN ENTITIES OF ARMZ URANIUM HOLDING COMPANY BY GENDER

COMPANY	YEAR	MEN		WOMEN		TOTAL TURNOVER
		HEADCOUNT	TURNOVER	HEADCOUNT	TURNOVER	
JSC Atomredmetzoloto	2012	129	19.07%	128	11.02%	30.09%
	2011	120	24.67%	120	10.77%	35.43%
	2010	127	12.30%	94	9.10%	21.41%
JSC PIMCU	2012	6,874	14.40%	2,656	1.90%	16.30%
	2011	5,891	14.30%	2,518	2.10%	16.40%
	2010	6,155	12.40%	2,514	1.30%	13.70%
JSC Dalur	2012	338	2.97%	90	0.47%	3.44%
	2011	331	3.62%	111	1.13%	4.75%
	2010	339	2.64%	91	0.00%	2.64%
JSC Khiagda	2012	319	35.90%	82	7.29%	43.19%
	2011	251	34.60%	70	9.90%	44.50%
	2010	233	84.00%	51	16.00%	50.38%
JSC VNIPIPROMTECHNOLOGII	2012	224	7.90%	206	3.20%	11.10%
	2011	269	4.76%	225	1.19%	5.95%
	2010	262	2.80%	230	3.80%	6.60%
RUSBURMASH INC	2012	687	18.90%	117	8.96%	27.86%
	2011	659	18.50%	103	9%	27.50%
	2010	-	68%	-	32%	31.00%

COMPANY	YEAR	MEN		WOMEN		TOTAL TURNOVER
		HEADCOUNT	TURNOVER	HEADCOUNT	TURNOVER	
Total	2012	8,571	16.52%	3,279	5.47%	17.49%
	2011	7,521	18.88%	3,147	3.81%	22.69%
	2010	7,116	9.28%	2,980	3.89%	13.17%

NUMBER AND PERCENTAGE OF DISMISSED EMPLOYEES OF THE RUSSIAN ENTITIES OF ARMZ URANIUM HOLDING CO. BY REGION

COMPANY	INDICATOR	2012	2011	2010
Moscow	Number of dismissed employees	197	172	99
	Percentage	7%	7%	5%
Trans-Baikal Territory	Number of dismissed employees	2,308	2,023	1,826
	Percentage	87%	86%	91%
Kurgan Region	Number of dismissed employees	31	29	54
	Percentage	1%	1%	3%
Republic of Buryatia	Number of dismissed employees	78	67	66
	Percentage	3%	3%	3%
Irkutsk Region	Number of dismissed employees	47	60	10
	Percentage	2%	3%	0%
Total	Number of dismissed employees	2,661	2,351	2,001

NUMBER AND PERCENTAGE OF DISMISSED EMPLOYEES BY GENDER AND AGE GROUP

1 – COMPANY, 2 – YEAR, 3 – TOTAL, 4 – MEN, 5 – %, 6 – WOMEN, 7 – %, 8 – UNDER 35, 9 – %, 10 – FROM 36 TO 50 , 11 – %, 12 – OVER 50

1	2	3	4	5	6	7	8	9	10	11	12
JSC Atomredmetzoloto	2012	71	45	63.38	26	36.62	40	56.43	23	32.45	8
	2011	79	55	69.63	24	30.40	37	46.83	27	34.17	15
	2010	54	31	57.45	23	42.50	-		-		-
JSC PIMCU	2012	2,107	1,393	66.11	714	33.89	1, 133	53.77	562	26.67	412
	2011	1,835	1,309	71.34	526	28.66	950	51.77	498	2.14	387
	2010	1,642	1,291	78.62	351	21.38	904	55.05	366	22.29	372
JSC Dalur	2012	15	13	86.34	2	13.66	10	66.52	2	13.30	3
	2011	21	16	76.21	5	23.79	15	72.93	3	14.59	3
	2010	11	11	100	0	0	7	63.74	4	36.42	0
JSC Khiagda	2012	145	121	83.12	24	16.88	81	55.82	39	26.87	25
	2011	134	104	77.75	30	22.25	67	50.02	36	26.88	31
	2010	132	112	84.85	20	15.15	60	45.46	43	32.58	29
JSC VNIPIPROM-TECHNOLOGII	2012	112	66	58.93	46	41.07	39	34.82	9	8.04	64
	2011	83	35	42.17	48	57.83	15	18.07	8	9.64	60
	2010	32	13	42.42	18	57.58	7	22.00	4	12.57	21
RUSBURMASH INC	2012	211	143	67.81	68	32.15	71	33.65	121	57.35	19
	2011	199	134	67.21	65	32.70	66	33.17	112	56.28	21
	2010	184	125	67.93	59	32.07	78	42.39	94	51.09	12
Total	2012	2,661	1,781	66.91	880	33.08	1,374	51.63	756	28.41	531
	2011	2,351	1,653	70.31	698	29.69	1,150	48.93	684	29.10	517
	2010	2,001	1,552	77.59	448	22.41	1,056	52.78	511	25.54	434

PERCENTAGE OF LOCAL POPULATION AND TOP EXECUTIVES FROM THE LOCAL POPULATION AT THE RUSSIAN ENTITIES OF ARMZ URANIUM HOLDING CO.

