atomenergomash
COMPANY OF ROSATOM

# ANNUAL REPORT

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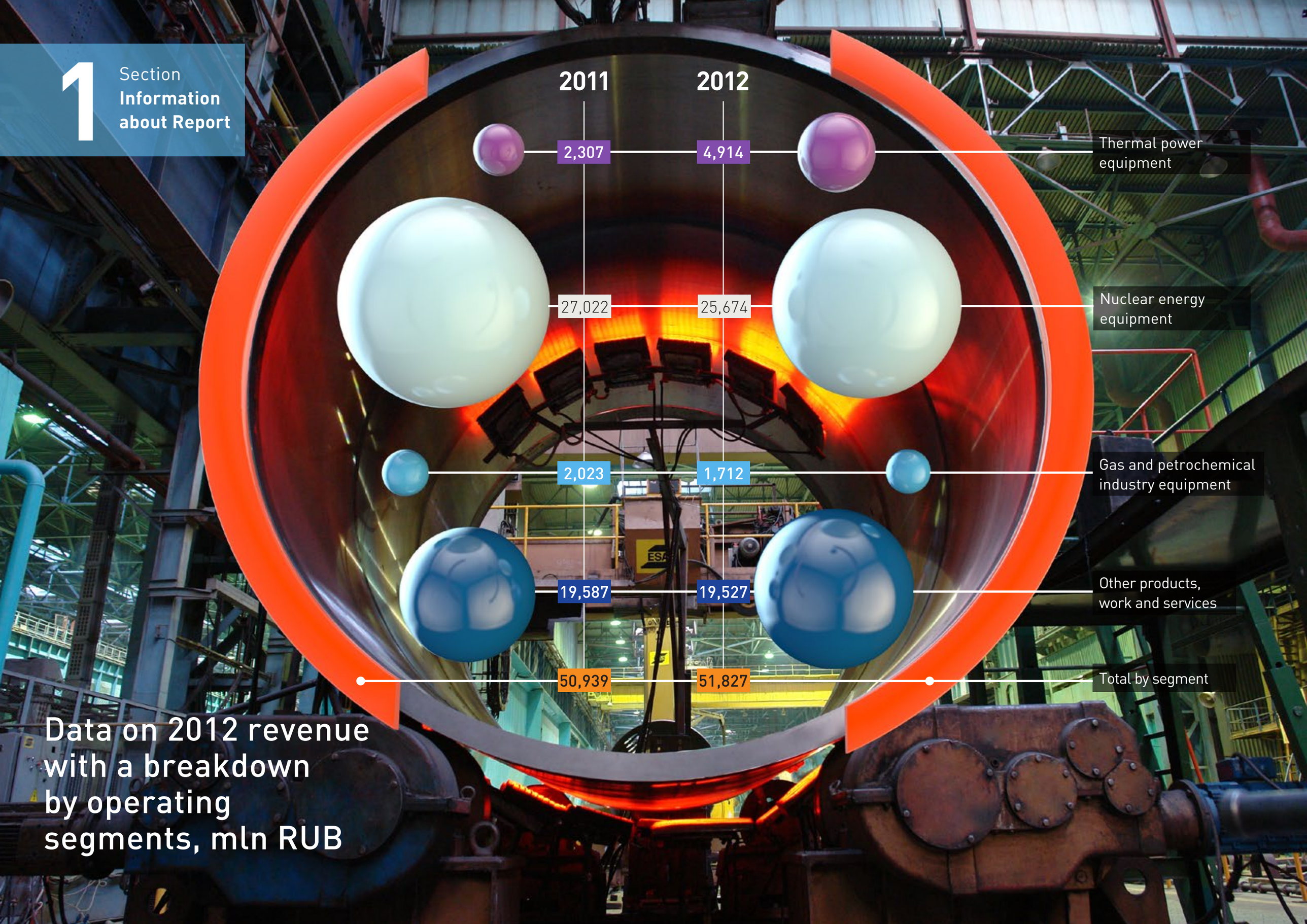
# 1 Section **Information about Report**




Data on 2012 revenue with a breakdown by operating segments, mln RUB

# 1. INFORMATION ABOUT THE REPORT

## 1.1. Objectives and content of the Report

In this integrated annual report (hereinafter referred to as the Report), Open Joint-Stock Company Nuclear and Power Engineering[1] discloses its key financial and non-financial activities for the period from January 1, 2012 to December 31, 2012 and also presents stakeholders with the Company's prospects for achieving its sustainable development objectives in the long-term.

The data provided in the Report allow for assessing the extent to which the activities of the Company and its key subsidiaries, affiliates and supervised companies[2] (hereinafter referred to SASC) in the Russian Federation and abroad affected the economy, environment and society.

The report for 2012 was prepared taking into account the requirements of the laws of the Russian Federation in accordance with the following guideline documents:

- The Policy and Public Accounting Standard of Rosatom State Nuclear Energy Corporation;
- Guidelines on sustainable development reporting of the international nongovernmental organization Global Reporting Initiative (GRI G3.1);
- The standards of the international nongovernmental organization Institute of Social and Ethical Accountability (AA1000SES and AA1000AS);
- The practical guidelines for members of the pilot program of the International Integrated Reporting Council (with respect to the description of the business model);
- The recommendations of the Russian Union of Industrialists and Entrepreneurs for use in governance and corporate non-financial reporting;
- The Company's internal documents on the preparation of public reporting (Policy of Rosatom State Corporation concerning public reporting, the Provision on the OJSC Atomenergomash Stakeholders Committee, the Procedure for the Public Disclosure of Information of OJSC Atomenergomash, Order No. 422 —Public Reporting Committee, the Regulation on the Annual Public Reporting of OJSC Atomenergomash, and the Standard on the Preparation of the Annual Public Reporting of OJSC Atomenergomash)

This report also takes into account the interests of key stakeholders, including the Company's primary shareholder. Appendix 10 contains the opinions expressed by stakeholders during dialogues and public consultations when preparing the Report along with the Company's responses.

Compared to the report for 2011, this Report contains the following key changes:

### Central theme and key achievements

Pursuant to the strategic vision established in 2011, the Company devoted particular attention in the reporting period to improving the operating efficiency of the Holding's enterprises as the basis for achieving its strategic goals. Thus, the key theme chosen for this Report is the operating efficiency of the activities of OJSC Atomenergomash as the basis for achieving the key performance targets contained in the corporate strategy.

Pursuant to the aforementioned theme, the following significant Company milestones which occurred during the reporting period were selected for this Report during dialogues and public consultations with stakeholders:

- The preparation and approval of the main focuses of the Comprehensive Efficiency Improvement Program of OJSC Atomenergomash Enterprises for the Period of 2013-2018;
- The launch of the program to resume the production of reactor equipment at the newly opened branch of CJSC AEM Technologies in Volgodonsk;
- The implementation of large-scale projects to develop a new range of products and expand production capacity at the Holding's enterprises.

### Update to Report structure

Based on the results of feedback from the Company's stakeholders, updates were made to the structure for presenting materials (with respect to the disclosure of key performance and sustainable development indicators) to better meet the expectations of the readers of annual reports. The section on the Company's development strategy was reduced significantly since the Company's strategy was one of the central themes of the 2011 report.

### Scope of the Report

This Report discloses information about OJSC Atomenergomash and 20[3] corporate enterprises based on the parameters presented below.

Supervised companies[4] are included in the reporting profile based on the fact that OJSC Atomenergomash, as a management company, is capable of exercising considerable influence over the activities of these organizations and their adoption of key decisions. This effect is expressed in various ways:

- A list of supervised companies with respect to OJSC Atomenergomash has been compiled on the basis of an order from Rosatom State Corporation.
- When compiling its fiscal calendar and consolidated budget for the year, Rosatom State Corporation includes the supervised companies in the consolidated budget of the Power Engineering Division (OJSC Atomenergomash).
- Rosatom State Corporation delegates the annual budget limits to the purview of OJSC Atomenergomash. In turn, OJSC Atomenergomash coordinates the budget limits with SASC.

[1] Hereinafter referred to as OJSC Atomenergomash, the Company, the Atomenergomash Group of Companies and the Holding.
[2] A supervised company is a subsidiary or affiliate of Rosatom State Corporation whose activities are overseen by OJSC Atomenergomash.
[3] It should be noted that the Atomenergomash Group of Companies included 64 organizations as of December 31, 2012.
[4] A supervised company is a subsidiary or affiliate of Rosatom State Nuclear Energy Corporation whose activities are overseen by OJSC Atomenergomash.

In addition, OJSC Atomenergomash monitors the implementation of these limits by SASC at budget committee meetings and adjusts them if necessary.

- OJSC Atomenergomash coordinates the hiring and rotation of the key senior executives of SASC as the management company.

- OJSC Atomenergomash takes part in compiling and coordinating the key performance indicators (KPI) established annually for SASC as the management company jointly with Rosatom State Corporation.

- OJSC Atomenergomash establishes the procedure for coordinating, approving and prioritizing the investment projects of SASC and also finances and monitors their implementation.

Due to the specific nature of the activities of the Atomenergomash Group of Companies, the performance indicators in this Report fall under the following three profiles:

1. Financial, commercial and economic security indicators are calculated based on the data of 21 companies: OJSC Atomenergomash, OJSC ZiO-Podolsk, CJSC Petrozavodskmash, CJSC REMKO, OJSC TsKBM, OJSC SverdNIIKhimmash, OJSC ZIOMAR EC, LLC EMKO, LLC STEP, CJSC AEM Technologies, CJSC ATM, ARAKO, JSC VENTA, OJSC SNIIP, OJSC OZTMiTS, OJSC Energomashspetsstal, OJSC OKB Gidropress, OJSC Afrikantov OKBM, OJSC GSPI, OJSC TsNIITMASH and OJSC DEZ.

2. HR performance indicators are presented for a profile of 19 companies5: OJSC Atomenergomash, OJSC ZiO-Podolsk, CJSC Petrozavodskmash, CJSC REMKO, OJSC TsKBM, OJSC SverdNIIKhimmash, OJSC ZIOMAR EC, LLC EMKO, CJSC AEM Technologies, CJSC ATM, JSC VENTA, OJSC SNIIP, OJSC OZTMiTS, OJSC Energomashspetsstal, OJSC OKB Gidropress, OJSC Afrikantov OKBM, OJSC GSPI, OJSC TsNIITMASH and OJSC DEZ.

3. Environmental and production indicators are calculated based on the data of 13 companies with a substantial amount of internal production capacity: OJSC ZiO-Podolsk, OJSC ZIOMAR EC, OJSC SverdNIIKhimmash, OJSC TsKBM, JSC VENTA, OJSC Energomashspetsstal, OJSC OZTMiTS, OJSC AEM Technologies, OJSC OKB Gidropress, OJSC Afrikantov OKBM and OJSC TsNIITMASH

**Combined reporting**

Compared to the 2011 report, this Report only discloses the main indicators of the combined reporting of the Atomenergomash Group of Companies for 2012[6]. The accounting statement of OJSC Atomenergomash is fully incorporated in the Report in accordance with Russian Accounting Standards (RAS).

In addition to this Report, in 2013 the following key SASC of OJSC Atomenergomash are publishing independent integrated reports for 2012:

- OJSC Afrikantov OKBM;

- OJSC ZiO-Podolsk.

In future reporting periods, there will be an increase in the number of companies for which independent integrated reports are to be published.

## 1.2. Level of information disclosure in accordance with GRI G3.1

This Report contains information about all the standard components of integrated reporting and includes 47 fully or partially disclosed indicators of the Company's performance (GRI indicators), which corresponds to a B+ in accordance with the GRI G3.1 Guidelines.

Compared to the 2011 report, this Report discloses information on two additional indicators in the PR sphere, two additional indicators in the LA sphere and three additional indicators in the HR sphere.

A table of the standard reporting components and GRI performance indicators, including the level of their disclosure (G3.1), is presented in the Appendix.

## 1.3. Disclaimer

The Annual report contains certain forward-looking statements concerning the Company's business activities, economic indicators, financial status, plans, projects and anticipated results.

The words "intend," "endeavor," "expect," "evaluate," "plan," "consider," "propose," "may" and other such expressions usually indicate the forward-looking nature of a statement.

By virtue of their specific nature, forecasts involve inherent risk and uncertainty, both general and specific. A wide range of economic, political, social, technological and other factors that are difficult to forecast may influence the Company's activities both inside and outside of Russia.

In this regard, the Company points out that the actual results may differ essentially from those expressed, both directly and indirectly, in such forward-looking statements contained within the Report. The Company in no way claims or guarantees that the performance or any indicators or events mentioned in such forward-looking statements will be achieved and shall bear no liability for losses that may be suffered by legal entities or individuals adopting decisions based on these forward-looking statements.



[5] Excluding LLC STEP, which is in the stage of reorganization, as well as the asset ARAKO in the Czech Republic, which is in the process of commissioning a system to collect and consolidate data among the SASC of OJSC Atomenergomash.
[6] For the purposes of the Report, combined reporting refers to the aggregate financial reporting of OJSC Atomenergomash and its 20 key SASC prepared in accordance with the methodology of Rosatom State Corporation.

# Order book structure by market segment in 2012, bln RUB

| | |
|---|---|
| 2.6 | Equipment for thermal power plants |
| 0.2 | Equipment for the petrochemical industry |
| 22.7 | Other types of equipment |
| 73.6 | Equipment for nuclear power plants |
| 99.1 | Total |

# 2. Message from Company management

## 2.1. Message from the Chairman of the Board of Directors of OJSC Atomenergomash

**Yekaterina V. Lyakhova**

Chairman of the Board of Directors of OJSC Atomenergomash,

Director of Investment Management and Operational Efficiency at Rosatom State Corporation

Dear Colleagues,

In summing up the results of 2012, I would like to point out that the past year was truly a breakthrough year for OJSC Atomenergomash, the power engineering division of the Rosatom State Nuclear Energy Corporation. Over its history, this young and ambitious company has taken major leaps forward in its development to become one of the key players on the Russian power engineering market.

The main purpose of establishing OJSC Atomenergomash was to de-monopolize the market and to develop globally competitive technology solutions for the power industry. As competition has evolved, prices for nuclear equipment have declined in recent years, which enabled Rosatom State Corporation to save more than 22 billion rubles in 2007-2011.

From this standpoint, 2012 was a turning point: from the time the Volgodonsk branch of CJSC AEM Technologies was established, Atomenergomash became an integrated supplier of key equipment for both nuclear and turbine islands as it set up a complete production chain to manufacture equipment for nuclear power plants.

The Company is capable of finding solutions to the main challenges facing Rosatom: providing programs to develop nuclear energy in Russia, increasing the volume of nuclear power plants built abroad using the Russian design, providing programs to develop nuclear energy on foreign markets and improving the safety of nuclear power plants.

It is equally important that the power engineering holding is not focusing solely on nuclear orders, but also seeking to diversify its activities.

The Company takes into account global market trends, particularly the risk of a decline in demand for nuclear engineering products in several key regions following the events at Fukushima. The Company's strategy calls for an increase in the proportion of related segments, in particular expanding its presence on the heating market and developing its wind energy business. In 2012, OJSC Atomenergomash and OJSC Turboatom signed an agreement on cooperation to implement projects involving the construction and modernization of thermal power plants. The Company is actively developing cooperation with NEM, a leading global company that handles the engineering of boiler equipment. The program to modernize one of the Holding's key assets, OJSC ZiO-Podolsk, is primarily focused on the heating sector. There will also be major developments in the Company's ability to manufacture products for the gas and petrochemical industry.

The Company intensified work last year to comply with global standards for sustainable development: effective personnel development and occupational safety and environmental protection have been successfully implemented.

The Board of Directors of OJSC Atomenergomash highly values the results achieved by Company management in 2012. The results of this work not only made it possible to ensure impressive production results but also strengthened the Company's reputation as a reliable and responsible supplier.

## 2.2. Message from the CEO of OJSC Atomenergomash

**Andrey V. Nikipelov** CEO of OJSC Atomenergomash

Dear Colleagues,
Partners and Shareholders,

The year 2012 proved to be a successful one for the Atomenergomash Holding.

This was the year that we became a company with a full technology cycle capable of manufacturing any power engineering equipment for the power industry from design to delivery to the customer on a turnkey basis. We also became one of the few nuclear power engineering companies in the world that is able to offer the integrated supply of both nuclear power plant islands: reactor and turbine.

This was largely possible due to the resumption of the production of Russian equipment for nuclear power plants at one of the country's best production facilities in the city of Volgodonsk. Production began in 2012 at the newly opened branch of CJSC AEM Technologies in Volgodonsk on the first ready-assembled reactor for the Baltic Nuclear Power Plant, and the same facility is to resume production of the entire range of reactor compartment equipment over the next two years.

The decision we adopted together with our partner Alstom to set up turbine equipment production in Volgodonsk will enable us to produce the first turbine using Arabelle low-speed technology by 2016.

The establishment of the branch in Volgodonsk is intended to ensure growth in the Company's production capacity both in the nuclear segment as well as the gas and petrochemical industry. More than half a billion rubles are to be invested in the branch's development in 2013 alone.

We met all our obligations for equipment supplies to our customers on time in 2012 and are already ahead of schedule for several projects in 2013. This was mainly possible due to the integration program implemented by the Holding in 2012, which included measures to improve cooperation among enterprises, reduce excessive administration and forge team-building.

The Atomenergomash Group of Companies had consolidated revenue of approximately 52 billion rubles in 2012. The Company's order portfolio was up to 100 billion rubles at the end of the year. Winning a tender to supply turbine plant equipment for two power units of the Baltic Nuclear Power Plant brought us a major contribution to the growth in the order portfolio (over 30 billion rubles).

A seven-year program to modernize OJSC Energomashspetsstal was completed in the reporting year and resulted in this enterprise becoming one of the world's leading suppliers of castings and forgings for various engineering sectors.

The first stage of the modernization of CJSC Petrozavodskmash was completed with the establishment of steam generator shell production for nuclear power plants. Taking into account the plans to develop the Volgodonsk branch, the enterprise will continue to specialize in the production of the usual range of equipment for the nuclear power industry as well as equipment for the petrochemical sector.

In 2012, the management of the companies ZiO-Podolsk and ZIOMAR was consolidated within the Holding and a five-year program was launched to modernize the Podolsk facility. In the coming years this major enterprise should considerably strengthen its positions on the market for thermal power equipment.

Some of our other enterprises such as TsKBM, ARAKO and Ganz continue to undergo modernization, which enables them not only to ensure the development of a unique engineering and production base, but also to substantially expand the product line for our customers, including in the segment of pump equipment for nuclear power plants, thermal power plants and hydropower plants.

In 2013, we plan to develop new types of products such as reactor plant equipment for a nuclear-powered icebreaker. We also intend to strengthen our presence in such related sectors as the thermal energy sector as well as the gas and petrochemical industry. The share of the nuclear segment remains high in the structure of our products at around 65%. Over the next five years, the Company plans to balance out its portfolio and increase the proportion of related segments in revenue. We will fully enter the market for gas and petrochemical industry equipment taking into account the capabilities of our enterprises Energomashspetsstal, Petrozavodskmash and the Volgodonsk branch of AEM Technologies.

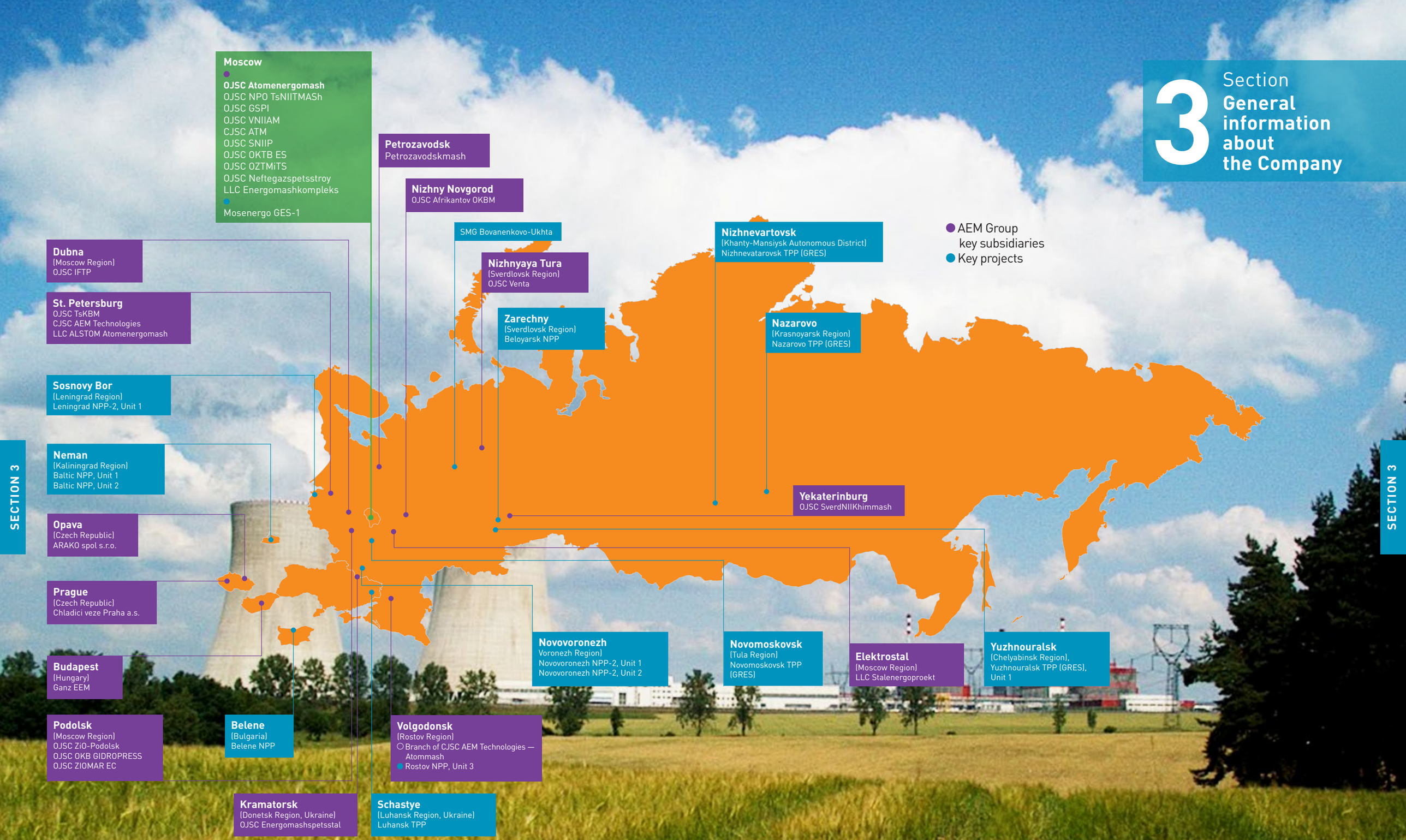
Aspiring to be a leader, we strive to be an innovative company: the supply of equipment and components for the world's first FN-800 reactor was completed in 2012 and now Atomenergomash is the only company in the world that has fast-neutron reactor technology. We are working on building the promising FN-1200 reactor and our enterprise OJSC Afrikantov OKBM has been designated as the responsibility center for this project.

The reporting year was also successful for us in terms of international activities. In addition to highly important agreements on turbine equipment production with Alstom, we signed and began implementing an agreement on cooperation with Turboatom, enabling us to jointly take part in projects to modernize thermal power plants in Ukraine, Russia and other countries. We also adopted a fundamental decision to extend cooperation with NEM Energy in the supply of high-capacity heat recovery steam generators using the most advanced technologies.

Improved efficiency is a priority for our Company's activities. In 2012, we achieved positive results in the introduction at Atomenergomash enterprises of the Rosatom Production System (RPS), a key tool to improving competitiveness. The RPS is now being introduced at 14 of the Holding's enterprises and this number is set to increase. With the support of Rosatom State Corporation, we have also developed and are implementing a comprehensive efficiency improvement program in the period of 2013-2018 that is designed to boost the Holding's competitiveness in the long term.

I would like to thank the Company's management and staff for the good work they performed that enabled us to achieve these results in the reporting year. The implementation of the strategic goals for the development of nuclear power engineering faced by Rosatom State Corporation, as well as the continued prosperity of our Company, are dependent on your attentive approach to our partners and clients as well as ongoing work to improve the quality of our products.

# 3 Section General information about the Company




# Geography of operations and key projects

# 3. General information about the Company

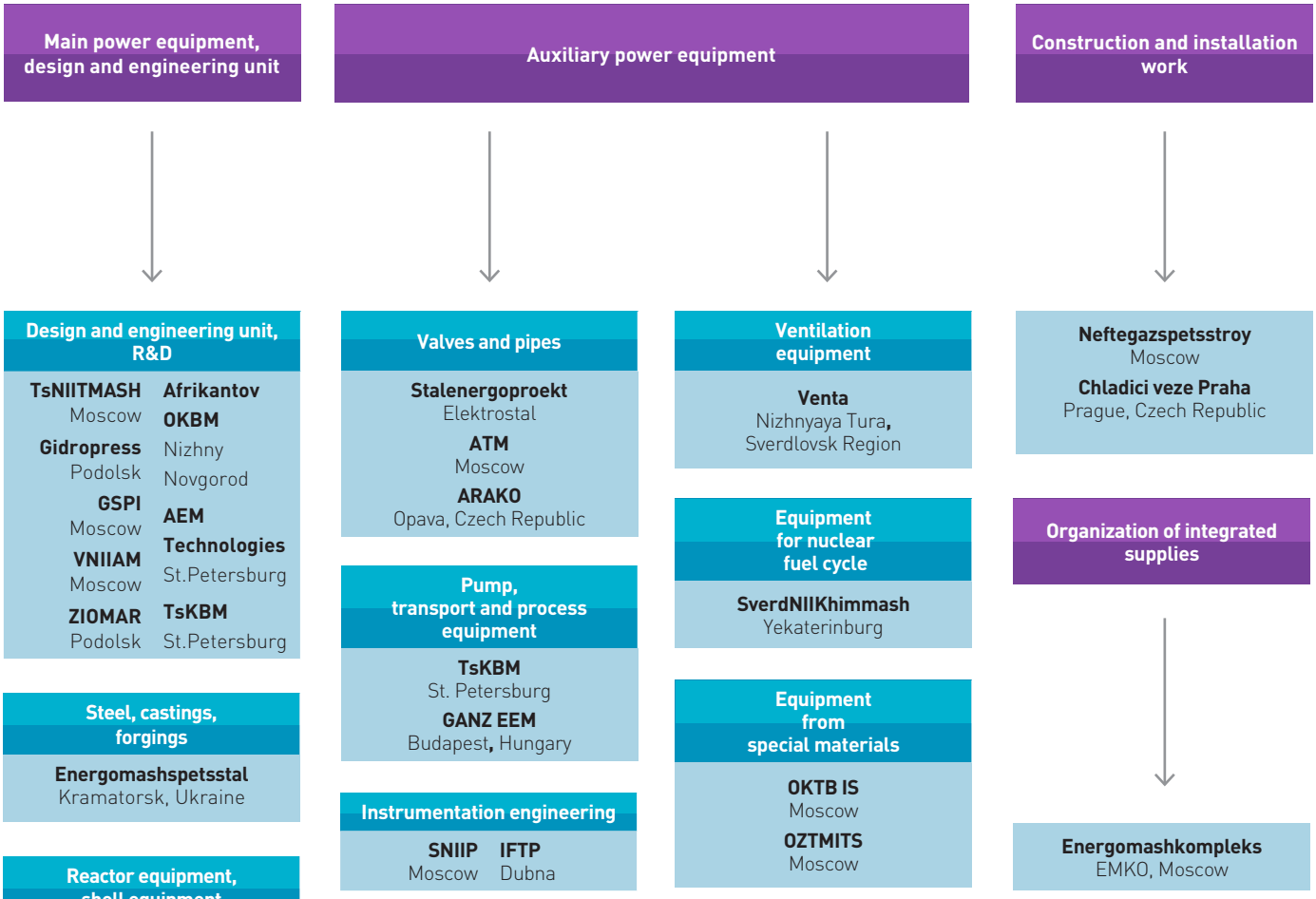
## 3.1. General information

The Atomenergomash Group of Companies (presently known as the power engineering division of Rosatom State Nuclear Energy Corporation) was established in 2006 as a part of the Federal Atomic Energy Agency and is one of the leading power engineering holdings in Russia. The Holding's core specialization is the design, manufacturing, supply, installation and subsequent maintenance of equipment for nuclear and thermal power plants and for enterprises in the gas and petrochemical industry.

## 3.2. History

| | | | |
|---|---|---|---|
| 2006 | On March 29, OJSC Atomenergomash was established under the umbrella of the Federal Atomic Energy Agency. | **OJSC Intelenergomash was established within the Atomenergomash Group of Companies to handle the integrated development, delivery, installation and maintenance of valves and pump equipment.** | Leading scientific research institute OJSC SverdNIIKhimmash joined the Holding. |
| 2007 | Entering global markets became a high priority activity for OJSC Atomenergomash. In this context, a controlling stake in the Czech valve manufacturer, ARAKO spol. s.r.o., was acquired in October 2007. | **The plant OJSC ZiO-Podolsk and engineering company OJSC ZIOMAR EC joined the Holding. The Atomenergomash Group of Companies included 11 companies as of the end of 2007.** | On July 20, the joint venture ALSTOM Atomenergomash was formed with Alstom Power (France) for the production of low-speed turbines and generators for NPPs using Arabelle technology. |
| 2008 | Power engineering assets were further consolidated both in Russia and abroad, with power engineering enterprises such as Ganz Energetika Kft (Hungary) and CJSC ATM joining the Holding. | **The Atomenergomash Group of Companies included 16 companies as of the end of 2008. The Holding ranked third among Russian power engineering companies.** | |
| 2009 | New areas of development were formed: an expanded presence in the segment of maintenance and modernization for thermal power generation facilities and the establishment of instrumentation engineering capacity within the structure of OJSC Atomenergomash. | **The Atomenergomash Group of Companies included 44 companies as of the end of 2009. The Holding ranked second in the Russian power engineering sector in terms of revenue.** | |
| 2010 | Acquisition of the plant Petrozavodskmash and the launch of a project on its core to develop the production of essential reactor island equipment.<br>The Atomenergomash Group of Companies included 50 companies as of the end of 2010. The Holding ranked second in the Russian power engineering sector. | **Acquisition of the enterprise Energomashspetsstal (Ukraine), a leader in the production of large castings and forgings made from special steel, to manufacture equipment for NPPs, TPPs, the petrochemical industry and alternative energy sources.** | Work began on a project to localize the production of equipment for NPPs built using the Russian design in India and the countries of the Asia-Pacific region: a memorandum of understanding was signed with Walchandnagar Industries Ltd. (India). |
| 2011 | The Company approved its long-term strategy of transformation into a high-tech, diversified, global holding company for the period until 2030.<br>The monopoly level in the production of long-cycle equipment for NPPs fell from 85% in 2007 to 0% in 2011. | **Acquisition of Chladici veze Praha (Czech Republic), which specializes in the design, production and installation of industrial cooling systems for nuclear and other energy sectors. The joint venture ALSTOM Atomenergomash won a tender for the supply of turbine plant equipment for Power Units No. 1 and 2 of the Baltic NPP (Russia).** | Major nuclear industry enterprises OJSC OKB Gidropress and OJSC Afrikantov OKBM joined the Holding, among others, with the status of supervised companies of OJSC Atomenergomash.<br>The Atomenergomash Group of Companies included 50 companies as of the end of 2011. The Holding became one of the leading companies in the Russian power engineering sector. |
| 2012 | Preparation and approval of the main focuses of the Comprehensive Efficiency Improvement Program of OJSC Atomenergomash Enterprises for the Period of 2013-2018. Completion of a program for the full-scale technical refitting of OJSC Energomashspetsstal with the enterprise engaging for the first time in the production of unique ingots weighing up to 415 tons, which opened the door for the development of new types of products for the nuclear, steel, petrochemical and other industries. | **Completion of the first phase of the production of key reactor island equipment (steam generator shells and main circulation pumps) at CJSC Petrozavodskmash. Launch of a program to resume production of reactor equipment at the newly opened branch of CJSC AEM Technologies in Volgodonsk (Rostov Region). The Board of Directors of the joint venture ALSTOM Atomenergomash decided to set up production of turbine plant equipment under a license using Arabelle technology in Volgodonsk.** | Signing of an agreement on cooperation with OJSC Turboatom (Ukraine) to jointly take part in projects to build and modernize thermal power plants in Russia, Ukraine and other countries. Founding of CJSC VetroOGK to establish the production and sale of wind turbines on the Russian market and also to ensure access to external markets. |

## 3.3. Segments, geography of business and Holding structure




The structure of the Atomenergomash Group of Companies includes research and design organizations, manufacturing and construction companies, as well as engineering, trade and sales companies, totalling more than 50 companies across Russia, Ukraine, the Czech Republic and Hungary. The equipment produced at these companies is used in more than 20 countries.

In addition to its traditional markets (in Russia, the CIS and Central and Eastern Europe), the Holding's priority markets include the Asia-Pacific region, Africa, the Middle East and Latin America.

The main operating segments and key assets that comprise those segments are presented in the diagram below.

The enterprises of the Atomenergomash Group have a long history of achievements, unique production facilities, a powerful research and development platform and a wide range of professional experience. These enterprises include:

### Russian enterprises

- OJSC ZiO-Podolsk Machine-Building Plant. One of the leading companies in the Russian power engineering industry with a history of more than 90 years. The plant specializes in the production of heat exchange equipment for the nuclear, thermal power, oil and gas industries as well as special equipment for the defense industry. Boiler equipment produced by ZiO-Podolsk is widely known abroad and used in 40% of thermal power plants in the Russian Federation, CIS and the Baltics.
- CJSC Petrozavodskmash. The company manufactures shell, vessel and other equipment for the nuclear and traditional power industries as well as the petrochemical and pulp and paper industries.
- OJSC Afrikantov OKBM. The company has a full engineering and production cycle: from design, manufacturing and testing to the integrated delivery to customers and maintenance support of reactor plants with a high safety level, including low and medium-capacity reactors, as well as marine and ship-based reactor plants. The company is developing production of a wide assortment of advanced pump equipment for the nuclear, thermal power, gas and petrochemical industries.

- OJSC OKB GIDROPRESS. The company's primary activities include a complex set of design, computational, theoretical, experimental, research and production work to build VVER reactor plants with a broad range of capacities ranging from 300 to 1700 MW. It develops designs of reactor plants with lead-bismuth coolant and equipment for reactor plants with sodium coolant.

- OJSC TsKBM. The company offers unique technical solutions for the development, manufacturing, installation and debugging of remote-controlled transport process and pump equipment, reactor systems, hydropneumatic systems and piping for process loops, shielded chamber complexes and research centers for the nuclear power industry of the Russian Federation and other countries.

- OJSC SverdNIIKhimmash. The nuclear industry's leading enterprise in the construction of equipment and complex process systems for radiochemical production, the nuclear fuel cycle and the handling and disposal of radioactive waste.

- OJSC SNIIP. The company specializes in the engineering, manufacturing and supply of integrated control systems for the RU MCS (reactor plant monitoring and control system) of nuclear power plants with VVER and VVER-TOI reactors. The company also supplies radiation monitoring systems and hardware to various civilian and military facilities, including the Russian Navy.

- OJSC ZIOMAR Engineering Company. A leading engineering company that specializes in designing main and auxiliary heat exchange equipment for the nuclear and thermal power industries. The company handles the engineering of modern boilers and heat recovery steam generators of low and medium capacities for thermal power plants with the use of the most advanced Russian and global technologies.

- CJSC AEM Technologies. One of Russia's leading engineering companies in nuclear power engineering whose main activities include: the construction, design and manufacturing of equipment for the nuclear, thermal power, gas and petrochemical industries, as well as the supply of castings and forgings. CJSC AEM Technologies manages the head engineering office in St. Petersburg as well as major production facilities — OJSC Petrozavodsk and the branch in Volgodonsk.

- Branch of CJSC AEM Technologies in Volgodonsk. The company specializes in the integrated manufacturing of VVER reactor plant equipment and the production of equipment for major Russian and foreign oil refineries and mining companies.

- LLC ALSTOM Atomenergomash. A joint venture between OJSC Atomenergomash and Alstom Power that was established to localize the production of low-speed steam turbines, generators and turbine plant equipment in the Russian Federation using world-renowned Arabelle technology for nuclear plants with capacities of 1200-1700 MW.

**Foreign enterprises**

- OJSC Energomashspetsstal (Ukraine). Ukraine's largest producer of special cast and forged products as well as small-scale production for the power (wind, steam, hydro, nuclear), steel, shipbuilding and general engineering industries. The company possesses the latest steelmaking, metal and machining equipment and is capable of supporting the full production cycle of castings and forgings.

- ARAKO spol. s.r.o. (Czech Republic). A producer of industrial valves for the nuclear, thermal, chemicals, petrochemical and gas industries. ARAKO pipe valves are used in numerous countries.

- Ganz EEM (Hungary). A producer of refueling equipment for nuclear power plants as well as single and multistage axial-flow and mixed-flow pumps of medium and large sizes for energy facilities. The company has vast engineering experience, technological potential and unique testing facilities.

- Chladici věže Praha a.s. (Czech Republic). An integrated supplier of industrial cooling products for the nuclear and traditional power industries. The company has its own production facilities for micro cooling towers, fan cooling towers and cooling system components. ChV has unique technology and equipment to build concrete and steel cooling towers.

## Key SASC of Atomenergomash Holding

| Name | Location: | Sales revenue ('000 RUB) | Assets, '000 RUB | Personnel, people |
|---|---|---|---|---|
| OJSC ZiO-Podolsk | Podolsk, Russia | 3,480,362 | 15,800,905 | 3,992 |
| OJSC Energomashspetsstal | Kramatorsk, Ukraine | 3,674,666 | 11,877,410 | 2,780 |
| OJSC TsKBM | St. Petersburg, Russia | 2,358,939 | 6,033,983 | 1,216 |
| CJSC Petrozavodskmash | Petrozavodsk, Russia | 913,972 | 8,644,823 | 1,560 |
| OJSC SverdNIIKhimmash | Yekaterinburg, Russia | 854,994 | 1,448,165 | 667 |
| OJSC Afrikantov OKBM | Nizhny Novgorod, Russia | 9,935,192 | 14,843,914 | 4,377 |
| OJSC OKB GIDROPRESS | Podolsk, Russia | 4,206,589 | 6,258,295 | 1,700 |
| ARAKO spol. s.r.o. | Olava, Czech Republic | 446,155 | 825,748 | 223 |
| OJSC ZIOMAR EC | Podolsk, Russia | 233,831 | 1,260,361 | 365 |
| CJSC AEM Technologies | St. Petersburg, Russia | 2,152,916 | 10,624,470 | 2,076 |
| OJSC Atomenergomash | Moscow, Russia | 10,728,111 | 54,480,221 | 295 |



## 3.4. Key products

On the core of the aforementioned assets, OJSC Atomenergomash is able to offer integrated solutions for the design, manufacturing, delivery, installation and subsequent maintenance of a wide range of high-tech equipment:

### Equipment for the nuclear power industry

- Reactor compartment equipment:
  - reactors for NPPs (VVER, FN, etc.);
  - marine nuclear reactors and units (RITM, etc.);
  - steam generators;
  - main circulation pumps and pump equipment;
  - main circulation piping;
  - pressurizer systems;
  - emergency core cooling system and passive core flooding system (ECCS and PCFS);
  - reactor cavity equipment and transport gateways;
  - core melt localization device;
  - passive heat removal system (PHRS);
  - piping and valves.
- Turbine plant equipment:
  - turbine and generator equipment;
  - steam heater separators;
  - low and high pressure heaters (LPH and HPH);
  - piping and valves;
  - pump equipment.
- Auxiliary NPP equipment:
  - transport and process equipment;
  - refueling machines;
  - diesel generator units;
  - cooling towers.

## Equipment for the thermal power industry

- Power boilers for units with capacities ranging from 50 to 800 MW.
- Heat recovery steam generators for units with capacities ranging from 2.5 to 450 MW.
- Auxiliary boiler equipment, including LPH and HPH.
- Steam and water heaters from spiral-finned tubes.
- Hot water boilers.
- Hot water heat recovery steam generators for gas turbines with capacities ranging from 6 to 45 MW.
- Air heaters.
- Capacitive equipment operating under pressure.
- Large welded structures.
- Pump equipment.
- Water-water and steam-water heaters.
- Radial and axial fans.
- Filters.
- Power valves.
- Piping components and assembly units.
- Distillation and desalination units.
- Deaerators.
- Cooling towers.

## Equipment for the gas and petrochemical industry

- Air coolers of all modifications.
- Tower, capacitive and heat exchange vessels.
- Tubular, vertical and horizontal regenerative air heaters.
- Direct heat tube furnaces and product coils.
- Separator filters.
- Reactor equipment.
- Boilers and steam generators for thermal influence on oil reservoirs.
- Dust collector units of the CPU.
- Piping connection components.
- Valves.
- Flare units of all types.
- Auxiliary equipment.

## Control and measurement equipment and automation

- Reactor plant monitoring and control systems (RU MCS) for VVER designs.
- Control systems for the process units of the reactor compartment and auxiliary NPP equipment.
- Special reactor compartment systems.
- Nuclear and radiation safety systems and hardware for the nuclear power industry.
- Control and measurement equipment and automation (CMEA): sensors for pressure, temperature, flow, strain, etc.
- CMEA valves.
- Entire range of radiation monitoring devices.
- Broad range of solutions for the radiation treatment of products (convenience foods, polymers, etc.).
- Diesel generator control systems.
- Control systems and hardware for the automation of thermal power, gas and petrochemical facilities.
- Control and metering systems for energy efficiency objectives.



## 3.5. Business model of OJSC Atomenergomash

OJSC Atomenergomash is a vertically integrated power engineering holding and one of the leading national producers of power equipment for nuclear power plants and related industries in Russia and abroad.

The Holding's potential enables it to take part in projects to build nuclear and thermal power plants in all the stages of the value chain from design to post-sale maintenance services and equipment modernization.

**Main partners**

- Suppliers of raw commodities and materials
- Universities and the labor market
- Industrial enterprises
- Russian and international partners

**Main processes**

Design, production, delivery and installation of equipment for NPP, TPP and GPI enterprises

**Main resources**

- Production capacity of the Holding's enterprises
- Over 25,000 employees
- Raw commodities and materials

**Product positioning**

Production of key equipment and provision of services over the entire life cycle for segments of NPP, TPP and GPI enterprises with the required quality, on schedule and at a competitive cost.

**Marketing and development of relations**

- Entering the foreign market
- Installing new production capacity
- Asset diversification

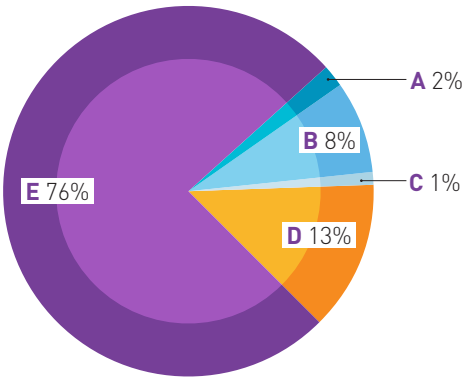
**Sales channel**

Direct participation in tenders for projects to build and modernize power facilities

**Consumers**

- NIAEP, MosAEP, SpBAEP
- Thermal power and oil and gas industry enterprises

**Expenses**

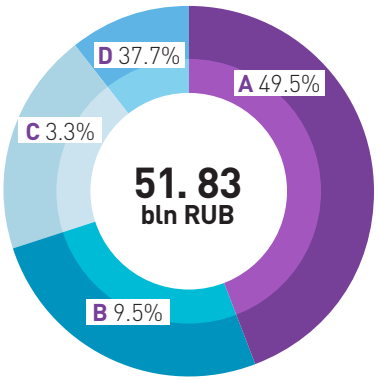



**A** selling expenses
**B** management expenses
**C** profit tax
**D** other
**E** cost of goods sold

**Results of activities**

- Implementation of nuclear energy development program
- Diversification of revenue sources for AEM and Rosatom SC
- Reduction in the level of monopoly in the industry from 85% to 0%

**Revenue**




**A** equipment for nuclear power
**B** equipment for thermal power
**C** equipment for oil and gas industry
**D** other

SECTION 3

This business model ensures the integration of the technological solutions offered to the customer and maximizes value throughout the entire chain for the Company and its shareholders.

The Company's business model reflects the best practices of such global power engineering leaders as General Electric, Siemens, Alstom and Doosan.

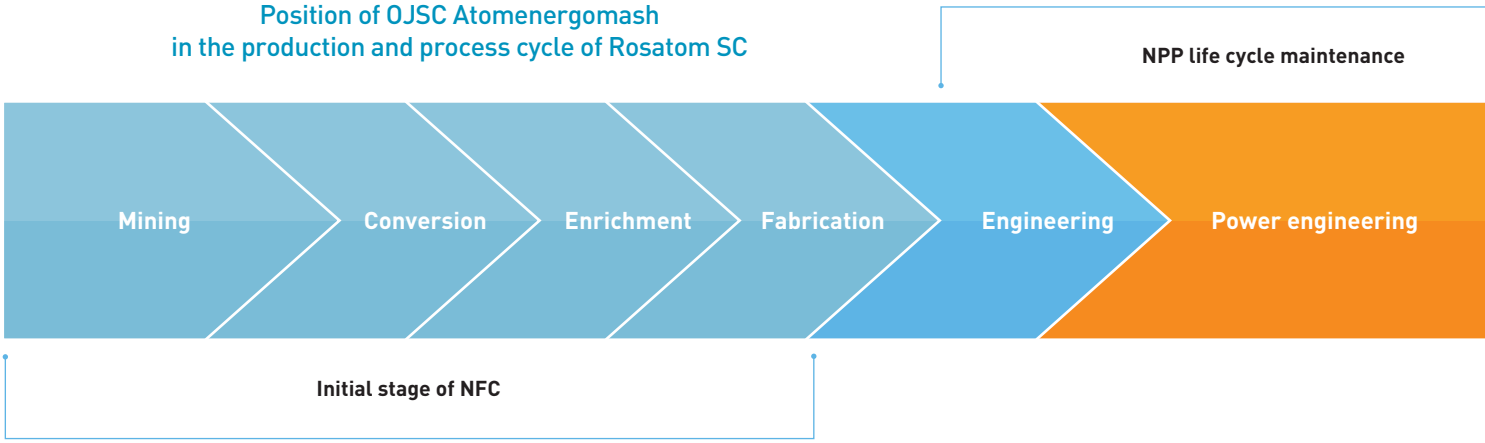
The basicr equirements for the business model are set forth in the Company's strategy adopted in 2011 and include the following:

| | |
|---|---|
| **Client/Product focus** | • First-tier supplier<br>• Offers technology for a backbone product<br>• Offers integrated solutions on the basis of the backbone product (basis for revenue growth) |
| **Competitive basis** | • Technological leader for the backbone product<br>• Well-developed supply management chain |
| **Manufacturability** | Technological leader in the industry |
| **Globalization** | Export exceeds domestic market revenue, competes on the global market |
| **Investments** | Substantial (in R&D and maintaining technological leadership) |

| Design and engineering work | |
|---|---|
| **Castings and forgings** | Castings and forgings from special steel |
| **Equipment for nuclear power industry** | • Reactor plant equipment<br>• Steam generators<br>• MCP and pump equipment<br>• Transport and process equipment<br>• Control and measurement equipment and automation<br>• Turbine generator and other turbine plant equipment<br>• Auxiliary equipment |
| **Equipment for thermal power industry** | • Boiler equipment<br>• Heat exchange equipment<br>• Auxiliary equipment |
| **Equipment for oil and gas industry** | • Reactor, tower and capacitive equipment<br>• Heat exchange equipment<br>• Auxiliary equipment |
| **Construction and installation work** | |
| **Maintenance and modernization services** | |

SECTION 3

## Position of OJSC Atomenergomash in the production and process cycle of Rosatom SC



## 3.6. The Company's role in the activities of Rosatom State Corporation

The Atomenergomash Group of Companies is one of the youngest and fastest growing divisions in Rosatom State Corporation and plays a key role in the activities of the nuclear energy industry as well as in achieving the strategic goals of Rosatom State Corporation.

During the establishment of OJSC Atomenergomash, the Company set ambitious goals on which the further development of the entire power engineering industry in Russia literally depended:

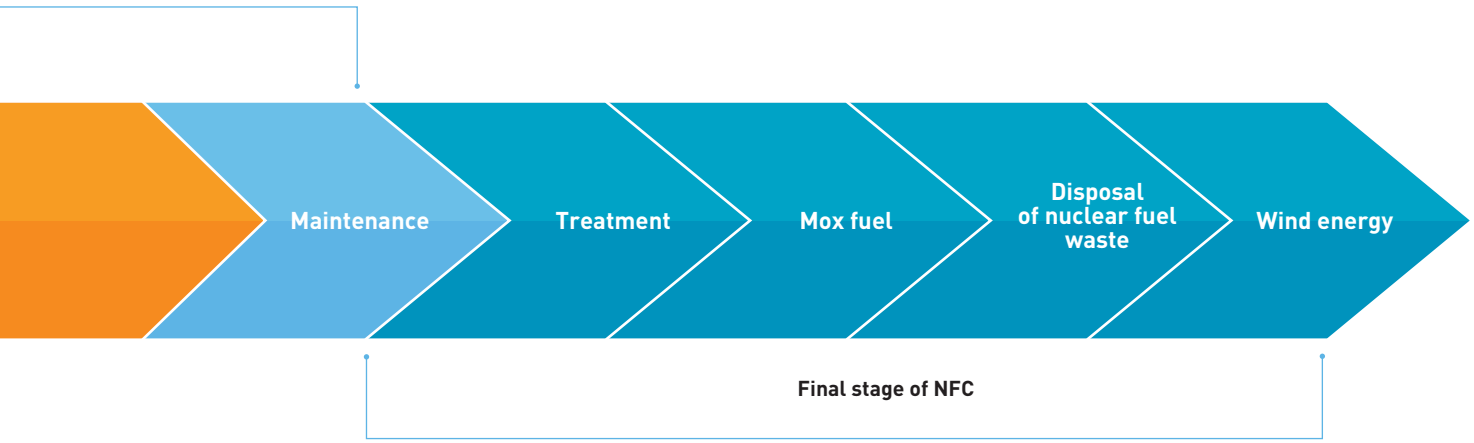
- Ensuring orders are fulfilled for the supply of NPP equipment in the amount required to implement the plans for NPP construction in Russia and abroad;
- Establishing a competitive market for the supply of key equipment and minimizing pressure from the monopoly producers of equipment;
- Ensuring long-term growth in capitalization by increasing the scale and profitability of business, expanding activities in related sectors and developing corporate governance institutions.

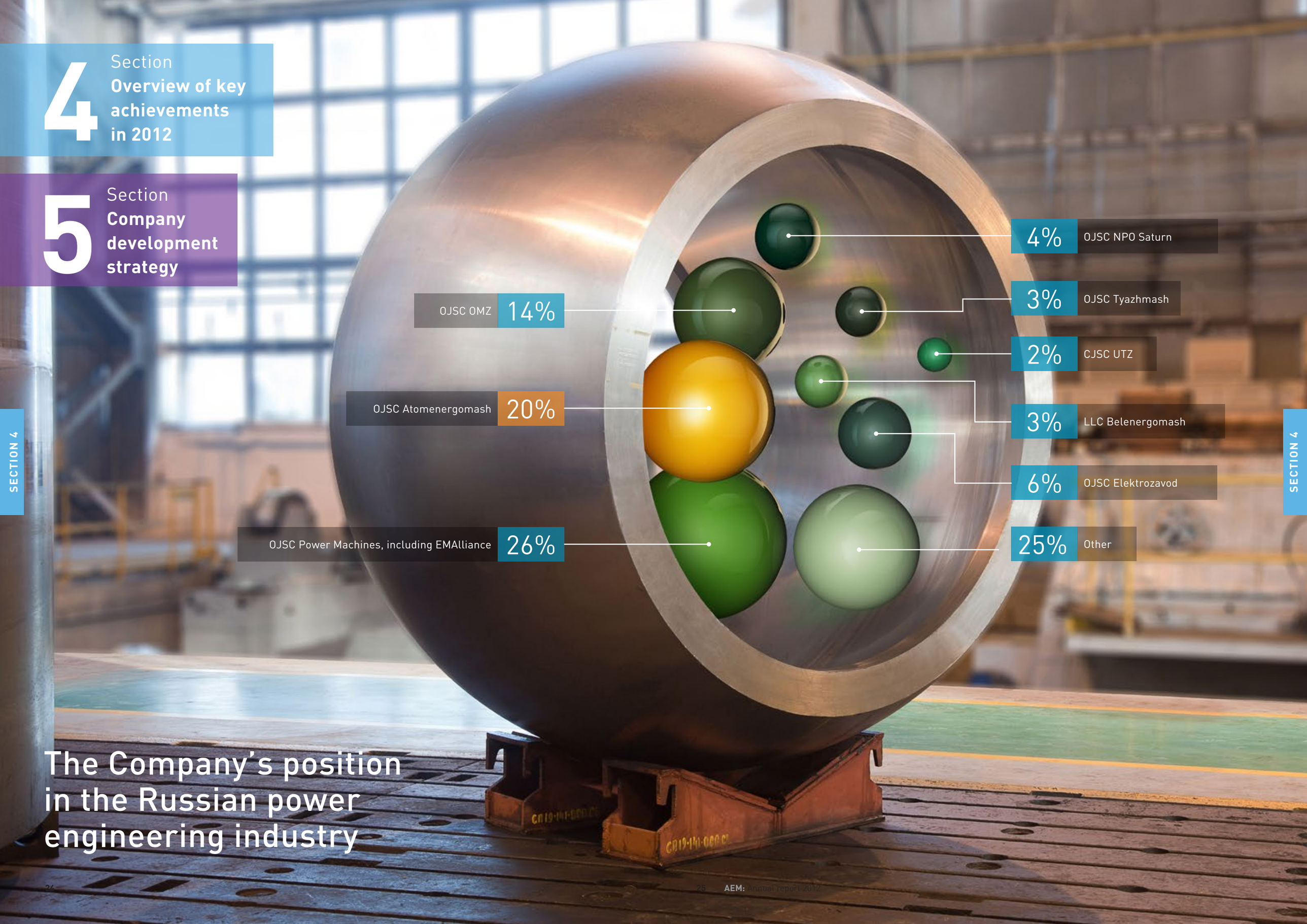
The Company has now achieved its goals: OJSC Atomenergomash supplies Rosatom State Corporation with all the key equipment it needs to build nuclear power generation facilities both in Russia and abroad while successfully contributing to Rosatom's plans to secure leading positions on the global market of nuclear technologies and services.

In addition, a crucial problem facing the industry was resolved as the level of monopolism was reduced to 0%.

In 2011, along with the approval of the Company's long-term development strategy, the foundation was laid for the transformation of OJSC Atomenergomash into a competitive global holding that will take leading positions on the markets for nuclear and thermal power generation equipment, as well as equipment for the gas and petrochemical industry and alternative energy.








# The Company's position in the Russian power engineering industry

# 4. Overview of key achievements in 2012



### Contracts

- OJSC Atomenergomash fulfilled its obligations to deliver equipment for nuclear power plants under construction, in particular supplies of key equipment for the nuclear island of the Novovoronezh, Leningrad, Rostov, Beloyarsk and Baltic NPPs.

- A contract was concluded for the supply of a turbine plant (turbines and auxiliary equipment for more than RUB 30 billion) for two units of the Baltic NPP in Kaliningrad Region.

### Production

- The first stage of production modernization was completed at CJSC Petrozavodskmash with the launch of the manufacturing of steam generator shells and valves for NPPs. CJSC Petrozavodskmash is a unique example of how new key production equipment may be built for the nuclear industry in Russia in a very short time span.

- OJSC Energomashspetsstal completed a seven-year plant modernization program (for USD 300 million) and established modern energy efficient production. The company is capable of manufacturing the entire range of key castings and forgings for NPPs, including shells for VVER reactors, the MCP shell and turbine plant equipment using Arabelle technology. For the first time in its history, the Company developed the production of unique ingots weighing production of unique ingots weighing up to 415 tons, which opens the door for the development of new types of products for the nuclear, steel, petrochemical and other industries. Today Energomashspetsstal is a certified supplier of a broad range of products "for major global companies, including Alstom, Rolls-Royce, Toshiba, BHEL and General Electric.

- A branch of AEM Technologies was established in Volgodonsk at facilities leased by the Atommash plant in order to expand the Company's ability to manufacture basic technological equipment for NPPs in addition to the gas and petrochemical industries. Reactor production was quickly restored at the Volgodonsk site last year for the first time in a quarter of a century. OJSC Atomenergomash also produced and delivered in record time the first molten core catcher for the Baltic NPP, which was manufactured in Volgodonsk.

- In late 2012, the Company decided to set up turbine plant production in Volgodonsk using Arabelle technology jointly with Alstom Power. This decision will enable the Company to become a leading player on the high-capacity turbine equipment market. The production of turbine plant equipment for the first unit of the Baltic NPP is slated to begin in 2013.

### Diversification

- Among the key supplies for TPP in 2012, OJSC Atomenergomash fully completed a project to modernize the boiler at the oldest active TPP in Russia — Mosenergo HPP-1 and also delivered boiler equipment for the Nizhnevartovsk TPP (also known in Soviet times as state district power plants, or SDPP), Nazarovo TPP, South Urals TPP-1 and Luhansk CHP in Ukraine.

- Among new businesses, the Company formed a wind energy business on the core of the recently established company VetroOGK. Cooperation that began in 2012 between OJSC Atomenergomash and the Republic of Adygea calls for conducting wind monitoring in the region for the construction of the first wind farm with total capacity of 30 MW. In addition, OJSC Atomenergomash launched the client wind power systems (CWPS) project under which potential clients in regions experiencing energy shortages will be given the opportunity to set up wind farms or wind turbines.

### Globalization

- In November 2012, OJSC Atomenergomash and OJSC Turboatom (Ukraine) concluded an agreement on cooperation in equipment supplies for TPPs. This agreement will enable the two companies to make package proposals for participation in projects to build and modernize TPPs in Russia, Ukraine and third countries.

- The order book of Ganz EEM grew seven-fold thanks to orders in Russia (high-capacity pumps for NPPs).

- The Holding's Eastern European companies concluded contracts for the supply of more than EUR 40 million worth of equipment in October 2012 during the Atomex-Europe international exhibition in the Czech Republic.

### Efficiency

- In late 2012, OJSC Atomenergomash prepared and approved the main focuses of the Comprehensive Efficiency Improvement Program of OJSC Atomenergomash Enterprises for the Period of 2013-2018 with the support of Rosatom State Corporation. The program includes three modules that will result in the development of an organizational model for the Holding, the specialization of key production facilities, the identification of performance targets for the Holding's enterprises and measures to achieve these results.

- The effect from measures to implement the Rosatom Production System totaled RUB 368 million in 2012.

# 5. Company development strategy

## 5.1. Primary focuses of the Company's strategic development

In 2011, OJSC Atomenergomash was the first division of Rosatom State Corporation to prepare and approve a strategy for its development for the period until 2030, calling for its transformation into a high-tech, diversified, global holding that is competitive on the global market and sustainable in the long term.

### Mission of OJSC Atomenergomash

To establish and develop globally competitive technological solutions for the power industry in order for people to maintain a comfortable life and to achieve growth in the Company's business results

Accordingly, the Company has set the following strategic objectives:

- Finish building the Holding's corporate profile through the integration of power engineering enterprises, including foreign ones;
- Horizontal development — expanding the presence of the Group's enterprises in related sectors (thermal power, alternative energy, gas and petrochemical industry);
- International cooperation with global leaders through incorporation into their production chains, establishing alliances, and localizing advanced foreign technologies in Russia;
- Globalization of operations, including the localization of production in priority regions where the Company operates;
- Expanding the list of services offered before, during and after the sale of products;
- Improving the efficiency of production activities through the implementation of cost-cutting, technological development and R&D programs aimed at introducing advanced and highly efficient design and manufacturing processes;
- Implementing programs to improve product quality and develop personnel.

The Company's strategy identifies long-term targets that outline the implementation of the aforementioned strategic objectives:

| Indicator | Indicator value by 2030 |
|---|---|
| Share of the Russian power engineering industry | 50% |
| Share of revenue from non-nuclear sectors | 60% |
| Share of maintenance and modernization in the revenue structure | 20% |
| Share of revenue generated by assets abroad | 35% |
| Labor productivity | USD 350,000/person |
| Percentage of revenue spent on R&D | 3% |

As previously mentioned, the key events of 2012 included the preparation and approval of the main focuses of the Comprehensive Efficiency Improvement Program (CEIP) for the period 2013-2018, which aims to boost the competitiveness of key OJSC Atomenergomash enterprises.

In preparing the CEIP, a comparison (benchmarking) was carried out of the Holding's key products with the products of its competitors, both domestic and foreign. The benchmarking revealed that in general the products of OJSC Atomenergomash are within the same price range as their competitors and also meet other competitiveness criteria.

A comparable price level is achieved through the lower cost of the main production factors in Russia at present, however production efficiency needs to be improved, in particular labor productivity, and permanent production costs need to be reduced in order to maintain the competitiveness of products due to expected growth in the cost of production factors.

## Main measures of the CEIP

| Area | Initiative |
|---|---|
| **Growth in revenue and capacity utilization** | |
| Increasing sales efficiency | 1. Repartition of responsibilities between AEM and SASC as well as improving of interaction with core clients for sales efficiency growth. |
| | 2. Development competences of supply of islands. |
| Entering the market for new products in the GPI and thermal power industry | 1. Expanding the product line in the nuclear segment.<br>2. Significant growth of the market share at the gas and petrochemical industry and thermal power market |
| Improving product competitiveness, among other things through realization of RPS initiatives | 1. Reducing costs through design solutions for thermal power products<br>2. Reduction in material consumption |
| | 3. Optimization of production decisions or procurements on the side<br>4. Optimization of procurements through category management |
| **Determination of product specialization at facilities** | 1. Optimization of solutions on the location of production between facilities<br>2. Mothballing or reorientation of excess capacity |
| **Reduction in permanent expenses and investment of the current SASC, among other things through realization of RPS initiatives** | 1. Improving of SASC organizational structures and optimization of personnel numbers<br>– Determing of functions for outsourcing<br>– Reduction of quantity of management levels at SASC to the industry standards<br>– Optimization of personnel numbers<br>2. Compaction: reduction in area occupied by enterprises<br>3. Improving energy efficiency |
| **Improvement in management efficiency** | |
| Compliance with order execution terms | Improving of production planning system and orders' execution |
| Human resources management | Increasing of level of qualification and engagement of the personnel |
| **AEM's corporate profile specification** | Spin-off of the specific SASC out of the corporate profile |

Responsibility of AEM  Responsibility of SAC  Responsibility of AEM and SAC

Selective diagnostics of the Holding's production facilities conducted on the basis of OJSC ZiO-Podolsk revealed significant potential for an increase in the profit margins of production, as well as the ability to enhance management efficiency, in particular through improvements to the production planning system.

Based on the results of the diagnostics, OJSC Atomenergomash established the following priority focuses for improving efficiency in its core business segments:

- in the nuclear category: determining production specialization, reducing the permanent expenses of the main production facilities and meeting order deadlines;
- in the non-nuclear category: growth in revenue and capacity utilization, a reduction in permanent expenses and product specialization at the main facilities (including placing orders between facilities and overlapping product range).

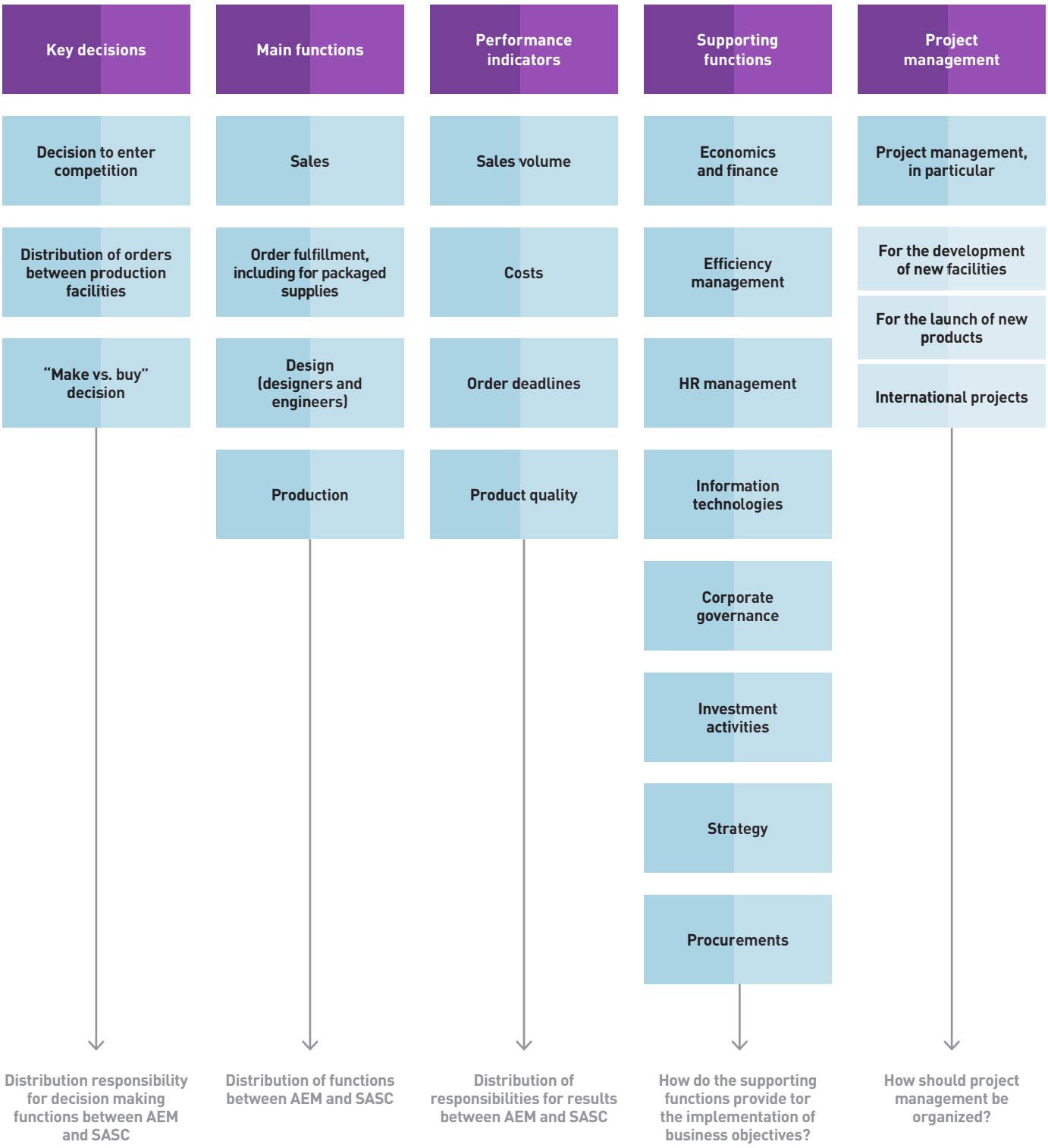
These measures will primarily affect 20 of the Holding's key enterprises that account for 80% of its revenue. Specific measures are to be prepared for each of them in the first quarter of 2013 within the framework of the CEIP and an assessment is to be conducted of the cumulative effect of their implementation in 2013 as well as in the period through 2018.

Part of the expenses and economic effect that is achieved will be used to increase wages so that the company functions effectively while also being appealing to workers.

In addition, the plans for 2013 include the development of a management model for the Holding. The management model for OJSC Atomenergomash involves the distribution of the main and supporting functions, key decisions and responsibilities according to management level as part of six business areas, specifically: nuclear energy, thermal power, gas and petrochemical, backbone SASC (supporting the essential needs of other enterprises for R&D, design work and basic castings and forgings), new businesses and non-core SASC.

The main components of the OJSC Atomenergomash management model include the following:

## Main components of management model




Questions to be answered by management model

SECTION 5

## 5.2. Power engineering market in 2012

### Macroeconomic situation

Global economic growth totaled 3.2% in real terms in 2012, which exceeded the previous year's figure of 2.7%. This is primarily due to a certain degree of stabilization in the situation surrounding the European debt crisis as well as improved economic indicators in the United States and China.

The World Bank says average growth in developing nations totaled 5.5% in 2012 (largely thanks to growth of 7.8% in the Chinese economy), while growth in the Russian economy amounted to 3.4% in 2012, down from 3% in 2011.

According to the International Energy Agency's WEO-2012 report, annual growth in the consumption of primary energy resources is expected to be 1.9% prior to 2015, while annual growth in electricity production over the same period is projected at 3.2%. Emerging markets, in particular China, India and Latin America, account for the largest amount of consumption and growth.

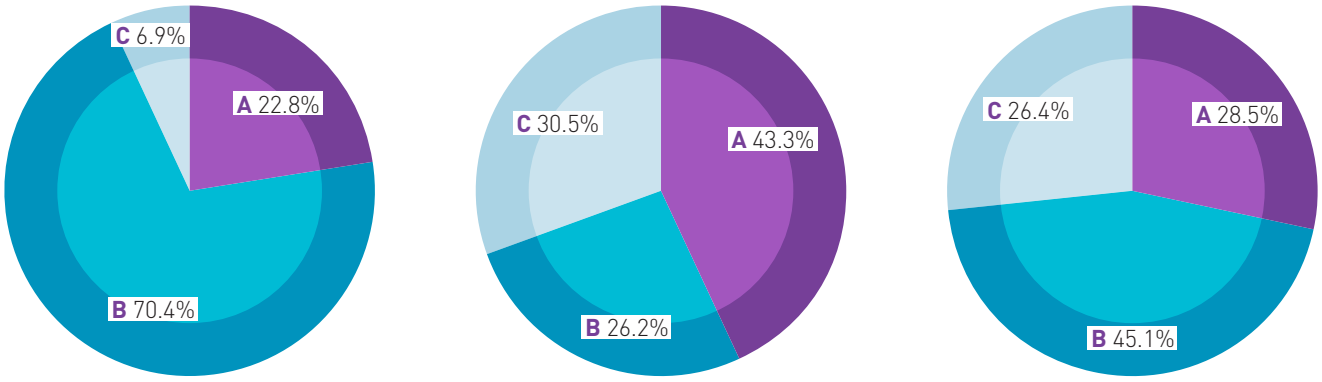
### Global power engineering market[7]

The global power engineering market is currently valued at more than USD 200 billion per year, and the volume of this market may expand to over USD 300 billion per year by 2030.

In 2012, the largest share of investment for new power plant equipment was spent on thermal power. The proportion of expenses on equipment in nuclear power, thermal power and the gas and petrochemicals industry is expected to even out by 2030.

SECTION 5

Changes to the structure of the global power engineering market by 2030, %




**A** Market for NPP equipment **B** Market for TPP equipment **C** Market for GPI equipment

### Russian power engineering market

The Russian power engineering market will follow general global trends for the next few years, however the nuclear power engineering market will take over first place globally in the period before 2020.

The main focuses of the power engineering market in Russia involve plans to introduce new generating capacity in accordance with the general plan for the siting of electricity facilities before 2020 and the long-term period prior to 2030 and also in accordance with the road map for the construction of nuclear power plants prepared by Rosatom State Corporation.

According to the information of System Operator of the Unified Energy System, total installed capacity at the power plants of UES of Russia amounted to 223,070.83 MW as of the end of 2012.

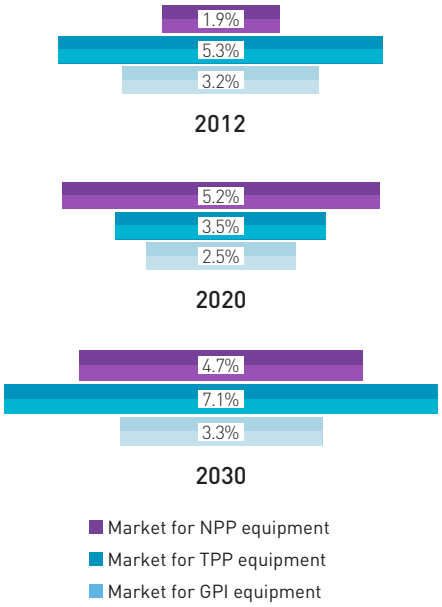
[7] Forecast based on the market models of OJSC Atomenergomash.

Installed capacity of power plants increased by 6,460.5 MW in 2012 due to the commissioning of new generating equipment and the modernization of existing power plant equipment, including:

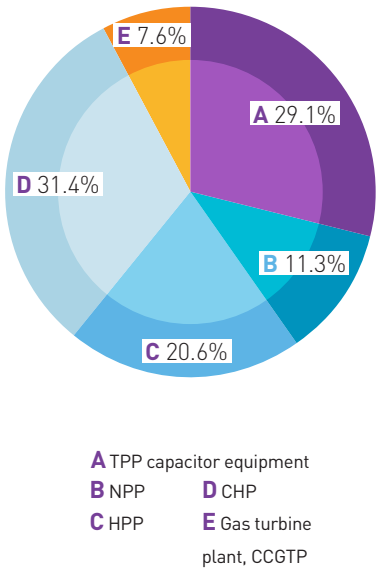
- the commissioning of new capacity of UES of Russia power plants in 2012 totaled 6,134.31 MW taking into account the power plants of industrial enterprises;
- increase in installed capacity of existing generating equipment due to modernization totaled 339.09 MW.

Generating equipment of UES of Russia power plants with total capacity of 1,911.37 MW was decommissioned.

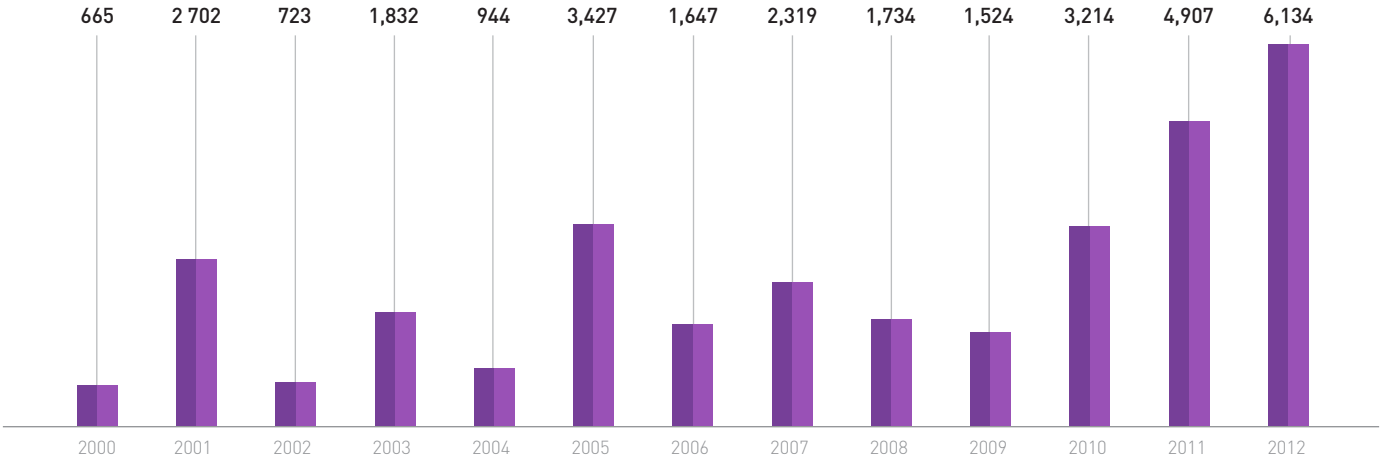
## Forecast of Russian power engineering market, USD bln




## Structure of the installed capacity UES of Russia power plants by type of generating equipment as of 1 January 2013




## Commissioning of generating capacity in Russia, MW, 2000-2012




In 2013, installed capacity is expected to increase by 6,963.95 MW, including by 6,822.95 MW from the commissioning of new capacity and 141.0 MW from the modernization of existing equipment.

As in 2011, thermal power accounted for the vast majority of the newly commissioned capacity. The main facilities which acquired new capacity were Ivanovo Combined Cycle Power Plant (CCPP), Syzran CHP, Zauralsky CHP, Urengoy TPP (SDPP), Kirishi TPP (SDPP), Pravoberezhnaya CHP-5, Krasnodar CHP, Adler CHP (2 units), Krasnoyarsk CHP-3, Kharanorskaya TPP (SDPP) and Boguchan HPP (4 units).

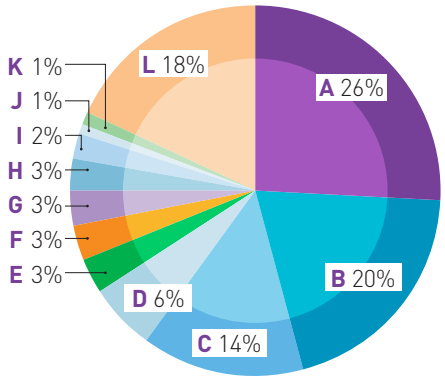
Electricity generation by power plants controlled by UES of Russia, including electricity production at the power plants of industrial enterprises, totaled 1,032.3 billion kWh in 2012 (up 1.3% from 2011), including:

- TPPs: 699.5 bln kWh (up 1.2%);
- HPPs: 155.4 bln kWh (down 0.1%);
- NPPs: 177.4 bln kWh (up 2.6%).

# 5.3. The Company's position in the global and Russian power engineering industry

Pursuing the strategy of establishing a global power engineering company, OJSC Atomenergomash facilitates the implementation of Rosatom State Corporation's plans to develop the Russian nuclear power industry. As of the end of 2012, the companies of the power engineering division of Rosatom State Corporation — the OJSC Atomenergomash Group of Companies — had a market share of approximately 20% as the Company reaffirmed its position as one of the leading market players in terms of revenue.

### The Company's position in the global and Russian power engineering industry

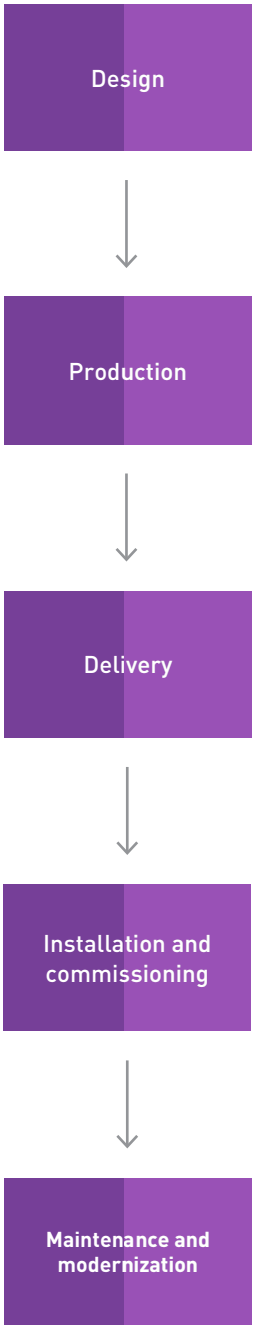



**A** OJSC Power Machines, including EMAlliance
**B** OJSC Atomenergomash
**C** OJSC OMZ
**D** OJSC Elektrozavod
**E** OJSC NPO Saturn
**F** OJSC Tyazhmash
**G** LLC Belenergomash
**H** CJSC Petrozavodskmash
**I** CJSC UTZ
**J** OJSC Elsib
**K** OJSC Sibenergomash
**L** Other

Note: Excluding equipment for the gas and petrochemical industry sector.

Source: Company data, media, AEM assessment, RBK.

atomenergomash
COMPANY OF ROSATOM




At the same time, it is important to note that the historical nature of the market has resulted in a unique situation whereby there is a limited level of competition between enterprises due to the narrow specialization and the uniqueness of product lines.

The integration of companies with unique abilities into the corporate profile of OJSC Atomenergomash facilitates the creation of competitive offerings that enable the Holding to lay claim to strong positions on both the domestic market and foreign markets.

## 5.3.1. Position on the market for NPP equipment

Rosatom State Corporation currently ranks as number one in the world in terms of the number of NPPs in the construction stage or in preparation for construction. The Holding's high degree of vertical integration enables it to take part in projects to build NPPs in all stages of the value chain, including design, installation, configuration, post-sale maintenance services and equipment modernization.

The Atomenergomash Holding is the sole producer of numerous equipment items for NPPs built using the Russian design:

| | |
|---|---|
| **Shell equipment** | Sole Russian producer of steam generators for Russian types of NPPs |
| **Pump equipment** | Sole Russian producer of main circulation pumps for Russian types of NPPs |
| **Valves** | Has the ability to manufacture more than 70% of the entire range of valves for NPPs |
| **Piping** | One of the largest producers of high-pressure pipes in Russia |
| **Fast neutron reactor plants** | Chief designer and single-source supplier of fast neutron reactor plants (supervised company OJSC Afrikantov OKBM) |

Companies that are part of the consolidation profile manufacture unique equipment:

| | |
|---|---|
| **Reactor plants for nuclear submarines and cruisers** | OJSC Afrikantov OKBM is the chief designer and manufacturer of ship-based reactor plants for the Navy |
| **Marine reactor plants for the icebreaker fleet** | OJSC Afrikantov OKBM is the chief designer and manufacturer of reactor plants for the nuclear icebreaker fleet |
| **Reactor plants for low and medium-capacity nuclear plants** | OJSC Afrikantov OKBM is the chief designer and manufacturer of reactor plants for surface and floating nuclear plants with low and medium capacity as well as the chief designer for the regional nuclear power industry |
| **Nuclear fuel handling equipment** | OJSC Afrikantov OKBM develops and supplies different types of equipment for handling nuclear fuel and the repair of marine and ship-based fast neutron reactors (including devices for the replacement and repair of pumps, heatexchangers, actuators of control and protection systems, handling mechanisms, elevators, etc.) and the reactor plants of nuclear heating plants |

Equipment produced by the Atomenergomash Group of Companies is installed at all nuclear power plants built in the countries of the former Soviet Union and at several foreign nuclear power plants in Bulgaria, Hungary, the Czech Republic, the former East Germany and Finland with VVER-440 and VVER-1000 reactors.

## Key projects in the nuclear energy segment in 2012

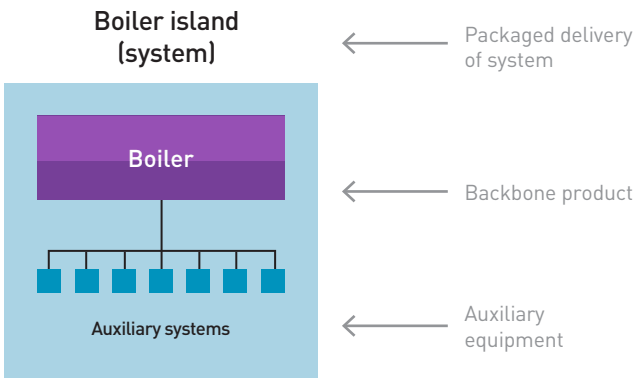
| Plant name | Equipment manufactured/supplied |
|---|---|
| **Rostov NPP, unit 3** | Set of PGV-1000M steam generators, SHS and HPH, high-pressure pipes |
| **Novovoronezh NPP-2, unit 1** | Set of SHS and HPH, main circulating pump unit |
| **Novovoronezh NPP-2, unit 2** | Set of PGV-1000MKP steam generators, SHS and HPH, MCP components |
| **Leningrad NPP-2, unit 1** | Set of SHS and HPH, main circulating pump unit, MCP components |
| **Belene NPP** | Set of PGV-1000MKP steam generators (6 units) |
| **Beloyarsk NPP** | Equipment for Fast Neutron Reactor Plant-600 and 800 and turbine plant |
| **Baltic NPP, unit 1** | Core melt localization device |

During the reporting period, other key equipment was in production for Leningrad NPP-2, Novovoronezh NPP-2, Rostov NPP, Baltic NPP and Beloyarsk NPP. In addition, supplies and services were provided to Balakovo NPP, Beloyarsk NPP, Bilibino NPP, Kalinin NPP, Kola NPP, Kursk NPP, Smolensk NPP, Zaporizhia NPP (Ukraine), Rivne NPP (Ukraine), Mochovce NPP (Czech Republic), Bushehr NPP (Iran), Kudankulam NPP (India), Kozloduy NPP (Bulgaria), Paks NPP (Hungary), Jaslovské Bohunice NPP (Slovakia), Temelin NPP (Czech Republic) and Tianwan NPP (China).

The Holding's enterprises are continuously performing work to modernize the equipment of existing NPP in order to improve reliability, economic performance and increase service life.

## 5.3.2. Position on the market for TPP equipment

The core competence of the Atomenergomash Group of Companies in this area is the packaged supply of boiler islands consisting of a boiler and different types of auxiliary equipment:




SECTION 5

The Holding's key products in the thermal power segment include boiler units and heat recovery steam generators (under the license of the Dutch engineering company NEM Energy) for TPP power units with capacities ranging from 50 to 800 MW. ZiO-Podolsk has manufactured more than 700 boiler units with varying capacities and parameters for more than 150 Russian and foreign power plants.

During the reporting period, heat recovery steam generators were supplied to the Yuzhnouralsk, Nizhnevartovsk and Novomoskovsk TPPs (SDPP). In addition, other key equipment was delivered to the Nazarovo and Kashira TPPs (SDPP), the Luhansk CHP, the Novgorod TPP and Mosenergo HPP-1.

### Key projects in the thermal power segment in 2012

| Plant name | Equipment manufactured/ supplied |
|---|---|
| **Nizhnevartovsk TPP (SDPP)** | Heat recovery steam generator |
| **Novomoskovsk TPP (SDPP)** | Heat recovery steam generator |
| **Yuzhnouralsk TPP (SDPP), unit 1** | Heat recovery steam generator |
| **Mosenergo HPP-1** | Boiler unit |

In 2011-2012, OJSC Atomenergomash had an 8%-9% share of the market for heat recovery steam generators (in terms of contracted capacity). The goal over the next five years is to increase the share in this segment to at least 30%.

Given the large volume of installed boiler equipment manufactured by the Holding's companies (primarily OJSC ZiO-Podolsk), a key focus of business in the thermal power segment is participation in projects to modernize TPPs in Russia and CIS countries. As part of developing this area, OJSC Atomenergomash and OJSC Turboatom (Ukraine) signed an agreement on the implementation of joint projects in the modernization and construction of new TPPs in Russia, Ukraine and, eventually, third countries. The Company's strategic goal is to gain a 20%-50% share of the target markets for modernization projects.

According to the master plan for the siting of Russian power generation facilities, substantial volumes of boiler equipment are to be commissioned for ultra-supercritical steam parameters the very latest technology, which many Russian manufacturers are currently lacking. The Atomenergomas Group of Companies is planning to develop experience in this segment in order to increase the share on the coal-fired boiler market in Russia for supercritical and ultra-supercritical steam parameters to 20%-30% (depending on the product).

## 5.3.3. Position on the market for GPI equipment

OJSC Atomenergomash takes part in joint projects with major national companies in the oil and gas sector (OJSC Gazprom, OJSC Lukoil, OJSC Rosneft OC and others) to build and modernize their production facilities.

The key products of the Atomenergomash Group of Companies in the gas and petrochemical segment are:

- Air coolers of all modifications.
- Tower, capacitive and heat exchange vessels.
- Tubular, vertical and horizontal regenerative air heaters.
- Direct heat tube furnaces and product coils.
- Separator filters.
- Reactor equipment.
- Boilers and steam generators for thermal influence on oil reservoirs.
- Dust collector units of the CPU.
- Piping connection components.
- Valves.
- Flare units of all types.
- Auxiliary equipment.

With the opening of the branch of CJSC AEM Technologies in Volgodonsk in 2012, it should be noted that in addition to VVER reactor plant equipment its traditional product rang eincludes large-capacity reactor

### Key events in the GPI segment in 2012

| Date | Project description |
|---|---|
| April 2012 | Strategic partnership agreement concluded between Rosatom SC and OJSC Lukoil |
| May 2012 | Completion of equipment supplies for major capital construction projects of OJSC Gazprom |
| June 2012 | Signing of a cooperation agreement with LLC TNK-Uvat (TNK-BP) for the implementation of investment projects |
| July 2012 | Conclusion of agreement with LLC Gazkomplekt-servis — an operator of OJSC Gazprom — for the manufacturing and supply of equipment |
| August 2012 | Accreditation as an oil refinery equipment supplier to OJSC Rosneft OC |
| September 2012 | Orders received for the supply of 48 sets of CPU-11.8 dust collectors for the construction of compressor stations on the Bovanenkovo-Ukhta gas transmission network by CJSC Yamalgazinvest |

and tower equipment for the oil refining, gas and petrochemical industries. In particular, the Volgodonsk branch produced a hydrotreater unit for the Ryazan Oil Refinery (TNK-BP) in 2012. This equipment will become an integral part of the new isomerization unit at the oil refinery in Ryazan.

The Volgodonsk plant is currently manufacturing another two oil refining reactors for the Ryazan-based company. While the share of the Holding's companies in this segment (in terms of contracted tonnage) does not currently exceed 4%-5%, taking into account the projected volume of new capacity for secondary generation and petrochemical production, it is promising and has the potential to boost the Holding's market share to at least 10% in the medium-term.

The Holding also plans to increase its share of the valves market.

### 5.3.4. Position on the market for castings and forgings made from special steel

In 2010, the production profile of OJSC Atomenergomash expanded with the acquisition of the Ukrainian company OJSC Energomashspetsstal. This company's main specialization is the production of large-capacity work pieces made from special steel — castings (up to 300 tons) and forgings (up to 250 tons) for power equipment (including nuclear reactors, special pumps, steam and hydro-generators). In terms of its combined features, in particular its production scale, OJSC Energomashspetsstal is among the five to six largest global producers with a market share of 4%-5% (depending on the product segment).

The acquisition and inclusion of OJSC Energomashspetsstal in the Holding enabled the OJSC Atomenergomash Group of Companies not only to establish a nuclear island supplier within the structure of Rosatom State Corporation that is capable of meeting the industry's needs in the required volume but also to become a key link in the global chain of castings and forgings supplies for the world's leading power engineering companies, including Alstom, Rolls-Royce, Toshiba, BHEL and General Electric.

The consumers of OJSC Energomashspetsstal products currently include companies from Russia, the United States, India, Belarus, Germany, France, Austria, Switzerland, Finland, Poland, China, Norway and Bulgaria.

During the reporting year, OJSC Energomashspetsstal strengthened its market positions by implementing a large-scale modernization program that provides opportunities to enter new segments and develop new types of products for the power, shipbuilding, steel, petrochemical and other industries. At present, the company is able to manufacture the entire range of key castings and forgings for NPPs, including shells for the VVER and VVER-TOI reactors, the MCP shell and turbine plant equipment.

#### Key events in the segment for castings and forgings from special steel in 2012

| Date | Project description |
|---|---|
| April 2012 | Casting of a unique ingot weighing 415 tons |
| May 2012 | Turbine wheel shell work pieces built for Dnieper HPP using new technology |
| November 2012 | Contract signed with OJSC Tyazmash for the supply of castings and forgings |
| December 2012 | Completion of reactor shell component manufacturing for VVER-TOI project |

SECTION 5

**OJSC Energomashspetsstal is among the five to six largest global producers with a market share of 4-5%**

## 5.4. Role of the sustainable development concept in the Company's strategy and its application in core activities


"Sustainable development is the kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs"[8].

When determining its strategic objectives, Atomenergomash takes into account the need to comply with the principles of the sustainable development concept as a mandatory condition for medium and long-term business success.

OJSC Atomenergomash understands sustainable development as the proper use of material and intellectual resources in the environmental, social and economic spheres. The concept of sustainable development significantly expands the potential for cooperation between the Company and its stakeholders.

The sustainable development terminology used at OJSC Atomenergomash is consistent with the UN wording and the Company transforms it into specific actions related to commercial, production and corporate processes in the present and future with adjustments for the geographic and operational features of Russian enterprises.

The sustainable development concept is of great importance to OJSC Atomenergomash due to the fact that the Company's strategic objectives can be only attained through well-balanced development that takes into account interests of all stakeholders and motivates all SASC and Company management bodies to adhere to a common strategic business model.

[8]UN World Commission on Environment and Development - Brundtland Commission from 1987.

## Global agenda for sustainable development

| GLOBAL AGENDA | IMPACT ON INDUSTRY | IMPACT ON COMPANY |
|---|---|---|
| Past and present waste from human activities (contamination of the environment) | Impact on the nuclear power sector | |
| | Development of technologies to handle spent nuclear fuel (SNF) and radioactive waste (RAW) | Production of equipment for SNF and for the conditioning and disposal of RAW |
| Limited natural resources | Impact on the nuclear power sector | |
| | Development of fast neutron reactors with a closed nuclear fuel cycle (CNFC) | Production of equipment for fast neutron reactors CNFC |
| | Increases to the design life in NPP | Maintenance solutions to extend the life of equipment |
| | Impact on related power sectors | |
| | Development of clean technologies | Production of coal-fired power plant equipment running on circulating fluidized bed (CFB) technology |
| | | Development of maintenance solutions to reduce TPP emissions |
| | Use of renewable energy resources | Development of the production of wind power plant equipment and the construction of wind farms |
| | Increases to in the design life of thermal power generation facilities | Maintenance solutions to extend the life of TPP equipment |
| Transition to life cycle management of integrated engineering facilities | Impact on the nuclear and related power sectors | |
| | Operational safety of power generation facilities | Introduction of advanced production technologies |
| | | Training of young professionals, ensuring succession and the preservation of crucial professional knowledge and experience |
| | | Quality control |



The sustainable development concept is based on a list of focuses in which the foundation is a comparative analysis of global competitors around the word and an analysis of the world's best management practices. Particular attention is devoted to the technical correlation between the required aspects of development and the strategic business plan.

The Company's sustainable development concept is based on the following principles:

1. The identification, analysis and introduction of a risk management system in the Company's various business fields.

2. A process approach versus project approach — the adjustment of management structure, the identification of measurable parameters, setting goals and process control.

3. Expanding dialogue with stakeholders, establishing feedback, and monitoring performance with respect to internal and external expectations.

4. Achieving mutual benefits for the Company and stakeholders — employees, unions, shareholders and local communities.

As a result in the growth of the Atomenergomash Group of Companies, enterprises at various stages of corporate maturity have joined the corporate profile. Along with the Holding's relatively young age, this makes the task of introducing sustainable development principles rather time-consuming and resource-intensive.

### Public reporting practice

Since 2010, OJSC Atomenergomash has held public discussions on its most important development paths and also considered an agenda concerning the sustainable development concept — issues involving this subject are present in almost every section of the Report. The Company's sustainable development principles are covered in the description of production activities as part of the promotion of the economic development of the regions in which it operates, in the HR policy and also in other sections of the Report. These sections also take into account expenses on support for public infrastructure, cultural initiatives and the funding of social programs..

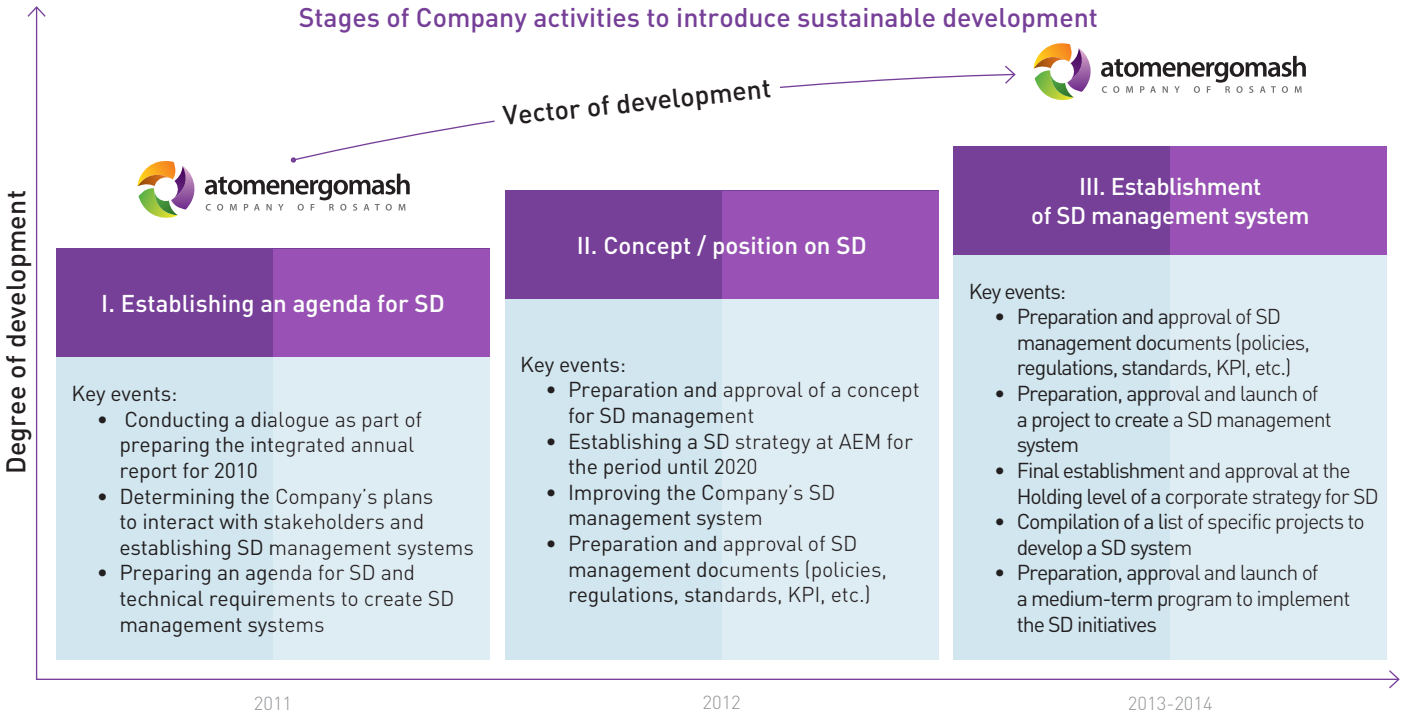
### Functional components in the management system for implementing the Company's sustainable development strategy

The concept of sustainable development can be successfully implemented in the Company's activities by creating a bridge between the corporate level (which is responsible for defining its long-term business strategy) and the functional level (where the strategies and business plans of each SASC are implemented).

Such coordination is necessary to institutionalize an efficient management system, including managing material aspects of sustainable development, determining KPIs, setting and accomplishing operational goals, progress monitoring, and deploying sustainable development procedures throughout the Holding.

The Company currently faces the task of ensuring it is prepared to introduce sustainable development principles in the following spheres:

**Structure and competencies** — the OJSC Atomenergomash Strategy Department performs the role




of a strategic integrator of the Company, its departments and SASC: it collects and analyzes information on various activities, studies best practices for future implementation at the Company and establishes benchmarks.

Objectives for the further implementation of sustainable development principles at SASC:

- System management of sustainable development.
- Training and support for all Company divisions with respect to new initiatives.
- Collection of audit reports and compilation of a single report.
- Management of changes and establishment of an up-to-date database.

**Indicators and information** — Improvements to the monitoring infrastructure will increase the level of control over various business segments and facilitate the effective and efficient management of sustainable development within the Holding.

**Processes** — Activities carried out over the course of the reporting period laid the foundation for initiatives, projects and future processes in accordance with the following principles:

- the gradual introduction of new initiatives in the operating activities of companies;
- the consolidation of corporate information system data or the direct generation of new data.

**Dialogue and interaction with stakeholders** — The Company intends to maintain on-going cooperation with stakeholders. A third round of meetings with stakeholders was held during the reporting period. Dialogue and public consultations enable the Company to understand stakeholders' needs, exchange opinions, receive feedback on its performance and thus expand the sphere of its influence.

When summarizing the results achieved by OJSC Atomenergomash in this area during the reporting period, it should be noted that 2012 proved to be arather productive year and the Company succeeded in implementing the critical set of plans it had set for the year

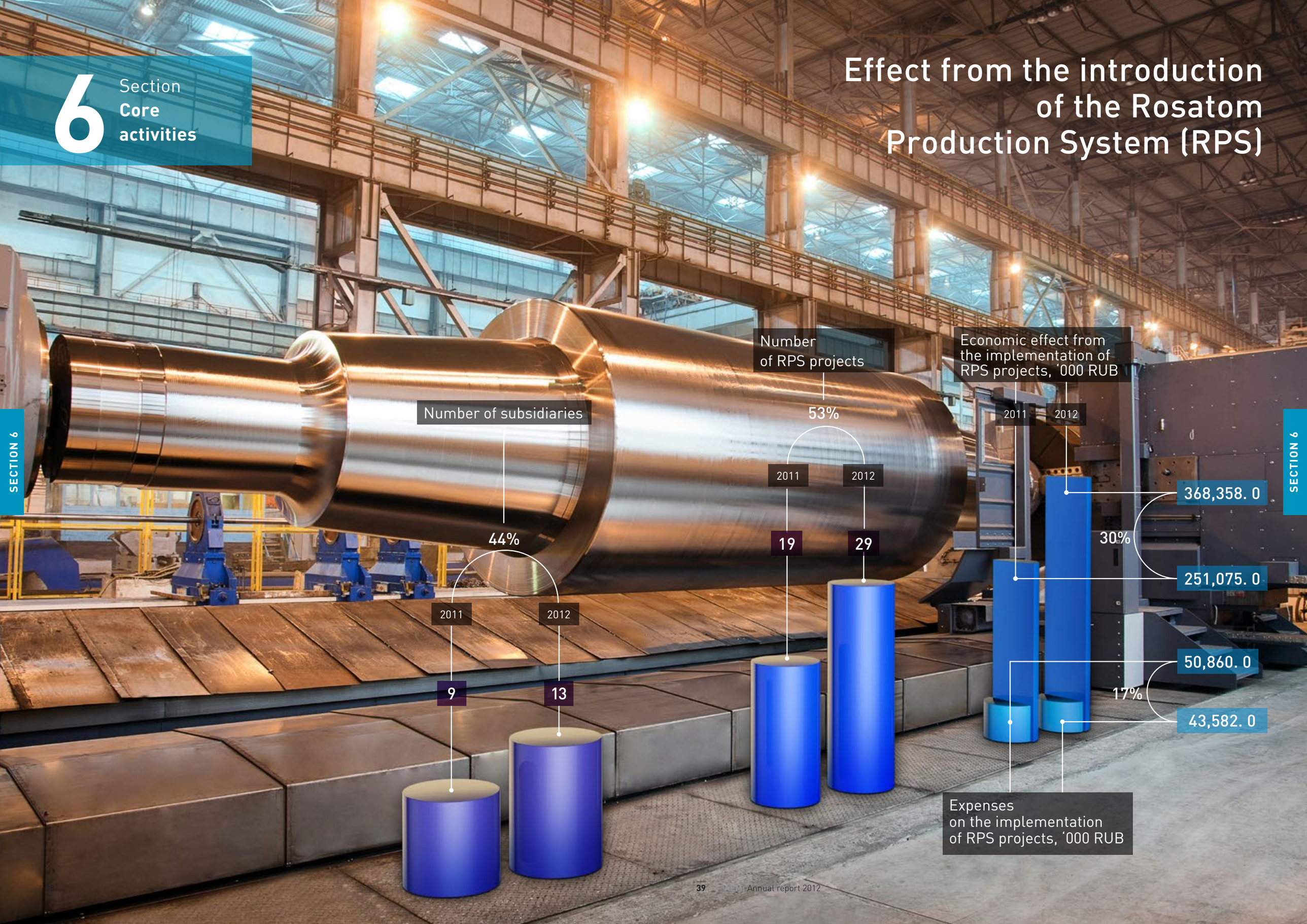
- Numerous regulatory documents were prepared and approved on the management of sustainable development:
  - Regulation on Preparing a Public Annual Report (PAR);
  - Provision on the PAR Committee;
  - Provision on the Stakeholders Committee;
- The OJSC Atomenergomash Sustainable Development Concept was established with key priorities identified for various aspects of the Company's sustainable development;
- The key components of the corporate strategy for sustainable development were established and the strategy will be discussed at the meeting of the OJSC Atomenergomash PAR Committee in accordance with the schedule of events for 2013;
- Updated methodology was approved for the collection, consolidation and verification of data on sustainable development from SASC as part of the preparation of this public annual report.