COMPANY	YEAR	PERCENTAGE OF LOCAL EMPLOYEES, %	PERCENTAGE OF LOCAL EMPLOYEES AS TOP EXECUTIVES, %
JSC Atomredmetzoloto	2012	98.8	100
	2011	99	99.58
	2010	100	100
JSC PIMCU	2012	96.6	76.32
	2011	99.2	84
	2010	99.8	95
JSC Dalur	2012	87.38	50
	2011	96.38	60
	2010	98.6	40
JSC Khiagda	2012	97	55.6
	2011	98.4	50
	2010	95	80
JSC VNIPIPROMTECHNOLOGII	2012	95.4	87.5
	2011	95.8	87.5
	2010	100	100
RUSBURMASH INC	2012	86	58.4
	2011	88	70
	2010	81	65

PERCENTAGE AND GENDER OF THE GOVERNING BODIES OF THE COMPANY

YEAR	2012	2011	2010
Total	66	67	27
Men	57	58	24
Percentage of men	86.36%	86.57%	88.89%
Women	9	9	3
Percentage of women	13.64%	13.43%	11.11%
Under 35	6	7	2
Percentage of employees under 35	9.09%	10.45%	7.41%
Aged 36 to 50	27	31	12
Percentage of employees aged 36 to 50	40.91%	46.27%	44.44%
Over 50	33	29	13
Percentage of employees over 50	50.00%	43.28%	48.15%

DETAILS, CONTACT INFORMATION, FEEDBACK FORM

Full company	Joint-Stock Company Atomredmetzoloto
Abbreviated name	JSC Atomredmetzoloto
Location of the headquarters (head office) and mailing address	22 Bolshoy Drovyanoy lane, Moscow 109004
Phone/Fax	(495) 508-88-08 / 508-88-10
Designation of the body that performed the registration, number and date of the registration	Moscow Registration Chamber No. 004.997 dated 22 February 1995
OGRN	1027700043645
INN / KPP	7706016076 / 770901001
Core Business	Exploration and extraction of minerals, including minerals containing nuclear materials and radioactive substances, production of natural uranium concentrates
Website	http://www.armz.ru
Auditor and Registrar	Joint-Stock Company Registrar R.O.S.T. Registrar's Details: OGRN 1027739216757, INN 7726030449. Location: 18/13 Stromynka ul., Moscow Phone/Fax (495) 771-73-36.

Victoria Vasilyeva
DIRECTOR OF CORPORATE COMMUNICATIONS

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FEEDBACK FORM

Feedback: Your opinion is important to us

You have read the 2012 Annual Report of JSC Atomredmetzoloto. We would appreciate it if you could help improve the quality of the Company's reporting by answering a few simple questions.

1. Have you found the information you were looking for?

- [ ] Yes
- [ ] No
- [ ] Simply looked through the report

Please let us know what was especially important, and if anything was missing

_____

_____

2. Does the information provided in the report of JSC Atomredmetzoloto improve collaboration with the Company?

- [ ] Yes
- [ ] No
- [ ] I do not need it

Please let us know which information was particularly useful, and if anything was missing

_____

_____

3. What sections of the report were you most interested in?

_____

4. What sections of the report were you least interested in?

_____

5. How credible and objective is this report in your opinion?

_____

6. Has your assessment been influenced by the fact that the report was verified by an independent audit firm?

_____

7. Will you need the next Annual Report of JSC Atomredmetzoloto?

- [ ] Yes
- [ ] No

8. What would you like from the next report?

_____

9. What recommendations would you like to give so that the Holding Company and its subsidiaries and associates could improve their performance?

_____

10. Other comments

_____

11. Please indicate the group whose interests you best represent (select two at most):

- [ ] Shareholder
- [ ] Investor
- [ ] Contractor/ Supplier
- [ ] Industrial company
- [ ] Industrial consumer
- [ ] Small and medium business representative
- [ ] Representative of the federal governmental authorities
- [ ] Representative of the regional governmental authorities
- [ ] Representative of the local administration
- [ ] Representative of a non-governmental environmental organisation
- [ ] Representative of a business association or other public association
- [ ] Representative of the mass media
- [ ] Employee of ARMZ Uranium Holding Co.
- [ ] Employee of an ARMZ subsidiary or affiliate
- [ ] Other (please specify)

_____

12. If you would like us to reply to your comments, please leave your contact information (full name, mailing address, postal code, telephone number, e-mail address) and we will definitely contact you.

_____

THANK YOU!

Design & prepress – Souvenir-Design Company