## Plans for 2013

The Company plans to continue the gradual implementation of the aforementioned plans over the course of 2013. Among other things, OJSC Atomenergomash over the next year plans to:

- Establish and approve at Holding level the corporate strategy for sustainable development;
- Form a list of specific projects to further improve the sustainable development system;
- Initiate several measures to organize a sustainable development management system.

# Effect from the introduction of the Rosatom Production System (RPS)



# 6. Core activities

## 6.1. Production activities

During the reporting period, the Company continued to modernize its production capacity, repair workshops and purchase expensive advanced equipment. OJSC Atomenergomash completed the modernization of the Ukrainian enterprise OJSC Energomashspetsstal in November 2012, began the technological refitting of OJSC ZiO-Podolsk Machine-Building Plant, and is continuing to modernize production at parent enterprise, OJSC TsKBM, for the development and manufacturing of pump equipment for NPPs. The completion of the modernization of OJSC Energomashspetsstal opens new markets, in particular for packaged supplies of reactor plants for nnuclear icebreakers on the basis of aproject being implemented by OJSC Afrikantov OKBM with the use of work pieces from OJSC Energomashspetsstal and production at ZiO-Podolsk. OJSC Atomenergomash also expects to sign a contract in the near future that will enable it to supply two RITM-200 reactor plants for a lead nuclear-powered vessel in 2015.

In addition, enterprises of the Atomenergomash Group of Companies manufactured key equipment during the reporting period for Leningrad NPP-2, Novovoronezh NPP-2, Rostov NPP, Baltic NPP and Beloyarsk NPP and also supplied other equipment to Balakovo NPP, Beloyarsk NPP, Bilibino NPP, Kalinin NPP, Kola NPP, Kursk NPP, Smolensk NPP, Zaporizhia NPP, Rivne NPP, Mochovce NPP, Bushehr NPP, Kudankulam NPP, Kozloduy NPP, Paks NPP, Jaslovské Bohunice NPP, Temelin NPP and Tianwan NPP.

A contract was also signed during the reporting period for the delivery of turbine plant equipment for the Baltic NPP. This contract will make it possible to localize brand new equipment that had previously not been manufactured in Russia at the production facility in Volgodonsk.

The Company's key projects in the thermal power segment during the reporting period included the production and supply of equipment for the needs of Yuzhnouralsk, Nizhnevartovsk, Novomoskovsk, Nazarovo and Kashira TPPs (SDPP), Novgorod TPP, Mosenergo HPP-1 and Luhansk CHP (Ukraine).

GRI: PR4 It should be noted that during the reporting period there were no cases of the production enterprises of the OJSC Atomenergomash Group of Companies failing to comply with regulatory requirements or voluntary codes concerning information and the labeling of products and services.

GRI:EN1

### Used materials and semi-finished products*

| Indicator | Volume |
|---|---|
| **Gas** | 66,555,000 $m^3$ |
| **Materials used for packaging** | 110,000 $m^3$ |
| **Lubricants** | 2,500 $m^3$ |
| **Refractory metals** | 25 t |
| **Paper** | 23 t |

* Information provided for OJSC ZiO-Podolsk, OJSC SverdNIIKhimmash, OJSC OZTMiTS and OJSC GSPI

## 6.2. Economic activities

As of the end of the reporting year, OJSC Atomenergomash had maintained stability and efficiency in its activities in the Russian Federation and target foreign markets, achieving improvements in the key financial indicators of its activities and reaching its goals.

Among the key results of 2012 for Atomenergomash were:

- growth in revenue from the sale of goods and services to RUB 51,827 million, thus maintaining its position as an industry leader;
- diversification of revenue sources and significant growth (more than two-fold) in the volume of supplies to thermal power facilities along with a slight decline in the nuclear power segment;

- the Company continued to improve the efficiency of its activities as labor productivity rose from RUB 2,397,000 to RUB 2,417,000 per person;
- the Company recorded a gross profit margin of 17% in the reporting year, one of the highest market indicators.

At the same time, the Company is fully aware of the objectives and challenges it faces at this stage of its development and plans in the future to develop a management system at Holding level and further introduce best business practices into its processes.

## 6.2.1. Financial results

| № | Indicator | Measurement unit | 2011 | 2012 |
|---|---|---|---|---|
| 1 | Combined revenue of the Atomenergomash Group of Companies | '000 RUB | 50,188,231 | 51,827,135 |
| 2 | Combined revenue structure by sector, including: | '000 RUB | | |
| 2.1 | Equipment for the nuclear power industry | | 27,022,152 | 25,673,820 |
| 2.2 | Equipment for the thermal power industry | | 2,307,429 | 4,914,139 |
| 2.3 | Equipment for the gas and petrochemical industries | | 2,022,852 | 1,712,227 |
| 2.4 | Other products, work and services | | 18,835,797 | 19,526,949 |
| | Including design work | | 9,273,057 | 11,198,724 |
| 3 | Labor productivity | '000 RUB/ person | 2,397 | 2,417 |
| 4 | EBITDA | '000 RUB | 4,546,423 | 4,674,723 |
| | Gross profit | '000 RUB | 9,448,640 | 8,650,015 |
| 5 | Net profit | '000 RUB | 1,763,111 | 979,010 |
| 6 | Gross profit margin | % | 19 | 17 |
| 7 | EBITDA margin | % | 9 | 9 |

### Revenue

GRI: EC1[8]

For the purposes of reporting, the activities of the Atomenergomash Group of Companies are divided into operational and geographical segments. The operating segment is recognized as the primary segment of activities, while geography is recognized as the secondary segment.

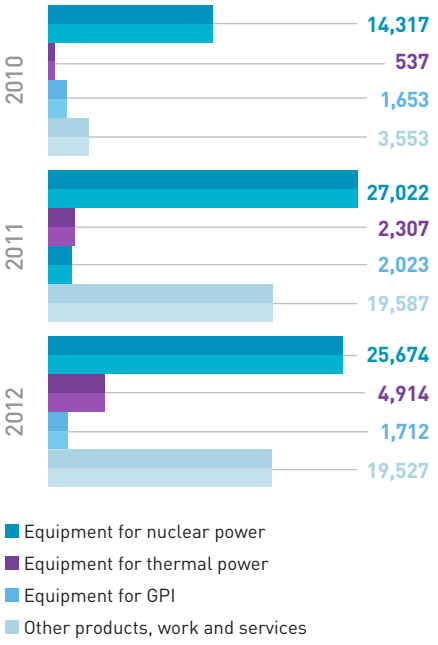
The operating segments are arranged based on the similarity of the intended purpose of the work (services) and products manufactured.

Data on revenue for 2012 with a breakdown by operating segment (RUB mln):

Based on an analysis of the risks inherent in activities in a certain geographical region, the following geographical segments were highlighted:

- export, including
  - CIS;
  - non-CIS;
- domestic marketк.

### Revenue structure by operating sector, mln RUB




Data on the revenue of the Atomenergomash Group of Companies for 2012 in terms of geographical segments are presented below:

| № | Name of geographical segment | Combined revenue of segment, '000 RUB |
|---|---|---|
| 1 | Export | 7,244,546 |
| | • CIS | 2,861,875 |
| | • non-CIS | 4,382,671 |
| 2 | Domestic market | 44,582,589 |
| **Total:** | | **51,827,135** |

### Factor analysis of key items

| Name | 2011 | 2012 | Deviation | Key change factors | |
|---|---|---|---|---|---|
| Revenue from the sale of goods, work and services | 50,188,231 | 51,827,135 | 1,638,904 | End of supply of turbine plant equipment and boiler feed pumps to Beloyarsk NPP (unit 4) | –1,888,357 |
| | | | | Change in the perimeter of data consolidation | –637,390 |
| | | | | Supplies of equipment and services for Nazarovo TPP (GRES) | 1,616,508 |
| | | | | Supplies of equipment and services for Nizhnevartovsk TPP (GRES) | 821,034 |
| | | | | Supplies of equipment and services for Yuzhnouralsk TPP (GRES) | 688,244 |
| | | | | Supplies of equipment for Balakovo NPP | 375,144 |
| | | | | Metals and alloys manufacturing | 34,9239 |
| | | | | Other supplies of equipment and services | 31,4483 |
| EBITDA | 4,546 | 4,672 | 125 | Change in the perimeter of data consolidation | –167 |
| | | | | Increase in volume and change in sale structure | 180 |
| | | | | Capitalized income (loss) of subsidiaries with ownership share of less than 25% | 118 |
| | | | | Other | –6 |

[8]Financial indicators cited in accordance with Russian Accounting Standards.

SECTION 6

| Name | 2011 | 2012 | Deviation | Key change factors | |
|---|---|---|---|---|---|
| Total management expenses | 4,666,787 | 4,563,398 | -103,389 | Change in the perimeter of data consolidation | 45,468 |
| | | | | Change in accounting policy with respect to the methodology for allocating expenses by account | –214,146 |
| | | | | Change to insurance premium rates in accordance with the law | 63,656 |
| | | | | Other | 1,632 |
| Selling expenses | 857,542 | 1,143,761 | 286,219 | Increase in transport expenses due to growth in revenue and a changes in the shipment structure | 277,016 |
| | | | | Other | 9,203 |

**Key approaches and principles for establishing a combined accounting statement**

The approaches for establishing a combined accounting statement were designed to present the most complete, objective, reliable and timely financial and management information in the statement taking into account the organizational and industry-specific features of the Atomenergomash Group of Companies.

The combined accounting statement of AEM is compiled in accordance with the Methodology for the Combined Accounting Statement of AEM (hereinafter referred to as the Methodology) approved by AEM Order No. 33/99-P dated March 30, 2012 (as worded in Order No. 33/91-P dated March 29, 2013).

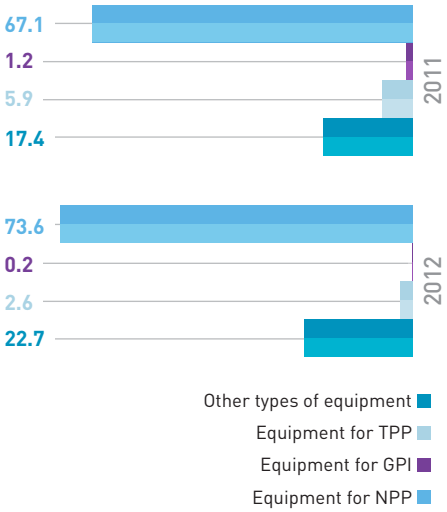
The combined accounting statement unites the accounting statements of subsidiaries and also incorporates data on affiliates that are legal entities based on the laws of the countries where they are registered, as well as supervised companies.

Each organization in the Atomenergomash Group of Companies maintains individual accounting and prepares reporting in accordance with Russian Accounting Standards with the exception of foreign organizations.

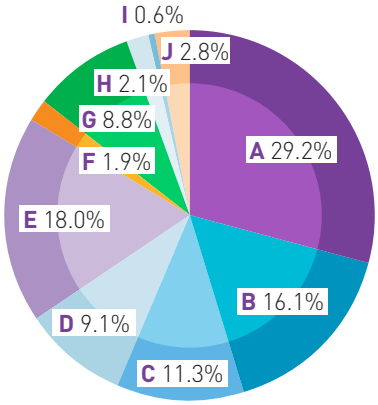
SECTION 6

## 6.2.2. Commercial activities

As of the end of 2012, the consolidated order book of the Atomenergomash Group of Companies had increased 8% over the year and stood at approximately RUB 99.1 billion. Most of the orders were for NPP equipment, the share of which grew from 73% to 87% in the overall order book.

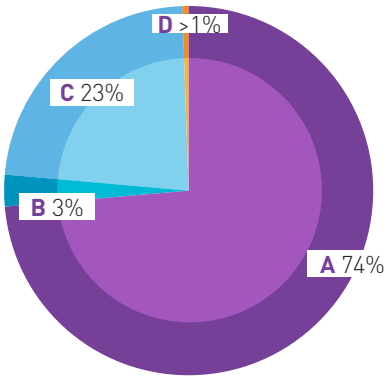



### Sectoral and product structure of the order book as of December 31, 2012




**A** Heat exchange equipment
**B** Other
**C** Pump equipment
**D** Piping
**E** Design work
**F** Boiler equipment
**G** Shell equipment
**H** Castings and forgings
**I** Spare parts, tools and accessories
**J** Valves

### Order book structure by market segment as of December 31, 2012

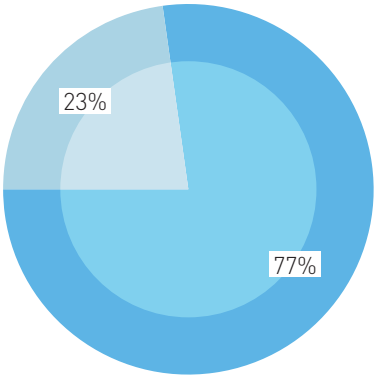



**A** 74% Nuclear power
**B** 3% Gas and petrochemicals industry
**C** 23% Thermal power
**D** >1% Other industries

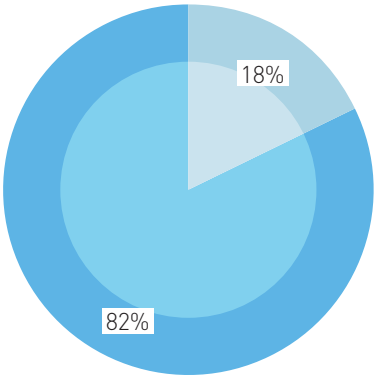
[9] The principles for establishing a combined accounting statement are described in more detail in the Explanatory Note to the combined accounting statement that is posted on the Company's website http://www.aem-group.ru

In the nuclear power segment, the bulk of orders were for heat exchange equipment with orders at roughly the same level as in 2011 — approximately RUB 29 billion. However, a significant increase was seen in orders for design work (190%), valves (870%), shell equipment (80%) and pump equipment (30%).

In terms of the geographical distribution of the order book, the situation is as follows:




2011




2012

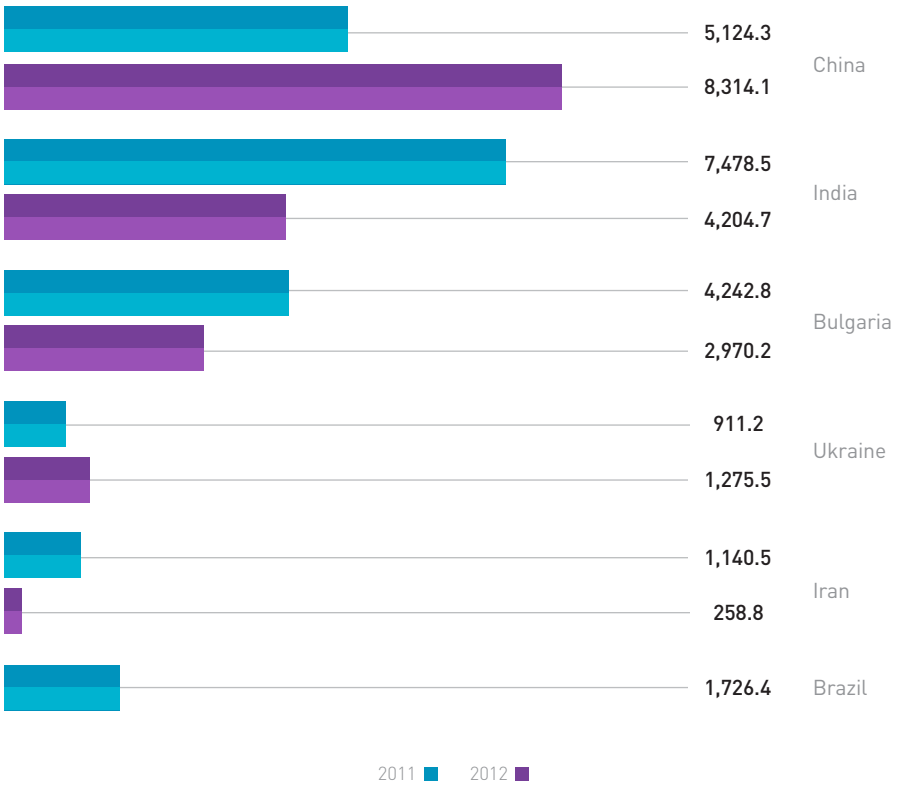
Export Russia

The growth is primarily due to an increase in orders within the Russian Federation.

As for order distribution abroad, orders from China and Ukraine increased (by 60%), while the order book from India, Bulgaria and Iran decreased.

GRI: SO7

No instances of anti-competitive or monopolistic practices were recorded within the OJSC Atomenergomash Group of Companies in 2012.




## 6.2.3. Economic impact

The enterprises of the OJSC Atomenergomash Group of Companies comprise an extensive network on the territory of the Russian Federation and other nations, including the countries of the CIS, Eastern Europe and North Africa, among others.

When performing their business activities, the enterprises of the OJSC Atomenergomash Group of Companies adhere to the principles of sustainable development and are committed to facilitating an improvement in the quality of life and the level of economic, social and environmental prosperity in the regions where they operate.

GRI: EC1 n 2012, the enterprises of the OJSC Atomenergomash Group of Companies paid RUB 5,914 million to the budget system of the Russian Federation.

| Indicator | for 2012 | | for 2011 | |
|---|---|---|---|---|
| | Assessed, '000 RUB | Paid, '000 RUB | Assessed, '000 RUB | Paid, '000 RUB |
| Total | 4,359,300 | 5,913,893 | 9,218,978 | 7,435,173 |
| Federal budget — total | 3,527,515 | 4,706,769 | 7,766,069 | 6,190,707 |
| VAT | 2,045,533 | 3,198,710 | 6,334,612 | 4,764,408 |
| Profit tax | 102,445 | 142,925 | 211,696 | 161,417 |
| Personal income tax | 1,373,629 | 1,363,667 | 1,218,231 | 1,263,880 |
| Other | 4,908 | 1,467 | 1,530 | 1,002 |
| Budgets of the constituent entities of the Russian Federation — total | 764,460 | 1,141,342 | 1,386,931 | 1,178,750 |
| Profit tax | 650,269 | 1,038,217 | 1,275,283 | 1,073,138 |
| Property tax | 110,219 | 99,066 | 103,211 | 97,807 |
| Transport tax | 3,118 | 3,104 | 3,093 | 2,939 |
| Other | 854 | 955 | 5,344 | 4,866 |
| Local budgets — total | 67,325 | 65,783 | 65,978 | 65,716 |
| Land tax | 48,947 | 47,400 | 55,069 | 54,156 |
| Other | 18,378 | 18,383 | 10,909 | 11,560 |

### 6.2.4. Procurement activities

The OJSC Atomenergomash Procurement and Integration Department performs the functions of a customer in the procurement process for OJSC Atomenergomash and the functions of an authorized agency with respect to the procurements of subsidiaries and affiliates.

The Procurement and Integration Department ensures the implementation of commercial programs by purchasing raw materials and coordinating supplies during the stages between business design and production. Thus, the Department is a link between commercial and production processes.

Primary tasks:

- participation in the formation and implementation by Rosatom State Corporation of a unified industry policy for placing orders;
- organizing and performing the procurement activities of OJSC Atomenergomash and its subsidiaries and affiliates;
- placing orders for the purchase of goods, the performance of work and the provision of services for the internal needs of OJSC Atomenergomash within its current activities;
- placing orders in the prescribed manner for the purchase of goods, work and services for the needs of subsidiaries and affiliates of OJSC Atomenergomash within the framework of agency agreements.

Main internal regulatory documents governing procurement activities:

- Unified industry standard for procurements of Rosatom State Corporation;
- Order on the authorized agency in procurement matters;
- Order on the organization of procurement activities at OJSC Atomenergomash.

## 6.3. Investment activities

**Investment management system and innovations in 2012**

In 2012, OJSC Atomenergomash enterprises introduced an investment management regulation, which significantly improved the transparency and synchronization of investment planning processes. Introducing this regulation made it possible to unify requirements for the documents describing the contents of a project, its objectives and the essential parameters of its implementation.

Significant innovations in 2012 also included the synchronization and harmonization of planning processes with the processes for building the project portfolio of Rosatom State Corporation, the prioritization of projects in the portfolio, and the allocation of funding sources for the projects. This process became necessary due to a lack of financing for long-term investment activities in the period of 2012-2016.

In order to boost the transparency and manageability of investment activities, the Company introduced the practice of collecting quarterly reports on the implementation of the investment program.

**Plans to develop the medium-term functions and focuses of the investment program**

In the medium-term, the Company plans to continue synchronizing planning processes in the industry and the power engineering division. In particular, it plans to forge closer links with the processes of annual budget planning, medium-term planning, strategic planning and innovative planning. The purpose of this work is to eliminate redundancy in planning, reduce the amount of work spent on planning processes and ensure end-to-end supervision over the implementation of investment projects.

As part of an industry-wide project, an automated system is to be introduced in 2013-2014 to manage the project portfolio on the core of Primavera software, which will make it possible to monitor the implementation of projects online while collecting reports on any level of detail in an automated mode.

The Company plans to develop its project management functions in accordance with the best global practices and improve the overall culture of project management at the Holding's enterprises.

The efficiency of investment activities is to be improved by making requirements for the economic feasibility of investments more stringent and reducing the payback period. This objective will also be supported by with the establishment of relevant criteria for ranking projects when preparing investment requests for enterprises.

**Main investment focuses on the horizon for 2013-2017:**

- maintaining the current production process that aims to meet the needs of both the nuclear industry and external high-margin markets on which OJSC Atomenergomash enterprises already operate;
- optimizing the product specialization between the Holding's production sites;
- entering new markets with high margins;
- developing new high-tech products/ technologies that meet the latest requirements for efficiency and safety.

## 6.4. Innovative activities

One of the main factors boosting the competiveness of companies in the power engineering sector is investment in innovation and scientific research. Aware of the need to develop this focus, OJSC Atomenergomash views the implementation of R&D projects as one of its top priorities.

As an integral part of the overall corporate strategy, the innovative (technological) development strategy of OJSC Atomenergomash aims to ensure technological leadership in the power engineering sector and includes two primary focuses:

- the development of new products;

- the efficient use and development of existing production potential (through the introduction of advanced production processes) and the establishment of new types of production with the commissioning of advanced equipment.

The Holding's enterprises were actively involved in forming the technological development strategy. Key development projects were identified for the period of 2012-2017, such as the development of heavy equipment production for the VVER reactor plant (CJSC Petrozavodskmash and the Volgodonsk branch of CJSC AEM Technologies), the establishment of a production and engineering base to manufacture turbine plant equipment for the Arabelle project (Alstom Atomenergomash joint venture), the construction of a workshop to manufacture special heavy valves (CJSC Petrozavodskmash), an increase in capacity for the production of nuclear and thermal products (OJSC ZiO-Podolsk), and the acquisition of wind turbine production technologies, among others.

The incorporation of progressive technological processes in manufacturing involves the development of advanced production technologies as well as the use of new types of tools, equipment, materials, management programs, production organization systems (lean production using the RPS) and other methods for improving production efficiency. The VVER-TOI project, which involved a transition from a six-seam to a four-seam reactor shell and eventually to a three-seam shell, is an example of the new technologies that reduce the equipment manufacturing period and minimize costs through savings on materials and welding work.

Another example is the development of the production of clad tubes (previously purchased abroad) at the facility used to manufacture pipe spools for the main circulation piping at CJSC Petrozavodskmash.

The development and introduction of advanced technologies in the nuclear industry is highly valued in the scientific and business community.

In particular, the Russian state research center OJSC NPO TsNIITMASH was presented with awards at the XV Moscow International Salon of Inventions and Innovative Technologies "Archimedes 2012."

Other developments by the enterprises of the Atomenergomash Holding received awards during the Metal Expo 2012 exhibition at which the holding was represented by OJSC NPO TsNIITMASH and OJSC Energomashspetsstal. The innovative work of TsNIITMASH specialists earned them the gold medal for the "Development of integrated technology for the production of steel and steam pipe components for the powerful boilers of power units with a high degree of maneuverability and supercritical steam parameters." The silver medal was awarded for the development of technology and equipment for the electroslag smelting of large pieces for the power, nuclear and petrochemical engineering industries. Other work performed by TsNIITMASH employees was acknowledged with a diploma.

In addition, based on the results of the "Innovative Leader of the Nuclear Industry" contest for innovative ideas held among young people of the Rosatom State Corporation, five employees of Atomenergomash enterprises were awarded for the best innovative projects in the nuclear industry.

### Intellectual activities

Rosatom State Corporation devotes great attention to the protection of the intellectual property of its peers on both the national and global markets. It has developed a strategy that not only aims to systematize information about intellectual property in the industry, but to also effectively manage its incorporation or use in addition to providing comprehensive protection.

OJSC Atomenergomash has developed and approved an Intellectual Property Management Concept that identifies the key principles and regulations for the management of intellectual property.

The main objectives of the Concept are to:

- organize uniform processes for establishing, recording and using intellectual property at the Company and its SASC;

- establish uniform methodological and organizational principles to improve existing production, introduce new technical solutions and resolve social and economic problems;

- secure the exclusive rights of the Company and its SASC to the intellectual property obtained as a result of R&D and any other creative activities;

- regulate relations between the holders of exclusive rights to industrial property with respect to official intellectual property;

- protect the interests of the Company and its SASC in matters of intellectual property when engaging in all forms of scientific and technical cooperation;

- establish uniform requirements for employees when registering rights to patents and exclusive rights to intellectual property and also when making transactions involving the exercising of exclusive rights to intellectual property;

- prepare and implement a set of measures aimed at developing the creative activities of employees;

- optimally distribute powers and responsibility throughout various levels of intellectual property management;

- create a single automated corporate system for patent information support.

Since the Concept is binding for all SASC involved in the process of creating intellectual property (performing scientific, design, engineering and production activities) and also for the management of the rights thereto, the SASC prepared and adopted the relevant local regulatory acts (regulations, provisions, instructions) on its basis.

The general functions involve the organization, coordination, methodology and monitoring of activities in matters concerning the establishment and management of intellectual property, including but not limited to:

- accompanying the copyrightable intellectual property from the preparation of a patent application to recording it among intangible assets;

- organizing work to bring potential intellectual property to a stage of readiness for industrial use when compiling the R&D programs of the Company and its SASC;

- organizing the internal transfer of the intellectual property;

- organizing and participating in inspections of the activities of SASC to verify the appropriate use of intellectual property;

- coordinating the plans and reporting documents of SASC on matters involving the establishment and management of intellectual property;

- organizing and preparing local regulations and guidance documents on matters involving the management of intellectual property.

Special functions are performed by the Company's relevant services that are directly or indirectly involved in the intellectual property management procedure. The bodies responsible for resolving matters related to intellectual property at the Company include the legal service, the financial and business service, the asset management service, the economic security service, the human resources service and the strategic management service.

A division responsible for organizing and coordinating work in matters involving intellectual property management has been established to support the range of patent and licensing work at the Company and its SASC.

Thus, the functions for monitoring and managing intellectual activities are assigned to the Company, while the intellectual property in most cases is used directly by the SASC.

Enterprises also perform work to promote innovative and creative activities. The procedure for paying remuneration for establishing intellectual property and the procedure for its use in production activities in addition to commercial use are established by the local regulations of the Company and its SASC at which the intellectual property was established.

The intellectual property must be protected in order to prevent damage to the Company and its SASC through unauthorized Borrowing or use by third parties. Depending on the features of the item, protection may be provided in the form of a safeguarding system such as patent law, copyright or trade secret. The legal protection of intellectual property abroad is supported in countries where the Company and its SASC operate or are planning to set up operations.

In 2012, more than 60 forms of intellectual property were established at OJSC Atomenergomash enterprises with over 50 of them being patented.

The main plans for 2013 with respect to intellectual property are the development and approval of a mechanism and unified management system for intellectual property, including its protection from unauthorized borrowing or use, as well as the development of a comprehensive framework for the use, protection and monitoring of intellectual property transferred abroad for the implementation of international projects.



## 6.5. Improvement of performance efficiency

Given the increased attention shown in nuclear power facilities, the Holding's enterprises devote special attention to the quality of the equipment manufactured in order to achieve the required standards for the safety of products supplied to their clients. This aspect is particularly important to the Company's clients that use nuclear technologies and radioactive materials in their operations.

Product quality is one of the top parameters for competition in the power engineering industry. The Atomenergomash Group of Companies structures its production activities on the following quality management principles:

- a customer focus;

- involvement of all the Group's personnel in quality-related work, including management;

- a process-based approach to quality management;

- continuous development of all processes to improve products and operations.

Quality management is currently carried out with two main focuses:

1. Quality management within the Atomenergomash Group of Companies is implemented through the certification of subsidiaries and affiliates that perform production and commercial activities for compliance with ISO 9000:2001. Certification enables subsidiaries to demonstrate their performance efficiency with an acceptable level of risk. In this case, performance efficiency is expressed by the high degree of customer satisfaction (which in turn is expressed in the form of stable demand for the Company's products), the high labor productivity figures for the industry, the manageability of processes, the high level of motivation among personnel and the corporate culture as a whole. Moreover, in the current market conditions the existence of a certificate is often a mandatory requirement among customers for which such certificates serve as a guarantee of minimal risk (quality assurance) prior to the signing of a contract.

AEM enterprises possessing a quality management certificate

| | |
|---|---|
| OJSC ZiO-Podolsk | ✓ |
| OJSC SverdNIIKhimmash | ✓ |
| OJSC TsKBM | ✓ |
| CJSC Petrozavodskmash | ✓ |
| ARAKO spol s.r.o. | ✓ |
| OJSC Venta | ✓ |
| OJSC IFTP | ✓ |
| OJSC SNIIP | ✓ |

2. Large-scale investment programs for technical upgrades aimed at improving the performance efficiency of enterprises and the quality of equipment.

GRI: SO8, PR9 It should be noted that one non-financial sanction was identified in 2012 related to fire safety matters. A significant decline in the amount of fines resulted from more attentive compliance with existing laws and regulatory requirements.

| | |
|---|---|
| Monetary value of substantial fines and total number of non-financial sanctions for failure to comply with laws and regulatory requirements, RUB | 1,720,000 |
| Including for failure to comply with laws and regulatory requirements concerning the provision and use of products and services, RUB | 783,000 |

## 6.5.1. RPS program

For several years, the enterprises of the power engineering division have been utilizing a concept of lean production based on improved efficiency known as the Rosatom Production System (RPS).

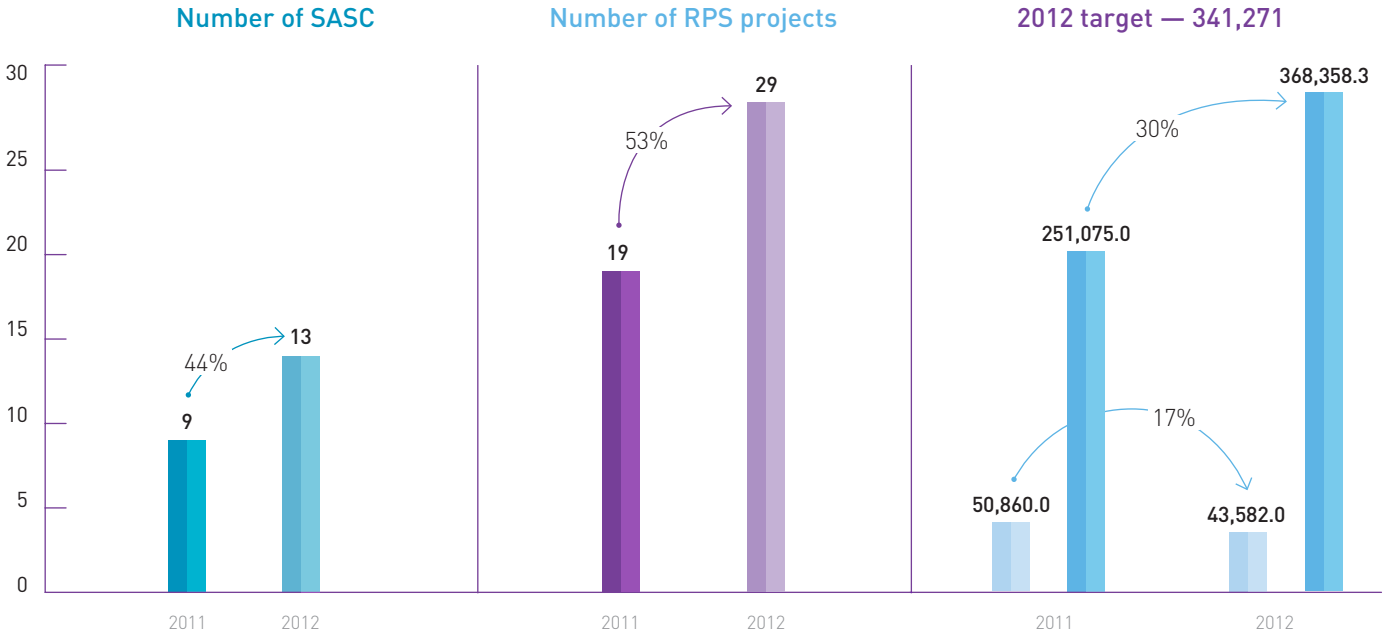
The goal of the RPS is to improve the performance efficiency of enterprises in the industry. The RPS was developed taking into account the well-known experience of Toyota Production System and is based on the Kaizen methods of continuous improvement. The system aims to continuously improve workplaces, technologies, production and business processes.

The RPS ultimately increases productivity, improves quality, reduces costs and meets customers' demands.

According to management estimates, the overall effect from the introduction of the RPS at the Holding's enterprises in 2012 reached RUB 368 million, or 8% above target.

In 2012, a total of 29 RPS projects were carried out at 13 enterprises of the division, including:
OJSC ZiO-Podolsk, OJSC Afrikantov OKBM, OJSC OKB Gidropress, OJSC TsKBM, OJSC NPO TsNIITMASH, OJSC SNIIP, OJSC SverdNIIKhimmash, OJSC Venta, ARAKO spol s.r.o., OJSC VNIIAM, CJSC Petrozavodskmash, LLC Stalenergoproekt and CJSC ATM.

| Indicator | | Target | Actual | Deviation |
|---|---|---|---|---|
| Economic effect from RPS projects, '000 RUB | | 341,270.9 | **368,358.3** | +27,087.4 |
| Work place standardization in 2012, places | | 1,820 | **1,828** | +8 |
| Introduction of 5C system in 2012, points | | 4 | **4.56** | +0.56 |
| RPS development level for 14 components, points | Pilot sites | 500 | **543** | +43 |
| | Benchmark sites | 700 | **712** | +12 |




The following measures were implemented as part of the RPS program in the reporting period:

1. Persons responsible for the RPS were appointed by orders at all enterprises and working groups were created to manage the relevant projects.

2. The Provision on the Motivation of RPS Participants was introduced.

3. A comprehensive diagnosis of enterprises was performed and Production Efficiency Improvement Programs (PEIP) were developed.

4. The decision was made to include five enterprises of OJSC Atomenergomash in the perimeter of the RPS project implementation: OJSC ZIOMAR EC, OJSC GSPI, OJSC Energomashspetsstal, CJSC AEM Technologies and GANZ EEM (Hungary).

5. More than 1,150 specialists from among the primary, auxiliary and engineering personnel of the Atomenergomash Group of Companies underwent training in the fundamentals of the RPS, work place organization using 5C principles and the comprehensive maintenance of workplace equipment.

6. An analysis was conducted of the existing materials flows with the identification of substantial time costs and losses.

7. Production analysis sheets were installed at work places with indicators for the duration of operations;

8. General equipment performance sheets were installed at critical work centers to identify the reasons for equipment downtime.

9. Equipment maintenance standards were established in order to reduce repair expenses and to improve the efficiency of equipment use through timely maintenance and repairs.

10. Workplaces were standardized for safe and efficient performance of work duties in accordance with the required level of quality and productivity.

All the Holding's enterprises are moving forward with the same logic for development and they all face the challenges of boosting labor productivity, decreasing the level of work in progress, reducing the product manufacturing cycle and slashing design time. OJSC Atomenergomash management would also like to make individual mention of several projects that managed to achieve the most impressive results:

- Project: Production of steam generators — productivity growth of 33%;
- Project: Production of MCPU pumps - productivity growth of 50%;
- Project: Production of control and protection system for Solenoid Stepper Drive-3 - productivity growth of 60%;
- Project: Production of MCP pipe components - productivity growth of 50%.

A training cycle was conducted at the Holding's enterprises during the reporting period on the main RPS principles and the tools of managers and specialists, which made it possible to achieve the following results:

**1. Reduction in the duration of the cycle:**

- Production of PGV-1000 steam generators from 270 to 247 days (by 9%).
- Production of steam heater separator SHS-1200 from 92 to 70 days (by 20%).

**2. Growth in labor productivity, units/year:**

- Production of control and protection system for Solenoid Stepper Drive-3 from 79 to 150 (90%).
- Production of straight-tube steam generators from 0.66 to 2 (200%).

Plans for 2013 are even more ambitious. This year the number of enterprises implementing RPS projects is 15 at which 5 industry-based projects and 25 plant-based projects will be carried out. The RPS projects have more stringent implementation periods since the targets are for six months instead of a year. Implementing these projects will make it possible to achieve a new level of development in the RPS program.

For example, AEM enterprises are currently launching new projects to optimize design and R&D processes, which requires the organization of high-quality, timely and affordable training for employees working in design. In addition, the Company plans to continue training engineering and technical employees, improving the personnel motivation system and raising the integral value of OJSC Atomenergomash under the 5C system (a system for the effective organization of work space based on visual inspection). All the integrated production optimization measures should enhance the competitiveness of the enterprises and the division as a whole.

In 2013, work will be performed with the following focuses:

- Personnel training.
- Integrated production optimization measures, including:
  1. Standardization of work places.
  2. Optimization of existing material flows.
  3. Development of the 5C system.
- Visualization of the manufacturing process at production sites.
- Optimization of office processes.
- Experience exchanges on RPS development between OJSC Atomenergomash enterprises.
- Monitoring of project implementation targets.
- Development of a personnel motivation system for the submission of work improvement suggestions.

## 6.5.2. Energy efficiency

In order to meet the requirements of Federal Law No. 261 'On Energy Conservation and Energy Efficiency and Amendments to Certain Legal Acts of the Russian Federation,' Rosatom State Corporation is implementing an Energy Efficiency Improvement Program for companies in the power engineering industry.

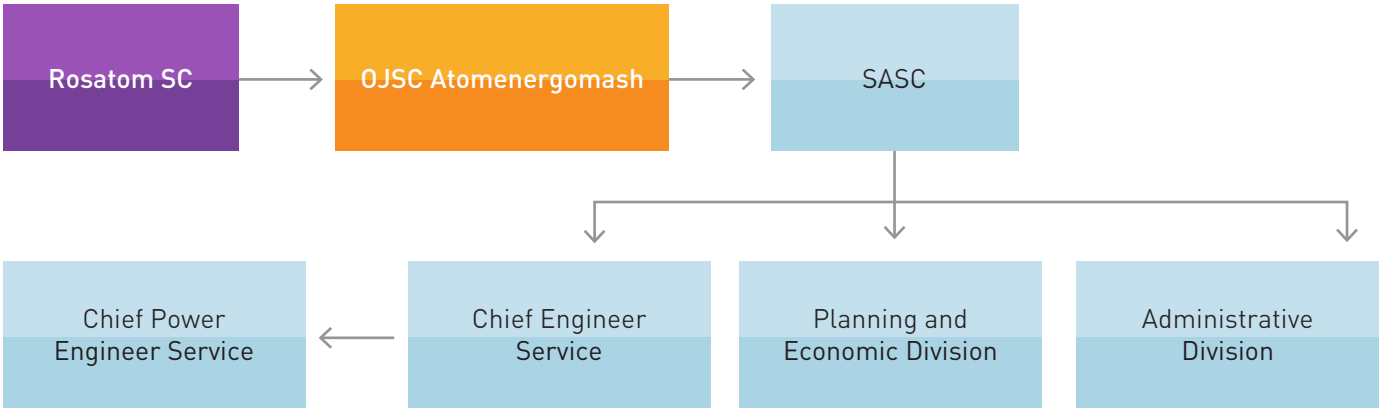
The main purposes of developing and implementing the Program are to improve fuel and energy utilization efficiency, reduce production costs (or the financial burden) and the costs of core products, support the socioeconomic development of enterprises by establishing organizational, legal, economic, scientific, technical and technological conditions that ensure increased energy security, optimize energy consumption by enterprises and also activate unused energy sources and resources.

The Program includes measures to develop or adjust the regulatory framework for energy conservation at the Company's enterprises, create economic and financial mechanisms for energy conservation, establish governing bodies to prepare and implement the program, develop or adapt existing systems for the standardization and certification of energy conservation at the level of enterprises, prepare standard energy conservation measures, restructure the scientific, engineering and production base of enterprises in order to employ energy saving technologies and equipment and also generate public awareness of energy conservation problems.

The Chief Power Engineer Service, who reports directly to the Chief Engineer, is responsible for implementing the measures of the energy conservation and energy efficiency improvement program at the SASC. The Planning and Economic Division of the SASC calculates the financial indicators and provides documentary support.

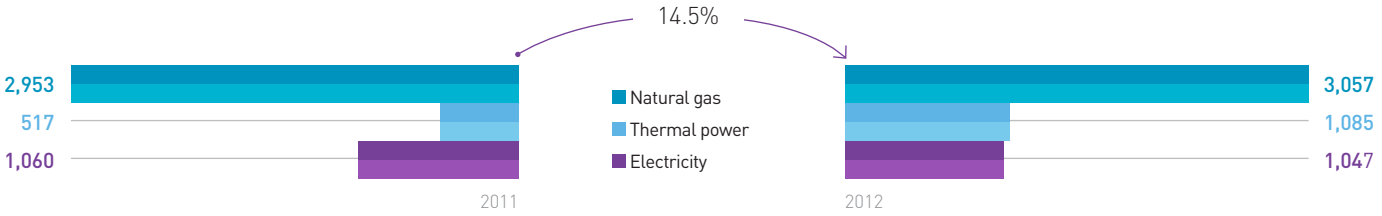
Rosatom State Corporation issued an order approving a target of reducing energy consumption in 2012 by at least 14.5% compared to the actual consumption levels of 2009.

## Organizational chart for the implementation of the Program

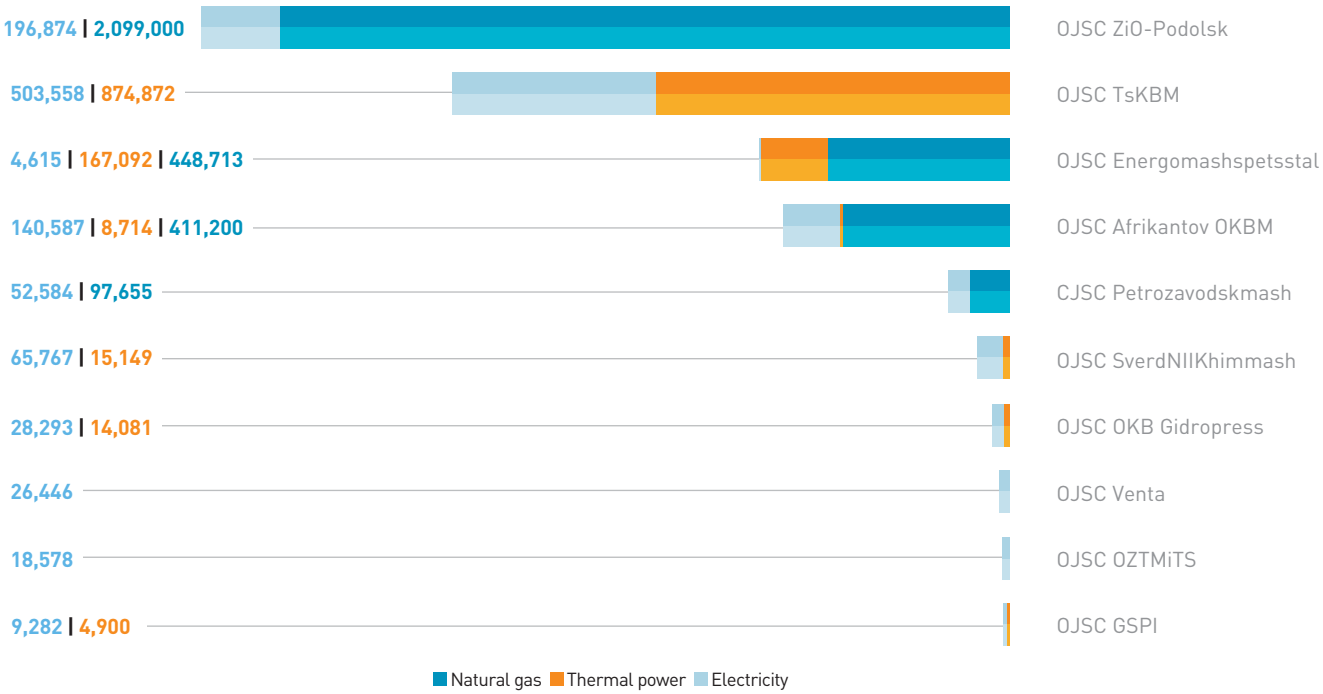



GRI: EN3, EN4, EN5

Energy consumption by the enterprises of the Atomenergomash Group of Companies over the reporting period is presented in the chart below (in '000 GJ):

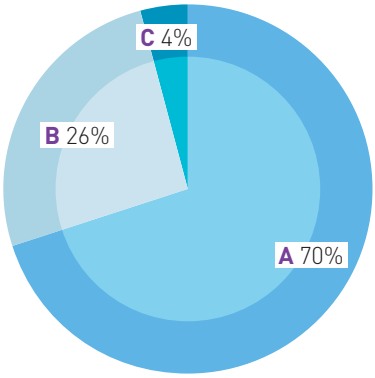



Data on energy consumption by individual enterprises:



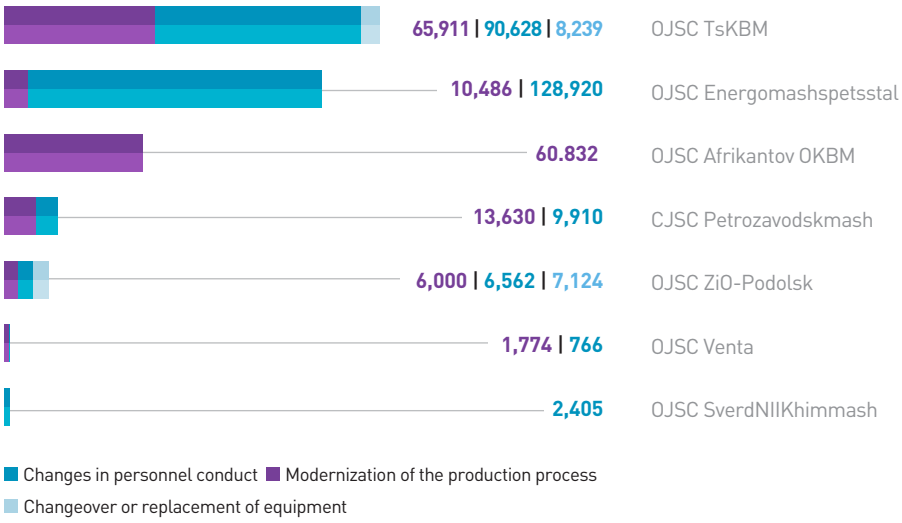

SECTION 6

The main energy consumption reduction measures were the changeover or replacement of equipment and the modernization of the production process:




**A** Changes in personnel conduct
**B** Modernization of the production process
**C** Changeover or replacement of equipment

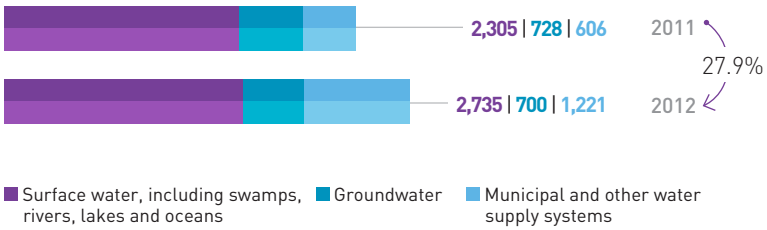
Reduction in energy consumption at individual enterprises with a breakdown of the reasons for the reduction as follows:




GRI: EN8

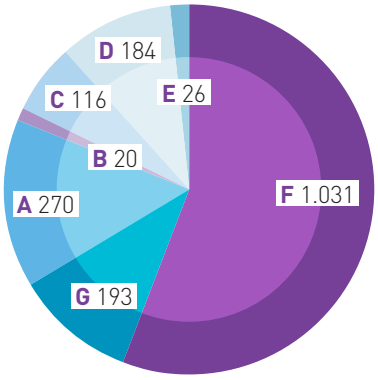
The calculation of the indicator "Total amount of water consumed by enterprise, '000 cub. m." uses the form 2-TP (water) "Information on water use," which is submitted by the Holding's enterprises to the regional office of the Federal Service for Environmental, Technological and Nuclear Supervision, the Department of Natural Resources as well as state statistics agencies.

In 2012, a total of 4,159,800 cubic meters of water was withdrawn (received) from various sources:




GRI: EN20

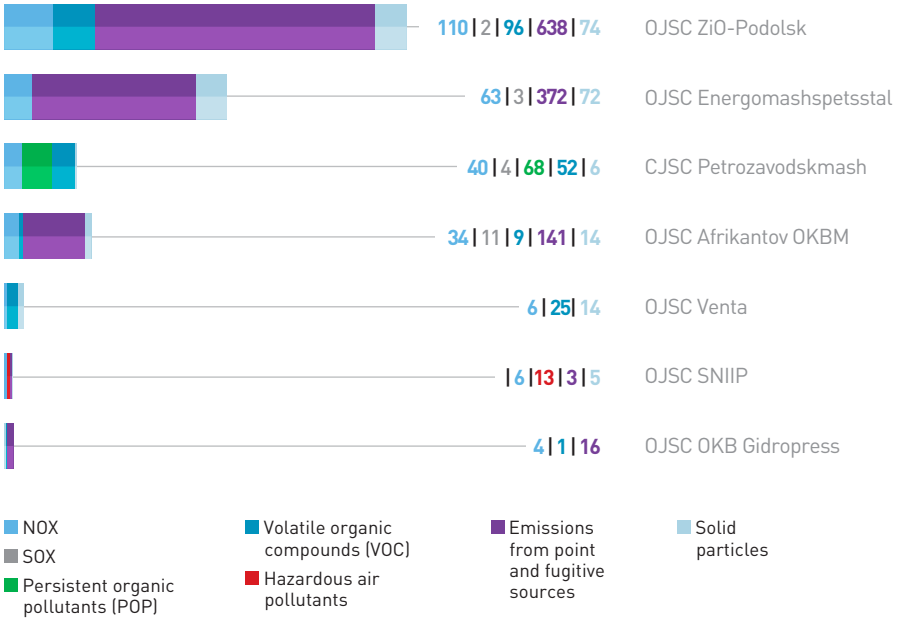
Total amount of planned and unplanned discharges by Atomenergomash enterprises over the reporting period (in tons):




**A** NOX
**B** SOX
**C** Persistent organic pollutants (POP)
**D** Volatile organic compounds (VOC)
**E** Hazardous air pollutants
**F** Emissions from point and fugitive sources
**G** Solid particles

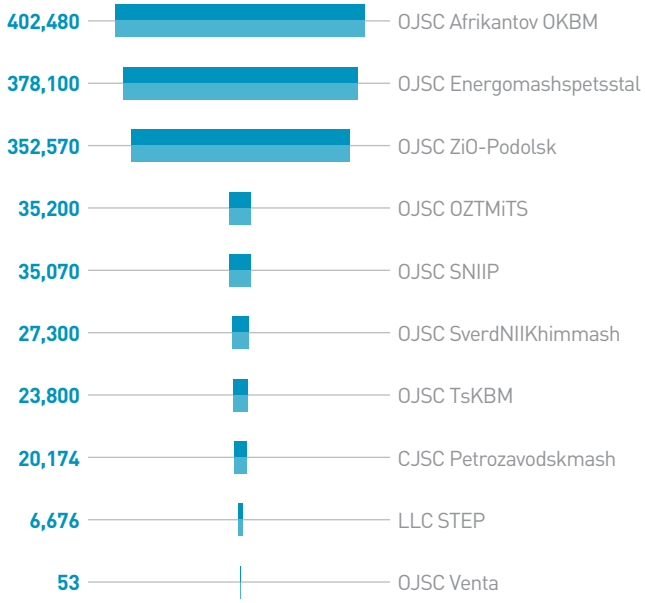
Other standard air emissions categories used in regulations totaled 86,880 tons.

## Air emissions by type and weight (t) for certain enterprises



GRI: EN21

## Total wastewater discharges, m³

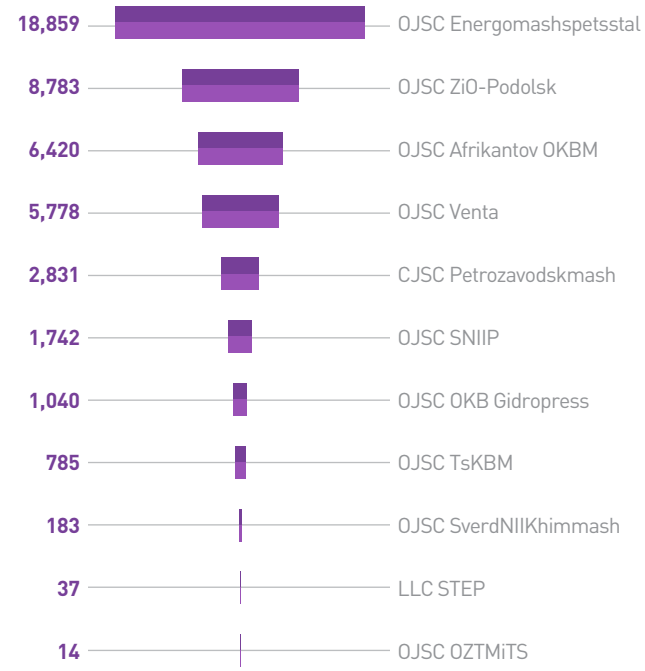



GRI: EN22

## Total weight of waste by type and disposal method

Waste of low hazard classes — 4 and 5 — accounted for the vast majority of production waste from the Holding's enterprises, more than 99% of the total figure. This waste is generated from various sources (primarily metals) as part of the production processes at these enterprises. OJSC Energomashspetsstal produced the largest amount of waste in the group due to the specific features if its operations — manufacturing large castings and forgings from special steel for equipment production. The vast majority of waste is deposited in landfills or recycled.

Total waste volume in 2012 amounted to 39,266 tons (compared to 63,983 tons a year earlier).



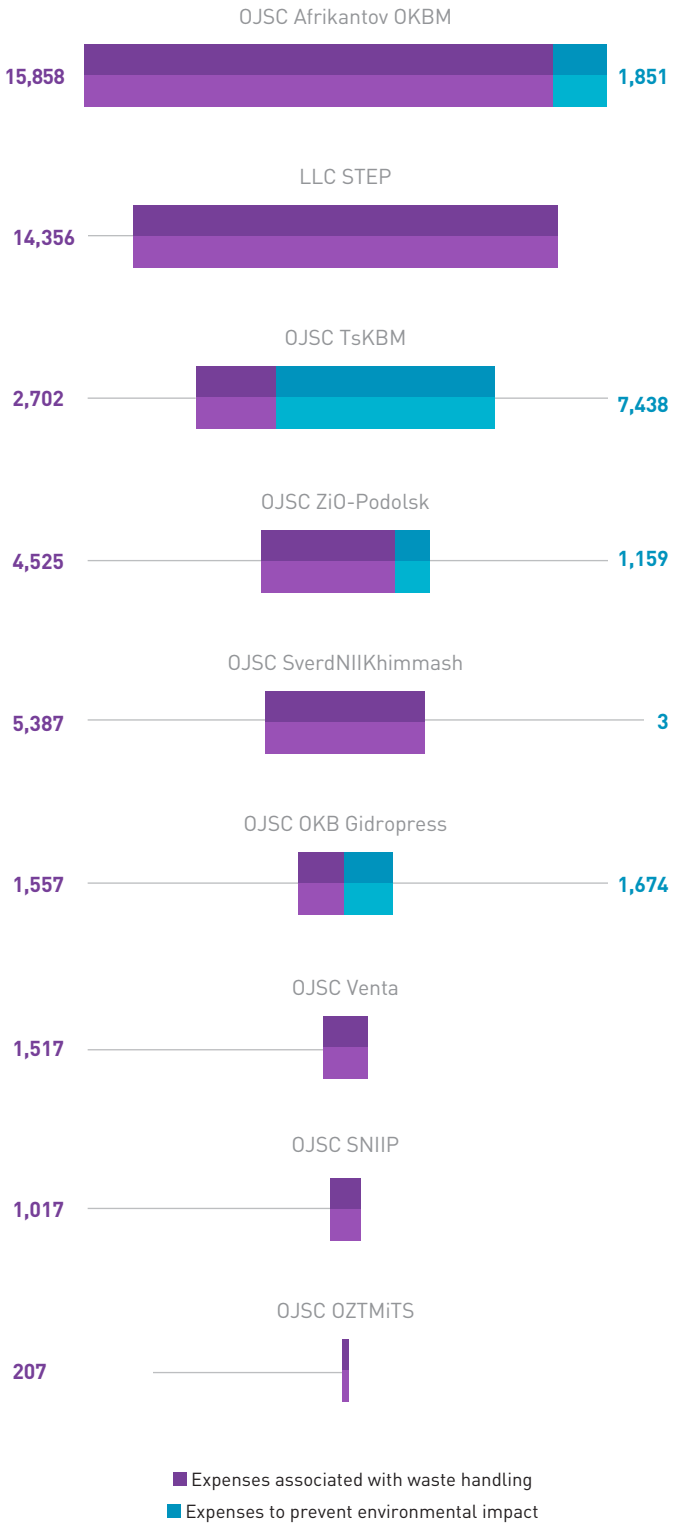

GRI: EN23

## Total number and volume of significant spills

No significant spills occurred at the production enterprises of the Atomenergomash Group of Companies during the reporting period.

GRI: EN30

## Environmental protection expenses, '000 RUB




SECTION 6

# Company personnel structure

# 7. Corporate governance

The development and improvement of the corporate governance system is one of the top priorities of OJSC Atomenergomash.

The Company continuously works to improve its corporate governance principles and methods, thereby facilitating a dialogue with shareholders and other stakeholders. Recommendations and suggestions from employees are taken into account when modifying the corporate governance system, making it possible to build an effective system of communication in the future between the Company's various divisions, shareholders and employees and management.

In the process of building an efficient operational model, special attention is devoted to informing employees and all stakeholders about the corporate governance principles and standards as well as recently adopted innovations. In reforming its corporate governance system, OJSC Atomenergomash relies on the best global practices and established management techniques, while making allowances for industry specifics and the unique features of the Russian economy.

## 7.1. Corporate governance system

The Company has adopted a Corporate Governance Code the principles of which focus on both employees and management as a foundation for building a highly efficient and transparent system of corporate governance. The purpose of the Code is to define and introduce corporate governance rules and principles that are to be used on a regular basis in order to ensure the Company's successful operations, protect the lawful rights and interests of shareholders, boost its financial performance, and expand the appeal and activities of OJSC Atomenergomash in the investment community.

The Code consists of a set of obligations based upon a balanced consideration of the interests of the Company's shareholders and its governing bodies, as well as other stakeholders. To ensure its corporate conduct is consistent with international standards, OJSC Atomenergomash implements a wide of range of measures to incorporate the following provisions of the Code into its corporate policy:

- The right of shareholders to take part in the management of OJSC Atomenergomash by adopting decisions on the most important matters concerning the Company's activities at the general meeting of shareholders;
- The election of members of the Board of Directors and the executive body using a transparent procedure that ensures shareholders are provided with complete information about such persons;
- The organization of a system to monitor the financial and business activities of OJSC Atomenergomash, which includes:
  - adopting and ensuring the implementation of the Company's financial and economic plan (business plan);
  - supporting an effective and transparent corporate governance system at OJSC Atomenergomash, warning about and stopping any abuses by the Company's executive bodies and officials;
  - warning about, identifying and limiting financial and operating risks.

### Improvement of the corporate governance system

The improvements to be made to the corporate governance system involve several core objectives: to enhance the appeal of OJSC Atomenergomash to the investment community as mentioned above, to improve its overall quality and to build a system that, on the one hand allows for flexible management of Company resources, while on the other hand monitoring the risks inherent in its activities and, wherever possible, reducing their impact on the Company's results.

### Local regulatory documents

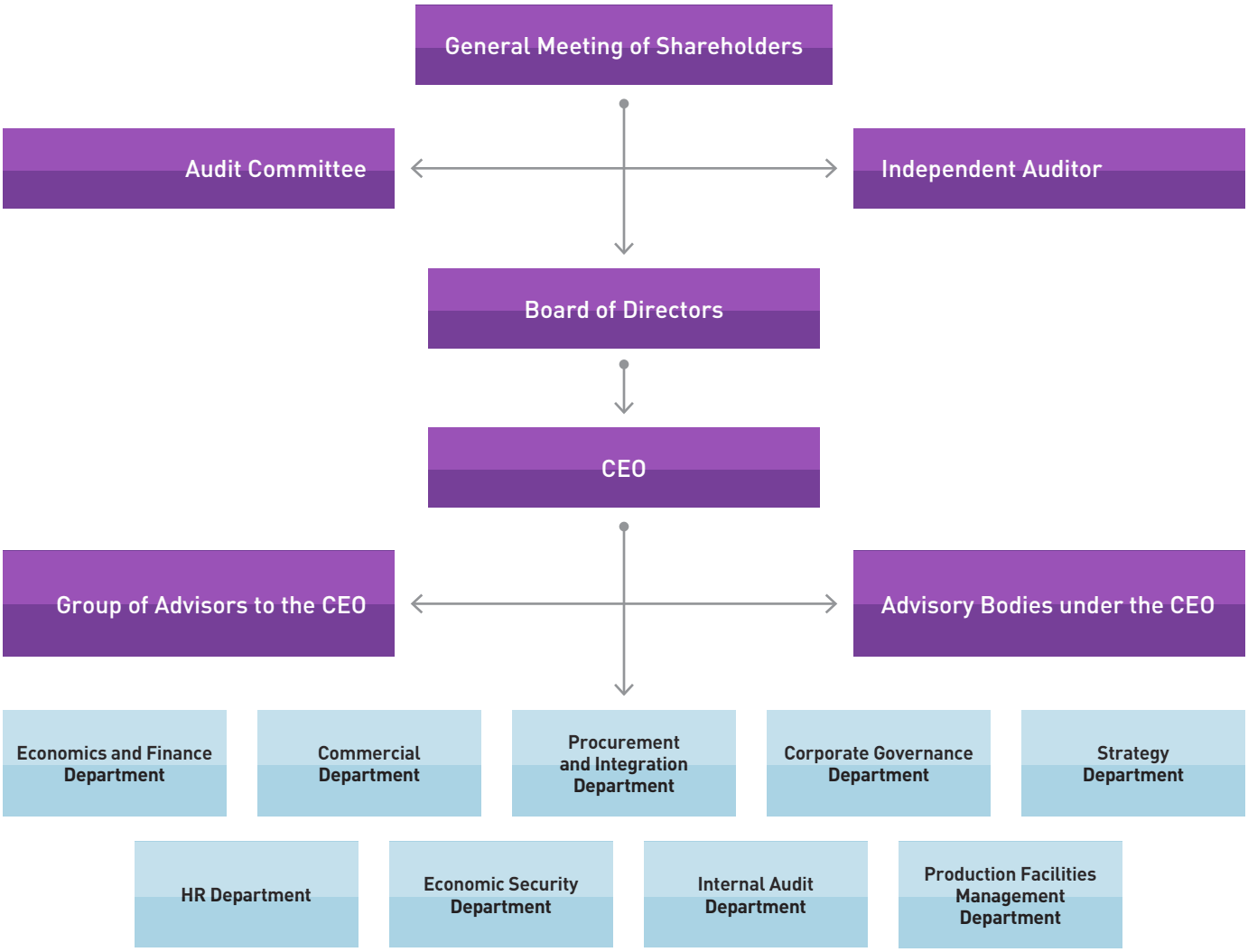
The requirements of the laws of the Russian Federation concerning corporate governance as well as the recommendations of the Corporate Conduct Code of the Russian Federal Financial Markets Service are described in detail in the internal regulatory documents of OJSC Atomenergomash, which primarily include:

- The Charter of OJSC Atomenergomash;
- The Provision on the Investment Committee of OJSC Atomenergomash;
- The Regulation on the Investment Activities of the Atomenergomash Group of Companies,
- The Provision on the Budget Committee of OJSC Atomenergomash;
- The Provision on the HR Committee of OJSC Atomenergomash;
- The Provision on the Production Modernization Committee;
- Other local documents (Order on the establishment of a committee to assign production expenses to representation expenses, an inventory committee and a permanent procurement committee, among others).

### Interaction with subsidiary, affiliate and supervised companies

The subsidiary, affiliate and supervised companies of the Atomenergomash Group of Companies hold leading positions in various power engineering sectors. The Company has prepared and adopted a regulation to facilitate interaction between OJSC Atomenergomash and organizations in which the Company holds stakes. The main functional areas in which OJSC Atomenergomash interacts with its SASC are financial and business activities, information technologies, HR management, legal and corporate support for the operations of SASC, internal control and audit and procurement and production activities, along with other functions.

## 7.2. Management structure and bodies




A list of the governing bodies of OJSC Atomenergomash is provided below with a brief description of their activities:

| Full name of governing body | Brief description of activities | List of documents regulating the activities of the governing body | Members of governing body | Date of establishment of governing body |
|---|---|---|---|---|
| General Meeting of Shareholders | The supreme governing body whose competencies fall under the Company Charter and the Federal Law "On Joint-Stock Companies" | Company Charter and the Federal Law "On Joint-Stock Companies" | List of shareholders presented in the Annual Report section | 03/29/2006 |
| Board of Directors | Responsible for the general management of the Company's activities except for matters reserved for the General Meeting of Shareholders in accordance with the Company Charter and the Federal Law "On Joint-Stock Companies" | Company Charter and the Federal Law "On Joint-Stock Companies" | Vladimir Asmolov; Alexey Kalinin; Yekaterina Lyakhova (BD Chairman); Andrey Nikipelov; Igor Shpagin. | 03/29/2006 |
| CEO | Responsible for the management of the Company's current activities | Company Charter, the Federal Law "On Joint-Stock Companies" and employment contract | Andrey Nikipelov | 03/29/2006 |

## General meeting of shareholders

OJSC Atomenergomash shareholders primarily exercise their rights associated with participation in the Company's management through adopting decisions concerning the most important matters of its activities at the general meeting of shareholders, which is the Company's supreme governing body. The Company's shareholders are affiliates, thereby minimizing the risk of a conflict of interests. The list of decisions reserved for the general meeting of shareholders as a governing body is regulated by the Federal Law "On Joint-Stock Companies" and includes:

1. The introduction of amendments and additions to this Charter or the approval of the Charter except for cases specified by the Federal Law "On Joint-Stock Companies" and matters concerning the establishment, reorganization, liquidation and activities or branches and representative offices.
2. The reorganization of the Company.
3. The liquidation of the Company, the appointment of a liquidation committee and approval of interim and final liquidation balance sheets.
4. The election of members of the Board of Directors and the early termination of their powers.
5. The determination of the quantity, nominal value and category (type) of authorized shares and the rights granted by such shares.
6. An increase in the Company's charter capital through an increase in the nominal value of shares or the placement of additional shares.
7. A reduction in the Company's charter capital through a decrease in the nominal value of shares, the Company's acquisition of part of the shares in order to reduce their overall quantity and also through the redemption of shares acquired or repurchased by the Company.
8. The election of members of the Audit Committee and the early termination of their powers.
9. The approval of the Company's auditor.
10. The determination of the procedure for holding the general meeting.
11. The approval of annual reports and the annual accounting statement, including the Company's profit and loss statements (profit and loss accounts) and also the allocation of profit except for profit distributed as dividend payments for the first quarter, first half and first nine months of the fiscal year as well as the Company's losses for a fiscal year.
12. The payment (declaration) of dividends based on the results of the first quarter, first half and first nine months of the fiscal year.
13. The splitting and consolidation of the Company's shares.
14. The adoption of decisions on the Company's placement of convertible bonds and other convertible securities.
15. The adoption of decisions on the approval of transactions in cases specified by Article 83 of the Federal Law "On Joint-Stock Companies."
16. The adoption of decisions on the approval of major transactions in cases specified by Article 79 of the Federal Law "On Joint-Stock Companies."
17. The adoption of decisions on participation in financial and industrial groups, associations and other alliances of commercial organizations.
18. The approval of internal documents regulating the activities of the Company's governing bodies.
19. The adoption of decisions on the payment of remuneration and/or compensation to members of the Audit Committee.
20. The adoption of decisions on the payment of remuneration and/or compensation to members of the Board of Directors.
21. The adoption of decisions on other matters specified by the Federal Law "On Joint-Stock Companies."

OJSC Atomenergomash shareholders held 14 general meetings (13 extraordinary meetings and one annual meeting) in the 2012 reporting year, resulting in the adoption of the following decisions:

| | |
|---|---|
| No. 01/12-EGM dated 02/29/2012 | 1. Early termination of the powers of OJSC Atomenergomash CEO V. Kashchenko |
| No. 02/12-EGM dated 03/30/2012 | 1. Election of the counting committee.<br>2. Approval of a related party transaction |
| No. 03/12-EGM dated 04/02/2012 | 1. Increase in the charter capital of OJSC Atomenergomash (changes to the security placement conditions specified by the decision to increase charter capital through issuing additional shares placed in a private offering). |
| No. 04/12-EGM dated 04/16/2012 | 1. Election of the OJSC Atomenergomash CEO. |
| No. 05/12-EGM dated 04/27/2012 | 1. Amendments and additions to the Charter of OJSC Atomenergomash.<br>2. Approval of a related party transaction — the conclusion of an agreement with OJSC VNIIAES. |
| No. 06/12-EGM dated 04/30/2012 | 1. Approval of a related party transaction — the conclusion of Additional Agreement No. 1 to Contract No. 2011-Blt 2/25/23/2011 with OJSC DEZ. |
| No. 07/12-EGM dated 05/21/2012 | 1. Participation in the Russian Nuclear Innovation Consortium Association. |

| | |
|---|---|
| No. 08/12-AGM dated 06/29/2012 | 1. Approval of the annual report.<br>2. Approval of the annual accounting statement, including the profit and loss statements (profit and loss accounts) of OJSC Atomenergomash.<br>3. Allocation of the profit (loss) of OJSC Atomenergomash based on the results of financial and business activities in 2011.<br>4. Payment of dividends based on the results of the financial and business activities of OJSC Atomenergomash in 2011.<br>5. Election of the members of the OJSC Atomenergomash Board of Directors.<br>6. Election of the OJSC Atomenergomash Audit Committee.<br>7. Approval of the auditor of OJSC Atomenergomash.<br>8. Approval of related party transactions that may be concluded in the future in the course of the Company's regular business activities. |
| No. 09/12-EGM dated 07/27/2012 | 1. Approval of a related party transaction. |
| No. 10/12-EGM dated 07/30/2012 | 1.Approval of a related party transaction with OJSC Atomenergoprom.<br>2. Approval of a related party transaction with OJSC Atomenergoprom.<br>3. Approval of a related party transaction with OJSC Atomenergoprom.<br>4. Approval of a related party transaction with OJSC Atomenergoprom.<br>5. Approval of a related party transaction with OJSC ZiO-Podolsk.<br>6. Approval of a related party transaction with OJSC SPbAEP. |
| No. 11/12-EGM dated 09/17/2012 | 1. Approval of a related party transaction with OJSC Afrikantov OKBM. |
| No. 12/12-EGM dated10/05/2012 | 1. Approval of a related party transaction with OJSC DEZ.<br>2. Approval of a related party transaction with OJSC DEZ.<br>3. Approval of a related party transaction with OJSC Atomenergoprom |
| No. 13/12-EGM dated 11/26/2012 | 1. Approval of a related party transaction with OJSC ZiO-Podolsk |
| No. 14/12-EGM dated 11/26/2012 | 1. Increase in the charter capital of OJSC Atomenergomash through the issue of additional shares placed in a private offering. |

## Board of Directors

The Board of Directors is responsible for the general management of the Company's activities except for matters reserved for the exception of matters reserved for the general meeting of shareholders in accordance with the Company Charter and the FederalLaw "On Joint-Stock Companies."

Below are the key goals and objectives of the Board of Directors:

1. The determination of the Company's priority focuses and development strategy to increase its investment appeal and capitalization, maximize profit and expand its assets.

2. Ensuring the exercising and protection of the rights and lawful interests of the Company's shareholders and also assisting in the resolution of corporate disputes.

3. Ensuring the completeness, reliability and objectivity of information disclosed about the Company to shareholders and other stakeholders.

4. The establishment of effective internal control mechanisms.

5. The regular assessment of the activities of the Company's executive bodies and management divisions.

Shareholders take into account the expertise of the members of the Board of Directors with respect to establishing the Company's strategy on economic, environmental and social matters when voting on each candidate for the OJSC Atomenergomash Board of Directors. The members of the Company's Board of Directors are paid remuneration based on the decision of the general meeting of shareholders. In 2011, the general meeting of shareholders did not adopt any such decision.

None of the members of the Board of Directors have a participatory interest in the Company's charter capital.

In addition, none of the members of the Board of Directors have any family ties to other persons who are part of the Company's management bodies and/or bodies monitoring the Company's financial and economic activities.

Key matters reserved for the Board of Directors:

1. The determination and adjustment of the development strategy and priority focuses of the Company's activities (strategic priorities), approval of the Company's financial and production plan (business plan), and monitoring of its implementation.

2. Convening the annual and extraordinary general meetings of shareholders except for cases specified by clause 715 of the Company Charter.

3. Approval of the agenda for general meetings of shareholders.

4. Establishing the date of record for the list of persons entitled to attend a general meeting of shareholders, as well as other matters reserved for the Board of Directors that involve preparations for and holding a general meeting of shareholders.

5. The determination of the price (valuation) of assets and the placement and repurchase price for securities in cases specified by the Federal Law "On Joint-Stock Companies."

6. The Company's acquisition of shares, bonds and other securities in cases specified by the Federal Law "On Joint-Stock Companies," including by clause 2, Article 72 of the federal law.

7. Recommendations on the amount of remuneration and compensation to be paid to members of the Audit Committee and the determination of remuneration for the auditor's services.

8. Recommendations on the amount of dividends to be paid for shares and the payment procedure.

9. The use of the Company's reserve fund and other funds.

10. The establishment of branches, the opening of Company representative offices and the termination of their activities.

11. The adoption of decisions on other matters specified by the Company Charter and the Federal Law "On Joint-Stock Companies."

**Information about the OJSC Atomenergomash Board of Directors**

## Yekaterina Lyakhova

Chairman of the OJSC Atomenergomash Board of Directors

**Education:**
Ural State Legal Academy (1997); MBA at Universiteit Antwerpen Management School (2011)

**2005-2008**
Director of the Representative Office of RENOVA CONSULTING SERVICES LTD (Cyprus) in Moscow

**2008-2010**
CEO of OJSC Koltsovo-Invest

**2010-2011**
Vice President for Corporate Development and Non-Financial Risk Management at OJSC TVEL

**2011- 2012**
Member of the Board of Directors at ARMZ Uranium Holding Co. (OJSC Atomredmetzoloto)

**2011-present**
Deputy Director of OJSC Atomenergoprom

**2011-2012**
Deputy Director of the Nuclear Power Complex at Rosatom State Corporation

**2012-present**
Director of Investment Management and Operational Efficiency at Rosatom State Corporation

**Member of the Board of Directors at:**
OJSC Atomenergoprom, OJSC Atomenergomash, OJSC Atomstroyexport, OJSC Center for Energy Efficiency INTER RAO UES, OJSC Techsnabexport, OJSC SPbAEP, OJSC NIAEP, OJSC Atomenergoproekt and OJSC Atomredmetzoloto.

## Vladimir Asmolov

Member of the OJSC Atomenergomash Board of Directors

**Education:**
Moscow Energy Institute (1970)

**Profession:**
Thermal physics engineer
Doctor of Technical Sciences and the author of over 170 scientific papers

**2006-present**
Deputy Director for Promising Areas of Nuclear Power Development at Kurchatov Institute National Research Center

**2006-2008**
Deputy CEO and Director for Scientific and Technical Policy at FSUE Rosenergoatom Concern

**2008-present**
First Deputy CEO and Director at FSUE Rosenergoatom Concern

**2007-2010**
CEO of OJSC VNIIAES

**2008-present**
Member of the Board of Directors at OJSC Atomenergomash

**2010-present**
Member of the Board of Directors at OJSC VNIIAES and CJSC Konsist-OS.

**2011-present**
Member of the Board of Directors at JSC Akkuyu NPP Power Generation Company (Turkey)

**2012-present**
Member of the Board of Directors at OJSC SPbAEP

**2012- present**
Member of the Management Board of the Russian Nuclear Community, member of a group of international advisers to the IAEA Director General (INSAG), editor-in-chief of Rosenergoatom Scientific Journal, member of the editorial board of the magazines Thermal Physics of High Temperatures and Nuclear Engineering & Design.

## Alexey Kalinin

Member of the OJSC Atomenergomash Board of Directors

**Education:**
Moscow Aviation Institute (1999); Academy of National Economy under the Government of the Russian Federation (2001); MBA from Moscow State University Graduate School of Business Administration (2003)

**2004-2007**
Deputy CEO at LLC Institute for Complex Strategic Studies and Research

**2007-2009**
Director for Development at OJSC Power Machines

Director for Strategy and Investments at OJSC Atomenergomash

**2009-2010**
Director of the International Cooperation Department at OJSC Atomenergomash

**2010-2011**
Member of the Board of Directors at: OJSC ZIOMAR EC, OJSC SverdNIIKhimmash and OJSC ZiO-Podolsk

**2010-2011**
Director of the Marketing and Business Development Office at Rosatom State Corporation

**2011- present**
Director of the International Business Department at Rosatom State Corporation (since July 2011)

**2011-present**
Member of the Board of Directors at: JSC Akkuyu NPP Power Generation Company (Turkey) and CJSC Atomstroyexport.

**2011-2012**
CEO of CJSC Rusatom Overseas

## Andrey Nikipelov

Member of the OJSC Atomenergomash Board of Directors

**Education:**
Economics Faculty of Moscow State University (1992). In 2010-2011, trained in various programs at Skolkovo Business School: International Competitiveness and Efficiency (2010) and the Efficiency strategic training session (2011).

**2006–2008**
Vice President for Economics and Finance at OJSC TVEL

**2008–2012**
First Vice President for Financial and Economic Activities and Development at OJSC TVEL.

**2006-2012**
Member of the Board of Directors at OJSC Machine-Building Plant.

**2007-2011**
Member of the Board of Directors at CJSC TVEL-Invest.

**2007-2012**
Member of the Board of Directors at CJSC Ukrainian-Kazakh-Russian Nuclear Fuel Production Joint Venture.

**2008-2012**
Member of the Board of Directors at: OJSC Novosibirsk Chemical Concentrates Plant and OJSC Chusovoy Metallurgical Works.

**2009-2012**
Member of the Board of Directors at: OJSC Ural Electrochemical Plant and CJSC Tenex-Service.

**2010-2011**
Member of the Board of Directors at: OJSC RSK United Company and OJSC Russian Gas Centrifuge Engineering Center.

**2010-2012**
Member of the Board of Directors at: OJSC Angarsk Electrochemical Plant and OJSC KMZ.

**2010-2012**
Member of the Board of Directors at: CJSC Grinatom, OJSC Electrochemical Plant Production Association, OJSC Siberian Chemicals Plant, OJSC Tochmash VPA, OJSC Commercial Center, CJSC Industrial Innovations.

**2012-present**
- Member of the Board of Directors at: OJSC Atomenergomash, OJSC ZiO-Podolsk, OJSC ZIOMAR EC, OJSC SverdNIIKhimmash, CJSC PETROZAVODSKMASH, OJSC Venta, OJSC AAEM, OJSC OKB Gidropress and OJSC Energomashspetsstal.
- CEO of OJSC Atomenergomash.
- Division Head at Rosatom State Corporation.
- Member of the Management Board at Rosatom State Corporation.

| | |
|---|---|
| Date of election: | June 29, 2012 |
| Number of meetings held: | 80 |
| Number of independent members of the supreme governing body and/or those not involved in executive management: | 4 |
| Number of decisions adopted: | 394 |

## Igor Shpagin

Member of the OJSC Atomenergomash Board of Directors

**Education:**
Ural State Legal Academy (1997)

**2005-2007**
Deputy Head of the Property, Information and Science Office and Head of the State Property Division at the Federal Water Resources Agency.

**2007-2010**
Deputy Director of the Corporate Relations Department at OJSC Atomenergoprom.

**2010-present**
Deputy Director of the Legal and Corporate Operations Department and Head of the Division for Corporate Work with JSC, FSUE and FSE Rosatom State Nuclear Energy Corporation.

**2010-present**
Member of the Board of Directors at OJSC Atomenergomash.

**2008-2009**
Member of the Board of Directors at OJSC Dedal Scientific Production Complex.

**2008-2010**
Member of the Board of Directors at OJSC TsKBM

**2012-present**
Member of the Board of Directors at OJSC Atomenergoprom

### Brief description of key decisions in 2012:

1. The consideration of shareholders' proposal on the nomination of candidates for election to the Board of Directors and Audit Committee.
2. The determination of the cost of the auditor's services.
3. Decisions to prepare for and convene the Annual General Meeting of Shareholders and to approve the Annual Report of OJSC Atomenergomash for 2011.
4. Decisions to approve the Company's budget and consolidated budget.
5. The approval of the Procurement Provision of OJSC Atomenergomash.
6. The consideration of the CEO's overlapping positions in other organizations.
7. The decision to liquidate the Company's branch in St. Petersburg.
8. The election of members of the Company's counting committee.
9. The decision to amend the resolution on the additional issue of securities (as regards increasing the placement period) and the decision to approve amendments to the resolution on the additional issue of securities by the Company.
10. The election of the Chairman of the Board of Directors.
11. The determination of the placement price for additional shares of OJSC Atomenergomash.
12. The approval of the decision on an additional issue of securities by OJSC Atomenergomash.
13. Decisions on participation in the charter capital of the following organizations:
    - CJSC AEM Technologies
    - OJSC GSPI
    - OJSC OKTB IS
    - LLC AEM Assets
    - Gardea, a.s. (Czech Republic)
    - National Nuclear Innovation Consortium non-profit partnership of organizations participating in the implementation of nuclear innovation projects.
14. The adoption of decisions to terminate participation in the charter capital of the following organizations:
    - Floorboard Trading & Investments Limited
    - OJSC NOO Kontrolpribor
    - LLC STEP
    - CJSC Energomashstroeniye
    - CJSC AEM Invest
    - LLC Turbomash
    - LLC Energetik System Group (Bulgaria)

## Corporate Secretary

The Corporate Secretary provides liaison between shareholders, the Board of Directors and management bodies of OJSC Atomenergomash. The main responsibility of the Corporate Secretary is to ensure the Company's management bodies comply with corporate management rules and procedures for convening, arranging and holding a general meeting of shareholders in accordance with the requirements of the applicable laws, the Charter and the Company's internal documents.

The Corporate Secretary of OJSC Atomenergomash is Olga Yefremenko, the Director of the Corporate Support Office, who was elected by a decision of the OJSC Atomenergomash Board of Directors dated October 21, 2011.

## CEO

As the sole executive body of the Company, the Chief Executive Officer is in charge of its routine operations and has power over all matters relevant thereto with the exception of those reserved for the general meeting of shareholders or the Board of Directors. The CEO is responsible for the implementation of the decisions adopted by the general meetings of shareholders and the Board of Directors. The CEO is elected for a five-year term. The rights and duties of the CEO regarding the routine management of the Company's operations are specified in the Federal Law "On Joint-Stock Companies," other regulatory acts of the Russian Federation and the contract with the Company.

Andrey Nikipelov was elected CEO of OJSC Atomenergomash starting April 17, 2012.

### Advisory bodies under the CEO

| Full name of body | Brief description of activities | Date of establishment of body |
|---|---|---|
| Audit Committee | Monitors the Company's financial and business activities. | 03/29/2006 |
| Procurement Committee | Conducts competitive procedures to select suppliers for the needs of OJSC Atomenergomash or its subsidiaries and affiliates. | 09/15/2010 (Order No. 197) |
| Permanent Procurement Committee (PPC) | Establishes and implements a unified policy to develop the procurement management system. Implements the procurement policy and approves deviations from the procurement methods specified by the Procurement Provision within its powers. | 09/15/2010 |
| Central Supervisory Body (CSB) | Arranges and monitors order placement with the Company and SASC. Monitors the compliance of the procurement procedures, inspects procurement activities, coordinates the conclusion of contracts, and considers complaints on the results of procurement procedures. | 03/26/2010 |
| HR Committee | Holds personal meetings with the managers of the HR services of OJSC Atomenergomash and SASC in order to improve the efficiency of the HR policy. The HR Committee's functions are: to consider and approve the main tasks of HR management as well as the standards, principles and rules for such management during a certain period:<br>• to consider and jointly adopt decisions on the main focuses of the HR activities of AEM and its SASC and monitor the implementation of the decisions;<br>• to monitor the condition of HR management at SASC. | May 2010 |
| Permanent Technical (Expert) Committee (PTC) | Ensures the protection of state secrets and the confidentiality of information constituting a trade secret. | 11/02/2010 |
| OJSC Atomenergomash Investment Committee | Considers and approves investment decisions. | 10/08/2007 |

| Full name of body | Brief description of activities | Date of establishment of body |
|---|---|---|
| OJSC Atomenergomash Budget Committee | Sets the budgeting objectives and targets of the AEM Group;<br>Considers and approves strategic plans;<br>Approves and submits coordinated budgets for approval to the OJSC Atomenergomash CEO;<br>Approves the dividend policy of the SASC of OJSC Atomenergomash;<br>Approves the distribution of the net profits of the SASC of OJSC Atomenergomash;<br>Monitors the implementation of the approved budgets of the SASC of OJSC Atomenergomash;<br>Evaluates the actual results of the financial and business activities of the SASC of OJSC Atomenergomash and prepares solutions for specific situations. | 10/10/2007 |
| Committee for Accounts Receivable and Payable Affairs of OJSC Atomenergomash and its SASC | A permanent body established by order of the Company CEO.<br>The Committee's mission is to monitor and coordinate interaction between those involved in the process of managing the accounts receivable and payable of the Company and its SASC in order to prevent financial losses due to ineffective interaction with partners, including for the settlement of intra-industry and intra-group debt, to mitigate credit risk and optimize the payment schedule for its obligations. | 06/05/2012 |
| Inventory Committee | Conducts inventory of assets and financial liabilities. | 10/05/2012 |
| Permanent Expert Committee | Conducts inventory and approves estimated liabilities and reserves. | 12/30/2011, 06/27/2012 |
| Commercial Unit Council of OJSC Atomenergomash | The Commercial Unit Council is an advisory body that prepares management decisions requiring peer review and acting on the basis of a combination of the principles of collegiality and undivided authority.<br>Representatives of the commercial services and structures of OJSC Atomenergomash and its SASC are involved in the Council's activities.<br>The Council is responsible for considering matters concerning the activities of SASC and the OJSC Atomenergomash Commercial Department with respect to sales and entering new markets. | 10/27/2011 |
| Governing Council of OJSC Atomenergomash for Transactions with Equity Capital | Adopts decisions on the conclusion of transactions or the inadvisability of concluding transactions as well as other decisions in accordance with the regulation for concluding transactions with equity capital. | 07/18/2011 |
| Annual Public Reporting Committee | Monitors the preparation of the public reporting of OJSC Atomenergomash and improvements to the management system in such matters. | 12/24/2012 |
| Expert Council for the Review of Projects in Non-Core Activities | Determines the advisability of concluding contracts on core and non-core activities as part of work to improve the operations of OJSC Atomenergomash and its SASC. | 03/01/2012 |

## Andrey Nikipelov

**CEO**
Andrey Nikipelov has held the position of CEO at OJSC Atomenergomash since 2012.

### Professional background

**2008–2012** — OJSC TVEL, First Vice-President of Economic Activity and Development.
**2006–2008** — OJSC TVEL, Vice President of Economics and Finance.
**2004–2006** — OJSC MSZ (Fuel Company of Rosatom OJSC TVEL), Director of Economics and Finance.
**2003–2004** — Unitary Enterprise Building Association, Department of Presidential Affairs of the RF, Deputy Commercial Director.
**2001–2003** — JSC Volgograd Tractor Plant, Deputy CEO; Foreign Trade Company VGTZ, CEO.

### Education

Andrey Nikipelov graduated from economic faculty of Moscow State University in 1992. In 2010–2011 attended various programs in Skolkovo School of Business: "International Competitiveness and Efficiency", strategic training session "Efficiency".

## Denis Tarlo

**Commercial Director**
Denis Tarlo has held senior positions at OJSC Atomenergomash since 2007 and has been Commercial Director since March 2013.

### Professional background

**2010-2013** — Procurements Director at OJSC Atomenergomash.
**2009-2010** — Commercial Director at OJSC Atomenergomash.
**2007-2009** — Various senior positions at OJSC Atomenergomash.
**1999-2007** — Senior positions at industry-related enterprises.
**1993-1999** — Commercial structures in matters of industrial production configuration. The main clients were such companies OJSC Avtovaz, OJSC MMK, OJSC Novolipetsk Steel, Russian Railways and OJSC MMC Norilsk Nickel.

### Education

Denis Tarlo graduated from Moscow State Construction University with a degree in construction engineering. In 2003, he obtained a second degree at the University of Economy and Crisis Management in crisis management.

## Natalia Yarosh

**Economics and Finance Director**
Natalia Yarosh has been Economics and Finance Director at OJSC Atomenergomash since 2011.

### Professional background

**Prior to 2012** — Economics and Finance Director at OJSC Russian Public Utilities Systems; management positions in the financial and economic structures of major Russian and foreign companies

### Education

Moscow Technical University of Communications and Information Technologies with a degree in automation engineering; EMBA from University Antverpen Management School.

## Vladimir Razin

**Production Director**
Vladimir Razin was appointed Production Director in 2012.

### Professional background

**1979–2005** — he worked at the Elektrostal Machine-Building Plant (OJSC TVEL) with positions ranging from developer of design documentation for key products to CEO of the plant.
**2005–2009** — he was CEO of Novosibirsk Chemical Concentrates Plant (OJSC TVEL).
**2009–2012** — he served as Development Director at OJSC Energopromservice (Elektrostal).

### Education

Vladimir Razin graduated from the power engineering faculty of Bauman Moscow State Technical University with a degree in power machines and installations as well as mechanical engineering.

## Sergey Kuleshov

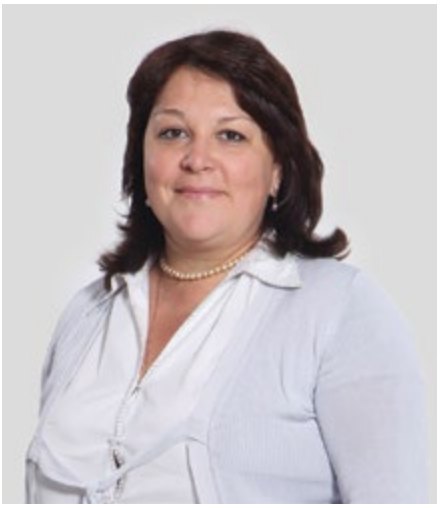
**Corporate Governance Director**
Sergey Kuleshov has been Corporate Governance Director at OJSC Atomenergomash since 2006.

### Professional background

**2006 —** Director of Strategic development of the Business Center Sadko.
**2005–2006** — Deputy Director of the Strategic Development and Corporate Finance Department – Head of Corporate Project Management of representative office of the International Commercial Company Delin Management Group Ltd.
**2005** — Director of Strategic Development of representative office of the International Commercial Company Delin Management Group Ltd.
**2004** — Deputy CEO of CJSC Investment Company Visavi Project manager of Corporate Projects Department at CJSC Rinaco.

### Education

He graduated from Plekhanov Russian Academy of Economics in 1993 with a degree in economic and social planning. He also graduated from Moscow State University in 2002 with a degree in jurisprudence.



## Ksenia Sukhotina

**HR Director**
Ksenia Sukhotina has been HR Director at OJSC Atomenergomash since 2010.

### Professional background

**2005–2010** — Worked at Russian international consulting firms in senior HR consulting positions.
**2000–2004** — MIRBIS Moscow International Higher Business School, Center Director.

### Education

Ksenia Sukhotina graduated from Moscow State University in 1993 with a degree in sociology. She also received a MBA in strategic management at MIRBIS Moscow International Higher Business School and a certificate from the UK Institute of Commercial Management.

## Alexander Levenshtein

**Internal Audit Director**
Alexander Levenshtein has been Internal Audit Director at OJSC Atomenergomash since 2007.

### Professional background

**2005–2007** — TKZ-ZiO Management Company, Chairman of the Internal Audit Committee under the Board of Directors;
**2002–2005** — CJSC Rinako, Finance Director and Chief Accountant;
**2001–2002** — LLC MDM Venture Company, Chief Accountant.

### Education

Alexander Levenshtein graduated from Moscow Institute of Physics and Technology in 1994 with a degree in applied mathematics and physics and physics engineering.

## Konstantin Tulupov

**Strategy Director**
Konstantin Tulupov has been Strategy Director since 2011.

### Professional background

**2008-2011** — OJSC Gazprombank, Director of the Power Engineering Office within the Direct Investments Department;
**2006-2008** — OJSC VTB Bank, Director of Investment Operations and Services;
**2005-2006** — Basic Element Group of Companies, Deputy Director of the Mergers and Acquisitions Department.

### Education

Konstantin Tulupov graduated with honors from Moscow State Institute of International Relations and also has a diploma from the Finance Academy under the Government of the Russian Federation as well as Executive MBA degrees from London Business School and the Business School at Columbia University (New York).

## Yevgeny Pakermanov

**Project Director**
Yevgeny Pakermanov is the Project Director at OJSC Atomenergomash. He concurrently serves as the CEO of CJSC AEM Technologies (which manages the production sites of CJSC Petrozavodskmash in Petrozavodsk and the branch of CJSC AEM Technologies in Volgodonsk).

### Professional background

**2007-2012** — Advisor to the OJSC Atomenergomash CEO, CEO of CJSC AEM Technologies.
**2007** — OJSC Atomenergomash, Strategic Development Director.
**2006–2007** — OJSC Izhorskiye Zavody, CEO.
**2004–2006** — OJSC Izhorskiye Zavody, Deputy CEO and Finance Director.
**2003–2004** — OJSC Uralmash, Economics and Finance Director.

### Education

Yevgeny Pakermanov graduated from Yekaterinburg University of the Humanities in 1996 with a business degree in finance and credit.

## Tatiana Gorshenina

**Advisor to the CEO**
Tatiana Gorshenina has served as Advisor to the OJSC Atomenergomash CEO since 2011..

### Professional background:

**2007-2011** — OJSC Atomenergomash, Economics and Finance Director.
**2006-2007** — CJSC Transmashholding, Deputy CEO for Economics.
**2002-2006** — OJSC TAGMET, Deputy Finance Director, Finance Director.
**2001-2002** — LLC MDM Venture Company, Director of Department for Relations with Industrial Enterprises.
**1996-2001** — OJSC Polypharm AOOT, Economics Director.

### Education:

Tatiana Gorshenina graduated from the Leninsky Komsomol Chelyabinsk Polytechnic Institute in 1980 with a degree in economics and engineering industry organization.

## Anatoly Ogurtsov

**Advisor to the CEO**
Anatoly Ogurtsov has served as Advisor to the OJSC Atomenergomash CEO since 2010.

### Professional background

**2007–2010** — OJSC EMAlliance-Atom/ CJSC REMKO, Advisor to the CEO.
**In the 1990s,** he worked in the Government of the Russian Federation, was head of the Machine-Building Committee of the Russian Federation and later served as First Deputy Minister of Foreign Economic Relations and Trade of the Russian Federation.
Following his government service, he worked as Deputy CEO of OJSIC Ingosstrakh and was CEO of LLC Ingosstrakh-M.
**1983–1987** — Leningrad Metals Plant, CEO;

### Education

Anatoly Ogurtsov graduated from Moscow Energy Institute (1966) with a degree in turbine construction mechanical engineering and from the Academy of National Economy under the Government of the Russian Federation (1994) in the Strategic Management of the Engineering Complex program. He is a candidate of technical sciences and an Honored Engineer of the Russian Federation.

## Natalia Shirokovskikh

**Chief Accountant**
Natalia Shirokovskikh was appointed Chief Accountant of OJSC Atomenergomash in 2012.

### Professional background

Prior to joining OJSC Atomenergomash, Natalia Shirokovskikh worked as Head of the Accounting and Reporting Methodology Office at Siberian Coal Energy Company (OJSC SUEK), Russia's biggest and one of the world's leading coal producers and suppliers.
Natalia Shirokovskikh previously served as Deputy Chief Accountant at OJSC Sibur AK, one of Russia's largest industrial holdings.

### Education

Natalia Shirokovskikh graduated with honors from Moscow Technological Institute with a degree in economics and organization and has repeatedly improved her professional skills at some of Russia's leading educational institutions. She has vast experience working in financial and business structures at Western companies and major industrial holdings.

## Vladimir Ushakov

**Advisor to the CEO**
Vladimir Ushakov has served as Advisor to the OJSC Atomenergomash CEO since 2009.

### Professional background

**1998–2008** — LLC Alstom (LLC ABB Power Generation), CEO and President;
**1994–1997** — Representative office of ASEA Brown Boveri, Energy Business Development Director, Authorized Representative for Cooperation with OJSC Gazprom.

### Education

Vladimir Ushakov graduated from Krasnodar Polytechnic Institute in 1969 with a degree in industrial thermal engineering. In 1980, he completed graduate studies at the Institute of World Economy and International Relations under the USSR Academy of Sciences. In 1991, he graduated from the Higher Business School of the Academy of National Economy under the USSR Cabinet of Ministers with a degree in foreign economic activities from the Organization of Foreign Economic Activities program (with an internship in Germany). He is a candidate of economic sciences.

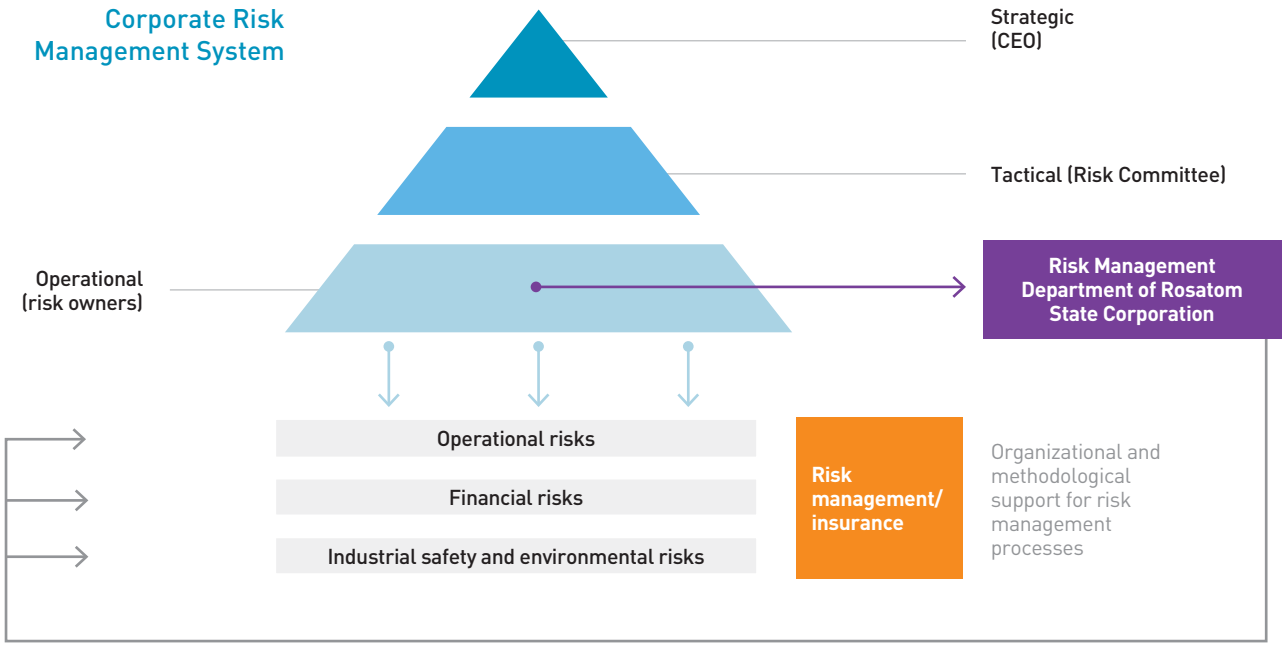
## 7.3. Risk management

The production activities of OJSC Atomenergomash are fraught with risks that can have a significant impact on the operational results of the Company and its SASC. To this end, the Comprehensive Risk Management System (CRMS) plays a particularly important role. The main objective of the CRMS is to assess and control risks in all areas of the Company's activities. The development of the CRMS began in 2010 at Rosatom State Corporation and it is now one of the key tools used to develop the Company, increase its capitalization and implement its long-term plans and objectives.

Main objectives of the CRMS:

- to support the implementation of Rosatom State Corporation's strategy by managing risks;
- to promptly identify emerging risksand to assess and minimize any risks that could affect the activities of Rosatom State Corporation and its organizations;
- to introduce continuous monitoring and risk communication procedures;
- to identify risk owners and their responsibilities;
- to integrate the risk management process into the management decision-making process in order to better utilize resources through managing the balance of risk and return;
- to provide information support to the management and employees of the Corporation and its organizations for the adoption of management decisions and to identify opportunities to optimize risk management processes.

**CRMS target model**




Risk management takes place depending on where the risk occurs and the degree of the risk's impact on the Company's activities. The decision on which risk management method to take is made either by the Company's senior management (for political, financial, market and strategic risks at the project initiation stage) or by the management of the relevant divisions (operational and other insignificant risks).

### Key members of the risk management process at the level of OJSC Atomenergomash

| Management body | Responsibility |
|---|---|
| CEO | Approval of risk management strategy, assessment of the results of critical risk management measures |
| Risk management group | Methodological support to CRMS participants, preparation and updating of risk pyramids, recommendations on risk limits |
| Risk owners | Identification and preliminary assessment of risks, preparation and implementation of risk management measures, risk monitoring |
| Internal Audit Department | Identification of risks in the process of internal audits, independent assessment of the functioning of the CRMS |

The table below presents a description of the main risks posed by the Company's activities as well as measures for their mitigation.

| Risk content | Risk description | Risk management |
|---|---|---|
| **Political risks** | | |
| **Probability of event: medium Degree of impact: moderate** | | |
| Changes at the legislative level to plans for siting power facilities in the long-term and adjustments to the mechanisms used to regulate the electricity market | Given the growing priority of improving energy efficiency and the technologies used, there is a risk of more stringent requirements for power equipment parameters and, consequently, the weakening of the Company's competitive positions | Creating product and technological solutions in the Company's portfolio that aim to improve the parameters of the given equipment, including through the implementation of various forms of cooperation with foreign partners with the relevant technologies (Alstom Power, Doosan Power Systems, NEM Energy) |
| **Probability of event: medium Degree of impact: moderate** | | |
| Political instability in the countries of operation | Adverse effect on the results of the financial and business activities of SASC, breakdown in the targeted strategic plans and objectives | • Geographic expansion of presence and product supply through the acquisition of foreign assets and entry onto new markets<br>• Monitoring and forecasting the impact on business of significant geopolitical changes in countries of operation |
| **Legal risks** | | |
| **Probability of occurrence: medium Degree of impact: low** | | |
| Changes to legislation (for example, amendments to labor laws, the law regulating procurement activities, etc.) | The need for additional time to prepare and implement strategic innovations; risk of responsibility for violating the law | Monitoring the laws of the Russian Federation and the main countries of the management company's operation and sharing the results with employees in order to inform them and take preventive measures to avert any negative consequences in the Company's activities resulting from the introduction of amendments |
| **Financial risks** | | |
| **Probability of event: medium Degree of impact: moderate** | | |
| Changes to macroeconomic conditions, the impact of the crisis on the global economy, including growth in interest rates and more stringent requirements for borrowers | Difficulties in obtaining the loan financing needed to implement strategic plans and objectives, ensure technological development and support operating activities | • The existence of long-term stable orders for the nuclear industry will generate funds for operating activities while covering part of the investment costs<br>• The presence in the Holding of a substantial amount of assets makes it appear to be a more attractive borrower to credit institutions |
| **Probability of event: medium Degree of impact: moderate** | | |
| Unstable exchange rates used for settlements with suppliers/contractors | Worsening of the Company's financial indicators | The Company performs a small amount of currency operations (its main customers are Russian enterprises) and loan financing is provided in rubles. However, taking into account international cooperation and the entry onto global markets, the Company is aware of the need to develop a currency risk management system |
| **Probability of event: medium Degree of impact: moderate** | | |
| Credit risks | Risk of the Company's counterparties failing to meet their contractual financial obligations | In order to improve the corporate risk control system, the Company adopted its Credit Risk Management Policy in 2011 |

| Risk content | Risk description | Risk management |
|---|---|---|
| **Market risks** | | |
| **Probability of event: medium Degree of impact: moderate** | | |
| A decline in demand: given the adjustment in power consumption on the domestic market, there is a risk of a decline in the construction of new generating capacity in the thermal power sector | For the Company, this could mean a reduction in demand for power equipment and, consequently, the deterioration of financial and economic results, weakened competitive positions in the Russian power engineering industry, and continued dependence on equipment orders for the nuclear power industry | • Expanded presence in the sector for the maintenance and modernization of installed equipment, in particular through alliances and partnerships with foreign players, as well as the development of promising product solutions and services in the Company's portfolio<br>• Expanded presence on countercyclical markets (the countries of Southeast Asia, Latin America, the Middle East, etc.)<br>• Expanded implementation of market diversification initiatives |
| **Probability of event: medium Degree of impact: moderate** | | |
| Increased competition on the domestic market | Growth in competition on the domestic market is possible due to the presence of competing power engineering companies from Southeast Asia | The Company's advantages over foreign competitors for customers: the Holding's enterprises are reliable suppliers of equipment for power industry facilities, have a substantial base of installed equipment on the domestic market, and develop product and technological solutions |
| **Probability of event: medium Degree of impact: moderate** | | |
| Lack of competitiveness of products on foreign markets | Weakened competitive positions and the failure to implement strategic plans and objectives due to the fact that the Russian power engineering sector generally lags significantly behind global leaders in terms of technological development parameters and labor productivity | • Expansion in the portfolio of technological solutions through various forms of cooperation with foreign partners and the acquisition of companies having advanced competitive technologies<br>• Improving performance efficiency through the implementation of programs for the technical modernization and development of production capacity |
| **Operational risks** | | |
| **Probability of event: medium Degree of impact: high** | | |
| Failure to perform obligations by key suppliers | Inflated prices for raw commodities and materials, the postponement of delivery deadlines and/or the supply of materials of inferior quality may lead to violations of contractual obligations with respect to customers | Growth in the scale of business and the introduction of the standard procurement procedure in order to select material and equipment suppliers more carefully |
| **Probability of event: medium Degree of impact: moderate** | | |
| Production: deterioration in the quality of products or manufacturing time due to the insufficiency and inefficiency of certain types of production capacity | Breach of contractual obligations for the manufacturing of products with the appropriate quality and delivery to the customer by the specified deadline and, consequently, the loss of clients and deterioration of the Company's image | In order to minimize this risk, the production enterprises of the Atomenergomash Group are implementing technological development investment programs and also introducing lean production principles |
| **Probability of event: low Degree of impact: moderate** | | |
| Dependence on suppliers | The failure to meet contractual obligations and difficulties in making the procurements required to produce materials at market prices | The acquisition of OJSC Energomashspetsstal (Ukraine) in order to diversify the suppliers of castings and forgings for reactor island equipment. The cooperation of OJSC Energomashspetsstal with CJSC Petrozavodskmash and CJSC AEM Technologies will make it possible to establish an alternative supplier of reactor island equipment within the Group that is capable of meeting the industry's needs to the extent necessary |

| Содержание риска | Описание риска | Управление риском |
|---|---|---|
| **Probability of event: medium Degree of impact: high** | | |
| Theft, fraud and corruption at the Company enterprises | The loss of stability in the Company's operations due to economic damage and the theft of materials | The Holding's enterprises are implementing an approved comprehensive program to combat theft and fraud |
| **Probability of event: low Degree of impact: moderate** | | |
| The violation of and failure to comply with sanitary and technical requirements in the production activities of the Company's enterprises | Direct impact on the territory of operation, the number of Company's employees as well as their health | • Compliance with the requirements of the regulatory documents at the federal, regional, industry and intra-industry level for industrial safety, including the Labor Code of the Russian Federation<br>• Preventive work is under way to prevent injuries in the work place based on the industry-wide Occupational Safety Management System (OSMS) |
| **Environmental risks** | | |
| **Probability of event: low Degree of impact: moderate** | | |
| Negative impact on the environment from the production activities of the Company's enterprises | The violation of the integrity and stability of the production process and, consequently, possible emissions of pollutants and waste in excess of the permissible levels established by regulations | • Adherence to regulatory documents on environmental protection and safety<br>• The Company's medium-term plans include the preparation and implementation at the Group's enterprises of regulatory documents that set forth the principles of the environmental policy as well as the introduction of the environmental management system ISO 14001 2004 |
| **Probability of event: low Degree of impact: high** | | |
| External force majeure circumstances as well as natural disasters | The violation of the integrity and stability of the production process and, consequently, a negative impact on the environment | The Holding's key enterprises are located in Russia, Ukraine, the Czech Republic and Hungary. The Company considers the acquisition of potential assets in seismically safe areas, when possible, in an environment where production assets are not at risk of natural disaster |



## 7.4. Remuneration for key management personnel

Remuneration to members of the Company's Board of Directors is paid based on the decision of the general meeting of shareholders. In the 2012 reporting year, the general meeting of shareholders did not adopt any decisions on the payment of remuneration (compensation of expenses) to members of the OJSC Atomenergomash Board of Directors, no remuneration was paid and no compensation of expenses was provided.

The amount of remuneration for the CEO is determined by the employment contract in accordance with the laws of the Russian Federation and by the Common Unified Wage System (CUWS) in place at the organizations of Rosatom State Corporation and takes into account the fulfillment of key performance indicators set for the CEO on an annual basis, among other results.

## 7.5. Internal control and audit

The Internal Audit Department, Audit Committee and independent auditor are responsible for monitoring financial and economic activities at OJSC Atomenergomash.

### Internal Audit Department

The Internal Audit Department was established to introduce a systematic and consistent approach to the assessment and improvement of risk management, monitoring and corporate governance processes at the enterprises of the Atomenergomash Group.

The Department is responsible for the following objectives:

- Controlling the completeness and reliability of financial and management information, including monitoring and methodological guidance for the control and auditing departments of the Company's subsidiaries.
- Controlling the safekeeping of the assets of the Atomenergomash Group of Companies.
- Evaluating the effectiveness of the system of internal control over the process of compiling public reporting, assessing the compliance of the procedure used to establish public reporting with applicable laws and internal regulations and preparing recommendations on improvements to the internal control system when preparing public reporting.
- Operational monitoring of the efficient and economic use of resources throughout all the main business processes of the Atomenergomash Group of Companies.
- Control over the Group's compliance with applicable law, the decisions of the Board of Directors, the internal standards and regulations of the Company and its SASC, control of the compliance of internal procedures with the requirements of applicable

laws and the decisions of the Board of Directors, the nature of the Company's operations and related risks, as well as control over compliance with established procedures and the powers of decision-making concerning the interests of the Company (including SASC), its owners and customers.

- Control of compliance with efficient risk management requirements by the Company and its SASC.

### Audit Committee

The Audit Committee is elected at the annual general meetings of shareholders to monitor the financial and business performance of OJSC Atomenergomash. Its powers are defined by the Federal Law "On Joint-Stock Companies" and the Charter of OJSC Atomenergomash. The inspection (audit) of the Company's financial and business performance is based on its activities during the reporting year or within any other period of time at the initiative of the Audit Committee, the general meeting of shareholders, the Board of Directors or at the request of a Company shareholder(s) owning at least 10% of its voting shares.

The Audit Committee is elected at the annual general meeting of shareholders for the period until the next annual meeting. The three-member Audit Committee is approved by the general meeting of shareholders. The OJSC Atomenergomash general meeting of shareholders elected the following members during the reporting period to audit the financial and business activities of OJSC Atomenergomash:

| Audit Committee member | Position at the Company |
|---|---|
| Yekaterina Krivenkova | Director of the Economics and Planning Office |
| Alexander Levenshtein | Internal Audit Director |
| Natalia Kislaya | Internal Audit Deputy Director |

The Audit Committee prepared a conclusion on the accounting statement of OJSC Atomenergomash for 2012, stating that it had found no violations of accounting and financial statement procedures established by the laws of the Russian Federation in the performance of its financial and economic activities that could significantly affect the accuracy of the data reported by the Company.

### Independent Auditor/Consultant

In order to monitor its financial and economic activities, OJSC Atomenergomash hired the company LLC FBK to verify the correctness of the combined accounting statements of OJSC Atomenergomash. LLC FBK is one of the oldest Russian audit and consulting forms and is currently among the leaders on the professional services market.

Based on its audit, LLC FBK found no any significant violations in the preparation of the accounting statement and combined accounting statement of OJSC Atomenergomash.[10]

## 7.6. Equity capital

OJSC Atomenergomash had charter capital of RUB 738,149 as of December 31, 2012. As part of the state registration of amendments to the Charter of OJSC Atomenergomash, the Company's charter capital was increased over the reporting period through the placement of common registered shares in a private offering. The decision was adopted at an extraordinary meeting of OJSC Atomenergomash shareholders held on November 26, 2012 to make a fourth additional share issue. The additional shares underwent state registration in late December 2012.

Structure of OJSC Atomenergomash equity capital as of December 31, 2012

| Shareholder | Number of shares | Proportion, % |
|---|---|---|
| Open Joint-Stock Company Atomenergoprom | 490,386 | 66.43 |
| Open Joint-Stock Company TVEL | 51,000 | 6.91 |
| Open Foreign Economic Joint-Stock Company Techsnabexport | 28,935 | 3.92 |
| Limited Liability Company Energomashkompleks | 460 | 0.06 |
| Closed Joint-Stock Company AEM Invest | 24,050 | 3.26 |
| Closed Joint-Stock Company AEM Finance | 50,974 | 6.91 |
| INTERNEXCO GMBH | 92,344 | 12.51 |
| **TOTAL** | **738,149** | **100** |

The Company's registrar is CJSC Irkop:
**Location:** 125284, Moscow, ul. Begovaya, d. 3, str. 1;
**Mailing address:** 125284, Moscow, PO Box 64
**Actual address:** 125824, Moscow, ul. Begovaya, d. 3, str. 1

Certificate No. 482776 on the state registration of the company was issued on April 26, 1994 by the Moscow Registration Chamber. License No. 10-000-1-00250 of a professional participant of the securities market for the right to maintain registers of holders of registered securities was issued on August 9, 2002 by the Russian Federal Securities Committee.

[10] The conclusions of LLC FBK based on the results of its audit of the accounting statement and combined accounting statement of OJSC Atomenergomash are contained in the appendix to this annual report and are also available on the OJSC Atomenergomash company website.

# 8 Section **Sustainable development**


## Environmental protection expenses, ‘000 RUB

# 8. Sustainable development

## 8.1. Personnel

HR management at the enterprises of the Atomenergomash Holding is carried out on the basis of the principles of compliance with the law, safety culture, corporate and professional ethics, social responsibility and the overall consideration of the strategic priorities of OJSC Atomenergomash as well as the personal interests of each employee.

The Company's key strategic priorities in this area are:

- to create conditions that are conducive to business at its enterprises;
- to improve the living standards of all employees;
- to attract and retain highly-skilled personnel while retaining knowledge within the Holding's enterprises;
- to motivate personnel;
- to develop a corporate culture;
- to provide employees with essential social services and opportunities;
- to form a positive image as an employer on the Russian and international labor market.

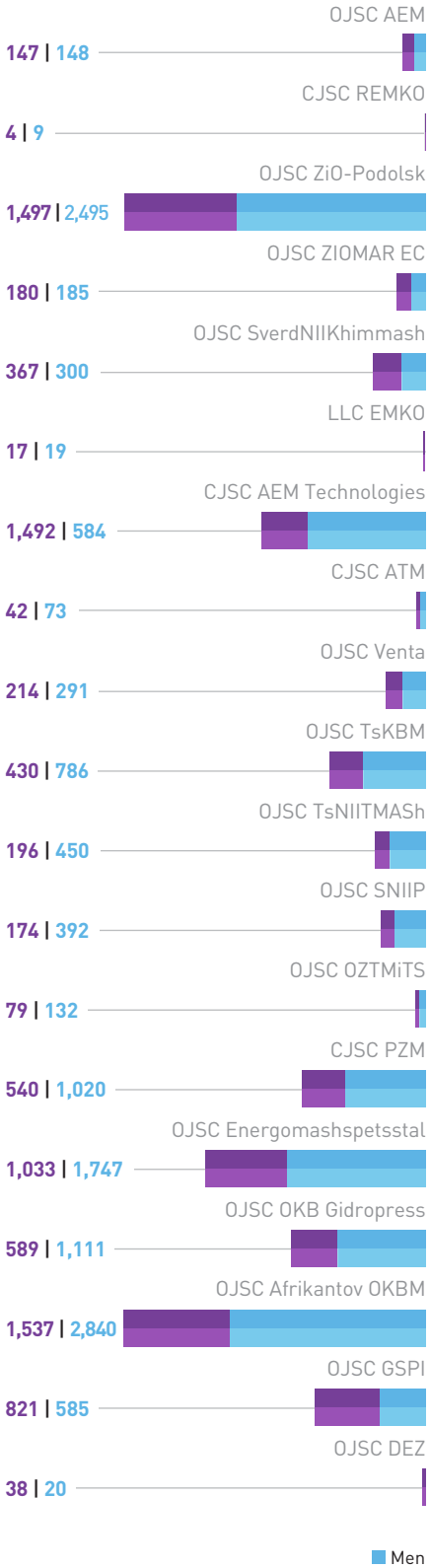
### 8.1.1. Size and structure of personnel

GRI: LA1 OJSC Atomenergomash is one of the largest divisions within Rosatom State Corporation in terms of the size of its assets, the scale of its regional presence and its number of employees. As of the end of the 2012 reporting year, the headcount of the Holding's key subsidiary and supervised companies stood at 22,505 people.[11]

Due to changes in the data consolidation profile as well as processes to reorganize and expand the activities of the Holding's subsidiary profile, the total number of employees at all the Group's enterprises increased by 1,251 people within the reporting period.

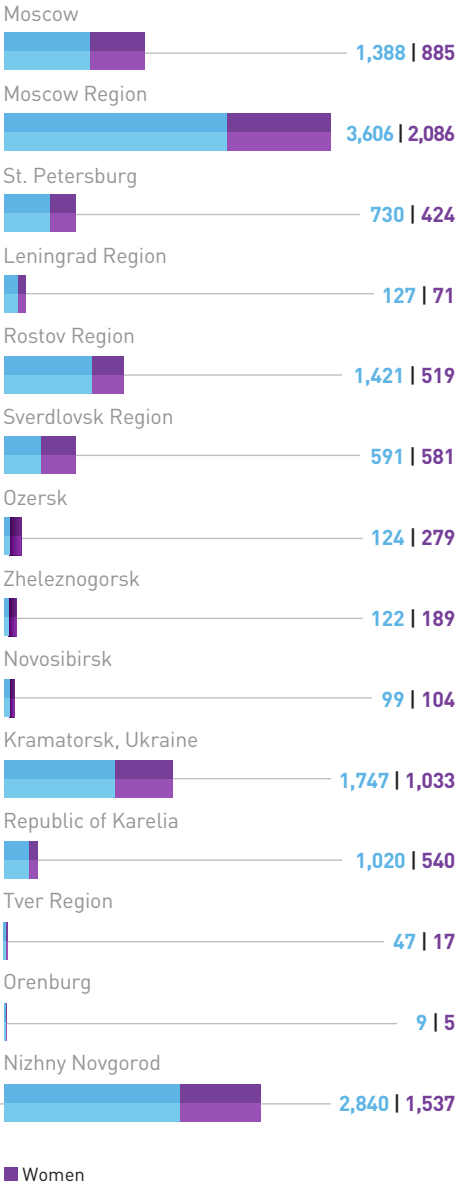
The vast majority of employees work at the Holding's production enterprises and engineering facilities.

**Total number of employees by enterprise**




The location of enterprises determines the distribution of the Group's employees in the major regions of operation, which are regarded as regions in the Russian Federation and other countries in which the Holding has key assets. The vast majority of employees of OJSC Atomenergomash enterprises that are part of the data consolidation profile as regards HR management are located in the Russian Federation.

**Regional breakdown of personnel numbers**




[11] Except ARAKO and LLC STEP based on the data consolidation profile.

One of the principles of the OJSC Atomenergomash HR policy is to provide equal opportunities for different gender and age groups. The Company is committed in its management decisions to reducing the level of gender and age discrimination. At the same time, due to the specific nature of the industry and production operations, the workforce of OJSC Atomenergomash was primarily comprised of male employees and employees in the 30-50 and 50+ age groups during the reporting period.

GRI: HR4 No cases of age, gender or any other form of discrimination were recorded at OJSC Atomenergomash enterprises in 2012 with respect to internal and/or external stakeholders in any activities during the reporting period.

GRI: LA1 The majority of the employees at the Holding's enterprises work on a full-time basis and have a continuous contract with the employer.

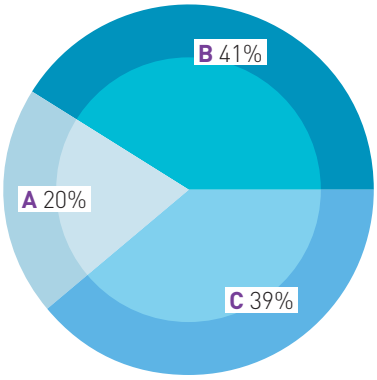
## 8.1.2. Social policy

The purpose of the social policy is to establish an effective system to manage social work that aims to achieve the goals of the division and Rosatom State Corporation. In this regard, the Company faces a number of challenges, including:

- boosting the appeal of the Holding's enterprises on the labor market;
- attracting and retaining young professionals, highly-skilled specialists and employees working in rare professions;
- increasing the loyalty and motivation of employees (engagement);
- the effective utilization of social spending.

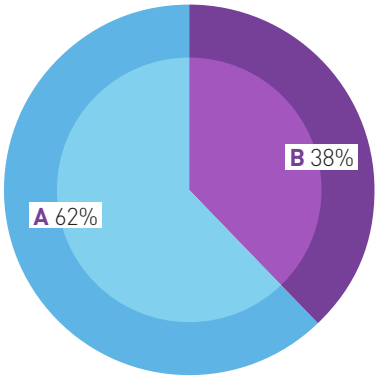
The Atomenergomash Holding currently employs several key social programs such as voluntary medical insurance (including for accidents and sickness), private pension benefits as well as health resort treatment for employees and their children. In addition, the Company provides employees with assistance in improvements to their living conditions and also organizes various sporting and cultural events.

**Age breakdown of employees**




A Under 30 B From 30-50 C Over 50

**Genderbreakdown of employees**




A Men B Women

The Company's immediate plans in the social sphere include the introduction and implementation of the Retiree Support program (in 2013) as well as a long-term program (2013-2015) to introduce a uniform corporate standard for social activities.

The key focuses of social activities are:

- Interaction with universities
- Attracting young people to the Company
- Participation in scientific events, contests and forums
- Pension programs, social security packages
- Retiree assistance programs
- Employee training and development
- Support and promotion of experimental scientific education
- Encouraging employees to take part in environmental protection and social aid programs

The Atomenergomash Group of Companies is implementing a set of social support programs for its current and retired employees as well as their families in order to increase employee satisfaction and raise the appeal of working at its enterprises and organizations.

| Enterprise | Full-time | | Part-time | | Continuous contract | | Temporary contract | |
|---|---|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women | Men | Women |
| OJSC AEM | 146 | 145 | 2 | 2 | 148 | 147 | 0 | 0 |
| CJSC REMKO | 4 | 9 | 0 | 0 | 4 | 9 | 0 | 0 |
| OJSC ZiO-Podolsk | 2,486 | 1,489 | 9 | 8 | 2,332 | 1,464 | 163 | 33 |
| OJSC ZIOMAR EC | 182 | 179 | 3 | 1 | 178 | 178 | 7 | 2 |
| OJSC SverdNIIKhimmash | 296 | 358 | 4 | 9 | 300 | 367 | 0 | 0 |
| LLC EMKO | 10 | 17 | 9 | 0 | 19 | 17 | 0 | 0 |
| CJSC AEM Technologies | 1,468 | 568 | 24 | 16 | 1,288 | 451 | 204 | 133 |
| CJSC ATM | 61 | 39 | 12 | 3 | 67 | 37 | 6 | 5 |
| OJSC Venta | 291 | 214 | 0 | 0 | 289 | 208 | 2 | 6 |
| OJSC TsKBM | 777 | 419 | 9 | 11 | 772 | 425 | 14 | 5 |
| OJSC TsNIITMASH | 354 | 162 | 96 | 34 | 442 | 187 | 8 | 9 |
| OJSC SNIIP | 392 | 174 | 0 | 0 | 392 | 174 | 0 | 0 |
| OJSC OZTMiTS | 75 | 43 | 4 | 10 | 75 | 43 | 4 | 10 |
| CJSC Petrozavodskmash | 1,011 | 536 | 9 | 4 | 966 | 486 | 54 | 54 |
| OJSC Gidropress | 1,111 | 589 | 0 | 0 | 1,038 | 557 | 73 | 32 |
| OJSC Afrikantov OKBM[10] | 4,293 | 0 | 110 | 0 | 2,508 | 1,281 | 332 | 256 |
| OJSC GSPI | 583 | 819 | 2 | 2 | 582 | 816 | 3 | 5 |
| OJSC DEZ | 38 | 19 | 0 | 1 | 38 | 20 | 0 | 0 |

[12] OJSC Afrikantov OKBM publishes its own annual report.

SECTION 8

GRI: LA3 The Atomenergomash Group of Companies provides all employees (regardless of their status and type of contract) with payments and benefits as mandated by the Labor Code of the Russian Federation. Full-time employees are offered an additional comprehensive package of the following social payments and benefits approved by the applicable regulatory documents:

- health coverage (voluntary medical insurance, accident and sickness insurance),
- pension programs (participation in private pension programs),
- housing programs,
- health resort treatment and vacation for employees and their children,
- catering for employees,
- financial aid,
- corporate discounts on subscriptions to sports and health facilities,
- support to veterans and retirees of the industry.

GRI: HR5 In addition, the Company recognizes the inalienable right of employees to the freedom of association and to engage in collective bargaining and has concluded collective bargaining agreements at several enterprises as one of the main tools for regulating social and labor relations. Atomenergomash and its key suppliers do not engage in activities that could violate or pose significant risks to the right to the freedom of association and collective bargaining agreements.

Together with the Labor Code of the Russian Federation and internal company regulations, these agreements govern issues concerning working conditions as well as social and labor relations between companies and their employees. OJSC Atomenergomash takes part in measures to bring the collective agreements into compliance with the Industry Agreement on the Nuclear Power, Industry and Science. In accordance with collective agreements between companies and their employees,

GRI: LA4, LA5

| Enterprise | Collective agreement in place | Timeframe for notification about significant changes, months |
|---|---|---|
| OJSC AEM | No | - |
| CJSC REMKO | Yes | 2 |
| OJSC ZiO-Podolsk | Yes | 2 |
| OJSC ZIOMAR EC | Yes | 2 |
| OJSC SverdNIIKhimmash | Yes | 2 |
| LLC EMKO | No | 2 |
| CJSC AEM Technologies | No | 2 |
| CJSC ATM | No | 2 |
| OJSC Venta | Yes | 2 |
| OJSC TsKBM | Yes | 2 |
| OJSC TsNIITMASH | Yes | 2 |
| OJSC SNIIP | Yes | 2 |
| OJSC OZTMiTS | Yes | 2 |
| CJSC Petrozavodskmash | Yes | 2 |
| OJSC Gidropress | Yes | 2 |
| OJSC Afrikantov OKBM[13] | Yes | 2 |
| OJSC EMSS | Yes | 2 |
| OJSC GSPI | Yes | 2 |
| OJSC DEZ | No | 2 |
| **Proportion of Company employees covered by collective bargaining agreements** | | **88.5%** |

the Holding has established the practice of conducting timely discussions on all significant changes in its operations and informing employees about such changes accordingly. In particular, in accordance with Article 73 of the Labor Code of the Russian Federation, employees must be notified about any impending organizational changes at least two months prior to the introduction of any changes to the conditions specified in the employment contract. Under the collective bargaining agreements, the employer informs the union and employees on a quarterly basis about the Company's financial situation, personnel movement, changes to the management structure, payment terms, workplace organization, the results of production and business activities and the prospects for economic and social development.

The minimum period for notifying employees about organizational changes at all of the Holding's enterprises complies with the Labor Code of the Russian Federation and is 2 months.

GRI: LA9 OJSC Atomenergomash is a party to the current Industry Agreement on the Nuclear Power, Industry and Science, which was signed by employees and employers with the participation of Rosatom State Corporation in order to create the necessary labor and socioeconomic conditions for employees in the industry while taking into account the interests of employers and the government.

The agreement governs issues concerning the health and safety of employees, occupational health and safety, social protection, sports and fitness and educational activity, among others.

In addition, the Company keeps track of such jobs and ensures that employees receive compensatory benefits and services.

GRI: LA8 It should be noted that some enterprises pose the risk of serious illnesses (including stress). Each employee whose job involves any sort of harmful and/or hazardous production factor undergoes a regular medical examinations of a frequency determined in accordance with Order No. 302n of the Ministry of Health and Social Development of the Russian Federation dated April 12, 2011. Such employees are entitled to unscheduled medical examinations (evaluations) in accordance with medical recommendations. During the evaluations, they shall maintain their jobs and average salary.

[13] OJSC Afrikantov OKBM publishes its own annual report

Employees of the Atomenergomash Group of Companies working in production areas and conditions that deviate from the norm (harmful and hazardous conditions) are provided with the necessary medical assistance as part of the agreement signed in 2010 by Rosatom State Corporation and the Federal Medical and Biological Agency (FMBA). According to this agreement, the parties shall cooperate in the following areas:

- the arrangement and provision of healthcare for nuclear sector employees by Russian FMBA medical centers;
- the implementation of measures to ensure the sanitary and epidemiological safety of nuclear sector employees;
- medical dosage monitoring of nuclear sector employees;
- measures to identify harmful and hazardous factors that affect the health of nuclear sector employees;
- the development of an efficient information exchange system;
- the resolution of issues related to the provision of continuous medical care for nuclear sector employees

| Category | Education/ training | Consultation | Prevention/Risk control | Treatment |
|---|---|---|---|---|
| for employees | No | **Yes** | Yes | **Yes** |
| for employee families | No | **Yes** | Yes | **Yes** |
| for members of the public | No | **No** | No | **No** |

by Russian FMBA medical centers in the event of the reorganization of Rosatom due to structural changes in the nuclear industry.

Since the activities of certain enterprises involve increased risk of harm to the health of employees, these enterprises provide enhanced monitoring over the health of their employees.

On November 22, Petrozavodskmash finished second in a contest established by the Ministry of Health of the Russian Federation. The project, called "Forming a healthy lifestyle for company employees," reflects the revival of active sports and fitness at the enterprise.

In addition, several enterprises have introduced social programs and measures aimed at supporting employees and their families.

GRI: EC3 In December 2009, a number of individual companies adopted a private pension program (PPP) for their employees. In 2010, it was revised and brought into compliance with the industry standard of Rosatom State Corporation. This program is still in use and governs the Company's contributions to the funded component of retirement pensions based on applicable benefits. The company AtomGarant PSF (Pension Savings Fund), an authorized management body for the main companies of Rosatom State Corporation, acts as a representative of the Company in the pension program. Atomenergomash accumulated pension contributions in the budget for the reporting period and subsequently transferred them to AtomGarant PSF for management.



## Pension programs for employees of the Atomenergomash Group of Companies

| CRITERIA | PROGRAM 1 | PROGRAM 2 |
|---|---|---|
| Program participants | **Government + Employee + Company** | Employee + Company |
| Terms and conditions | **If an employee participates in the program for the government's co-financing of pension savings (Federal Law No. 56-FZ), the employer pays equal contributions to the pension fund, which should not exceed RUB 12,000 per annum per employee** | • If an employee makes contributions within the framework of the additional pension plan, the employer makes contributions to the pension fund that are proportionate to the employee's contributions (using the adjustment factor, which takes into account the number of years spent by the employee with the Company, age, etc.).<br>• The maximum monthly contribution of the employer shall not exceed RUB 4,000 per employee, provided the employee participates in Program 1 or both Programs |
| Brief description | **All full-time Company employees participate in the pension program regardless of their wishes or needs. Contributions to the pension fund are made only by the Company. The program provides more beneficial terms for employees with more senior positions. The maximum monthly contribution per worker is not limited** | • A mandatory condition of the corporate pension program is voluntary co-financing by the employee.<br>• Only employees who have not reached pension age may participate in the program.<br>• The Company supplements the employee's contribution depending on the length of employment (by 5%-20%). The program provides equal terms for employees in more senior positions. The maximum amount of the employer's monthly contribution is limited to RUB 4,000 per employee |
| Proportion of salary contributed by the employee and employer | **The Company makes monthly contributions to the pension fund amounting to 2% of the employee's salary (but no less than RUB 2,000)** | • The proportion of salary contributed by the employee is: 0.8%-2.2%.<br>• The proportion of salary contributed by the employer is: 1%-6.6%.<br>• The employer's contribution may be increased depending on the employee's length of employment with the Company.<br>• The related coefficient ranges from 1.05 (from 5 to 7 years) to 1.2 (more than 20 years) |

GRI: LA11 Support for employees who are on the verge of retiring or have been dismissed from the Company is a matter of great importance for the Atomenergomash Group of Companies. The assistance program meets the requirements of the Labor Code of the Russian Federation. Many programs have been initiated by Atomenergomash enterprises to ensure support and motivation of their employees.

The Company plans to continue implementing the Unified Corporate Social Policy at the Holding's enterprises in the short term:

- 2013 — introduction and implementation of the Retiree Support program at companies;
- 2013-2015 — harmonizing social programs with unified corporate standards.

### Support programs for retirees/dismissed employees at the Atomenergomash Group of Companies

| Program | Available | Focus |
|---|---|---|
| Advanced planning for employees before retirement | Yes | Support programs for retirees/dismissed employees |
| Retraining for employees wishing to continue work | Yes | |
| Retirement pay | Yes | |
| Allowance for age and length of service in retirement pay | Yes | |
| Assistance in searching for work | No | |
| Assistance (such as training or consulting) in adjusting to life without work | No | |

## 8.1.3. Young employee policy

The task of attracting young people and retaining them at the Holding's enterprises is one of the priority focuses of the OJSC Atomenergomash HR policy. Young people are interested in the wage level, the ability to improve their living conditions, professional growth and obtaining financial support during the initial stage of employment. Each of these aspects is reflected individually in the Company's social programs. Special attention is devoted to interaction with specialized universities. Strategic partnership agreements have now been signed with four universities. OJSC Atomenergomash has significant influence on Russian education as regards the preparation of educational programs and courses and is also developing a system of professional engineering standards.

Work is conducted with each university in the following areas:

- Concluding direct agreements for the training of specialists (concluding trilateral agreements).
- Participation in open days and employment fairs held by professional academic institutions.
- Arrangement of student contests and support for the best students.
- Arrangement of internships and production training at the Group's enterprises.
- Preparation for graduation projects at enterprises.
- Regular training seminars and special courses for students held by employees.
- Participation in the financing and arrangement of educational classes and laboratories.

OJSC SverdNIIKhimmash and OJSC NPO TsNIITMASH work with departments of the leading universities and have their own postgraduate courses and dissertation counseling. OJSC SNIIP maintains interaction with universities regarding involvement of young professionals in design and development work (young professional design bureaus). OJSC GSPI arranges annual hearings on the results of internships by young professionals.

## 8.1.4. Personnel recruitment and development

### Recruitment and adaptation of personnel

GRI: EC7

The Atomenergomash Group of Companies appoints professionals responsible for recruiting new employees. The Company is committed to meeting high standards of social responsibility when hiring new employees.

In making hiring decisions, it is governed by Article 64 of the Labor Code of the Russian Federation (prohibiting groundless rejection or refusal based on discriminative grounds).

## Staff turnover by age and gender, people

| Enterprise | <30 years | | | | 30-50 years | | | | >50 years | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Incoming | | Outgoing | | Incoming | | Outgoing | | Incoming | | Outgoing | |
| | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| OJSC AEM | 11 | 25 | 3 | 16 | 30 | 22 | 28 | 18 | 3 | 1 | 8 | 5 |
| CJSC REMKO | 0 | 1 | 10 | 16 | 3 | 2 | 24 | 64 | 0 | 0 | 14 | 28 |
| OJSC ZiO-Podolsk | 68 | 59 | 0 | 0 | 62 | 64 | 0 | 0 | 0 | 55 | 235 | 0 |
| OJSC ZIOMAR EC | 22 | 21 | 0 | 0 | 35 | 33 | 36 | 0 | 0 | 0 | 0 | 0 |
| OJSC SverdNIIKhimmash | 5 | 1 | 2 | 2 | 25 | 14 | 22 | 20 | 6 | 0 | 15 | 10 |
| LLC EMKO | 7 | 5 | 6 | 4 | 11 | 13 | 10 | 12 | 4 | 2 | 3 | 1 |
| CJSC AEM Technologies | 250 | 2 | 4 | 1 | 508 | 16 | 9 | 6 | 685 | 527 | 8 | 6 |
| CJSC ATM | 5 | 2 | 5 | 4 | 13 | 11 | 20 | 1 | 10 | 0 | 17 | 0 |
| OJSC Venta | 12 | 5 | 33 | 12 | 17 | 9 | 10 | 6 | 10 | 2 | 48 | 10 |
| OJSC TsKBM | 78 | 33 | 40 | 15 | 40 | 26 | 40 | 31 | 30 | 21 | 100 | 56 |
| OJSC TsNIITMASH | 24 | 10 | 36 | 9 | 35 | 11 | 28 | 21 | 34 | 13 | 40 | 21 |
| OJSC SNIIP | 18 | 6 | 18 | 15 | 55 | 11 | 80 | 30 | 6 | 7 | 22 | 17 |
| OJSC OZTMiTS | 4 | 2 | 4 | 2 | 7 | 5 | 5 | 5 | 7 | 2 | 4 | 6 |
| CJSC Petrozavodskmash | 222 | 56 | 118 | 34 | 183 | 34 | 135 | 22 | 37 | 11 | 66 | 24 |
| OJSC EMSS | 113 | 22 | 122 | 13 | 57 | 32 | 158 | 70 | 14 | 5 | 117 | 48 |
| OJSC Gidropress | 40 | 18 | 18 | 7 | 9 | 13 | 11 | 3 | 21 | 9 | 14 | 11 |
| OJSC Afrikantov OKBM | 104 | 43 | 3 | 1 | 38 | 39 | 3 | 1 | 8 | 12 | 0 | 1 |
| OJSC GSPI | 43 | 36 | 28 | 26 | 13 | 19 | 21 | 15 | 14 | 9 | 44 | 56 |
| OJSC DEZ | 2 | 1 | 1 | 0 | 3 | 3 | 2 | 0 | 0 | 0 | 0 | 0 |

The Company has no centralized policy of recruiting its managers[14] from the local community. Nevertheless, the proportion of Company managers from the local community is high.

## Turnover rate by age

| Enterprise | <30 years | | 30-50 years | | >50 years | | | |
|---|---|---|---|---|---|---|---|---|
| | Incoming | Outgoing | Incoming | Outgoing | Incoming | Outgoing | Men | Women |
| OJSC AEM | 34% | 18% | 32% | 28% | 15% | 50% | 26.4% | 26.5% |
| CJSC REMKO | - | - | - | - | - | - | - | - |
| OJSC ZiO-Podolsk | 23% | 0% | 7% | 0% | 3% | 14% | 9.4% | 0.0% |
| OJSC ZIOMAR EC | 52% | 0% | 56% | 30% | 0% | 0% | 19.5% | 0.0% |
| OJSC SverdNIIKhimmash | 5% | 3% | 14% | 15% | 2% | 10% | 13.0% | 8.7% |
| LLC EMKO | 120% | 100% | 109% | 100% | 150% | 100% | 100.0% | 100.0% |
| CJSC AEM Technologies | 82% | 2% | 83% | 2% | 121% | 1% | 1.4% | 2.2% |
| CJSC ATM | 22% | 28% | 34% | 30% | 16% | 27% | 57.5% | 11.9% |
| OJSC Venta | 25% | 67% | 13% | 8% | 5% | 24% | 31.3% | 13.1% |
| OJSC TsKBM | 55% | 27% | 17% | 18% | 8% | 25% | 22.9% | 23.7% |
| OJSC TsNIITMASH | 227% | 300% | 112% | 120% | 80% | 103% | 23,1% | 26,0% |
| OJSC SNIIP | 42% | 58% | 73% | 122% | 4% | 12% | 30,6% | 35,6% |
| OJSC OZTMiTS | 38% | 38% | 41% | 34% | 10% | 11% | 16,5% | 24,5% |
| CJSC Petrozavodskmash | 58% | 32% | 39% | 28% | 9% | 17% | 31,3% | 14,8% |
| OJSC EMSS | 20% | 20% | 6% | 16% | 3% | 23% | 22,7% | 12,7% |
| OJSC Gidropress | 19% | 8% | 3% | 2% | 4% | 3% | 3,9% | 3,6% |
| OJSC Afrikantov OKBM | - | - | - | - | - | - | - | - |
| OJSC GSPI | 33% | 23% | 6% | 6% | 4% | 18% | 15,9% | 11,8% |
| OJSC DEZ | 23% | 8% | 14% | 5% | 0% | 0% | 7,9% | 0,0% |

GRI: EC7

The Atomenergomash Group of Companies has no policy for preferable hiring from the local population. Moreover, a number of companies employ skilled and competent professionals from other regions, if necessary. The companies provide such professionals with accommodation and special payments.

An adaptation training program for employees called "Introduction to the Nuclear Sector" was developed in conjunction with the Central Institute for Continuing Education & Training (CICE&T) for employees of subsidiary and supervised companies and is currently being implemented at the enterprises of the Atomenergomash Group of Companies. Sports competitions and professional skills contests are held between the Group's companies and training programs are arranged for employees in order to assist in their adaptation and integration.

## Proportion of senior management hired from the local community

| Enterprise | % of senior management from the local community |
|---|---|
| OJSC AEM | 100% |
| CJSC REMKO | — [15] |
| OJSC ZiO-Podolsk | 64% |
| OJSC ZIOMAR EC | 100% |
| OJSC SverdNIIKhimmash | 13% |
| LLC EMKO | 100% |
| CJSC AEM Technologies | 57% |
| CJSC ATM | 100% |
| OJSC Venta | 63% |
| OJSC TsKBM | 100% |
| OJSC TsNIITMASH | 67% |
| OJSC SNIIP | 100% |
| OJSC OZTMiTS | 100% |
| CJSC Petrozavodskmash | 50% |
| OJSC EMSS | 89% |
| OJSC Gidropress | 100% |
| OJSC Afrikantov OKBM | 100% |
| OJSC GSPI | 100% |
| OJSC DEZ | 100% |

[14] The Company defines local employees/managers as employees who are permanent residents of the area of operation of their employer, who have not been offered a job involving relocation from other regions and whom the Company does not provide with accommodation.

[15] OJSC ZIOMAR EC experienced the restructuring at 2012 end, under which the management of the company was consolidated within the OJSC ZiO-Podolsk.

GRI: LA13 It should be noted that the senior manager structure across the Company's enterprises is quite similar in terms of age and gender: men aged 30 and older form the basis of senior management.

### OJSC Atomenergomash executives' breakdown by gender and age

| Enterprise | Number of senior managers | Gender structure of senior management, % | | Age structure of senior management, % | | |
|---|---|---|---|---|---|---|
| | | Men | Women | <30 years | 30-50 years | >50 years |
| OJSC AEM | 43 | 67% | 33% | 5% | 81% | 14% |
| CJSC REMKO | 0 | 0% | 0% | 0% | 0% | 0% |
| OJSC ZiO-Podolsk | 14 | 79% | 21% | 0% | 71% | 29% |
| OJSC ZIOMAR EC | 3 | 100% | 0% | 0% | 67% | 33% |
| OJSC SverdNIIKhimmash | 8 | 63% | 38% | 0% | 75% | 25% |
| LLC EMKO | 33 | 52% | 48% | 30% | 58% | 12% |
| CJSC AEM Technologies | 12 | 100% | 0% | 0% | 67% | 33% |
| CJSC ATM | 8 | 88% | 13% | 0% | 38% | 63% |
| OJSC Venta | 8 | 63% | 38% | 13% | 75% | 13% |
| OJSC TsKBM | 12 | 83% | 17% | 0% | 50% | 50% |
| OJSC TsNIITMASH | 93 | 45% | 55% | 15% | 34% | 51% |
| OJSC SNIIP | 9 | 78% | 22% | 0% | 78% | 22% |
| OJSC OZTMiTS | 39 | 51% | 49% | 21% | 33% | 46% |
| CJSC Petrozavodskmash | 11 | 73% | 27% | 9% | 36% | 55% |
| OJSC EMSS | 11 | 91% | 9% | 0% | 55% | 45% |
| OJSC Gidropress | 25 | 88% | 12% | 0% | 12% | 88% |
| OJSC Afrikantov OKBM[16] | 702 | 85% | 15% | 8% | 50% | 42% |
| OJSC GSPI | 25 | 96% | 4% | 0% | 68% | 32% |
| OJSC DEZ | 4 | 100% | 0% | 0% | 75% | 25% |

## Processes of personnel assessment, training and development

OJSC Atomenergomash views investment in the professional training of personnel as a prerequisite for ensuring the Group's competitiveness and dynamic development, the increased value of human capital, and the Company's stability on the market. A sophisticated set of training activities enables OJSC Atomenergomash to create a common value system, establish open feedback between employees and strengthen team spirit. Training makes it possible to establish uniform terminology, common approaches to professional activities and develop corporate standards of quality, which is particularly important for such a large and geographically diverse holding as OJSC Atomenergomash.

GRI: LA11 The personnel training and development system at OJSC Atomenergomash involves a comprehensive approach to improving the professional potential of employees and is consistent with the Company's long-term development strategy. Most of the Holding's enterprises have a wide range of supporting and development programs and courses:

GRI: LA10 OJSC Atomenergomash attaches great importance to personnel development for all employee categories. Investment in this area is viewed as an invaluable foundation for maintaining the Company's leading positions on the market and its continuous development.

### Advanced professional training programs

| Program | Existence | Focus |
|---|---|---|
| Internal training courses | Yes | Advanced professional training programs |
| Financial support for external training or education | Yes | |
| Provision of extended leave with guaranteed retention of job | Yes | |

[16] The definition of "senior management" adopted at OJSC Afrikantov OKBM and its use as part of preparations for the company's integrated report differs from the definition of OJSC Atomenergomash.

## Average number of training hours by employee category, hours per 1 employee

| Enterprise | Senior management | | Middle management | | Specialists and operating personnel | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| OJSC AEM | 58.6 | **30.4** | 40.4 | **60.0** | 13.8 | **7.3** |
| CJSC REMKO | - | - | - | - | - | - |
| OJSC ZiO-Podolsk | 11.4 | **11.7** | 12.6 | **12.7** | 50.7 | **38.8** |
| OJSC ZIOMAR EC | 78.3 | - | 9.7 | **9.1** | 9.1 | **9.0** |
| OJSC SverdNIIKhimmash | 16.0 | **16.0** | 8.0 | **8.0** | 1.9 | **1.6** |
| LLC EMKO | - | - | - | - | - | - |
| CJSC AEM Technologies | 4.2 | - | 2.0 | **3.3** | 2.0 | **3.1** |
| CJSC ATM | - | - | 20.0 | **25.7** | 16.2 | **0.5** |
| OJSC Venta | 17.8 | **59.3** | 9.6 | **5.4** | 2.1 | **2.9** |
| OJSC TsKBM | 21.6 | - | 10.1 | **12.6** | 24.5 | **6.9** |
| OJSC TsNIITMASH | 1.7 | **1.4** | 61.7 | - | 260.4 | **23.7** |
| OJSC SNIIP | 5.4 | **19.0** | 0.6 | **1.3** | 1.1 | **1.1** |
| OJSC OZTMiTS | - | **0.6** | 0.4 | **2.5** | 8.0 | **1.3** |
| CJSC Petrozavodskmash | 4.4 | **2.7** | 5.4 | **0.2** | 5.4 | **0.5** |
| OJSC EMSS | 110.4 | **176.0** | 28.2 | **28.5** | 52.0 | **34.9** |
| OJSC Gidropress | 61.9 | **6.3** | 61.9 | **6.2** | 8.9 | **9.9** |
| OJSC Afrikantov OKBM | - | - | - | - | - | - |
| OJSC GSPI | 12.6 | **50.0** | 89.3 | **1.4** | 28.2 | **0.5** |
| OJSC DEZ | 18.0 | - | 78.6 | **79.0** | 36.3 | **36.4** |



GRI: LA12 The Provision on the RECORD Annual Assessment (an evaluation of performance, skills, development and achievements) of OJSC Atomenergomash employees and SASC managers was adopted at the Holding's management level in 2012 for the personal development of employees and their skills. The Provision was revised in early 2013 and integrated into the Unified Industry Policy for the Management of the Performance Efficiency of the Employees of Rosatom State Corporation and its Organizations. This tool was introduced to the operations of OJSC Atomenergomash and its SASC to improve the performance efficiency of the Company's employees by establishing common principles and tools for setting and assessing the KPI of employees, evaluating the skill development level of employees, including ensuring effective remuneration of employees, preparing recommendations for the formation of a skill pool and compiling individual employee development plans for the subsequent planning of training.

OJSC Atomenergoprom senior management is guided by a goal management system on the basis of key performance indicators.

The goals of this system are to:

- Achieve the strategic objectives of Rosatom State Corporation and OJSC Atomenergomash;
- Set target KPI for the main Company's employees with personal remuneration being directly dependent on reaching such targets;
- Ensure cooperation among employees to achieve the target KPI;
- Increase motivation and the transparency of the activities of each manager;
- Establish a system to assess the fulfillment of the goals and objectives of management compared with the strategic and operational goals of OJSC Atomenergomash;
- Establish a system to manage Atomenergomash with the goal of continuously developing and improving the results it achieves as well as introducing best practices in the Company's activities.

The key performance indicators are established for each calendar year and an assessment of their fulfillment is also conducted once a year. Senior management must achieve its own KPI to ensure that middle management meets its target KPI.

## Percentage of employees receiving regular performance and career development reviews

| Enterprise | Men, % | Women, % |
|---|---|---|
| OJSC AEM | 63% | 69% |
| CJSC REMKO | 0% | 0% |
| OJSC ZiO-Podolsk | 98% | 97% |
| OJSC ZIOMAR EC | 29% | 12% |
| OJSC SverdNIIKhimmash | 86% | 47% |
| LLC EMKO | 53% | 100% |
| CJSC AEM Technologies | 3% | 5% |
| CJSC ATM | 12% | 19% |
| OJSC Venta | 69% | 70% |
| OJSC TsKBM | 8% | 4% |
| OJSC TsNIITMASH | 8% | 6% |
| OJSC SNIIP | 14% | 11% |
| OJSC OZTMiTS | 16% | 15% |
| CJSC Petrozavodskmash | 64% | 88% |
| OJSC EMSS | 36% | 25% |
| OJSC Gidropress | 7% | 1% |
| OJSC Afrikantov OKBM | 5% | 1% |
| OJSC GSPI | 100% | 48% |
| OJSC DEZ | 0% | 0% |

### Knowledge management and the "Bridge between Generations" project

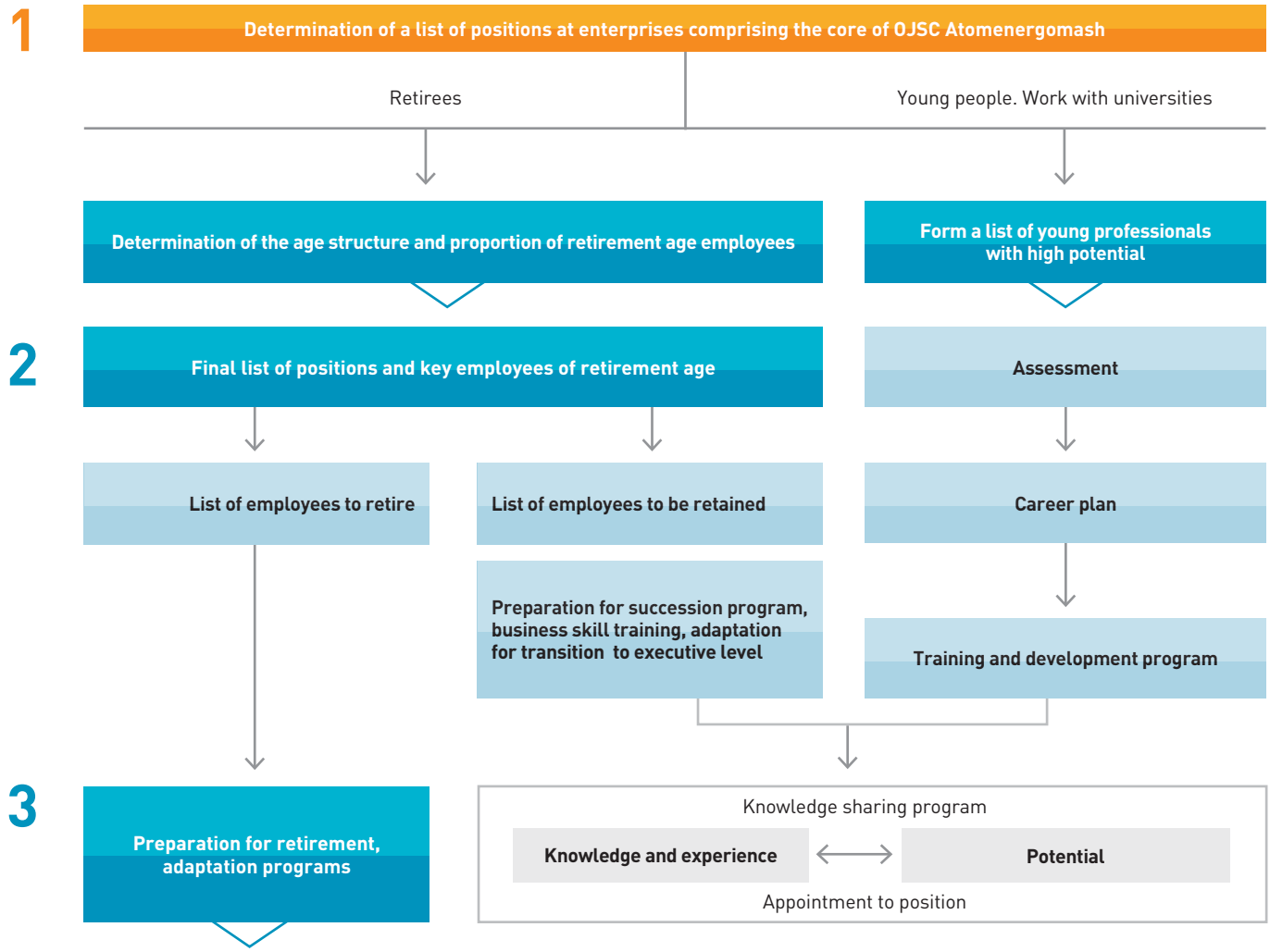
Almost half of the Holding's employees have reached retirement age or are approaching it. They have unique knowledge and experience in R&D and production technologies. In this regard, OJSC Atomenergomash management in 2010 recognized the need to introduce a systemic policy on knowledge management and the need to increase the percentage of workers under the age of 35 to avoid future shortages of workers.

GRI: LA11 The "Bridge between Generations" project was launched in 2010 to address this issue. The project aims to prevent the loss of critical knowledge for the nuclear power industry by retaining and transferring it to the younger generation of industry employees. It provides for the development of methodology and the implementation of a system to identify crucial knowledge, assess the risk of its loss, create an adequate environment to ensure the knowledge is passed on and preserve the best industry practices at OJSC Atomenergomash enterprises.

It is an innovative project for the entire production department of Rosatom State Corporation and, if successfully implemented, it can be used as a corporate knowledge management standard. Copying such experience will enable the Company to improve its employees' professional skills without increasing expenses for external education, accelerate the process of new employees adapting to the specifics of production and transfer unique experience in design and development.

The project received high praise from the expert committee of the Best Social Projects of Russia national program, which was initiated to support the Russian government's strengthening of social policy on the basis of a partnership between the government, public and private business and was included in the final catalogue of the Best Social Projects of Russia. Based on a peer review, OJSC Atomenergomash's Bridge between Generations project to preserve and ensure the continuity ofknowledge was awarded a diploma for "Best Social Project of Russia."

## The "Bridge between Generations" project




The main anticipated results of the project are as follows:

- Creation of conditions to retain and transfer knowledge at OJSC Atomenergomash
- Methodology for assessing the risks of losing crucial knowledge
- Preservation of crucial knowledge and technologies
- Reduction in the average age of personnel
- Development of young professionals at OJSC Atomenergomash enterprises

Project assessment by global experts:

- This initiative was welcomed by International Atomic Energy Agency (IAEA) experts during a seminar held at the IAEA headquarters in Vienna.
- "Bridge between Generations" is the first project in the history of the IAEA in which Rosatom attempted to develop detailed methodology for assessing the knowledge of successors to determine whether they are eligible to take part in the project to transfer crucial knowledge.
- Despite its short period of implementation, "Bridge between Generations" is demonstrating a high level of effectiveness and ethics.
- This methodology is to be included among the best practices that the IAEA recommends for use at nuclear energy complex enterprises.[17]

In 2012, this project was further developed and tested at the facilities of OJSC ZiO-Podolsk and OJSC SverdNIIKhimmash, while the plans for 2013 call for expanding this experience by including OJSC TsNIITMASH, OJSC TsKBM, OJSC Afrikantov OKBM and OJSC Gidropress in the project.

[17] Abstract from the report on the IAEA mission in the framework of the Atomenergomash Bridge between Generations pilot project designed to retain professional knowledge and skills. September 12–14, Podolsk.

## 8.1.5. Motivation and key performance indicators

GRI: EC5 OJSC Atomenergomash has a special personnel motivation system that aims to improve labor efficiency. The main document governing these activities is the Unified Industry Regulation for the Management of the Performance Efficiency of Employees of Rosatom State Corporation and its Organizations. More than 350 KPI cards were prepared last year and need to be assessed. Individual additional incentives (IAI) for division employees were revised based on the results of assessment activities. In addition, minimum salaries were revised in accordance with the Industry Agreement and the existing provisions on the remuneration for SASC were updated.

GRI: LA14 In accordance with Company policy, the base rate of pay is the same for both men and women and is not tied to any specific category of employees.

Future plans for the development of the personnel motivation system include:

- 2013 — the preparation of KPI cards for all OJSC Atomenergomash employees and KPI cards up to the sixth management level at the Holding's enterprises;
- 2013-2015 — the preparation of KPI cards for all OJSC Atomenergomash employees, the revision of the matrix for remuneration for the division's workers with mandatory indexation and holding training sessions for line managers as part of the motivation system.

## 8.2. Social impact

Given the vast geography of the operations of the Atomenergomash Group of Companies, the Holding's enterprises are committed to the principles of socially responsible business through the creation of new jobs both in the territories where they maintain a presence and those where their suppliers and producers of equipment and materials operate. HR projects ensure the employment of the local community and the implementation of internal personnel development programs at enterprises. The Atomenergomash Group of Companies plays an important role in the development of the Russian engineering industry, is developing dynamically, creates conditions for new jobs

GRI: EC5

**The ratio of standard entry level wages compared to local minimum wages in the regions of operation of the Atomenergomash Group of Companies**

| № | SAC | Region | Men | Women |
|---|---|---|---|---|
| 1 | OJSC AEM | Moscow | 2.14 | 2.14 |
| 2 | CJSC REMKO | Moscow Region | 1.00 | 1.00 |
| 3 | OJSC ZiO-Podolsk | Moscow Region | 1.00 | 1.00 |
| 4 | OJSC ZIOMAR EC | Moscow Region | 1.00 | 1.00 |
| 5 | OJSC SverdNIIKhimmash | Sverdlovsk Region | 1.54 | 1.54 |
| 6 | LLC EMKO | Moscow | 1.37 | 1.37 |
| 7 | CJSC AEM Technologies | St. Petersburg | 2.31 | 2.31 |
| | | Rostov Region | 1.75 | 1.75 |
| 8 | CJSC ATM | Moscow | 1.62 | 1.62 |
| | | Tver Region | 2.11 | 2.11 |
| | | Orenburg | 2.82 | 2.82 |
| 9 | OJSC Venta | Sverdlovsk Region | 1.60 | 1.60 |
| 10 | OJSC TsKBM | St. Petersburg | 1.15 | 1.15 |
| | | Leningrad Region | 1.38 | 1.38 |
| 11 | OJSC TsNIITMASH | Moscow | 1.06 | 1.06 |
| 12 | OJSC SNIIP | Moscow | 1.00 | 1.00 |
| 13 | OJSC OZTMiTS | Moscow | 1.00 | 1.00 |
| 14 | CJSC Petrozavodskmash | Republic of Karelia | 1.35 | 1.35 |
| 15 | OJSC EMSS | Kramatorsk, Ukraine | 1.00 | 1.00 |
| 16 | OJSC Gidropress | Moscow Region | 1.00 | 1.00 |
| 17 | OJSC Afrikantov OKBM | Nizhny Novgorod | 6.35 | 6.35 |
| 18 | OJSC GSPI | Moscow | 1.00 | 1.00 |
| | | Ozersk | 1.07 | 1.07 |
| | | Zheleznogorsk | 1.18 | 1.18 |
| | | Novosibirsk | 1.04 | 1.04 |
| 19 | OJSC DEZ | Moscow | 4.27 | 4.27 |

and personal growth for its employees in all the regions where it operates. The unified industry payment system being introduced by the Company guarantees a stable income and sound financial backing for the Company's employees.

In addition, entry-level employees at enterprises of the Atomenergomash Holding are already earning salaries that are at least equal to the established minimum wage in the region of operation and often exceed the average level for the region.

The timely payment of wages, development of social programs and active cooperation with regional management on labor market issues help enhance the appeal of nuclear engineering for employees and reduce social tension in the regions.

The personnel trained by Atomenergomash is one of the driving forces behind the economic development of the regions where it operates. In particular, employees of OJSC Afrikantov OKBM were awarded the Prize of Nizhny Novgorod for the Scientific and Engineering Personnel Training System for the Nuclear Power industry project. The award ceremony was held on September 5 at the Round Hall of the City Administration and was attended by Nizhny Novgorod Mayor Oleg Sorokin and City Administration Chief Oleg Kondrashov.

It should be noted that the Company's highly skilled personnel have also received praise in countries besides Russia. In September 2012, an employee of Energomashspetsstal was awarded the Insignia of the Ukrainian President.

GRI: HR6, HR7 In accordance with the laws of the Russian Federation, none of the enterprises of the Atomenergomash Holding and none of its key suppliers permit the use of any elements of child or forced labor.

The Atomenergomash Group of Companies has set the development of infrastructure in the regions where it operates as one of its most important objectives. Charity work has a positive effect on the economic and cultural status of the region. The total value of the Group's involvement in such work amounted to more than RUB 127 million in 2012.

GRI: EC8 Among the numerous charity projects implemented by the Group in 2012, the most notable were:



| № | SAC | Description of program/ activity | Purpose and objective of program | Amount of support ('000 RUB) | Impact (positive) |
|---|---|---|---|---|---|
| 1 | OJSC Atomenergomash | Republishing the catalogue for the temporary exhibition at the Hermitage "Nostalgia for the Roots. Dashi Namdakov's Universe of the Nomads" | To develop cooperation, support and expand access to the traditions of multi-national Russian culture and its achievements, establish an image of OJSC Atomenergomash as a socially responsible culturally-oriented company, and provide charity support for the famous Russian artist Dashi Namdakov. | **3,520** | • successful creative promotion of the artist<br>• establishment of image of OJSC Atomenergomash as a socially responsible culturally-oriented company |
| 2 | | Exposition preparation services for the Crystal Hall of the Russian Center of Science and Culture in Prague and conducting a private viewing and exhibition of Russian sculptures | | **450** | • successful creative promotion of the artist;<br>• creation of favorable conditions to demonstrate the best Russian names in culture at foreign venues;<br>• establishment of image of OJSC Atomenergomash as a socially responsible culturally-oriented company |
| 3 | | Other | | **3,418** | |
| | | **Total** | | **7,388** | |

| | | | | | |
|---|---|---|---|---|---|
| 4 | OJSC ZIOMAR | Charitable donation to the Podolsk Specialized Orphanage | To support the lives and health of children with disabilities | **33** | Support for the lives and health of children with disabilities |
| | | **Total** | | **33** | |

| | | | | | |
|---|---|---|---|---|---|
| 5 | CJSC REMKO | Charitable donation to the Podolsk Specialized Orphanage | To support the lives and health of children with disabilities | 41 | Support for the lives and health of children with disabilities |
| | | **Total** | | **41** | |
| 6 | CJSC Petrozavodskmash | Agreement on a targeted donation for the Candlemas Church | Donation for the restoration of a cultural monument at the Candlemas Church of Petrozavodsk | **1,000** | Preservation of a cultural monument |
| 7 | | Other | | **150** | |
| | | **Total** | | **1,150** | |
| 8 | OJSC Energomashspetsstal | Assistance to the Ukrainian Orthodox Church (UOC) in restoring and repairing Orthodox churches in Ukraine | Funds transferred to the UOC account to further finance the construction and repair of UOC buildings and structures | **21,647** | Restoration of churches and repairs to existing churches |
| 9 | | Misto charitable foundation | City beautification program for the period until 2015, reform and development of the city's housing and utilities sector, "Law and Order" crime prevention, Concept for the municipal energy plan of Kramatorsk | **12,441** | Performance of social obligations as a backbone enterprise of the city |
| 10 | | Other | To provide assistance to educational institutions | **2,775** | Improvements to the educational process and the resource base of educational institutions, ultimately improving the educational level |
| | | **Total** | | **36,863** | |
| 11 | LLC ARAKO | Aid to a physical education and technical school | To upgrade children's institutions to maintain their operations | **237** | Development of sports activities for children, supporting a healthy lifestyle for children |
| 12 | | Aid to veterans | To support Russian veterans living in the Czech Republic | **16** | Support for the Russian diaspora in the Czech Republic |
| 13 | | Aid to a nursing home | To support a nursing home and bring it into satisfactory condition | **79** | Support for elderly people |
| | | **Total** | | **332** | |
| 14 | OJSC Afrikantov OKBM | Raduga sports complex | To rehabilitate sports camp infrastructure and start the implementation of operational functions | **7,118** | Growth in the social protection of the Company's employees |
| 15 | | Raduga recreational facility | To support the recreational facility and enhance its appeal to the local community, which will lead to increased profitability and the fulfillment of the Company's social function | **15,221** | Increased popularity and profitability for the facility |
| 16 | | Iskra children's recreation camp | To reorganize the sports camp and rehabilitate it to host children for summer break | **18,425** | The fulfillment of the Company's social function as support for the health of the next generation |
| 17 | | Kindergarten No. 389 | To establish additional places at the kindergarten, which facilitates increased social protection for the local community | **26,615** | Benefits for the Company's employees and their families |
| 18 | | Other | | **8,719** | |
| | | **Total** | | **76,098** | |
| | | **Total по группе** | | **127,754** | |

GRI: EC4 It should also be noted that the OJSC Atomenergomash Group of Companies received the following public financial support in 2012:

| № | SAC | Amount of support ('000 RUB) | Type of support | Description |
|---|---|---|---|---|
| 1 | OJSC TsNIITMASH | 31,698 | Tax incentives and tax credits | Relief for the state-owned scientific center on property and land taxes |
| 2 | OJSC ZiO-Podolsk | 3,841 | Subsidies | Social support for people exposed to radiation; benefits are paid for children until age 3; special communication services; partial payment for trips to health resorts for children under Resolution No. 1244/61 of the Moscow Region Government dated December 31, 2010 |
| 3 | | 50,000 | Investment and other public grants | Grant of the Government of the Russian Federation, Contract No. 13.G25.31.0089 (establishment of energy saving technology for non-oxidation heating) |
| 4 | OJSC ZIOMAR | 124 | Subsidies | Payment of benefits for child care and social protection for people exposed to radiation as a result of the Chernobyl disaster |
| 5 | CJSC Petrozavodskmash | 13,991 | Tax incentive and tax credits | Property tax relief |
| 6 | | 40,120 | Subsidies | Joint project with the Ministry of Education and Science of the Russian Federation "Establishment of resource saving production of environmentally friendly transport packaging for the storage and transport of spent nuclear fuel" |
| 5 | OJSC SNIIKhM | 1,500 | Subsidies | Project "Radiation resistant electromechanical transducer with nanostructured inorganic insulation for the nuclear fuel reprocessing unit" |
| | Total for Group: | **141,274** | | |



## 8.3. Internal communications

The enterprises of the Atomenergomash Group of Companies are actively involved in establishing, supporting and developing internal communications. The main aspects of forming and developing a unified communications system for the Holding are studying and analyzing the best practices of the enterprises of OJSC Atomenergomash and Rosatom State Corporation.

The internal communications system of OJSC Atomenergomash includes:

- Provision of information to employees regarding the activities of the Atomenergomash Group of Companies.
- Development of internal communications and resources for Company employees in order to provide them with information and complete integration into the Holding's corporate environment (websites and internal corporate portals of the companies, internal mass media, information boards, etc.).
- Programs to boost the loyalty of personnel (corporate contests, corporate fitness, etc.).
- Corporate events for target audiences within the Holding's companies.
- Programs to establish a strong HR brand for OJSC Atomenergomash.
- Development of feedback channels with employees of the Holding and subsidiaries.

In 2012, the OJSC Atomenergomash Group of Companies continued work to establish and maintain a common information space for the division: it introduced a system of unified information boards and arranged the publication of the monthly AEM Bulletin.

In 2013, the Holding plans to tackle the issue of a corporate publication in Hungarian and Czech. This will enable employees of foreign subsidiaries to regularly receive information in their native language about the decisions and strategic initiatives adopted by OJSC Atomenergomash management and keep up-to-date about events at the Holding's other enterprises.

The Company actively involves employees in information dialogue and the resolution of internal corporate objectives. Awareness Days were established as a tool for resolving such objectives. Awareness Days consist of dialogue with the industry's senior management as well as clarification of the current situation at the Company and the prospects for its future activities.

The objectives of Awareness Days include the following:

- To convey important information about the Company to employees so that people are aware of what is happening in the industry as well as why and how certain steps and decisions are taken.
- To inform employees about important news and appointments
- To highlight important themes for employees.

- To establish dialogue with people, provide answers to employees' questions, and resolve current problems within the Company.

In addition, one of the focuses of the activities of Rosatom State Corporation and the Company in this sphere was a project to de-bureaucratize the adoption of management decisions in the nuclear industry under which the target of increased decision-making speed was approved at a conference of managers of Rosatom State Corporation enterprises in May 2012. In order to prepare de-bureaucratization measures, the following key focuses were identified:

- The development of criteria for regulation;

- A reduction in the complexity of reporting by SASC;

- The optimization of seven key management processes (approval and drafting of contracts, approval of an order, drafting of a protocol, conducting procurements, investment planning, initialization of non-investment projects, budgeting).

Working groups of 8-15 people were formed voluntarily for each focus of work, including a working group with representatives of the Company and its SASC.

As a result, proposals were prepared for each of the three aforementioned focuses to reduce the size and complexity of reports in addition to other measures aimed at improving the efficiency of operational and strategic decision-making at the level of Rosatom State Corporation, its divisions and SASC. A number of the initiatives were reflected in the regulatory documents and interaction between OJSC Atomenergomash enterprises.

## 8.4. Industrial and occupational safety

OJSC Atomenergomash realizes that its employees are a key factor in achieving its strategic goals. Therefore, the Company is committed to compliance with the principles of socially responsible business by creating safe and accredited workplaces for its workers and observing legal requirements for the organization of high-quality labor conditions. The lives and health of the employees of the Atomenergomash Group of Companies take top priority over its economic performance. In their business operations, the enterprises of the Atomenergomash Group of Companies are governed by existing federal, regional, industry-specific and cross-industry regulations pertaining to industrial safety, including the Labor Code of the Russian Federation.

The key focuses in this area are:

- Compliance with safety regulations in the workplace;

- Performing obligations with respect to the safety and health of employees (Occupational and Industrial Safety Bureau, Occupational Safety Management System, FMBA, etc.);

- Confirmation and reinforcement of key occupational safety provisions and standards in regulatory documents;

- Occupational safety prevention measures.

The structure of enterprises includes specialized institutions (the Occupational Health and Safety Bureau) that are responsible for organizing and coordinating occupational safety measures, monitoring compliance with legal and other regulations for occupational safety and improving preventive measures aimed at reducing the industrial injury rate and accidents, among other things. Atomenergomash is governed by a system of regulatory documents concerning occupational and industrial safety.

GRI: LA7 The accident rate is at an average level for the industry and does not exceed the permissible limits. In accordance with the Labor Code of the Russian Federation, each duly recorded incident at the Atomenergomash Group of Companies is registered by the employer (its representative), which records industrial accidents in the logbook using the prescribed form.



| Enterprise [18] | Accident frequency rate | | | Occupational disease frequency rate | | | Lost day rate | | | Rate of absence | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| OJSC AEM | - | - | - | - | - | - | - | - | - | 52.68 | 122.05 | **86.54** |
| CJSC REMKO | - | - | - | - | - | - | - | - | - | 323.90 | 226.19 | **250.62** |
| OJSC ZiO-Podolsk | 0.22 | 0.16 | **0.20** | - | - | - | 1.20 | 1.13 | **1.17** | 1.70 | 1.62 | **1.68** |
| OJSC ZIOMAR EC | - | 0.64 | **0.31** | - | - | - | - | 1.43 | **0.70** | 80.48 | 162.04 | **120.16** |
| OJSC SverdNIIKhimmash | 0.36 | - | **0.19** | - | - | - | 1.08 | - | **0.57** | 2.39 | 2.65 | **2.51** |
| LLC EMKO | - | - | - | - | - | - | - | - | - | 17.33 | 33.19 | **26.92** |
| CJSC AEM Technologies | - | - | - | - | - | - | - | - | - | 38.71 | 74.36 | **52.79** |
| CJSC ATM | - | - | - | - | - | - | - | - | - | 65.72 | 139.20 | **91.53** |
| OJSC Venta | 0.68 | - | **0.45** | - | - | - | 1.07 | - | **0.70** | 1.07 | - | **0.70** |
| OJSC TsKBM | - | - | - | - | - | - | - | - | - | 162.60 | 160.75 | **161.95** |
| OJSC TsNIITMASH | - | - | - | - | - | - | - | - | - | 55.40 | 69.95 | **59.80** |
| OJSC SNIIP | - | - | - | - | - | - | - | - | - | 90.40 | 48.07 | **69.23** |
| OJSC OZTMiTS | - | - | - | - | - | - | - | - | - | 94.06 | 84.40 | **90.22** |
| CJSC Petrozavodskmash | 0.99 | 0.17 | **0.71** | 1.98 | 0.85 | **1.59** | 17.82 | 0.28 | **11.75** | - | - | - |
| OJSC EMSS | 0.50 | - | **0.32** | 0.06 | - | **0.04** | 3.16 | 1.00 | **2.41** | - | - | **116.80** |
| OJSC Gidropress | 0.09 | - | **0.06** | - | - | - | 0.06 | - | 0.04 | 6.80 | 8.21 | **7.29** |
| OJSC GSPI | - | - | - | - | - | - | - | - | - | 581.99 | 622.49 | **605.82** |
| OJSC DEZ | 0.0 | 0.0 | **0.0** | 0.0 | 0.0 | **0.0** | 0.0 | 0.0 | **0.0** | 25.1 | 7.9 | **19.0** |

One fatal accident was registered in 2012 at the OJSC EMSS's plant

GRI: LA6[19] In addition, several enterprises have established commissions and committees on matters concerning healthcare and health and safety in order to involve employees in discussions and decision-making in this area.

| Enterprise | Number of employees on committee | Committee level |
|---|---|---|
| OJSC TsKBM | up to 25% | At company level |
| OJSC OZTMiTS | up to 25% | At company level |
| CJSC Petrozavodskmash | up to 25% | At level of Republic of Karelia |
| OJSC EMSS | up to 25% | At company level |

## 8.5. Environmental responsibility

Environmental safety issues are an essential part of Atomenergomash Group's positioning both in terms of the market for advanced energy solutions and in terms of environmental protection within the framework of business activities.

The environment is one of the priority focuses of activities at OJSC Atomenergomash for achieving sustainable development in the interests of the current and future generations.

In their business activities, the enterprises of the Atomenergomash Group of Companies comply with applicable federal and regional environmental laws of the Russian Federation, including the Federal Laws "On Environmental Protection," "On Air Protection," "On Environmental Waste" as well as the orders and decrees of the Government of the Russian Federation and its constituent entities.

The enterprises carry out environmental activities in accordance with the licenses and standards for permissible environmental impact.

When organizing work with personnel at the enterprises of the Atomenergomash Group of Companies, regular work is carried out to train personnel in order to expand their knowledge of environmental standards and also to assess the potential environmental impact that may be associated with performing business activities at the enterprises of the Atomenergomash Group.

[18] Excluding the data of OJSC Afrikantov OKBM — this company prepares its own integrated annual report for 2012.
[19] Excluding the data of OJSC Afrikantov OKBM — this company prepares its own integrated annual report for 2012.

Given the increased attention shown in nuclear power facilities, the Holding's enterprises devote special attention to the quality and environmental friendliness of the equipment manufactured in order to meet the needs of its clients as much as possible.

Design and manufacturing processes comply with both Russian and international norms (IAEA) and safety standards in the nuclear energy sector.

Key enterprises have adopted and are implementing the environmental policy of Rosatom State Corporation.

The environmental management system is being introduced and improved (standardization in accordance with ISO 14001:2001).

Today the Holding's key enterprises currently monitor the main environmental indicators in matters of energy consumption and improved energy efficiency, emissions, water usage and waste disposal.

The Company plans to establish a common system to monitor the indicators of all the key SASC as a preliminary step towards establishing common goals and long-term plans.

Environmental priorities:

1. Innovation. The Company plans to develop new products on the core of new technologies, attract new customers and develop new industries through:

• Improvements to existing products in terms of performance, risk management and reliable use

• The development of new products, including but not limited to:

– Fast neutrons reactors (FN, PVFR)
– Coal boilers for ultra supercritical steam parameters for the thermal power sector
– Wind power plants

2. Environmental protection. The Company is committed to using natural resources in an economical and reasonable manner through:

• Compliance with environmental protection laws and requirements;

• An assessment of the biodiversity impact in production regions;

• The development of internal standards.

3. Reducing the environmental impact of production. The Company is continuously improving technologies to combat environmental pollution through:

• Initiatives to optimize raw material consumption, emissions, spills and waste;

• Initiatives to reduce energy consumption through:

– Conducting energy surveys and certification of enterprises.

– The introduction of an automated energy efficiency control system (AEECS).

GRI: EN28 OJSC Atomenergomash devotes significant attention to the environmental impact of its SASC. Concern for the environment by the Group's enterprises is a top priority, therefore the Company continuously monitors compliance with the environmental standards established by law.

During the reporting period, the amount of fines imposed on enterprises of the Atomenergomash Group of Companies decreased by RUB 250,000 compared to the 2011 reporting period.

| Indicator | Total |
|---|---|
| Fines for failure to comply with environmental laws, RUB | 15,000 |
| Number of non-financial sanctions | 0 |

## 8.6. Economic security

GRI: SO4 The enterprises of the Atomenergomash Holding carried out a wide range of activities in 2012 aimed at strengthening economic security measures. In particular, in accordance with the requirements of Federal Law No. 98-FZ "On Commercial Secrets" dated July 29, 2004 and also to prevent the inadvertent disclosure of confidential information that would constitute a commercial secret of OJSC Atomenergomash, the commercial secret protection group of the Economic Security Department made arrangements for all the Company's employees (including new hires) to take correspondence courses on the fundamentals of ensuring the security of information that constitutes a commercial secret.

In order to prevent and detect violations in the establishment and maintenance of the commercial secrecy regime, inspections were conducted at the Holding's key SASC and recommendations were subsequently prepared on ways to eliminate the shortcomings that were discovered.

Several documents governing the Company's activities in various areas were adopted during the reporting period:

- In accordance with the recommendations of the Unified Policy for the Protection of Commercial Secrets in the Nuclear Industry, the Company approved the Provision on the Commercial Secrets of OJSC Atomenergomash.

- The Order "On Requirements for the Information Security of Hardware, Communications Equipment and Automated Workstations of OJSC Atomenergomash Employees" was prepared in July 2012 to regulate information security requirements as part of the establishment of the Corporate Data Transmission Network.

- The Order "On the Acceptance for Guidance and Implementation of the Comprehensive Program to Combat Corruption and Embezzlement in the Nuclear Industry (2012-2013)" was also signed in September 2012. The main goal of the program is to create conditions that impede the possibility of embezzlement and corrupt behavior in nuclear industry organizations as well as the compliance of all employees with the requirements of the laws of the Russian Federation.

In addition, the Holding's enterprises are continuously conducting work to analyze possible corruption risks.

In order to control the stability of the Company's activities, specifically to monitor and prevent actions that cause economic damage to the Company, the enterprises of the Atomenergomash Group of Companies are implementing a wide range of measures to prevent risks associated with corruption, including both proactive measures (advocacy, security audits of business processes, inspections during the stages of the service procurement procedure) as well as several measures aimed at eliminating the consequences of the violations.

The Economic Security Department thwarted attempts to steal material assets from Company sites as well as illegal purchases of materials and equipment at inflated prices. The overall estimated value of the damage averted as a result of these actions was more than RUB 900 million.

GRI: SO2

| Enterprise | Monitoring and inspections at all stages of the services procurement procedure | Internal investigations aimed at protecting economic interests | Advocacy work | Security audits of the Company's business processes |
|---|---|---|---|---|
| OJSC AEM | ✓ | ✓ | ✓ | ✓ |
| CJSC REMKO | ✓ | ✓ | ✓ | ✓ |
| OJSC ZiO-Podolsk | ✓ | ✓ | ✓ | ✓ |
| OJSC ZIOMAR EC | ✓ | ✓ | ✓ | ✓ |
| OJSC SverdNIIKhimmash | ✓ | ✓ | ✓ | ✓ |
| LLC EMKO | ✓ | ✓ | ✓ | ✓ |
| LLC STEP | ✓ | ✓ | | |
| CJSC AEM Technologies | ✓ | ✓ | ✓ | ✓ |
| CJSC ATM | ✓ | ✓ | ✓ | ✓ |
| ARAKO | ✓ | | | |
| OJSC Venta | ✓ | ✓ | ✓ | ✓ |
| OJSC TsKBM | ✓ | ✓ | ✓ | ✓ |
| OJSC SNIIP | ✓ | ✓ | ✓ | ✓ |
| OJSC OZTMiTS | ✓ | ✓ | ✓ | ✓ |
| CJSC Petrozavodskmash | ✓ | ✓ | ✓ | ✓ |
| OJSC EMSS | ✓ | ✓ | ✓ | ✓ |
| OJSC Gidropress | ✓ | ✓ | ✓ | ✓ |
| OJSC Afrikantov OKBM | ✓ | ✓ | ✓ | ✓ |
| OJSC GSPI | ✓ | ✓ | ✓ | ✓ |
| OJSC DEZ | | | | |

The Company takes a fully responsible approach to safekeeping personal data submitted by key stakeholders as part of cooperation. In this regard, there were no substantiated complaints concerning breaches of customer privacy or loss of customer data in 2012.

## 8.7. Stakeholder engagement

Stakeholder engagement is one of the fundamental aspects in the process of incorporating the sustainable development concept into the Company's activities. The concept is successfully implemented through dialogue between the parties, an analysis of mutual interests and a balanced policy of actions.

OJSC Atomenergomash is developing productive cooperation with stakeholders in order to:

- Identify the factors affecting the Company's activities and the factors subject to its influence;
- Analyze the impact of stakeholders on various aspects of the Company's activities;
- Analyze the Company's impact on stakeholders;
- Understand the needs and aspirations of various stakeholders;
- Develop decision-making procedures in accordance with the needs of stakeholders.

OJSC Atomenergomash interacts with stakeholders on the basis of the following regulatory documents:

- The Rosatom State Corporation policy on public reporting, which implies the use of international standards (the Global Reporting Initiative and the series of AA1000 standards of the Institute of Social and Ethic Accountability);
- The standard for preparing the annual public reporting of OJSC Atomenergomash;
- The regulation for the annual public reporting of OJSC Atomenergomash.

In addition, a Stakeholder Engagement Committee was formed at the Company level in the reporting year to develop the practice of stakeholder engagement and its functions include:

- Assessment of the materiality and completeness of the information disclosed in the public reporting of OJSC Atomenergomash;
- Preparation of recommendations to improve the quality of public reporting;
- Public monitoring of the public reporting processes of OJSC Atomenergomash.

The Annual Public Reporting Committee was established at the Company level to coordinate work at OJSC Atomenergomash for the preparation of annual public reporting and assess the materiality and completeness of the information disclosed in the public reporting of OJSC Atomenergomash.

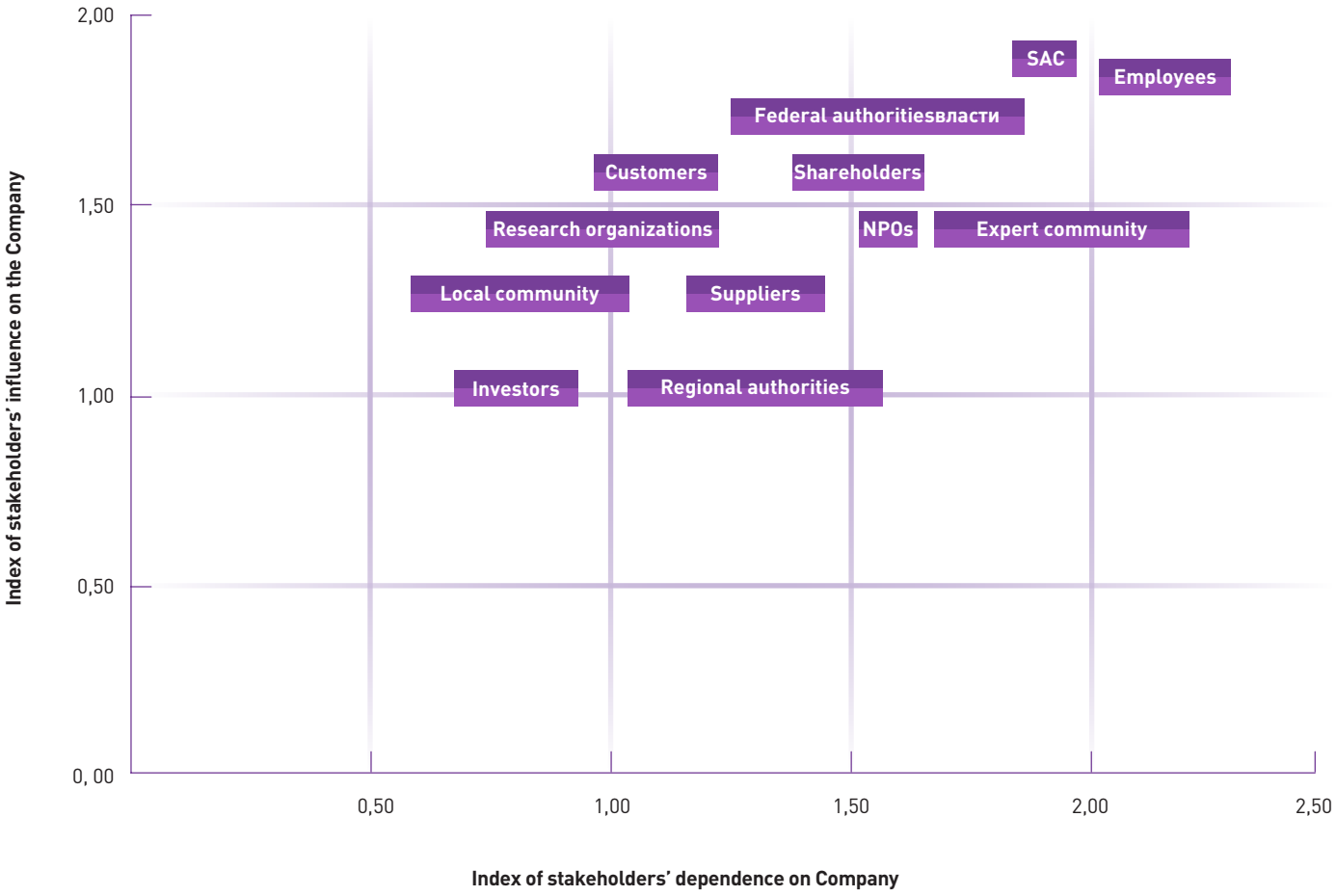
**Stakeholder mapping**

The method for identifying stakeholders was based on a survey of Company management, a comparative analysis of international practices and a review of reference sources (international standards and principles). The process involved the following stages:

- Identification of the stakeholders affecting the Company's activities and the stakeholders subject to its influence;
- Analysis of the Company's impact on stakeholders;
- Analysis of the impact of stakeholders on the Company's activities;
- Interpretation of analytical results.

Engaging in dialogues with stakeholders made it possible to expand the list of stakeholders and also to determine the degree of mutual influence between them and the Company.

Below is a map of stakeholders ranked by degree of influence on the Company.






## Methods of interaction and surveying the needs of stakeholders

The Company actively engages in interaction with stakeholders on a regular basis in order to satisfy all their requests and interests. The table below outlines the interests of all stakeholders; methods for identifying and analyzing their interests; types of interaction; and the Company's activities with respect to various issues:

| Stakeholder | Interest | Survey of needs | Company actions | Types of interaction |
|---|---|---|---|---|
| HR | • growth in well-being and professional growth<br>• long-term stability of the employer<br>• personal growth<br>• corporate climate<br>• prestige<br>• safety | • assessment of each employee's contribution to the Company's performance<br>• monitoring of job satisfaction<br>• collective agreement | • continued implementation of the unified remuneration system at additional SASC<br>• continued implementation of the RECORD annual assessment system and KPI<br>• analysis of involvement<br>• implementation of the Bridge between Generations project to preserve professional knowledge and skills<br>• several activities were held to improve corporate culture | • internal corporate communications channels<br>• surveys<br>• questionnaires |
| SASC | • achieving the goals of the Company and its SASC<br>• long-term sustainable development and capitalization | • assessment of goals achieved<br>• participation in management forums<br>• interaction within management meetings | • launch of the project to introduce the RPS<br>• formulation of the key provisions of the Comprehensive Efficiency Improvement Program | • routine visits<br>• business correspondence<br>• Internet portal<br>• planning of management meetings |

| | | | | |
|---|---|---|---|---|
| **Expert community** | • economic, environmental and social impact | • participation in professional forums and conferences (WNA symposium)<br>• participation in specialized industry-specific organizations | • active participation on the power engineering committee of the Russian Engineering Union public institution<br>• participation in the strategic sessions Russia Power 2012 and ATOMEX 2012 | • participation in industry-specific business organizations<br>• participation in international exhibitions and conferences |
| Federal and regional authorities | • taxes<br>• employment<br>• environment<br>• infrastructure | • participation in the work of industry-specific organizations<br>• forums, exhibitions | • taking into account remarks and needs based on the results of top management meetings and public hearings | • routine visits<br>• internet portal |
| Industry customer | • price<br>• quality and parameters of manufactured products<br>• timeframe<br>• supplier's long-term stability<br>• technological development | • participation in industry-specific exhibitions (ATOMEXPO in June 2011, Atomex in Dec 2011, etc.)<br>• participation in the suppliers' forum on the Akkuyu NPP construction project | • stability, reliability and guarantee of supplies according to contract terms and conditions<br>• measures to improve the quality control system<br>• disclosure of information about the Company (website, annual report)<br>• The website of OJSC Energomashspetsstal won second place in the category of internet projects for cooperation with customers. The EMSS video was awarded the "Jury's Special Opinion" prize at the Metal Vision contest for best video. | • exhibitions<br>• product supplies<br>• business meetings<br>• internet portal |
| Shareholders | • profitability<br>• risks<br>• responsibility | • assessment of goals achieved | • achievement of key performance indicators<br>• compliance with regulatory documents (policies, requirements, standards)<br>• submission of regulatory documents for approval | • general meeting of shareholders<br>• annual report<br>• forums, exhibitions, presentation (business forum in Morocco on May 20, 2011)<br>• internet portal |
| NPOs | • reporting<br>• transparency<br>• interaction | • dialogue with stakeholders | • opinion polls (01/28/2011, 03/23/2011, 05/13/2012) | • annual report<br>• business correspondence |
| Suppliers | • price<br>• quality<br>• timeframe<br>• financial stability | • forums, exhibitions<br>• interaction within management meetings | • Order of OJSC Atomenergomash "On the Authorized Procurement Body" based on the Unified Procurement Standard of Rosatom State Corporation<br>• participation in the ATOMEX forum for nuclear industry suppliers | • Product supplies<br>• business meetings<br>• internet portal |
| Research organizations and unions | • technological and scientific development of the industry<br>• long-term stability of the employer<br>• growth in the well-being of employees | • interaction within management meetings<br>• analysis of possible forms of cooperation | • development of academic institutions at SASC facilities<br>• development of opportunities and cooperation plan with the Russian Union of Nuclear Power Industry Workers (RUNPIW)<br>• provision of adequate working conditions for employees | • business correspondence<br>• planning of management meetings |
| Investment community | • profitability<br>• risks<br>• financial stability<br>• medium-term and long-term development of the Company | • presentation of annual report to analysts<br>• invitation for dialogue with stakeholders | • several business meetings held with investment community representatives as part of the presentation of the annual report to industry analysts | • presentation of the annual report to industry analysts |
| Local community | • taxes<br>• safety<br>• hiring of employees from the local community<br>• environmental protection | • dialogue with stakeholders | • payment of taxes<br>• hiring of employees from the local community<br>• monitoring of environmental impact<br>• partnership agreements with specialized universities to promote development within the framework of SASC | • publications in regional media<br>• Internet portal |

GRI: PR6, PR7

Moreover, as noted above, the enterprises of the Atomenergomash Group of Companies engage in several activities in marketing communications, including advertising and product promotion and all are highly sensitive with respect to the law and business practices in this area. In order to support this provision at SASC, OJSC Atomenergomash introduced several documents to bring these mechanisms into compliance with the unified principles within the Holding and also to regulate and support standards for conducting conference, exhibition and other activities:

- Provision on the development and introduction of a corporate identity at the SASC of OJSC Atomenergomash
- Provision on the organization of the conference and exhibition activities of OJSC Atomenergomash
- Order on the approval of the Regulation on the establishment and organization of the activities of communications divisions at the SASC of OJSC Atomenergomash.

During the reporting period, there were no violations by the Holding's enterprises of laws concerning marketing communications, including advertising, product promotion and all other aspects.

## Dialogues while preparing the 2012 Report

In accordance with Company policy and international standards GRI-G3.1 and AA1000SES, four dialogues were conducted in the process of preparing this Report in 2012, just as in 2011.

### Dialogue 1:
**Discussion of the concept of the OJSC Atomenergomash Annual Report for 2012 (January 30, 2013).**

This meeting was one of the most important in forming the concept of the 2012 Annual Report. Representatives of OJSC Atomenergomash discussed the role of interaction with stakeholders as well as its impact on the Company and the process of preparing the annual report. A brief summary of the 2012 results was presented before the Company got down to setting forth the challenges it faces as part of the 2013 reporting campaign.

During the dialogue, the main features of the 2012 Report were presented: the key theme, results and indicators to be disclosed, the reporting boundaries and the subjects of planned dialogues with stakeholders. A schedule was also submitted for preparing the 2012 Report. Feedback was received from stakeholders on the draft concept of the Report, in particular concerning the completeness and materiality of the information presented, the degree of involvement in its preparation as well as recommendations and suggestions for improving the annual report concept.

### Dialogue 2:
**Updating the strategic vision of OJSC Atomenergomash and plans for 2013 (April 12, 2013)**

Dialogue 2 set in motion a discussion of the important subject of updating the development strategy and short-term plans. The meeting centered around a discussion of the goals of OJSC Atomenergomash, in particular the creation and development of globally competitive solutions for the power industry. It was stated during the meeting that the Company plans to gradually increase its market share of non-nuclear sectors and also that the unified manufacturing complex needs to be built up further for the effective development of a targeted range of production segments.

Another issue covered at the meeting was the investment in key areas that will be required to implement the development scenario selected by OJSC Atomenergomash. According to the stated plans, OJSC Atomenergomash is to join the global leaders by expanding the scale of its business through diversification and globalization.

The meeting participants considered the grounds for revising the OJSC Atomenergomash strategy for the period through 2030, in particular adjustments to demand for the equipment and services of OJSC Atomenergomash, changes to the competitive environment on the Company's traditional markets, changes to the legislative or regulatory framework on traditional markets that affect both demand and current market positions, changes related to the cost/availability of external financial resources, the integration of new assets into the Holding's perimeter, and the retirement of existing assets from the corporate profile that have a significant impact on the business model.

The discussion ended with a description of the key projects in 2013 and the major long-term projects of 2013-2015 in the nuclear, thermal power, gas and petrochemical industries.

### Dialogue 3:
**CEIP program and integration mechanisms for enterprises of the OJSC Atomenergomash corporate profile (April 12, 2013).**

One of the most important themes discussed at the meeting was the systemic integration program of Atomenergomash Holding, which aims to strengthen the corporate profile, establish a unified management system for the Holding, introduce uniform corporate culture principles goals, values and decision-making principles, and form a common information space. The goal of the program is to increase the involvement and motivation of personnel and enhance the corporate identity within the industry and the Holding.

The dialogue also involved a discussion of the Comprehensive Efficiency Improvement Program of OJSC Atomenergomash for the period 2013-2018, the main focuses of which were prepared and approved in late 2012. Dialogue participants were told that, based on diagnosis results, the following priority focuses were set forth for improving efficiency in the relevant product segments:

- in the nuclear segment — product specialization, a reduction in permanent expenses and meeting order deadlines;
- in the non-nuclear segment — an increase in revenue and capacity utilization, a reduction in the permanent expenses of the main facilities and the product specialization of the main facilities (including placing orders between facilities with overlapping product ranges).

**Public consultations on the draft OJSC Atomenergomash Annual Report for 2012 (May 14, 2013)**

Public consultations are held following dialogues with stakeholders with their main objective being to present the draft annual report and gather recommendations from stakeholders on the preparation of the final version of the report. During the meeting, the operational results of OJSC Atomenergomash for 2012 were presented, in particular a discussion was held concerning the overall situation on the market as well as key achievements and problems encountered by the Company during the reporting period. Plans were also announced for 2013 and the medium-term.

The 2012 Report, its core idea, structure, standards and indicators were presented as part of the consultations. The remarks and suggestions of stakeholders expressed during the preceding dialogues were also separately taken into account.

## 8.8. Participation in the non-profit industry and business organizations

OJSC Atomenergomash is actively involved in intra-industry cooperation projects and supports initiatives aimed at developing and strengthening the positions of the national industry on both domestic and foreign markets, thereby facilitating the development of the country's economic potential and security. The Company devotes special attention to participation in non-profit industry-specific and business organizations in addition to conferences and forums with the goal of discussing, developing and adopting major industry documents and decisions approved by key players in the power engineering sector.

### Power Engineering Committee of the Russian Engineering Union

In 2012, OJSC Atomenergomash continued its participation in the Power Engineering Committee of the Russian Engineering Union public institution. Company representatives were actively involved in work on the Electricity Modernization Program through 2020 (prepared by the Energy Institute) taking into account the interests of power engineering industry enterprises.

In March, the Ministry of Energy held a discussion on the concept of the economic model for modernizing thermal power generation. Committee members took part in developing a model for return on investment in the modernization of the electricity industry.

### Energy Policy and Energy Efficiency Committee of the Russian Union of Industrialists and Entrepreneurs

During the reporting period, the activities of the Energy Policy and Energy Efficiency Committee of the Russian Union of Industrialists and Entrepreneurs (RUIE) and its working bodies focused on two key areas:

1. Improving the legal framework of the government's energy policy and creating an economically attractive environment for the development of the power industry and related sectors;

2. Assessment of the consequences of the decisions adopted by the government authorities related to the power industry and the modeling of possible scenarios in the industry taking into account the given solutions and the overall situation in the global economy.

This work was performed by preparing information, analytical and reference materials and by holding public discussions in the format of sessions (meetings, roundtables, conferences) of the Committee, its working bodies and other concerned partner organizations. The position reached by the Committee was communicated to the federal authorities and the public. All available means of communication were used to present the Committee's position, including the mass media.

A Power Engineering Subcommittee of the RUIE Committee also took part in this work at two major events.

The conference Modernization of the Russian Power Industry Taking into Account the Strategic Interests of Investors and the Government conference was held as part of the RUIE Russian Business Week 2012 (February 8, 2012). The conference addressed regulatory and legal support for the planning of the long-term development of the Russian electricity sector. Discussions focused on market incentives for modernizing the power industry with the mechanism of investment guarantees considered as a tool for the rapid mobilization of capital. The conference resulted in the approval of a list of roundtable recommendations in the interests of the Russian power engineering sector. These recommendations were incorporated into the general recommendations of Russian Business Week and sent to the Russian president. In addition, OJSC Atomenergomash and the Council of Power Producers non-profit partnership adopted decisions at the conference to conduct a coordinated policy on matters concerning modernization. OJSC Atomenergomash and the Council of Power Producers held a public signing of a cooperation agreement. The parties also reaffirmed their main focuses and activities as part of cooperation to introduce the latest technologies and improve the reliability of energy equipment among the generating companies which are members of the Council of Power Producers.

### Cultural and educational initiatives

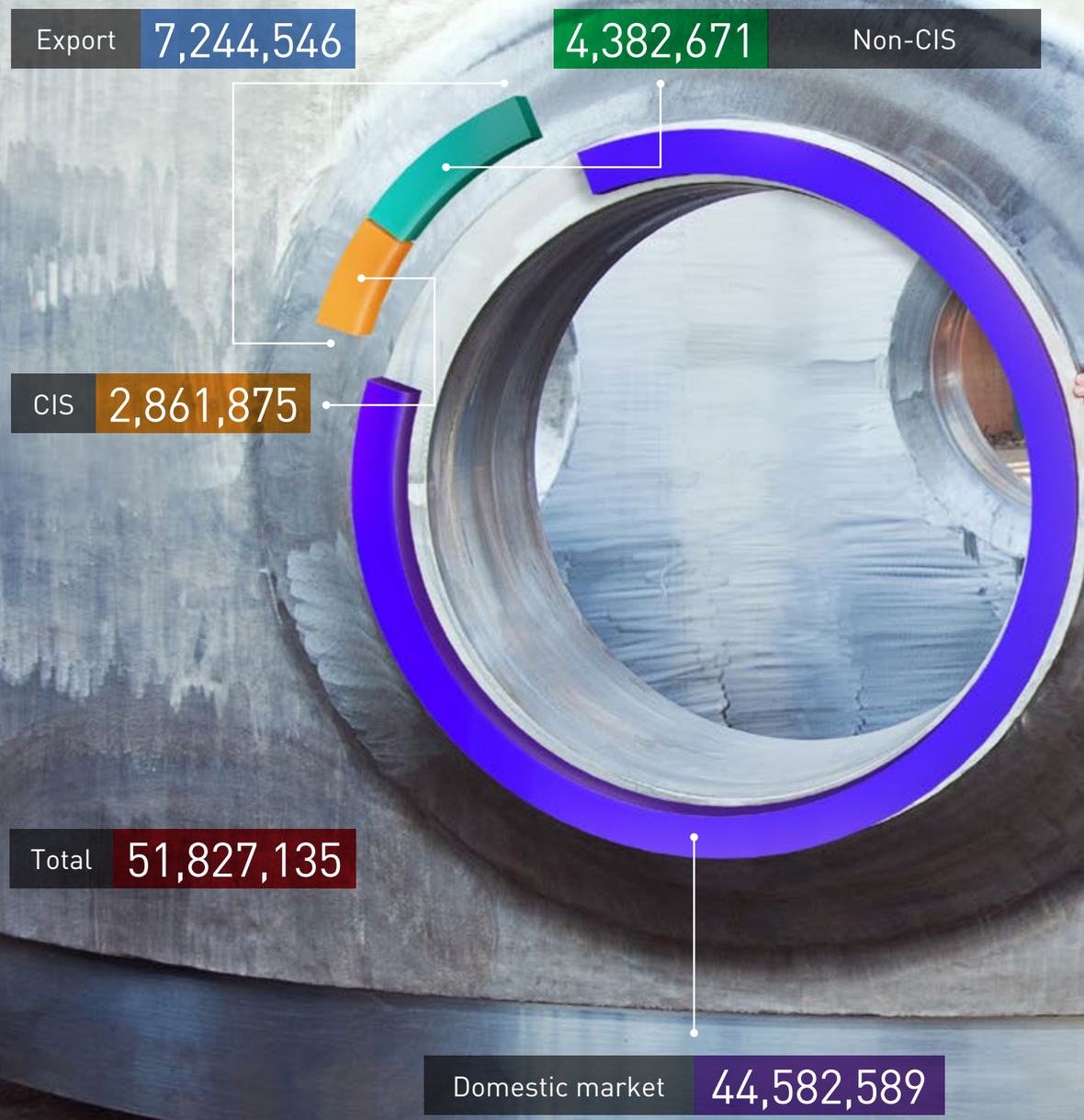
OJSC Atomenergomash devotes great attention to cultural and educational initiatives as well as to the preservation of cultural heritage.

In 2012, funding was earmarked for the activities of the foundation established by artist Dashi Namdakov.

As part of its charity work in 2012, OJSC Atomenergomash provided support to Namdakov's exhibition "Universe of the Nomad: Sculpture and Graphics," which was held at the Halcyon Gallery on 144-146 New Bond Street in London.

In May 2012, Namdakov together with the Halcyon Gallery opened a personal exhibition of sculptures and graphics with a private viewing of the exhibition held on May 29, 2012 that was attended by representatives of Rosatom State Corporation and the Russian Embassy to the United Kingdom. The Halcyon Gallery put roughly one hundred of the Russian sculptor's new works on display, including in the format of landscape and monumental sculptures.

A sculpture exhibition was also prepared and arranged at a hall of the Russian Federal Agency for the Affairs of the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Cooperation in Prague in October-November 2012 as part of the cooperation between OJSC Atomenergomash and Namdakov.




# Income of the Atomenergomash Group of Companies in 2012 by geographical segment, ‘000 RUB

# 9. Appendices

## Appendix 1.

List of abbreviations and terms

### Abbreviations

| | |
|---|---|
| **NP** | nuclear power |
| **NPP** | nuclear power plant |
| **VVER** | water-water power reactor |
| **GPI** | gas and petrochemical industry |
| **MCP** | main circulating pump |
| **Rosatom SC** | Rosatom State Nuclear Energy Corporation manages all the nuclear assets of the Russian Federation, including both civilian nuclear power as well as the nuclear weapon complex |
| **GW** | gigawatt, unit of electric power |
| **HPP** | hydro power plant |
| **SASC** | subsidiaries, affiliates and supervised companies |
| **CNFC** | closed nuclear fuel cycle |
| **kWh** | kilowatt-hour, unit of electric power generated |
| **KPI** | key performance indicators |

| | |
|---|---|
| **MW** | megawatt, unit of electric power |
| **IFRS** | International Financial Reporting Standards |
| **R&D** | research and development work |
| **SNF** | spent nuclear fuel |
| **HPH** | high pressure heater |
| **CCGTP** | combined cycle gas turbine plant |
| **RPS** | Rosatom Production System |
| **RAW** | radioactive waste |
| **JV** | joint venture |
| **SCSP** | supercritical steam parameters |
| **SHS** | steam heater separator |
| **TPP** | thermal power plant |
| **CHP** | combined heat and power plant |
| **SD** | sustainable development |
| **PE** | power engineering |

## Terms used in the Report

| | |
|---|---|
| **Nuclear power (NP)** | the power industry that uses nuclear energy to generate electricity and heating power |
| **NPP-2006** | the standard model of the Russian new generation "3+" nuclear power plant with improved performance indicators |
| **FR** | a fast-breeder reactor in which sodium is the coolant used for the first and second circuits while water and steam are used for the third circuit |
| **VVER** | water-water power reactor in which water is used as the coolant and the moderator. The most common type of Russian-designed light water rector has two modifications — VVER-440 and VVER-1000 |
| **Senior management** | Company employees who adopt decisions having a significant effect on the Company's activities as a whole. Standard positions range from the managers of structural divisions and above, all the way up to the CEO |
| **CNFC** | the nuclear fuel cycle in which spent nuclear fuel discharged from the reactor is processed to recover uranium and plutonium for the reuse of the nuclear fuel |
| **Compressor station (gas compressor station)** | the complex of equipment and facilities designed to increase the pressure of natural gas during its transportation and storage |
| **Local employees/managers** | employees who live permanently on the territory where the employer enterprise operates whom the Company did not hire from other regions and for whom the Company did not arrange any activities to provide housing |
| **MOX fuel** | from Mixedoxide fuel (MOX): mixed fuel on the basis of 239Pu and 238U oxides |
| **SNF** | fuel assemblies (spent nuclear fuel) that have lost their properties after use in the reactor and must be recovered with subsequent recycling or disposal |
| **RBMK** | a series of nuclear power reactors developed in the Soviet Union. The reactor is a channel-type, heterogeneous, uranium-graphite (graphite water in terms of moderator) boiling type of reactor that runs on slow neutrons. Boiling water is used as the main coolant |
| **LCFR** | a type of low power nuclear reactor that runs on fast neutrons with lead-bismuth coolant |
| **SCSP** | power units of thermal power plants running on supercritical steam parameters, making it possible to increase their KPI |
| **Significant (substantial) operating regions** | regions in which an enterprise's production facilities and key personnel are located |
| **Turbine island (machine room)** | a system product (one of the key components of a power plant) where electricity generating units are located such as electric generators and rotating engines (turbines, diesel engines) as well as the related auxiliary equipment, including pump equipment |
| **Installed base (IB)** | the sum of the nominal capacity of power plants at which equipment produced by OJSC Atomenergomash enterprises is installed |
| **HLPR-6** | heterogeneous loop power reactor — 6 loops of coolant circulation (water graphite reactor with tubular fuel elements). HLPR-6 reactor units are installed at the Bilibino NPP |
| **CFB** | a solid fuel combustion technology used at thermal power plants that features the combustion process both in the bed and the area above the bed with the return and multiple circulation of fuel particles in the reaction zone. CFB technology may be used for burning various coal and brown coal with low fuel quality requirements |
| **Nuclear island** | a system product (part of the NPP) that includes the reactor unit, security system, reactor unit monitoring and control system (RUMCS), the refueling zone and the hermetical area |

## Appendix 2.

Auditor's report on the accounting statement of OJSC Atomenergomash for 2012

**Audited entity**

**Name:**
Open Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to as OJSC Atomenergomash).

**Location:**
Legal address: 119017, Moscow, ul. Bolshaya Ordynka, d. 24.

Mailing address: 115184, Moscow, Ozerkovskaya nab., d. 28, str. 3.

**State registration:**

Registered in the Unified State Register of Legal Entities of Interdistrict Inspectorate of the Federal Tax Service No. 46 for Moscow as No. 1067746426439 dated March 29, 2006, certificate series 77 No. 008387114.

**Auditor**

**Name**:
Limited Liability Company Financial and Accounting Consultants (LLC FBK).

**Location**:
101990, Moscow, ul. Myasnitskaya, d. 44/1, str. 2AB.

**State registration:**
Registered by the Moscow Registration Chamber on November 15, 1993, certificate: series UZ 3 No. 484.583 RP. Entered in the Unified State Register of Legal Entities on July 24, 2002 with main state registration number 1027700058286.

**Membership in self-regulatory organization of auditors:**
Non-profit Partnership Audit Chamber of Russia

**Number in register of auditors and auditor organizations at self-regulatory organization of auditors:**
Certificate on Membership in Non-profit Partnership Audit Chamber of Russia No. 5353, ORNZ — 10201039470.

We conducted the audit of the accompanying accounting statement of OJSC Atomenergomash consisting of the Balance Sheet as of December 31, 2012, the Profit and Loss Statement, the Statement of Changes in Equity, the Statement of Cash Flows for 2012 and an explanatory note to the accounting statement.

### Responsibility of the Audited Entity for the accounting statement

The management of the audited entity is responsible for the preparation and accuracy of the accounting statement in accordance with the Russian rules for compiling accounting statements and also for the system of internal control required to prepare accounting statements that are free of material misstatement due to fraud or error.

### Responsibility of the Auditor

Our responsibility is to express an opinion on the accuracy of the accounting statement based on our audit. We conducted the audit in accordance with federal auditing standards. These standards require compliance with applicable ethical requirements as well as the planning and implementation of the audit to obtain reasonable assurance that the accounting statement is free of material misstatement.

The audit involved the performance of audit procedures aimed at obtaining audit evidence supporting the amounts in the accounting statement and the information disclosed therein.

The selection of the audit procedures is a matter of our judgment, which is based on an assessment of the risk of material misstatement, whether due to fraud or error. In the process of assessing this risk, we reviewed the internal control system, which ensures the preparation and accuracy of the accounting statement, in order to select the appropriate audit procedure, but not for the purpose of expressing an opinion on the effectiveness of the internal control system. The audit also included an assessment of the appropriateness of the accounting policies used and the validity of the estimates obtained by the management of the audited entity as well as an evaluation of the overall presentation of the accounting statement.

We believe that the audit evidence obtained during the audit provides sufficient grounds to express an opinion on the accuracy of the accounting statement.

### Opinion

In our opinion, the accounting statement accurately reflects in all material respects the financial position of OJSC Atomenergomash as of December 31, 2011, the results of its financial and business activities and the cash flows for 2012 in accordance with the Russian regulations for preparing accounting statements.

### Other information

The financial (accounting) statement of OJSC Atomenergomash over the period from January 1 to December 31, 2011 inclusive was audited by another auditor, LLC Nexia Pacioli, whose auditor's report is dated February 29, 2012 and contains an unmodified opinion.

LLC FBK Vice President

Date of Auditor's Report
February 27, 2013


A.V. Tikhonovsky
(based on Power of Attorney No. 4/13 dated January 15, 2013)

# Appendix 3.

## Accounting statement of OJSC Atomenergomash for 2012

### Balance sheet of OJSC Atomenergomash for 2012 as of December 31, 2012

| | | Codes | | |
|---|---|---|---|---|
| | OKUD Form | | 0710001 | |
| | Date (day, month, year) | 31 | 12 | 2012 |
| Organization | **Open Joint-Stock Company Atomenergomash** | OKPO | 94507811 | |
| Taxpayer identification number | | INN | 7706614573 | |
| Type of economic activity | **Wholesale of machines and equipment** | OKVED | 51.65 | |
| Form of incorporation/ ownership form | **Open Joint-Stock Company / Privately owned** | OKOPF/OKFS | 47 | 16 |
| Measurement unit: | **thousand rubles** | OKEI | 384 | |
| Location (address) | **119017, Moscow, ul. Bolshaya Ordynka, 24** | | | |

| Explanation | Indicator | Code | As of Dec 31, 2012 | As of Dec 31, 2011 | As of Dec 31, 2010 |
|---|---|---|---|---|---|
| | ASSETS | | | | |
| | I. NON-CURRENTASSETS | | | | |
| **7.1** | Intangible assets | 1110 | 2,692 | 151 | 170 |
| **7.2.** | Research and development results | 1120 | | | |
| **7.3.** | Fixed assets | 1150 | 18,810 | 18,789 | 23,172 |
| **7.3.** | Buildings, machines, equipment and other fixed assets | 1151 | 18,288 | 18,568 | 23,172 |
| **7.3.** | Capital investments in progress | 1152 | | | |
| **7.3.** | Advances given to suppliers and contractors for capital construction and suppliers of fixed assets | 1153 | 522 | 221 | |
| | Profitable investments in tangible assets | 1160 | | | |
| **7.6.** | Financial investments | 1170 | 17,298,614 | 20,213,186 | 14,763,084 |
| **7.18.** | Deferred tax assets | 1180 | 219,095 | 103,640 | 36,490 |
| **7.4.** | Other non-current assets | 1190 | 1,200,703 | 902,742 | |
| **7.4.** | VAT on long-term advances received | 1191 | 1,189,085 | 898,666 | |
| **7.4.** | Deferred expenses | 1192 | 11,618 | 4,076 | |
| | Total for Section I | 1100 | **18,739,914** | **21,238,508** | **14,822,916** |
| | II. CURRENT ASSETS | | | | |
| **7.5.** | Inventories | 1210 | 154,415 | 146,162 | 39 |
| **7.5.** | raw commodities, materials and other similar items | 1211 | 184 | 101 | 39 |
| | expenses in progress | 1212 | | | |
| **7.5.** | finished products and goods for resale | 1213 | 88,984 | 16,549 | |
| **7.5.** | shipped goods | 1214 | 14,692 | 129,512 | |

| Explanation | Indicator | Code | As of Dec 31, 2012 | As of Dec 31, 2011 | As of Dec 31, 2010 |
|---|---|---|---|---|---|
| - | deferred expenses | 1215 | | | |
| 7.5. | accrued revenue not submitted for payment | 1216 | 50,555 | | |
| | other inventories and expenses | 1217 | | | |
| 7.9. | VAT for valuables acquired | 1220 | 501 | 4,311 | 135 |
| 7.9. | Accounts receivable | 1230 | 17,777,503 | 18,666,731 | 10,877,854 |
| 7.9. | Long-term accounts receivable — total | 1231 | 5,841,994 | 5,174,882 | 3,238,062 |
| 7.9. | settlements with clients and customers | 1232 | | | |
| 7.9. | advances paid | 1233 | 5,277,994 | 4,553,882 | 2,544,633 |
| 7.9. | other debtors | 1234 | 564,000 | 621,000 | 693,429 |
| 7.9. | Short-term accounts receivable — total | 1235 | 11,935,509 | 13,491,849 | 7,639,792 |
| 7.9. | settlements with clients and customers | 1236 | 4,180,834 | 1,407,192 | 1,255,877 |
| 7.9. | advances paid | 1237 | 6,775,348 | 10,718,793 | 3,847,373 |
| 7.9. | other debtors | 1238 | 979,327 | 1,365,864 | 2,536,542 |
| 7.6. | Financial investments (excluding cash equivalents) | 1240 | 16,599,345 | 5,772,870 | 10,619,972 |
| 7.8. | Cash and cash equivalents | 1250 | 450,332 | 4,217,973 | 272,552 |
| | Other current assets | 1260 | 758,211 | 1,938,716 | 1,275,101 |
| | Total for Section II | **1200** | **35,740,307** | **30,746,763** | **23,045,653** |
| | **BALANCE** | **1600** | **54,480,221** | **51,985,271** | **37,868,569** |
| | LIABILITIES | | | | |
| | III. CAPITAL AND RESERVES | | | | |
| | Charter capital (share capital, authorized fund, contributions of partners) | 1310 | 738 | 527 | 347 |
| | Treasury shares purchased from shareholders | 1320 | | | |
| | Revaluation of non-current assets | 1340 | | | |
| | Paid in capital (excluding revaluation) | 1350 | 13,720,502 | 8,460,886 | 5,191,737 |
| | Reserve capital | 1360 | 17 | 17 | |
| | Including<br>Reserves formed in accordance with the law | 1361 | | | |
| | Including<br>Reserves formed in accordance with the constituent documents | 1362 | 17 | 17 | |
| | Retained earnings (loss) | 1370 | (699,248) | (112,262) | 413,822 |
| | Total for Section III | **1300** | **13,022,009** | **8,349,168** | **5,605,906** |

| | | | | | |
|---|---|---|---|---|---|
| | IV. LONG-TERM LIABILITIES | | | | |
| **7.15.** | **Borrowings** | 1410 | 7,379,000 | 12,805,000 | 8,674,076 |
| **7.18.** | **Deferred tax liabilities** | 1420 | | | |
| **7.17.** | **Estimated liabilities** | 1430 | | | |
| | **Other liabilities** | 1450 | 8,608,868 | 8,304,138 | 3,383,905 |
| | **Total for Section IV** | **1400** | **15,987,868** | **21,109,138** | **12,057,981** |
| | V. SHORT-TERM LIABILITIES | | | | |
| **7.15.** | **Borrowings** | 1510 | 13,433,050 | 5,406,149 | 8,832,316 |
| **7.12.** | **Accounts payable** | 1520 | 10,991,792 | 13,095,811 | 10,162,182 |
| **7.12.** | suppliers and contractors | 1521 | 3,567,707 | 890,821 | 528,767 |
| **7.12.** | advances received | 1522 | 7,025,298 | 11,406,805 | 5,358,544 |
| **7.12.** | debt to personnel | 1523 | 423 | 14,832 | 129 |
| **7.12.** | debt to state extra-budgetary funds | 1524 | 16 | 10 | |
| **7.12.** | debt on taxes and fees | 1525 | 200 | 180,957 | 189,814 |
| **7.12.** | other creditors | 1526 | 398,148 | 602,386 | 4,084,928 |
| | **Deferred income** | 1530 | | | |
| **7.17.** | **Estimated liabilities** | 1540 | 318,731 | 317,469 | 263,154 |
| | **Settlements with founders on contributions to charter capital (authorized fund)** | 1545 | | 2,105,446 | |
| | **Other liabilities** | 1550 | 726,771 | 1,602,090 | 947,030 |
| | **Total for Section V** | **1500** | **25,470,344** | **22,526,965** | **20,204,682** |
| | **BALANCE** | **1700** | **54,480,221** | **51,985,271** | **37,868,569** |

Director _____ (signed) Natalia Yarosh (Printed name)

February 20, 2013

Chief Accountant _____ (signed) Natalia Shirokovskikh (Printed name)

## Profit and Loss Statement of OJSC Atomenergomash for January-December 2012

| | | Codes | | |
|---|---|---|---|---|
| | OKUD Form | | 0710002 | |
| | Date (day, month, year) | 31 | 12 | 2012 |
| Organization | **Open Joint-Stock Company Atomenergomash** | OKPO | 94507811 | |
| Taxpayer identification number | | INN | 7706614573 | |
| Type of economic activity | **Wholesale of machines and equipment** | OKVED | 51.65 | |
| Form of incorporation/ ownership form | **Open Joint-Stock Company / Privately owned** | OKOPF/OKFS | 47 | 16 |
| Measurement unit: | **thousand rubles** | OKEI | 384 | |

| Explanation | Indicator | Code | Jan-Dec 2012 | Jan-Dec 2011 |
|---|---|---|---|---|
| **7.19.** | Revenue | 2110 | 13,255,510 | 5,534,562 |
| **7.19.** | Cost of sales | 2120 | (12,110,541) | (5,157,610) |
| | Gross profit (loss) | 2100 | 1,144,969 | 376,952 |
| | Selling expenses | 2210 | (214,098) | (179,745) |
| | Administrative expenses | 2220 | (849,062) | (822,587) |
| | Sales profit (loss) | 2200 | 81,809 | (625,380) |
| | Income from participation in other organizations | 2310 | 131,240 | 267,545 |
| **7.6.** | Interest income | 2320 | 927,269 | 767,133 |
| **7.15.** | Interest payable | 2330 | (1,409,018) | (1,171,119) |
| **7.21.** | Other income | 2340 | 681,474 | 1,053,449 |
| **7.21.** | Other expenses | 2350 | (1,149,009) | (843,677) |
| | Profit (loss) before tax | 2300 | (736,235) | (552,049) |
| **7.18.** | Current income tax | 2410 | (299) | ( ) |
| **7.18.** | including permanent tax liabilities (assets) | 2421 | (65,097) | (65,075) |
| **7.18.** | Change in deferred tax liabilities | 2430 | 356 | (354) |
| **7.18.** | Change in deferred tax assets | 2450 | 108,419 | 61,255 |
| | Other | 2460 | 40,746 | 2,527 |
| | Reallocation of income tax within a consolidated group of taxpayers | 2465 | | |
| | Net profit (loss) | 2400 | (587,013) | (488,621) |
| | REFERENCE | | | |
| | Result of revaluation of non-current assets not included in net profit (loss) for the period | 2510 | | |
| **7.7.** | Result of other operations not included in net profit (loss) for the period | 2520 | 434,390 | (601,370) |
| | Total financial result for the period | 2500 | (152,623) | (1,089,991) |
| **7.22.** | Basic earnings (loss) per share | 2900 | (1) | (2) |
| **7.22.** | Diluted earnings (loss) per share | 2910 | (1) | (2) |

Director _____ (signed) Natalia Yarosh (Printed name)

February 20, 2013

Chief Accountant _____ (signed) Natalia Shirokovskikh (Printed name)

## Statement of Changes in Equity of OJSC Atomenergomash for January-December 2012

| | | Codes | | |
|---|---|---|---|---|
| | OKUD Form | | 0710003 | |
| | Date (day, month, year) | 31 | 12 | 2012 |
| Organization | **Open Joint-Stock Company Atomenergomash** | OKPO | 94507811 | |
| Taxpayer identification number | | INN | 7706614573 | |
| Type of economic activity | **Wholesale of machines and equipment** | OKVED | 51.65 | |
| Form of incorporation/ ownership form | **Open Joint-Stock Company / Privately owned** | OKOPF/OKFS | 47 | 16 |
| Measurement unit: | **thousand rubles** | OKEI | 384 | |

### 1. Movement of capital

| Indicator | Code | Charter capital | Treasury shares purchased from shareholders | Paid in capital | Reserve capital | Retained earnings (loss) | Total |
|---|---|---|---|---|---|---|---|
| **Equity as of Dec 31, 2010** | 3100 | 347 | | 5,191,737 | | 413,822 | 5,605,906 |
| **For 2011** | | | | | | | |
| **Increase in equity — total:** | 3210 | 180 | | 3,870,519 | | | 3,870,699 |
| **including:** | | | | | | | |
| net profit | 3211 | | | | | | |
| revaluation of property | 3212 | | | | | | |
| income directly attributable to the increase in equity | 3213 | | | | | | |
| additional issue of shares | 3214 | 180 | | 3,870,519 | | | 3,870,699 |
| increase in nominal value of shares | 3215 | | | | | | |
| reorganization of legal entity use of industry reserves for investment purposes | 3216 | | | | | | |
| use of industry reserves for investment purposes | 3217 | | | | | | |
| **Decrease in equity — total:** | 3220 | | | (601,370) | | (526,084) | (1,127,454) |
| **including:** | | | | | | | |
| loss | 3221 | | | | | (488,134) | (488,134) |
| revaluation of property | 3222 | | | | | | |
| expenses directly attributable to the decrease in equity | 3223 | | | (601,370) | | | (601,370) |
| decrease in nominal value of shares | 3224 | | | | | | |
| decrease in number of shares | 3225 | | | | | | |
| reorganization of legal entity | 3226 | | | | | | |
| dividends | 3227 | | | | | (37,933) | (37,933) |
| **Change in paid in capital** | 3230 | | | | | | X |
| **Change in reserve capital** | 3240 | | | | 17 | (17) | X |
| **Equity as of Dec 31, 2011** | 3200 | 527 | | 8,460,886 | 17 | (112,262) | 8,349,168 |
| **For 2012** | | | | | | | |
| **Increase in equity — total:** | 3310 | 211 | | 5,259,616 | | 27 | 5,259,854 |
| **including:** | | | | | | | |

| Indicator | Code | Charter capital | Treasury shares purchased from shareholders | Paid in capital | Reserve capital | Retained earnings (loss) | Total |
|---|---|---|---|---|---|---|---|
| net profit | 3311 | | | | | | |
| revaluation of property | 3312 | | | | | | |
| income directly attributable to the increase in equity | 3313 | | | 434,390 | | 27 | 434,417 |
| additional issue of shares | 3314 | 211 | | 4,825,226 | | | 4,825,437 |
| increase in nominal value of shares | 3315 | | | | | | |
| reorganization of legal entity | 3316 | | | | | | |
| use of industry reserves for investment purposes | 3317 | | | | | | |
| **Decrease in equity — total:** | 3320 | | | | | (587,013) | (587,013) |
| **including:** | | | | | | | |
| loss | 3321 | | | | | (587,013) | (587,013) |
| revaluation of property | 3322 | | | | | | |
| expenses directly attributable to the decrease in equity | 3323 | | | | | | |
| decrease in nominal value of shares | 3324 | | | | | | |
| decrease in number of shares | 3325 | | | | | | |
| reorganization of legal entity | 3326 | | | | | | |
| dividends | 3327 | | | | | | |
| **Change in paid in capital** | 3330 | | | | | | X |
| **Change in reserve capital** | 3340 | | | | | | X |
| **Equity as of Dec 31, 2012** | 3300 | 738 | | 13,720,502 | 17 | (699,248) | 13,022,009 |

## 2. Adjustments due to changes in accounting policy and correction of errors

| Indicator | Code | Change in equity in 2011 | | | As of Dec 31, 2011 |
|---|---|---|---|---|---|
| | | As of Dec 31, 2010 | due to net profit (loss) | due to other factors | |
| **Equity - total** | | | | | |
| **prior to adjustments** | 3400 | 5,605,906 | (488,134) | 3,832,766 | 8,950,538 |
| **adjustment due to:** | | | | | |
| change in accounting policy | 3410 | | | (601,370) | (601,370) |
| corrector of error | 3420 | | | | (0) |
| after adjustments | 3500 | 5,605,906 | (488,134) | 3,231,396 | 8,349,168 |
| **including:** | | | | | |
| **retained earnings (loss):** | | | | | |
| prior to adjustments | 3401 | 413,822 | (488,134) | (37,950) | (112,262) |
| **adjustment due to:** | | | | | |
| change in accounting policy | 3411 | | | | |
| corrector of error | 3421 | | | | |
| **after adjustments** | 3501 | 413,822 | (488,134) | (37,950) | (112,262) |
| **Other adjusted capital items (by item)** | | | | | |
| prior to adjustments | 3402 | 5,192,084 | | 3,870,715 | 9,062,799 |
| **adjustment due to:** | | | | | |
| change in accounting policy | 3412 | | | (601,370) | (601,370) |
| corrector of error | 3422 | | | | |
| **after adjustments** | 3502 | 5,192,084 | | 3,269,345 | 8,461,429 |

## 3. Net assets

| Indicator | Code | As of Dec 31, 2012 | As of Dec 31, 2011 | As of Dec 31, 2010 |
|---|---|---|---|---|
| **Net assets** | 3600 | 13,022,009 | 8,349,168 | 5,605,906 |

Director _____ (signed) Natalia Yarosh (Printed name)

February 20, 2013

Chief Accountant _____ (signed) Natalia Shirokovskikh (Printed name)

## Statement of Cash Flows of OJSC Atomenergomash for January-December 2012

| | | Codes | | |
|---|---|---|---|---|
| | OKUD Form | | 0710004 | |
| | Date (day, month, year) | 31 | 12 | 2012 |
| Organization | **Open Joint-Stock Company Atomenergomash** | OKPO | | |
| Taxpayer identification number | | INN | 7706614573 | |
| Type of economic activity | **Wholesale of machines and equipment** | OKVED | 51.65 | |
| Form of incorporation/ ownership form | **Open Joint-Stock Company / Privately owned** | OKOPF/OKFS | 47 | 16 |
| Measurement unit: | **thousand rubles** | OKEI | 384 | |

| Indicator | Code | Jan-Dec 2012 | Jan-Dec 2011 |
|---|---|---|---|
| **Cash flows from current operations** | | | |
| **Revenue — total** | 4110 | 10,253,178 | 14,155,312 |
| **including:** | | | |
| from the sale of products, goods, work and services | 4111 | 9,050,551 | 13,917,771 |
| lease payments, license fees, royalties, commissions and other similar payments | 4112 | 32,166 | 11,352 |
| from the resale of investments | 4113 | | |
| other revenue | 4119 | 1,170,461 | 226,189 |
| **including:** | | | |
| the refund of advances from suppliers for operations with goods for resale from past years | 41191 | 769,440 | 0 |
| reimbursement of expenses for freight delivery | 41192 | 109 | 10,762 |
| in the form of sanctions for the breach of contractual obligations | 41193 | 0 | 215,427 |
| funds of third parties not transferred to the commission agent | 41194 | 33,776 | 0 |
| funds under an agreement on the replacement of a party | 41195 | 209,174 | 0 |
| funds to secure applications to participate in competitions, etc. | 41196 | 114,877 | 0 |
| any other revenue | 41197 | 43,085 | 0 |
| **Payments — total** | 4120 | (11,836,285) | (14,925,584) |
| **including:** | | | |
| to suppliers (contractors) for raw commodities, materials, labor and services | 4121 | (8,285,444) | (12,922,340) |
| remuneration for employees | 4122 | (576,395) | (478,896) |
| interest on debt liabilities | 4123 | (1,379,468) | (1,130,455) |
| corporate income tax | 4124 | (580) | (173) |
| other payments | 4129 | (1,594,398) | (393,720) |
| **including:** | | | |
| payments for the refund of advances from buyers of goods from past years | 41291 | (1,272,830) | (0) |
| payments in the form of sanctions for the breach of contractual obligations | 41292 | (13,485) | (214,211) |
| payments on personal income tax | 41293 | (74,983) | (81,894) |
| payments on insurance contributions to extra-budgetary funds | 41294 | (97,226) | (50,943) |
| payments on property and transport taxes | 41295 | (421) | (500) |
| payments on other settlements with debtors | 41296 | (8,074) | (0) |

| | | | |
|---|---|---|---|
| payments on bank services and commissions | 41297 | (21,526) | (2,688) |
| payments on other settlements with creditors | 41298 | (6,953) | (860) |
| value added tax | 41299 | (74,311) | (39,045) |
| any other payments | 412911 | (24,589) | (3,579) |
| **Balance of cash flows from current operations** | 4100 | (1,583,107) | (770,272) |
| **Cash flows from investment operations** | | | |
| **Revenue — total** | 4210 | 18,828,661 | 30,476,175 |
| **including:** | | | |
| from the sale of non-current assets (except financial investments) | 4211 | | |
| from the sale of shares (interests) in other organizations | 4212 | 57,005 | 1,760,634 |
| from the return of loans and the sale of debt securities (right to demand funds from other entities) | 4213 | 17,903,186 | 28,007,147 |
| **including:** | | | |
| from the return of loans | 4234 | 17,903,186 | 27,632,147 |
| from the sale of debt securities (right to demand funds from other entities) | 4235 | | 375,000 |
| from the return of deposits | 4236 | | |
| dividends, interest on debt financial instruments and similar income from equity participation in other organizations | 4214 | [illegible] | 708,394 |
| **including:** | | | |
| dividends and similar income received from participation in other organizations | 4230 | 226,082 | 263,480 |
| interest received on debt financial instruments | 4231 | 642,388 | 445,261 |
| other income | 4219 | | |
| **Payments — total** | 4220 | (23,613,978) | (28,643,580) |
| **including:** | | | |
| in connection with the acquisition, establishment, modernization, reconstruction and preparation for use of non-current assets | 4221 | (4,717) | (3,989) |
| in connection with the acquisition of shares (interests) in other organizations | 4222 | (289,793) | ( ) |
| in connection with the acquisition of debt securities (right to demand funds from other entities) and the provision of loans to other entities | 4223 | (23,319,468) | (28,639,591) |
| **including:** | 4241 | (28,283) | (2,230,779) |
| the acquisition of debt securities | | | |
| the provision of loans to other entities | 4242 | (23,291,185) | (26,408,812) |
| deposits | 4243 | ( ) | ( ) |
| interest on debt liabilities included in the cost of the investment asset | 4224 | ( ) | ( ) |
| other payments | 4229 | ( ) | ( ) |
| **Balance of cash flows from investment operations** | 4200 | (4,785,317) | 1,832,595 |
| **Cash flows from financial operations** | | | |
| **Revenue — total** | 4310 | 6,367,010 | 10,249,196 |
| **including:** | | | |
| from loans and borrowings | 4311 | 6,337,000 | 8,143,750 |
| monetary contributions by owners (participants) | 4312 | | |
| from issuing shares, increasing interests | 4313 | 30,010 | 2,105,446 |
| from issuing bonds, promissory notes and other debt securities | 4314 | | |
| budget appropriations and other targeted financing | 4315 | | |

| Indicator | Code | Jan-Dec 2012 | Jan-Dec 2011 |
|---|---|---|---|
| **including:** | | | |
| budget appropriations | 4330 | | |
| income from industry reserves | 4331 | | |
| income from other targeted financing | 4332 | | |
| other revenue | 4319 | | |
| **Payments — total** | 4320 | (3,766,379) | (7,429,170) |
| **including:** | | | |
| to owners (participants) in connection with the purchase of their shares (interests) in the organization or their withdrawal as a participant | 4321 | ( ) | ( ) |
| for the payment of dividends and other payments involving the allocation of profit to the owners (participants) | 4322 | ( ) | (37,933) |
| in connection with the maturity (redemption) of promissory notes and other debt securities and the repayment of loans and borrowings | 4323 | (3,765,650) | (7,387,022) |
| other payments | 4329 | (729) | (4,215) |
| **including:** | | | |
| special reserve funds | 4340 | ( ) | ( ) |
| repayment of financial lease obligations | 43291 | (729) | (4,215) |
| **Balance of cash flows from financial operations** | 4300 | 2,600,631 | 2,820,026 |
| **Balance of cash flows for reporting period** | **4400** | (2,600,631) | (2,820,026) |
| **Cash and cash equivalents at start of reporting period** | **4450** | **4,217,973** | **272,552** |
| **Cash and cash equivalents at end of reporting period** | **4500** | **450,332** | **4,217,973** |
| **including:** | | | |
| **Balance of the funds of third parties not transferred to the commission agent** | | 33,776 | 0 |
| **Effect of change in foreign exchange rate versus the ruble** | 4490 | 152 | 63,072 |

Director _____ (signed) Natalia Yarosh (Printed name)

February 20, 2013

Chief Accountant _____ (signed) Natalia Shirokovskikh (Printed name)

## Appendix 4.

# Auditor's report on the combined accounting statement of OJSC Atomenergomash for 2012

### Contractor

**Name:**
OLimited Liability Company Financial and Accounting Consultants (LLC FBK).

**Location:**
101990, Moscow, ul. Myasnitskaya, d. 44/1, str. 2AB.

**State registration:**
Registered by the Moscow Registration Chamber on November 15, 1993, certificate: series UZ 3 No. 484.583 RP. Entered in the Unified State Register of Legal Entities on July 24, 2002 with main state registration number 1027700058286.

**Membership in self-regulatory organization of auditors:**
Non-profit Partnership Audit Chamber of Russia

**Number in register of auditors and auditor organizations at self-regulatory organization of auditors:**
Certificate on Membership in Nonprofit Partnership Audit Chamber of Russia No. 5353, ORNZ — 10201039470.

### Customer

**Name:**
Open Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to as OJSC Atomenergomash).

**Location:**
Legal address: 119017, Moscow, ul. Bolshaya Ordynka, d. 24.

Mailing address: 115184, Moscow, Ozerkovskaya nab., d. 28, str. 3.

**State registration:**
Registered in the Unified State Register of Legal Entities of Interdistrict Inspectorate of the Federal Tax Service No. 46 for Moscow as No. 1067746426439 dated March 29, 2006, certificate series 77 No. 008387114.

### General information

In accordance with Contract No. 291/06/2012 (Reg. No. LLC FBK 488-9/12) dated July 23, 2012 (hereinafter referred to as the Contract), we carried out the procedures that were coordinated with you and indicated below with respect to the combined accounting statement of OJSC Atomenergomash for 2012.

Our work was conducted in accordance with Federal Regulation (Standard) No. 30 "Implementation of coordinated procedures with respect to financial information."

The procedures were implemented solely for the purpose of providing you with assistance in analyzing the combined accounting statement of OJSC Atomenergomash for 2012 to verify its compliance with the Methodology and common principles for establishing the combined financial statement of OJSC Atomenergomash approved by Order No. 33/99-P of OJSC Atomenergomash dated March 30, 2012 (hereinafter referred to as the Methodology).

In accordance with the Methodology, the combined financial statement of the OJSC Atomenergomash Group of Companies consists of a financial statement that provides data about the assets, liabilities and results of the activities of all the companies that make up the OJSC Atomenergomash Group of Companies as if they were a single company.

The combined financial statement consists of a combined balance sheet, combined report on financial results and explanations to the combined financial statement.

The combined financial statement consolidates the financial statement of subsidiaries and includes data about affiliates that constitute legal entities under the laws at the location of their state registration in addition to supervised companies.

A supervised company is a subsidiary or affiliate of Rosatom State Corporation or OJSC Atomenergoprom whose activities are supervised by OJSC Atomenergomash on the basis of the local regulations of Rosatom State Corporation.

The accounting statement of supervised companies is consolidated in the combined financial statement if:

1. the parent organization holds more than 50% of the voting shares of a joint-stock company or more than 50% of the charter capital of a limited liability company;

2. the parent organization has the ability to determine the decisions adopted by a subsidiary in accordance with an agreement between the parent organization and subsidiary;

3. the parent organization has other methods to determine the decisions adopted by a subsidiary.

Data on affiliates are included in the combined financial statement if the parent organization holds more than 20% of the voting shares of a joint-stock company or more than 20% of the charter capital of a limited liability company.

Data on a company may not be included if the data on a subsidiary, affiliate or supervised company does not have a significant impact on ascertaining an idea about the financial condition and financial results of the activities of the OJSC Atomenergomash Group of Companies.

The list of OJSC Atomenergomash subsidiaries with direct and indirect influence as well as the supervised companies of OJSC Atomenergomash whose accounting statements are included in the combined financial statement for 2012 was approved by Order No. 33/99-P of OJSC Atomenergomash dated March 30, 2012 (as amended by Order No. 33/54-P dated February 21, 2012).

**Coordination procedures**

Our procedures with respect to the combined accounting statement of OJSC Atomenergomash for 2012 involved the following:

1. We sent requests to obtain the necessary confirmations;

2. We conducted an analysis of the list of organizations whose results were included in the combined accounting statement of OJSC Atomenergomash;

3. We verified that uniform accounting policy principles were ensured during the preparation of the combined accounting statement;

4. We conducted an analysis of the combination of the reporting indicators of the organizations whose results were included in the combined accounting statement;

5. We conducted an analysis of the exemptions in intra-group turnover and intra-group balances;

6. We conducted an analysis of the exemptions in intra-group (unrealized) profit;

7. We conducted an analysis to determine goodwill.

8. We conducted an analysis to determine the minority interest.

9. We conducted an analysis to determine capitalized income (expenses).

**Results of the analysis of the combined accounting statement**

The results of our work are as follows:

a) with respect to clause 1 of this report, we received the necessary replies, explanations and confirmations, including with respect to the rights to the stake of OJSC Atomenergomash in subsidiaries:

b) with respect to clause 1 of this report, we established that the combined accounting statement incorporates the results of the following organizations:

- Open Joint-Stock Company Nuclear and Power Engineering (AEM);
- Closed Joint-Stock Company Russian Power Engineering Company (REMKO);
- Open Joint-Stock Company ZiO-Podolsk Engineering Plant;
- Open Joint-Stock Company ZIOMAR Engineering Company;
- Open Joint-Stock Company Sverdlovsk Chemical Engineering Research Institute (SverdNIIKhimmash);
- Limited Liability Company Energomashkompleks (EMKO);
- Limited Liability Company Stalenergoproekt (STEP);
- Closed Joint-Stock Company AEM Technologies;
- Closed Joint-Stock Company Atomtruboprovodmontazh (ATM);
- Open Joint-Stock Company Venta Nizhnyaya Tura Engineering Plant;
- Open Joint-Stock Company Central Engineering Design Bureau (TsKBM);
- Open Joint-Stock Company State Scientific Centre of the Russian Federation Scientific and Production Association Central Scientific Research Institute of Engineering Technologies (TsNIITMASh);
- Open Joint-Stock Company Specialized Scientific Research Institute for Instrumentation Engineering (SNIIP);
- Open Joint-Stock Company Experimental Refractory Metals and Hard Alloys Plant (OZTMiTS);
- Closed Joint-Stock Company Petrozavodsk Papermaking Engineering Plant (PZM);
- Open Joint-Stock Company Integrated Customer Directorate (DEZ);
- Open Joint-Stock Company Order of the Red Banner of Labor and Order of Labor of the Czechoslovak Socialist Republic Experimental and Design Organization GIDROPRESS;
- Open Joint-Stock Company State Specialized Design Institute (GSPI);
- Open Joint-Stock Company Afrikantov Experimental Design Bureau for Mechanical Engineering (Afrikantov OKBM);
- ARAKO spol s.r.o.;
- Open Joint-Stock Company Energomashspetsstal (EMSS).

The structure of these organizations corresponds to the list approved in Appendix No. 1 to Order No. 33/99-P of OJSC Atomenergomash dated March 30, 2012 "On the establishment of the combined financial statement of OJSC Atomenergomash" (as amended by Order No. 33/54-P dated February 21, 2013).

The following supervised companies are among the organizations whose indicators were included in the combined accounting statement as of December 31, 2012:

- Open Joint-Stock Company Integrated Customer Directorate (DEZ);
- Open Joint-Stock Company Order of the Red Banner of Labor and Order of Labor of the Czechoslovak Socialist Republic Experimental and Design Organization GIDROPRESS;
- Open Joint-Stock Company Afrikantov Experimental Design Bureau f or Mechanical Engineering (Afrikantov OKBM).

c) with respect to clause 3 of this report, we concluded that the combined accounting statement was compiled in full compliance with the uniform accounting policy principles contained in the explanations to the combined accounting statement by including the relevant adjustments with respect to organizations that employ other methods of accounting and reflecting items in the accounting statement. The forms of the combined balance sheet and combined report on financial results in addition to the structure and content of the explanations to the combined accounting report are consistent with the forms, structure and content approved in the Methodology;

d) with respect to clause 4 of this report, we concluded that the indicators of the audited accounting statement of subsidiary and supervised companies are correctly listed in the accounting statement in accordance with the Methodology;

e) with respect to clause 5 of this report, we concluded that the intragroup turnover and intragroup balances were correctly excluded in accordance with the Methodology when compiling the combined accounting statement;

f) with respect to clause 6 of this report, we concluded that intragroup (unrealized) gains were correctly excluded when compiling the combined accounting statement;

g) with respect to clause 7 of this report, we concluded that goodwill was determined in accordance with the Methodology when compiling the combined accounting statement.

h) with respect to clause 8 of this report, we concluded that the minority i nterest was determined in accordance with the Methodology when compiling the combined accounting statement. The ownership interest of OJSC Atomenergomash in supervised companies was determined based on the ownership interest of Rosatom State Nuclear Energy Corporation and/or OJSC Atomenergomash in the supervised companies, which is consistent with the Methodology;

i) with respect to clause 9 of this report, we concluded that the capitalized income was determined in accordance with the Methodology when compiling the combined accounting statement.

Our report is provided in order to assist you in analyzing the combined accounting statement of OJSC Atomenergomash for 2012 for compliance with the Methodology and the uniform principles for compiling the accounting statement of OJSC Atomenergomash approved by Order No. 33/99-P of OJSC Atomenergomash dated March 30, 2012 and also for your information. It should not be used for any other purpose. This report only concerns the financial information contained in the combined accounting statement of OJSC Atomenergomash for 2012 and does not apply to the accounting statement of OJSC Atomenergomash.

If we had conducted additional procedures or if we had conducted an audit or a review of the financial (accounting) statement in accordance with federal rules (standards) for audit activities, we might have found other issues on which a report would have been provided to you.

Since these procedures do not constitute an audit or review conducted in accordance with the federal rules (standards) for audit activities, this report does not constitute an auditor's report and contains conclusions concerning the compliance of the combined accounting statement of OJSC Atomenergomash with the Methodology adopted by the Company for compiling combined reporting.

We concluded that overall the combined accounting statement of OJSC Atomenergomash was compiled in compliance with the provisions of the Methodology for preparing the accounting statement of OJSC Atomenergomash approved by Order No. 33/99-P of OJSC Atomenergomash dated March 30, 2012 (as amended by Order No. 33/91-P dated March 29, 2013).

April 5, 2013

President of LLC FBK — S.M. Shapiguzov (on the basis of the Charter)


Audit Manager — D.V. Popov (Qualification Certificate No. 01-000614 dated April 2, 2012, ORNZ 20601042164)

# Appendix 5.

## Combined accounting statement for 2012

| | | Codes | | |
|---|---|---|---|---|
| | OKUD Form | | 0710001 | |
| | Date (day, month, year) | 31 | 12 | 2012 |
| Organization | **OJSC Atomenergomash** | OKPO | | |
| Taxpayer identification number | | INN | 7706614573 | |
| Type of economic activity | **Nuclear and power engineering** | OKVED | | |
| Form of incorporation/ ownership form | **Open Joint-Stock Company / Privately owned** | OKOPF/OKFS | | |
| Measurement unit: | **thousand rubles** | OKEI | 384 | |
| Location (address) | **119017, Moscow, Bolshaya Ordynka, d. 24** | | | |

| Explanation | Indicator | Code | As of Dec 31, 2012 | As of Dec 31, 2011 | As of Dec 31, 2010 |
|---|---|---|---|---|---|
| | ASSETS | | | | |
| | I. NON-CURRENT ASSETS | | | | |
| | Intangible assets | 1110 | 12,704,864 | 10,514,857 | - |
| | including: | | | | – |
| 5.5. | the goodwill of subsidiaries | 1115 | 12,172,760 | 9,954,377 | - |
| | Research and development results | 1120 | 114,408 | 35,898 | - |
| | Fixed assets | 1130 | 20,208,645 | 15,895,791 | - |
| | Profitable investments in tangible assets | 1140 | 82,848 | 914,065 | - |
| 5.3. | Financial investments | 1150 | 7,589,570 | 11,616,922 | - |
| | including: | | | | – |
| 3.3. | financial investments in affiliates | 1151 | 1,197,394 | 1,258,590 | - |
| | Deferred tax assets | 1160 | 973,786 | | - |
| | Other non-current assets | 1170 | 3,544,121 | 2,431,950 | - |
| | **Total for Section I** | **1100** | **45,218,242** | **41,409,483** | **-** |
| | II. CURRENT ASSETS | | | | |
| | Inventories | 1210 | 20,406,169 | 20,744,975 | - |
| | including: | | | | |
| | raw commodities, materials and other similar items | 1211 | 6,861,544 | 5,375,420 | – |
| | expenses in progress | 1212 | 10,162,520 | 12,329,662 | – |
| | finished products and goods for resale | 1213 | 2,446,023 | 2,479,762 | – |
| | shipped goods | 1214 | 191,048 | 177,604 | – |
| | other inventories and expenses | 1216 | 745,035 | 382,527 | – |
| | VAT for valuables acquired | 1220 | 427,855 | 205,092 | – |
| | Accounts receivable | 1230 | 77,980,901 | 66,182,666 | – |
| | Long-term accounts receivable — total | 1231 | 32,375,952 | 23,778,925 | – |
| | including: settlements with clients and customers | 1232 | 385,809 | 605,323 | – |
| | Short-term accounts receivable — total | 1233 | 45,604,949 | 42,403,741 | – |
| | including: settlements with clients and customers | 1234 | 14,987,540 | 12,385,306 | – |
| | Financial investments | 1240 | 15,473,935 | 7,684,684 | – |
| | Cash | 1250 | 2,840,784 | 18,549,986 | – |
| | Other current assets | 1260 | 4,092,981 | 4,094,494 | – |
| | Total for Section II | **1200** | **121,222,626** | **117,461,897** | **–** |
| | BALANCE | 1600 | 166,440,868 | 158,871,380 | – |

| | | | | | |
|---|---|---|---|---|---|
| | LIABILITIES | | | | |
| | III. CAPITAL AND RESERVES | | | | |
| **5.4.** | **Charter capital (share capital, authorized fund, contributions of partners)** | 1310 | 738 | 527 | – |
| **5.4.** | **Charter capital of supervised companies** | 1311 | 5,846,855 | 6,783,759 | – |
| | **Treasury shares purchased from shareholders** | 1320 | - | - | – |
| | **Revaluation of non-current assets** | 1340 | 320,123 | 305,226 | – |
| **5.4.** | **Paid in capital (excluding revaluation)** | 1350 | 14,578,015 | 8,895,337 | – |
| **5.4.** | **Reserve capital** | 1360 | 410,803 | 252,347 | – |
| | **including:** | 1361 | 65,901 | 51,359 | |
| | reserves formed in accordance with the law | 1362 | 344,902 | 200,988 | – |
| | reserves formed in accordance with the constituent documents | 1370 | 8,389,623 | 8,381,650 | – |
| | **Retained earnings (loss)** | 1300 | 29,546,187 | 24,618,846 | – |
| | **Total for Section III** | **1301** | **1,596,459** | **1,358,513** | **–** |
| **5.6.** | **Minority interest** | 1302 | 174,192 | 185,614 | – |
| **5.5.** | **Goodwill of subsidiaries** | 1302 | 174 192 | 185 614 | – |
| | IV. LONG-TERM LIABILITIES | | | | |
| **5.7.** | **Borrowings** | 1410 | 13,568,993 | 19,992,259 | – |
| | **Deferred tax liabilities** | 1420 | - | 141,140 | – |
| | **Estimated liabilities** | 1430 | 616 | 3,375 | – |
| | **Other liabilities** | 1450 | 49,811,368 | 45,593,306 | – |
| | **Total for Section IV** | **1400** | **63,380,977** | **65,730,080** | **–** |
| | V. КРАТКОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА | | | | |
| **5.7.** | **Borrowings** | 1510 | 15,348,487 | 6,176,997 | – |
| | **Accounts payable** | 1520 | 51,400,266 | 54,352,977 | – |
| | **including:** | | | | |
| | suppliers and contractors | 1521 | 8,202,602 | 7,338,632 | – |
| | debt to personnel | 1522 | 524,342 | 519,173 | – |
| | debt to state extra-budgetary funds | 1523 | 198,967 | 104,042 | – |
| | debt on taxes and fees | 1524 | 1,492,095 | 3,011,886 | – |
| | other creditors | 1525 | 40,982,260 | 43,379,244 | – |
| | **Deferred income** | 1530 | 1,246,327 | 1,302,147 | – |
| | **Estimated liabilities** | 1540 | 2,566,134 | 2,135,429 | – |
| | **Other liabilities** | 1550 | 1,181,838 | 3,010,777 | – |
| | **Total for Section V** | **1500** | **71,743,052** | **66,978,327** | **–** |
| | **BALANCE** | **1700** | **166,440,808** | **158,871,380** | **–** |

Economics and Finance Director _____ (signed) N. Yarosh (Printed name)

Director Accountant _____ (signed) I. Shevtsov (Printed name)

April 5, 2013

# Combined Profit and Loss Statement for January-December 2012

| | | Codes | | |
|---|---|---|---|---|
| | OKUD Form | | 0710002 | |
| | Date (day, month, year) | 31 | 12 | 2012 |
| Organization | **OJSC Atomenergomash** | | OKPO | 94507811 |
| Taxpayer identification number | | | INN | 7706614573 |
| Area of activity | **Nuclear and power engineering** | | OKVED | |
| Form of incorporation/ ownership form | | | OKOPF/OKFS | |
| Measurement unit: | **thousand rubles** | | OKEI | 384 |

| Explanation | Indicator | Code | For the reporting period | For the same period of the previous year |
|---|---|---|---|---|
| **5.8.** | Revenue | 2110 | 51,827,135 | 50,188,231 |
| | Cost of sales | 2120 | (43,177,119) | (40,739,591) |
| | Gross profit (loss) | 2100 | 8,650,015 | 9,448,640 |
| | Selling expenses | 2210 | (1,143,761) | (857,542) |
| | Administrative expenses | 2220 | (4,563,398) | (4,666,787) |
| | Sales profit (loss) | 2200 | 2,942,857 | 3,924,311 |
| | Income from participation in other organizations | 2310 | 4,517 | 6,456 |
| | Interest income | 2320 | 944,918 | 724,229 |
| | Interest payable | 2330 | (1,826,220) | (1,741,413) |
| | Other income | 2340 | 6,102,758 | 6,713,994 |
| | Other expenses | 2350 | (6,990,120) | (7,046,814) |
| **3.3.** | Capitalized income (loss) | 2360 | 118,353 | 150,454 |
| | Profit (loss) before tax | 2300 | 1,297,064 | 2,731,217 |
| | Current income tax | 2410 | (673,750) | (1,420,217) |
| | including permanent tax liabilities (assets) | 2421 | (136,811) | 677,364 |
| | Change in deferred tax liabilities | 2430 | 49,144 | 118,163 |
| | Change in deferred tax assets | 2450 | 228,478 | 372,334 |
| | Other | 2460 | 78,074 | (38,386) |
| | Net profit (loss) | 2400 | 979,010 | 1,763,111 |
| | Profit belonging to the group | 2470 | 938,531 | 1,802,148 |
| | Profit belonging to minority shareholders | 2480 | 40,479 | (39,037) |

Economics and Finance Director _____ (signed) N. Yarosh (Printed name)

Director Accountant _____ (signed) I. Shevtsov (Printed name)

April 5, 2013

## Appendix 6.

# Conclusion based on the results of the independent assurance of the Annual Report of Open Joint-Stock Company Nuclear and Power Engineering (OJSC Atomenergomash) for 2012

### Introduction

The subject of the assurance is the Integrated Annual Report of Open Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to as the Report) for the period from January 1 to December 31, 2012.

This conclusion is addressed to the management of Open Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to as OJSC Atomenergomash).

### Responsibility of the parties

The management of OJSC Atomenergomash is fully responsible for the preparation and accuracy of this Report.

We are responsible for the independent assurance of the Report only to OJSC Atomenergomash within the framework of the terms of reference and assume no responsibility to any third party.

### Scope, criteria and level of assurance

The subject of the assurance is the Report, which includes information about the activities of OJSC Atomenergomash as well as significant aspects of information about the activities of subsidiary and affiliate companies (hereinafter referred to as SAC).

The Report was evaluated based on the following criteria:

- the nature and level of the Company's compliance with the AA1000 Accountability Principles Standard 2008 — inclusivity, materiality, responsiveness.
- Compliance of the Report with application level B+ (self-assessment) according to GRI G3.1 Manual standards.

Our audit was planned and performed in accordance with AA1000 Assurance Standard 2008 and ISAE 3000 International Standard "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

The assurance corresponds to type 2, as defined by AA1000AS 2008 taking into account the limitations specified in the section "Limitations of the assurance" of this conclusion.

In providing services, we complied with the following requirements with respect to the level of assurance

- moderate — in accordance with AA1000 AS 2008,
- limited - in accordance with ISAE 3000 International Standard "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

The selective verification of information in the Report that we performed as part of the aforementioned levels of assurance does not claim to provide a high level of assurance. The work was based on the supporting materials provided by the Company's management and employees, publicly available information and analytical methods of confirmation. With respect to the quantitative information contained in the Report, the work performed cannot be considered sufficient for the identification of potential deficiencies and misstatements. However, the collected evidence is sufficient for expressing our opinion in accordance with the aforementioned levels of assurance.

### Methodology of assurance

The following procedures were performed as part of the assurance work:

- Study and selective testing of systems and processes implemented by OJSC Atomenergomash in order to ensure and analyze the Group's compliance with AA1000 APS principles and efficiency management in matters of sustainable development.
- Collection of evidence confirming the practical implementation of system processes to adhere to the principles of AA1000 APS.
- Interviews with management representatives of OJSC Atomenergomash, OJSC ZiO-Podolsk, OJSC TsKBM, OJSC Afrikantov OKBM and OJSC Gidropress.
- Study of the documents and statements of management in order to obtain confirmation with respect to compliance of its activities with AA1000 APS principles.
- Participation in public dialogues and consultations with stakeholders organized by OJSC Atomenergomash, OJSC ZiO-Podolsk and OJSC Afrikantov OKBM; study of the relevant minutes.
- Study of conclusions on the results of the Report's public assurance.
- Study of the information available on the websites of OJSC Atomenergomash and key SAC concerning activities in the context of sustainable development issues.
- Study of the published statements of third parties concerning the economic, environmental and social aspects of the activities of OJSC Atomenergomash in order to verify the reliability of the statements made in the Report.
- Analysis of the non-financial reporting of foreign companies in analogous market segments for benchmarking purposes.
- Analysis of the non-financial reporting internal audit processes used at the Company.
- Selective review of documents and data on the performance of the management systems employed by the Group for the economic, environmental and social aspects of sustainable development.

- Review of the existing processes for the collection, processing, documenting, verification, analysis and selection of data to be included in the Report.

- Verification of the adequacy of the statements and data included into the Report.

- Analysis of information in the Report for compliance with Standard AA1000 APS and GRI G3 recommendations (level B+).

**Limitations of assurance**

The assurance is limited to the reporting period (January 1 to December 31, 2012).

The reliability of the information on performance presented in the Report was only evaluated with respect to the compliance with the recommendations of GRI G3.1 Manual for level B+.

The assurance on the reliability of the quantitative performance data disclosed in the Report was limited to an assessment of compliance with the data of the audited accounting statement as well as internal and public reporting documents provided to us concerning other economic, environmental and social aspects of activities.

The assurance does not apply to forward-looking statements or statements expressing the opinions, beliefs or intentions of OJSC Atomenergomash to take any action relating to a future time.

The assurance was not performed with respect to statements based on expert opinion in the Report.

The assurance was conducted solely with respect to the version of the Report submitted in Russian in MS Word format.

**Conclusions**

The following conclusions are based on the assurance work we conducted within the scope and limitations specified above.

1. In general, the Report adequately reflects the management tools and performance indicators of OJSC Atomenergomash concerning the economic, social and environmental aspects of sustainable development.

2. As a result and within the scope of our work, we did not identify material misstatements in the information contained in the Report in matters of sustainable development and its results.

**Nature and degree of compliance with AA1000 APS principles**

**Inclusivity**

- OJSC Atomenergomash cooperates with a wide range of stakeholders. During the preparation of the Report, OJSC Atomenergomash conducted three dialogues with stakeholders as well as public consultations on the draft Report.

- The Company uses various methods of interaction that are specific to the various groups of stakeholders, including joint measures, the Company website, media publications and so on.

- The work performed allows us to conclude that OJSC Atomenergomassh understands the scope of its stakeholders and has mechanisms for cooperating with them and taking their opinions into account in its activities.

**Materiality**

- The Report reflects significant aspects of the Company's activities in economic, social and environmental matters for the main stakeholders.

- The concept of the Report, including the Report structure, key themes and performance indicators, was presented at the first dialogue with stakeholders and finalized based on the results of their comments.

**Responsiveness**

- The Report demonstrates the intention of OJSC Atomenergomash to consider the significant interests of stakeholders in its activities. The Report presents information on the proposals of stakeholders expressed during public dialogues and consultations on the Report. The Company published its own response in the Report to all the comments and suggestions and also made certain corrections to the Report.

**Compliance of the Report with level B+ in accordance with the GRI G3 Manual**

In order to express an opinion on this Report, we analyzed its compliance with GRI G3.1 recommendations when preparing the Report with respect to the reporting principles and standard elements for the stated level of application.

**Principles used to determine the content of the Report**

**Materiality**

- The information included in the Report covers themes and performance indicators that reflect the significant impact that OJSC Atomenergomash had on the economy, environment and society or may significantly influence the assessments and decisions of stakeholders.

**Stakeholder coverage**

- OJSC Atomenergomash presented information in the Report on stakeholders and mechanisms for incorporating their interests when determining the contents of the Report.

**Sustainable development context**

- The Report presents the results of OJSC Atomenergomash operations in the broad context of sustainable development, including various aspects of economic, social and environmental activities.

**Completeness**

- Within the stated boundaries, the Report covers information about the activities of OJSC Atomenergomash and its SAC with a sufficient degree of completeness within the stated scope.

- It is recommended to submit quantitative information on performance indicators with a breakdown by organization and not as the total amount for the group of companies.

**Principles for the quality assurance of the Report**

**Balance**

- The Report is balanced and reflects both the results of activities as well as issues that need to be resolved.

**Comparability**

- The comparability of the Report with the non-financial reporting of other organizations is ensured through the use of the GRI G3.1 Manual as a basis for the disclosure of performance indicators in matters of sustainable development.

- The comparability of financial information with respect to the reporting of other companies is not fully ensured due to the application of the federal laws of Russia and the Provision on Accounting (and not International Financial Reporting Standards) for its disclosure.

- Due to the expanded range of consolidated information on certain performance indicators compared with the previous year, information on these indicators is only presented for the reporting year. It is recommended to present the dynamics of indicators for a three-year period at a minimum taking into account the changes to the pattern, thereby enabling the users of the Report to analyze development trends in the Company's activities.

**Accuracy**

- The accuracy of the actual information presented in the Report is sufficient for stakeholders to assess the performance of OJSC Atomenergomash in matters of sustainable development.

- Performance indicators are estimated on the basis of the methodologies approved in the protocols to the GRI G3.1 indicators.

**Timeliness**

- The report was prepared for the purpose of submitting it to the general meeting of shareholders.

**Clarity**

- In general, the information in the Report is provided in a clear and accessible manner for key groups of stakeholders.

- The Report includes a list of terms and abbreviations used (Annex 1), which makes it easier for users of the Report to understand the information presented.

**Reliability**

- The information on performance presented in the Report is based on the internal reporting documents of OJSC Atomenergomash and Rosatom State Corporation as well as the statements submitted to regulatory authorities.

- Matters involving the verification of the effectiveness of control and the procedure for compiling non-financial reporting fall within the purview of the Internal Audit Department. During the audit, we studied the conclusion of the Internal Audit Department on the results of the internal audit of the public reporting of OJSC Atomenergomash.

- We did not discover any evidence that calls into question the reliability of the information contained in the Report.

**Standard reporting components**

**Strategy and features**

- The Report contains information on the organization's features, strategy, management, obligations, interaction with stakeholders and Report parameters which must be disclosed in accordance with the recommendations of GRI 3.1 to determine the content of the Report.

**Approaches to management**

- The Report reflects approaches to the management of significant aspects of economic, social and environmental matters, in particular it discloses the strategic goals and mechanisms for achieving them.

**Performance indicators**

- All significant indicators are disclosed in the Report in accordance with the GRI G3.1 protocols except for the EN1, EN21 and SO4 performance indicators, which are not disclosed in full based on the requirements of the GRI G3.1 protocols (partial disclosure).

**Overall assessment of the Report**

- Our work allows us to conclude that the scope and quantity of disclosure in the Report required for level B+ are reflected in the Report and are reasonably recorded in the GRI content indicator.

**Compliance of the Report with the public reporting policy of the Rosatom State Corporation and the standard for the annual public reporting of key organizations of the Rosatom State Corporation**

The public reporting process as well as the structure and content of the Report fully meet the requirements of the public reporting policy of the Rosatom State Corporation and the standard for the annual public reporting of key organizations of the Rosatom State Corporation.

**Recommendations**

1. Take into account the comments contained in the above sections of the conclusion.

2. Disclose GRI indicators in connection with the target values and future plans.

3. Disclose information in the next Report about the mechanisms for passing down internal management policies to subsidiary and affiliate companies.

4. Broaden the degree of disclosure of information on investment activities in the next Report.

5. To ensure compliance with best practices for preparing the reports of analogous foreign companies, consider the possibility of broadening the degree of information disclosure in the next Report on the Company's existing policy for introducing the principles of a responsible business practice in supply chains.

6. Expand the list of stakeholders invited for public dialogues.

**Statement of competence and independence**

CJSC NP Consult is an independent audit firm that provides professional assurance services. CJSC NP Consult is a member of the self-regulated organization of auditors NP Institute of Professional Auditors and acts in accordance with the IFAC Code of Ethics. The company employs a system of control over the quality of audit services, including control over compliance with ethical norms.

CJSC NP Consult officially states that the present Report constitutes the assessment of an independent auditor. CJSC NP Consult and its employees have no relations with OJSC Atomenergomash or its subsidiaries or affiliates that could result in a conflict of interests related to the independent assurance of the Report.

CJSC NP Consult is an organizational stakeholder of GRI and a licensed provider of assurance services in accordance with AA1000 AS.

The team involved in the assurance of the reporting in matters of sustainable development included employees of CJSC NP Consult having the requisite experience in auditing and reporting under GRI G3/3.1 as well as training in the preparation of such statements. The leading specialists underwent training in the assurance of the reporting in matters of sustainable development at the Accountability training center.

Deputy General Director
Closed Joint-Stock Company
NP Consult

V. Skobarev

Moscow, July 3, 2013

## Appendix 7.

### CONCLUSION based on the results of the public assurance of the Annual Report of Open Joint-Stock Company Nuclear and Power Engineering

**Introduction**

Representatives of OJSC Atomenergomash (hereinafter referred to as the Company) have asked us to assess its integrated annual report for 2012 (hereinafter referred to as the Report or APR) in terms of its completeness and materiality as well as the Company's response to the suggestions of its stakeholders. The Company provided us with an opportunity to take part in the dialogues held with stakeholders (January 30, 2013 — discussion of the ARP concept; April 04, 2013 — update to the Company's strategic vision and the review of plans for 2013; April 12, 2013 — the CEIP program and mechanisms for integrating the corporate profile enterprises of OJSC AEM) as well as public hearings to discuss the results of the draft Report held on May 14, 2013.

To provide a complete and accurate opinion, we conducted a comparative analysis of the two versions of the report (draft and final version). We were also provided with all the necessary materials, including the minutes of dialogues, the table of views of stakeholders, as well as the explanations and comments of Company management and employees.

Verifying the authenticity of the data provided was not the objective of this public assurance.

We hereby confirm that we have not received any compensation for the time spent on this public assurance.

## Assessments, remarks and recommendations

We are unanimous in the positive assessment of the Report, including the scope of the information provided, its format and the disclosure of information concerning the implementation of the sustainable development concept in all areas of the Company's activities. Disclosure of this information is an important distinction and innovation compared to the 2011 report. Each chapter of this Report describes the effect of the sustainable development concept on the relevant aspect of the Company's activities. This integrated Report is prepared in accordance with the requirements of the regulations of the Rosatom State Corporation and the requirements of GRI 3.1, level B+.

The Company disclosed both financial and non-financial indicators for 2012 and also shed light on all three aspects of its activities (social, economic and environmental) throughout the Report.

We are not aware of any facts that could cast doubt over credibility of the information presented in the Report.

We must note and recommend that the Company should pay special attention to the following aspects of its activities:

- The more complete disclosure of financial indicators in the report (specifically, indicating operating costs, profit structure by company and debt along with revenue) so that it is possible to analyze the enhanced production efficiency;
- The incorporation of short-term targets in the report;
- The detailed disclosure of information on investment and innovation activities, in particular digital data (investment plans, main focuses, the degree of completion of the plans for previous periods);
- Devote greater attention to intellectual activities in terms of new patents, products and strategies for their protection;

## Materiality of information

In our opinion, the Report covers the most significant themes concerning the Company's stakeholders. The Report reflects the Company's strategy to transform itself into a diversified global power engineering holding and its plans to develop new products and services both for national and global markets. This Report also details the Company's progress and plans to position itself as one of the leaders on the Russian power engineering market and on an equal footing with its foreign counterparts.

## Completeness of information

The Company made major progress in formulating a sustainable development concept in all areas of its activities. In our view, the next step should be a detailed description of the correlation between financial and non-financial indicators in various aspects of this concept, as well as the incorporation of the policy into the Company's actual activities.

## The Company's response to the remarks and suggestions of stakeholders

The Company responded to the remarks of its stakeholders by incorporating clarifications and additional data into the final version of this Report and by incorporating the suggestions from last year that were not taken into account.

It should be noted that the Company demonstrated a willingness to respond to the remarks and suggestions of its stakeholders as well as provide constructive and prompt responses to the problems raised.

Our remarks do not diminish the merits and quality of this Report. We hope that OJSC Atomenergomash will be committed to implementing the obligations, plans and intentions outlined in the 2012 Report.

**O.Y. Bestuzheva**
Deputy CEO, Investment Company Horizont

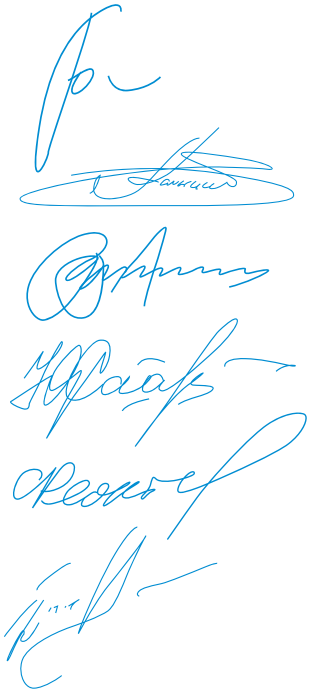
**A.A. Kalinin**
Director of International Business Department,
State Corporation Rosatom

**V.E. Mezhevich**
First Deputy Chairman of the Federation Council Committee
on Economic Policy

**Yu.Z. Saakyan**
CEO of the Natural Monopolies Institute

**E.N. Feoktistova**
Head of Corporate Social Responsibility and Non-Financial Reporting Centre at the Russian Union of Industrialists and Entrepreneurs — Deputy Chairman of Non Financial Reporting Committee

**A.Y. Khitrov**
CEO of the Union of Employers of the nuclear industry,
Energy and Science of Russia



# Appendix 8.

## Compliance with the corporate conduct code

| | Corporate Conduct Code provision | In compliance or not in compliance | Note |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| | General meeting of shareholders | | |
| 1 | Shareholders shall be notified about an upcoming general meeting at least 30 days before its date regardless of the items included in its agenda unless a longer notification period is provided by law | Not in compliance | According to clause 7.7, article 7 of the Charter, notification of a general meeting of shareholders must be provided no later than 20 days in advance. This condition is met. |
| 2 | Shareholders shall have the ability to review the list of persons entitled to participate in the general meeting of shareholders, starting from the date of notification about the general meeting of shareholders until the closing of the general meeting of shareholders in person, and in the event of a general meeting of shareholders in absentia — until the final date on which voting ballots are accepted | In compliance | |
| 3 | Shareholders shall have the ability to review the information (materials) to be submitted in the course of preparing for the general meeting of shareholders using electronic communications, including the internet | In compliance | The Company's Charter and internal documents do not provide for such a method of submitting information (materials) |
| 4 | Shareholders shall have the ability to include an item on the agenda of a general meeting of shareholders or request the convening of a general meeting of shareholders without submitting an excerpt from the shareholder register if a shareholder's right to the shares is recorded in the shareholder register system, or if a shareholder's right to the shares is recorded in a depot account, an excerpt from the depot account is sufficient to exercise the aforementioned rights | In compliance | |
| 5 | The Company's Charter or internal documents shall contain the requirement for the mandatory presence of the Company's CEO, members of the Board of Directors, members of the Audit Committee and auditor at the general meeting of shareholders | Not in compliance | There is no such requirement in the Company's Charter or internal documents because there is no need for it in the Company's activities |
| 6 | Candidates shall be required to be present when considering issues concerning the election of the members of the Board of Directors, the CEO, members of the Management Board, members of the Audit Committee as well as the approval of the Company's auditor at the general meeting of shareholders | Not in compliance | There is no such requirement in the Company's Charter or internal documents because there is no need for it in the Company's activities |
| 7 | The Company's internal documents shall contain t he procedure for registering the participants of the general meeting of shareholders | In compliance | |
| | Board of Directors | | |
| 8 | The Company Charter shall grant the Board of Directors the authority to approve the Company's financial and business plan on an annual basis | In compliance | |
| 9 | The Company shall have a risk management procedure approved by the Board of Directors | Not in compliance | The Board of Directors did not approve this procedure. The Company adheres to the provision on credit risk management of Rosatom State Corporation and its organizations approved by the order of the CEO |
| 10 | The Board of Directors shall have the right to adopt a decision regarding the suspension of the powers of the CEO appointed by the general meeting of shareholders | Not in compliance | The Company's Charter does not provide for such a right because there is no need for it in the Company's activities |

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| 11 | The Company Charter shall grant the Board of Directors the right to set requirements for the qualification and remuneration of the Company's CEO, members of the Management Board and the managers of the main business units | Not in compliance | The Company's Charter does not provide for such a right because there is no need for it in the Company's activities |
| 12 | The Company Charter shall grant the Board of Directors the right to approve the conditions of the contracts with the CEO and members of the Management Board | Not in compliance | There is no such requirement in the Company Charter because there is no need for it in the Company's activities. The Company Charter does not provide for the establishment of a Management Board |
| 13 | The Company's Charter or internal documents shall contain a requirement stipulating that when approving the terms of contracts with the CEO (management organization, manager) and members of the Management Board, the votes of the members of the Board of Directors who also serve as CEO and members of the Management Board shall not be taken into account when tallying votes | Not in compliance | There is no such requirement in the Company's Charter or internal documents because there is no need for it in the Company's activities |
| 14 | The Company's Board of Directors shall have at least 3 independent directors who meet the requirements of the Corporate Conduct Code | Not in compliance | There is no such requirement in the Company's Charter or internal documents because there is no need for it in the Company's activities |
| 15 | The Company's Board of Directors shall not have any persons who have been convicted of crimes involving economic activities or crimes against government authorities, public service or local government service, or who have been subjected to administrative penalties for offenses in business activities, finances, taxes and fees, and the securities market | In compliance | |
| 16 | The Company's Board of Directors shall not have any persons serving as a participant, CEO (manager), member of a governing body or employee of a legal entity that competes with the Company | In compliance | |
| 17 | The Company Charter shall contain a requirement on the election of the Board of Directors through cumulative voting | In compliance | |
| 18 | The Company's internal documents shall describe the duty of the members of the Board of Directors to abstain from any actions that will lead to or are potentially capable of leading to a conflict of interests between them and the Company, and the duty to disclose information about this conflict to the Board of Directors if such a conflict occurs | Not in compliance | There is no such requirement in the Company's internal documents because there is no need for it in the Company's activities |
| 19 | The Company's internal documents shall describe the duty of the members of the Board of Directors to notify the Board of Directors in writing about any intent to implement any transactions involving the securities of the Company in which they are members of the Board of Directors, or its subsidiaries (affiliates), and also to disclose information about any transactions they conclude with such securities | Not in compliance | There is no such requirement in the Company's internal documents because there is no need for it in the Company's activities |
| 20 | The Company's internal documents shall contain a requirement on holding meetings of the Board of Directors at least once every six weeks | Not in compliance | There is no such requirement in the Company's internal documents because there is no need for it in the Company's activities |
| 21 | The Company's Board of Directors shall hold meetings within the year for which the Company's annual statement is prepared with frequency of at least once every six weeks | In compliance | |
| 22 | The Company's internal documents shall describe the procedure for holding meetings of the Board of Directors | Not in compliance | Procedure is determined by the Company Charter |
| 23 | The Company's internal documents shall contain a provision on the need for the Board of Directors to approve the Company's transactions for an amount totaling 10 or more percent of the value of the Company's assets, except for transactions conducted in the course of normal business activities | Not in compliance | There is no such requirement in the Company's internal documents because there is no need for it in the Company's activities |

| | Corporate Conduct Code provision | In compliance or not in compliance | Note |
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| 24 | The Company's internal documents shall describe the rights of the members of the Board of Directors to obtain information from the executive authorities and heads of the Company's main business units to perform their functions as well as for liability purposes for failure to provide such information | Not in compliance | There is no such requirement in the Company's internal documents; the members of the Board of Directors have the ability to obtain such information |
| 25 | The Board of Directors shall have a committee in charge of strategic planning or assign the functions of such a committee to another committee (except for the Audit Committee or the HR and Remuneration Committee) | Not in compliance | No committees were established under the Board of Directors because there is no need for it in the Company's activities |
| 26 | The Board of Directors shall have a committee (Audit Committee) that recommends an auditor for the Company and interacts therewith and with the Company's Internal Audit Committee | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities. The Company's auditor is determined as part of a centralized procurement by Rosatom State Corporation |
| 27 | The audit committee shall only have independent and non-executive directors | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |
| 28 | The Audit Committee shall be managed by an independent director | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |
| 29 | The Company's internal documents shall grant all members of the Audit Committee the right to access any of the Company's documents and information in the event they fail to disclose confidential information | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |
| 30 | A committee shall be established under the Board of Directors (the HR and Remuneration Committee) whose function is to determine the criteria for selecting candidates for members of the Board of Directors and prepare a Company policy for remuneration | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |
| 31 | The HR and Remuneration Committee shall be managed by an independent director | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |
| 32 | The HR and Remuneration Committee shall not contain any Company officials | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |
| 33 | A risk committee shall be established under the Board of Directors or the function of this committee shall be assigned to another committee (except for the Audit Committee or the HR and Remuneration Committee) | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |
| 34 | A Corporate Conflict Settlement shall be established under the Board of Directors or the function of this committee shall be assigned to another committee (except for the Audit Committee or the HR and Remuneration Committee) | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |
| 35 | The Corporate Conflict Settlement Committee shall not contain any Company officials | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |
| 36 | The Corporate Conflict Settlement Committee shall be managed by an independent director | Not in compliance | No committees were established under the Board of Directors because there is no need for them in the Company's activities |

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| 37 | The Board of Directors shall have internal documents approved by the Company that describe the procedure for the establishment and work of the committees under the Board of Directors | Not in compliance | Such documents are absent because no committees were established under the Company's Board of Directors. There is no need for committees under the Board of Directors in the Company's activities |
| 38 | The Company Charter shall describe the procedure for determining whether the Board of Directors has a quorum enabling it to ensure the mandatory participation of independent directors at meetings of the Board of Directors | Not in compliance | There is no such requirement in the Company Charter because the Company has no need for it |
| | **Executive bodies** | | |
| 39 | The Company shall have a collective executive body (Management Board) | Not in compliance | The Company Charter does not provide for such a governing body because there is no need for it in the Company's activities |
| 40 | The Company's Charter or internal documents shall contain a provision on the need for the Management Board to approve transactions involving real estate and obtain loans by the Company if such transactions are not classified as major transactions and their conclusion does not fall under the Company's normal business activities | Not in compliance | The Company Charter does not provide for such a collective executive body (Management Board) because the Company has no need for it |
| 41 | The Company's internal documents shall describe the procedure for coordinating operations outside of the framework of the Company's financial and business plan | In compliance | |
| 42 | The executive bodies shall not have any persons serving as a participant, CEO (manager), member of a governing body or employee of a legal entity that competes with the Company | In compliance | |
| 43 | The Company's executive bodies shall not have any persons who have been convicted of crimes involving economic activities or crimes against government authorities, public service or local government service, or who have been subjected to administrative penalties for offenses in business activities, finances, taxes and fees, and the securities market. If the functions of the sole executive body are performed by a management organization or manager, the CEO and members of the Management Board of the management organization or manager shall comply with the requirements for the Company's CEO and Management Board members | In compliance | |
| 44 | The Company's Charter or internal documents shall prohibit the management organization (manager) from performing similar functions at a competing company or to have any property relations with the Company other than providing the services of a management organization (manager) | Not in compliance | The Company's Charter and internal documents do not contain such a requirement because there is no need for it in the Company's activities |
| 45 | The Company's internal documents shall describe the duty of the executive authorities to abstain from any actions that will or may potentially result in a conflict of interests with the Company's interests, and the duty to inform the Board of Directors in the event such conflict a occurs | Not in compliance | The Company's internal documents do not contain such a requirement. Such conditions are stipulated in the contracts concluded with the CEOs |
| 46 | The Company's Charter or internal documents shall contain criteria for selecting a management organization (manager) | Not in compliance | The Company's Charter and internal documents do not contain such criteria because there is no need for them in the Company's activities |

| | Corporate Conduct Code provision | In compliance or not in compliance | Note |
|---|---|---|---|
| 47 | The executive authorities shall submit monthly reports on their work to the Board of Directors | Not in compliance | The Company's Charter and internal documents do not provide for this duty of the executive authorities because there is no need to submit this document to the Board of Directors in the Company's activities |
| 48 | The contracts concluded by the Company with the CEO (management organization, manager) and Management Board members shall establish liability for breaching the provisions on the use of confidential and insider information | In compliance | |
| | Company Secretary | | |
| 49 | The Company shall have a special officer (company secretary) whose responsibility is to ensure that the Company's bodies and officers comply with the procedural requirements guaranteeing the exercising of rights and the lawful interests of the Company's shareholders | In compliance | |
| 50 | The Company's Charter or internal documents shall contain the procedure for appointing (electing) the Company Secretary as well as the duties of the Corporate Secretary | In compliance | |
| 51 | The Company's Charter shall contain requirements for the nomination of the Company Secretary | Not in compliance | The Company Charter does not contain such requirements because there is no need for them in the Company's activities |
| | Significant corporate actions | | |
| 52 | The Company's Charter or internal documents shall contain a requirement for the approval of a major transaction prior to its conclusion | In compliance | |
| 53 | The hiring of an independent appraiser shall be mandatory for the assessment of the market value of property that is the subject of a major transaction | In compliance | |
| 54 | The Company's Charter shall prohibit any actions taken during the acquisition (takeover) of major stakes that aim to protect the interests of the executive authorities (members of such authorities) and members of the Company's Board of Directors as well as actions that may worsen the position of the shareholders compared to the existing position (in particular, a ban on the Board of Directors adopting the decision to issue additional shares, issue securities that may be converted into shares, or any securities granting the right to acquire the company's shares prior to the completion of the expected date of acquisition of shares even if it is vested with the right to make such a decision under the Charter) | Not in compliance | The Company Charter does not contain such requirements because there is no need for them in the Company's activities |
| 55 | The Company's Charter or internal documents shall contain a requirement on the mandatory hiring of an independent appraiser for the assessment of the market value of shares and possible changes to their market value as a result of a takeover | In compliance | |
| 56 | The Company Charter shall not contain an exemption for the buyer from the obligation to propose that shareholders sell their common shares in the Company (issued securities that are convertible into common shares) in the event of a takeover | In compliance | |
| 57 | The Company's Charter or internal documents shall contain a requirement on the mandatory hiring of an independent appraiser to determine the share conversion ratio in the event of reorganization | Not in compliance | The Company's Charter and internal documents do not contain such a requirement because there is no need for it in the Company's activities |

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| **Information disclosure** | | | |
| 58 | There shall be an internal document approved by the Board of Directors that determines the Company's rules and approaches to information disclosure (Provisions on the Information Policy) | Not in compliance | The Company has no such document. Information is disclosed in accordance with the requirements of applicable law |
| 59 | The Company's internal documents shall contain a requirement to disclose information about the purposes of share placements and the persons preparing to buy the shares available for sale, including major stakes, and also whether the Company's senior officials will participate in the purchase of the Company's shares available for sale | Not in compliance | The Company has no such document because there is no need for it in the Company's activities |
| 60 | The Company's internal documents shall contain a list of information, documents and materials that should be presented to shareholders for the resolution of the matters submitted to the general meeting of shareholders | In compliance | |
| 61 | The Company shall have a website where it regularly discloses information about itself | In compliance | |
| 62 | The Company's internal documents shall contain a requirement on the disclosure of information about the Company's transactions with persons who are senior officials of the Company in accordance with the Charter as well as the Company's transactions with organizations in which the Company's senior officials directly or indirectly own 20 or more percent of the Company's charter capital or which may be otherwise significantly influenced by such persons | Not in compliance | The Company's internal documents do not contain such a requirement because there is no need for it in the Company's activities |
| 63 | The Company's internal documents shall contain a requirement on the disclosure of information on all transactions that may affect the market value of the Company's shares | Not in compliance | The Company's internal documents do not contain such a requirement because there is no need for it in the Company's activities |
| 64 | There shall be an internal document approved by the Board of Directors on the use of material information about the Company's activities, shares and other securities and transactions therewith that is not publicly available and the disclosure of which may have a material effect on the market value of the Company's shares and other securities | Not in compliance | The Company has no such document. The use of such information is partially regulated by the Company Order "On the approval of the provision on commercial secrecy" |
| **Monitoring financial and business activities** | | | |
| 65 | There shall be procedures approved by the Board of Directors for the internal monitoring of the Company's financial and business activities | Not in compliance | The Board of Directors does not approve such procedures because there is no need for their approval by the Board of Directors in the Company's activities |
| 66 | The Company shall have a special division in charge of ensuring the compliance of the internal monitoring procedures (monitoring and auditing service) | In compliance | |
| 67 | The Company's internal documents shall contain a requirement on the determination of the structure and members of the Company's monitoring and auditing service by the Board of Directors | Not in compliance | There is no need in the Company's activities for the approval of such requirements by the Board of Directors |
| 68 | The Company's monitoring and auditing service shall not have any persons who have been convicted of crimes involving economic activities or crimes against government authorities, public service or local government service, or who have been subjected to administrative penalties for offenses in business activities, finances, taxes and fees, and the securities market | In compliance | |

| | Corporate Conduct Code provision | In compliance or not in compliance | Note |
|---|---|---|---|
| 69 | The Company's monitoring and auditing service shall not have any persons who are members of the Company's executive bodies or who serve as participants, CEO (manager), members of a governing body or employee of a legal entity that competes with the Company | In compliance | |
| 70 | The Company's internal documents shall contain the deadline for submitting documents and materials to the monitoring and auditing service for an assessment of financial or business operations as well as the responsibility of the Company's officials and employees for failure to submit them by the specified deadline | In compliance | |
| 71 | The Company's internal documents shall describe the duty of the monitoring and auditing service to report to the Audit Committee in the event it discovers violations and to report to the Company's Board of Directors in the event no violations are found | Not in compliance | No such requirements are contained in the Company's internal documents because no committees were established under the Board of Directors |
| 72 | The Company Charter shall contain a requirement on a preliminary assessment by the monitoring and auditing service on the advisability of concluding operations not envisaged by the Company's financial and business plan (non-standard operations) | Not in compliance | The Company Charter does not contain such a requirement because there is no need for it in the Company's activities |
| 73 | The Company's internal documents shall describe the procedure for approving non-standard operations with the Board of Directors | Not in compliance | The Company's internal documents do not contain such a requirement because there is no need for it in the Company's activities |
| 74 | There shall be an internal document approved by the Board of Directors that specifies the procedure for the Internal Audit Committee to inspect the Company's financial and business activities | Not in compliance | The Company has no such document because there is no need for it in the Company's activities |
| 75 | The Audit Committee shall conduct an assessment of the auditor's report before submitting it to the general meeting of shareholders | Not in compliance | The Company has no such committee because no committees were established under the Board of Directors |
| | **Dividends** | | |
| 76 | There shall be an internal document approved by the Board of Directors that guides the Board of Directors when making recommendations on dividends (Provision on the Dividend Policy) | Not in compliance | The Company has no such document because there is no need for it in the Company's activities |
| 77 | The Provision on the Dividend Policy shall describe the procedure for determining the minimum proportion of the Company's net profit to be spent on dividend payments and the conditions under which dividends are not paid or not paid in full on preferred shares for which the amount of dividends is determined in the Company Charter | Not in compliance | The Company has no such document because there is no need for it in the Company's activities |
| 78 | The Company shall publish information on its dividend policy and the changes thereto in a periodical specified by the Company Charter for the publishing of reports on general meetings of shareholders and shall also post this information on the Company's website | Not in compliance | The Company Charter does not contain such a requirement because there is no need for it in the Company's activities |

# Appendix 9.

## Table of components in accordance with the reporting standard of Rosatom State Corporation

| Aspect of performance | Parameter | Indicator | Page | Report section |
|---|---|---|---|---|
| 12 Expansion of power generation production capabilities at existing NPPs | 121 Increase in the capacity of power units | 1213 Number of modernized VVER-1000 units (for the reporting period and in total) | Pages 30-31 | Chapter "Company Development Strategy," section "The Company's position in the global and Russian power engineering industry," subsection "Position on the market for NPP equipment" |
| 13 Construction of nuclear power plants in the Russian Federation | 131 Construction and commissioning of power generating units in the Russian Federation | 1311 Number of power generating units under construction in the Russian Federation | Pages 30-31 | Chapter "Company Development Strategy," section "The Company's position in the global and Russian power engineering industry," subsection "Position on the market for NPP equipment" |
| | | 1312 Number of power generating units put into operation | Pages 30-31 | Chapter "Company Development Strategy," section "The Company's position in the global and Russian power engineering industry," subsection "Position on the market for NPP equipment" |
| | | 1313 Amount of work performed to build power generating units (% of the plan implemented) | Pages 30-31 | Chapter "Company Development Strategy," section "The Company's position in the global and Russian power engineering industry," subsection "Position on the market for NPP equipment" |
| | | 1314 Cost of building NPPs | Page 40 | Chapter "Core Activities," section "Economic activities," subsection "Financial results" |
| 14 Activities of power engineering companies | 141 Production of complete sets | 1411 Number of complete sets produced during the reporting period | Pages 30-31 | Chapter "Company Development Strategy," section "The Company's position in the global and Russian power engineering industry" |
| 21 Economic performance | 211 Financial performance | 2111 Gross profit | Page 30 | Chapter "Company Development Strategy," section "The Company's position in the global and Russian power engineering industry" |
| | | 2112 Total profit tax deductions payable | Pages 45-46 | Chapter "Core Activities," section "Economic activities," subsection "Economic impact" |
| | | 2113 Net operating profit after tax (NOPAT) | Pages 40-41 | Chapter "Core Activities," section "Economic activities," subsection "Financial results" |
| | | 2114 Income (volume of products sold) | Pages 40-41 | Chapter "Core Activities," section "Economic activities," subsection "Financial results" |
| | 212 Productivity | 2121 Labor productivity | Page 51 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "RPS Program" |
| | 213 Financial stability | 2131 Debt to equity ratio | Pages 40-41 | Chapter "Core Activities," section "Economic activities," subsection "Financial results" |
| | | 2132 Material funds received from the government | Pages 47-48 | Chapter "Core Activities," section "Innovative activities" |

| Aspect of performance | Parameter | Indicator | Page | Report section |
|---|---|---|---|---|
| 22 Position on global markets | 221 Russian engineering positions on the global market for NPP construction | 2211 Number of power generating units under construction abroad (during the reporting period) | Pages 30-31 | Chapter "Company Development Strategy," section "The Company's position in the global and Russian power engineering industry" |
| | | 2212 Number of power generating units put into operation (during the reporting period) | Pages 30-31 | Chapter "Company Development Strategy," section "The Company's position in the global and Russian power engineering industry" |
| | | 2214 Cost of building NPPs | Pages 40-41 | Chapter "Core Activities," section "Economic activities," subsection "Financial results" |
| | | 2215 Share of export volume | Pages 41-42 | Chapter "Core Activities," section "Economic activities," subsection "Financial results" |
| | 228 Export volume | 2281 Export volume | Pages 41-42 | Chapter "Core Activities," section "Economic activities," subsection "Financial results" |
| 23 Development of production base | 231 Investment in fixed capital during the reporting period | 2311 Amount of funds spent on investment policy purposes (including an indication of the proportion of funds spent on the renovation of the production and technological base) | Page 47 | Chapter "Core Activities," section "Investment activities" |
| | | 2312 Capital investments in production capacity | Page 47 | Chapter "Core Activities," section "Investment activities" |
| 24 International cooperation in the peaceful use of nuclear energy | 241 International legal infrastructure for the promotion of Russian companies on global markets for nuclear technologies and services | 2412 Number of countries with which legal framework for cooperation is in place | Page 21 | Chapter "Overview of Key Achievements in 2012" |
| | 242 Strategic alliances and the development of international cooperation | 2421 List and details of the alliances of the Rosatom State Corporation and its organizations with foreign partners (in engineering, the NFC and machine building) | Page 21 | Chapter "Overview of Key Achievements in 2012" |
| 51 Intellectual capital | 511 Invention activity in the use of nuclear energy | 5111 Number of patents, useful models, and production prototypes | Page 49 | Chapter "Core Activities," section "Investment activities" |
| 61 Reorganization of management mechanisms | 612 Implementation of the Rosatom Production System Project | 6121 Results of the implementation of the production efficiency improvement program (reduction in the area of blank production workshops; reduction in the production cycle; reduction in the number of defects on certain components; reduction in production costs for certain types of equipment; increase in the production volume of individual items) | Pages 50-52 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "RPS Program" |
| | | 6122 Economic effect from the implementation of programs to develop production and cut costs at enterprises | Page 50 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "RPS Program" |
| | | 6123 Efficiency in the use of energy resources | Pages 50-52 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "RPS Program" |
| | 615 Management of procurement activities | 6151 Tools used to enhance the openness and transparency of procurement activities | Page 46 | Chapter "Core Activities," section "Economic activities," subsection "Procurement activities" |
| | 6110 Introduction of the quality management system (ISO 9000 series of standards) | 61101 Number of organizations certified for compliance with the requirements of ISO 9001 | Page 47 | Chapter "Core Activities," section "Investment activities" |
| | 6111 Monitoring of financial and business activities | 61111 Monitoring of financial and business activities | Page 79 | Chapter "Corporate Governance," section "Internal control and audit" |

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| 71 Increased transparency of the nuclear industry | 711 Public reporting of the Corporation and its organizations | 711 Compliance with international requirements in non-financial reporting and stakeholder engagement | Page 3, Pages 101-106 | Chapter "Information about the Report," section "Purposes and content of the Report"; Chapter "Sustainable Development," section "Stakeholder engagement" |
| | | 7112 Stakeholder engagement when preparing public reports | Pages 101-106 | Chapter "Sustainable Development," section "Stakeholder engagement" |
| 91 Availability of skilled and competent personnel | 912 Training of employees | 9121 Proportion of employees for whom periodic assessments of performance and career development are conducted LA12 (additional) GRI | Pages 92-93 | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" |
| | | 9122 Average number of training hours per employee per year with a breakdown by employee category LA10 GRI | Page 92 | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" |
| 101 Economic performance | 1011 Direct economic value created and distributed, including income, operating costs, payments to employees, donations, and other investments in communities, retained profit, payments to capital suppliers and governments EC1 GRI | 10111 Net sales as well as income from the sale of assets and financial investments | Pages 40-41 | Chapter "Core Activities," section "Economic activities," subsection "Financial results" |
| | | 10115 Gross tax payments | Pages 45-46 | Chapter "Core Activities," section "Economic activities," subsection "Economic impact" |
| | | 10116 Investment in communities | Page 47 | Chapter "Core Activities," section "Investment activities" |
| | | 10117 Retained economic value | Pages 40-41 | Chapter "Core Activities," section "Economic activities," subsection "Financial results" |
| | 1012 Significant financial assistance received from the government authorities EC4 GRI | 10121 Significant financial assistance received from the government authorities | Pages 47-48 | Chapter "Core Activities," section "Innovative activities" |
| 111 Management of environmental impact | 1111 Energy saved as a result of measures to reduce energy consumption and increase energy efficiency EN5 (additional) GRI | 11111 Total amount of energy saved as a result of efforts to reduce energy consumption and increase energy efficiency | Pages 53-55 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | | 11112 Data on the total amount of energy saved due to the modernization of the production process, the readjustment or replacement of equipment and changes in personnel conduct | Page 55 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | 1114 Initiatives to reduce harmful emissions to the atmosphere, reduction achieved | 1114 1 Information about initiatives to reduce harmful emissions to the atmosphere | Pages 56-57 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | | 11142 Quantitative data on the reduction in harmful emissions to the atmosphere | Pages 56-57 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | 1115 Initiatives to reduce the discharge of harmful substances into water bodies, reduction achieved | 1115 1 Information about initiatives to reduce the discharge of harmful substances into water bodies | Page 57 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | 11110 Overall expenses and investment in environmental protection with a breakdown by type EN30 (additional) GRI | 111101 Expenses related to waste management, the cleaning of emissions and discharges, and the elimination of environmental damage | Page 58 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | 11111 Introduction of environmental management systems at the Corporation's organizations | 111111 Number of enterprises certified for compliance with the requirements of ISO 14001 | Page 78 | Chapter "Corporate Governance," section "Risk management" |

| Aspect of performance | Parameter | Indicator | Page | Report section |
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| 112 Consumption of materials, energy and water | 1121 Direct energy consumption with an indication of the primary sources EN3 GRI | 11221 Direct energy consumption with an indication of the primary sources | Page 54 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | 1122 Indirect energy consumption with an indication of the primary sources EN4 GRI | 11231 Indirect energy consumption with an indication of the primary sources | Page 54 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | 1123 Total water consumption with a breakdown by source EN8 GRI | 11241 Total water consumption with a breakdown by source (including surface, ground and rain water as well as public utility services) | Page 55 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | 1134 Atmospheric emissions of NOX, SOX and other significant pollutants with an indication of type and weight EN20 GRI | 11381 Atmospheric emissions of NOX, SOX and other significant pollutants with an indication of type and weight | Page 56 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| 113 Environmental impact (emissions, discharge and waste) except radiation impact | 1139 Total discharge volume with an indication of the quality of wastewater and receiving site EN21 GRI | 11391 Total discharge volume with an indication of the quality of wastewater and receiving site | Page 57 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | 11310 Total weight of waste with a breakdown by type and disposal method EN22 GRI | 113101 Total weight of waste with a breakdown by type and disposal method | Pages 57-58 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| | 1141 Monetary value of significant fines and total number of non-monetary sanctions for failure to comply with environmental protection laws and regulations EN28 GRI | 11411 Total amount of reimbursement and fines recovered from organizations by the duly authorized environmental protection authorities of the Russian Federation to compensate for damage caused by violation of environmental protection laws | Page 58 | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" |
| 114 Compliance with environmental protection laws | 1211 Total number of employees with a breakdown by type of employment, contract and region LA1 GRI | 12112 Data on the total number of employees with a breakdown by contract type | Page 84 | Chapter "Sustainable Development," section "Personnel," subsection "Size and structure of personnel" |

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| 121 Employment | 1212 Total number of employees and personnel turnover rate with a breakdown by age group, gender, and region LA2 GRI | 12113 Data on the total number of full-time employees with a breakdown by contract type | Page 84 | Chapter "Sustainable Development," section "Personnel," subsection "Size and structure of personnel" |
| | | 12114 Data on the total number of employees with a breakdown by region, using the geographical units that correspond to the scope of an organization's activities | Page 83 | Chapter "Sustainable Development," section "Personnel," subsection "Size and structure of personnel" |
| | | 12121 Total number of employees and personnel turnover rate with a breakdown by age group, gender, and region | Page 90 | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" |
| | 1213 Structure of an organization's management bodies and personnel with a breakdown by gender and age group as well as an indication of minority representation and other diversity indicators LA13 GRI | 12131 Structure of an organization's management bodies and personnel with a breakdown by gender and age group as well as an indication of minority representation and other diversity indicators | Pages 90-91 | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" |
| | 1214 Proportion of professionals under the age of 35 | 12141 Proportion of professionals under the age of 35 | Page 90 | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" |
| | 1216 6 Ratio between the base salaries of male and female employees with a breakdown by employee category LA14 GRI | 12161 Ratio between the base salaries of male and female employees with a breakdown by employee category | Page 95 | Chapter "Sustainable Development," section "Personnel," subsection "Motivation and key performance indicators" |
| | 1217 Range of ratios between standard entry-level salary and minimum wage in the main regions of an organization's activities EC5 (additional) GRI | 12171 Range of ratios between standard entry-level salary and minimum wage in the main regions of an organization's activities | Page 95 | Chapter "Sustainable Development," section "Personnel," subsection "Social impact" |
| | 1221 Proportion of employees covered by collective agreements LA4 GRI | 12211 Proportion of employees covered by collective agreements | Page 86 | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" |
| 122 Relations between employees and management | 1222 Minimum period(s) of notification regarding significant changes in an organization's activities, and also whether such a period is specified in the collective agreement LA5 GRI | 12221 Minimum period(s) of notification regarding significant changes in an organization's activities, and also whether such a period is specified in the collective agreement | Page 86 | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" |
| | 1231 Payments and benefits provided for full-time employees which are not provided to part-time or temporary employees with a breakdown by core activities LA3 (additional) GRI | 12311 Payments and benefits provided for full-time employees which are not provided to part-time or temporary employees with a breakdown by core activities | Page 85 | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" |

| Aspect of performance | Parameter | Indicator | Page | Report section |
|---|---|---|---|---|
| | 1232 Supporting an organization's obligations concerning a pension plan with established benefits EC3 GRI | 12321 Supporting an organization's obligations concerning a pension plan with established benefits | Pages 87-88 | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" |
| 123 Social security for employees | 1242 2 Accident frequency rate, occupational disease rate, lost day rate, workplace absentee rate, and total number of work-related fatalities with a breakdown by region LA7 GRI | 12421 Accident frequency rate, occupational disease rate, lost day rate, workplace absentee rate, and total number of work-related fatalities with a breakdown by region | Page 98 | Chapter "Sustainable Development," section "Industrial and occupational safety" |
| | 1244 Coverage of health and safety issues in formal agreements with trade unions LA9 (additional) GRI | 12441 Coverage of health and safety issues in formal agreements with trade unions | Page 98 | Chapter "Sustainable Development," section "Industrial and occupational safety" |
| 124 Occupational health and safety | 12 1251 Programs for skills development and lifelong education that are designed to support the employability of employees and assist them in the final stage of their careers LA11 (additional) GRI | 12511 Programs for skills development and lifelong education that are designed to support the employability of employees and assist them in the final stage of their careers | Pages 92-94 | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" |
| 125 Training and education | 1312 Procedures for hiring from the local community and the proportion of senior management hired from the local community in significant regions of an organization's operation EC7 GRI | 13121 Procedures for hiring from the local community and the proportion of senior management hired from the local community in significant regions of an organization's operation | Pages 89-91 | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" |
| 133 Stakeholder engagement concerning socially significant issues | 1411 The percentage and total number of business units analyzed for risks related to corruption SO2 GRI | 14111 The percentage and total number of business units analyzed for risks related to corruption | Pages 100-101 | Chapter "Sustainable Development," section "Economic security" |
| 141 Corruption | 1422 The monetary value of significant fines and total number of non-monetary sanctions for failure to comply with laws and regulations SO8 GRI | 14221 The monetary value of significant fines and total number of non-monetary sanctions for failure to comply with laws and regulations | Page 97 | Chapter "Sustainable Development," section "Industrial and occupational safety" |
| 142 Compliance with requirements | 1448 Total number of incidents of discrimination and actions taken HR4 GRI | 14481 Total number of incidents of discrimination and actions taken | Page 83 | Chapter "Sustainable Development," section "Personnel," subsection "Size and structure of personnel" |

# Appendix 10.

## Table on the use of standard reporting components in sustainable development GRI G3.1

| GRI indicator (G3) | Section | Page |
|---|---|---|
| **1: Strategy and analysis** | | |
| 1.1. Statement from the most senior decision-maker of the organization (i.e. the CEO, Chairman of the Board of Directors or an equivalent position) publishing the report on the significance of sustainable development for the organization and its strategy | Chapter "Message from Company Management," section "Message from the CEO of OJSC Atomenergomash" | Page 8 |
| 1.2. Description of key impacts, risks and opportunities | Chapter "Corporate Governance," section "Risk management" | Page 73 |
| **2: Description of organization** | | |
| 2.1. Name of organization | Chapter "Message from Company Management," section "Message from the Chairman of the Board of Directors of OJSC Atomenergomash" | Page 7 |
| 2.2. Main brands and types of products and/or services | Chapter "General Information about the Company," section "Key products" | Pages 15-17 |
| 2.3. Functional structure of the organization, including the main divisions, operating companies, subsidiaries and joint ventures | Chapter "General Information about the Company," section "Segments, geography of business and Holding structure" | Page 11 |
| 2.4. Location of the organization's headquarters | Chapter "General Information about the Company," section "Key products" | Page 15 |
| 2.5. Countries (regions) in which the organization operates and which are particularly significant in terms of the sustainable development issues covered in the report | Chapter "General Information about the Company," section "Segments, geography of business and Holding structure" | Pages 11-15 |
| 2.6. Nature of ownership and form of incorporation | Chapter "Corporate Governance," section "Equity capital" | Page 80 |
| 2.7. Markets on which the organization operates (including a geographical breakdown, sectors served, and categories of consumers and beneficiaries) | Chapter "General Information about the Company," section "Segments, geography of business and Holding structure" | Page 11 |
| 2.8. Scale of the organization, including: | Chapter "Sustainable Development," section "Personnel," subsection "Size and structure of personnel" | Pages 82, 40, 30-31, 13-15 |
| the number of employees; | | |
| net sales (for private sector organizations) or net revenue (for state-owned organizations); | Chapter "Core Activities," section "Economic activities," subsection "Financial results" | |
| total capitalization with a breakdown by debt and equity (for private sector organizations); | Chapter "Company Development Strategy," section "The Company's position in the global and Russian power engineering industry" | |
| quantitative description of products or services provided; total value of assets | Chapter "General Information about the Company," section "Segments, geography of business and Holding | |
| 2.9. Significant changes in the activities of the organization and/or the ownership structure that occurred during the reporting period, including: — the opening, closing and expansion of enterprises; changes to the structure of shareholder capital and other actions to establish, maintain or change equity (for private sector organizations) | Chapter "Corporate Governance," section "Equity capital" | 80 |
| 2.10. Awards received during the reporting period | Chapter "Overview of Key Achievements in 2012" | 21 |

| Показатель GRI (G3) | Раздел | Страница отчета |
|---|---|---|
| **3: Report parameters** | | |
| 3.1. Reporting period (i.e. fiscal/calendar year) for which the information is provided | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| 3.2. Publication date of the last of the previous reports (if any) | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| 3.3. Reporting cycle (annual, biennial, etc.) | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| 3.4. Contact information for questions concerning the report or its contents | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| 3.5. Process for determining the contents of the report, including | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| Determining materiality; | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| Prioritizing themes within the report; and | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| Identifying stakeholders viewed as potential users of the report | Chapter "Sustainable Development," section "Stakeholder engagement" | Page 101 |
| 3.6. Boundaries of the report (i.e. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) | Chapter "Information about the Report," section "Objectives and content of the Report" | Pages 3, 12-13 |
| 3.7. Indicate any specific limitations on the scope of the report | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| 3.8. Grounds for including information in the report on joint ventures, subsidiaries, leased facilities, outsourced operations, and other organizational units that are capable of significantly affecting comparability with previous periods and/or between organizations | Chapter "Corporate Governance," section "Corporate governance system of the Company" | Pages 59-60 |
| 3.9. Methods for measuring data and calculations, including assumptions and methodologies used to assess indicators and other data in the report | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| 3.10. Description of the effect of any rewording of information provided in previous reports and the grounds for such rewording (i.e. mergers/acquisitions, a change in the reporting periods, nature of business, assessment methods) | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| 3.11. Significant changes compared with previous periods as regards the inclusion in the report of economic, environmental and social issues and indicators as well as methods used for their assessment | Chapter "Information about the Report," section "Objectives and content of the Report" | Page 3 |
| 3.12. Table identifying the location of the standard c omponents in the report | Chapter "Appendix," section "Table on the use of standard reporting components in sustainable development GRI G3.1" | 137 |
| 3.13. Policy and current practical approaches with regard to seeking external assurance for the report. If the assurance report is not attached to the report on sustainable development, describe the scope and grounds for any external assurance. Also explain the nature of the relationship between the reporting organization and the assurance provider(s) | Chapter "Appendix," section "CONCLUSION based on the results of the independent assurance of the Annual Report of OJSC Atomenergomash for 2012" | |
| | Chapter "Appendix," section "CONCLUSION based on the results of the public assurance of the Annual Report of OJSC Atomenergomash for 2012" | |
| **4: Governance, Commitments and Engagement** | | |
| 4.1. The governance structure of the organization, including committees under the supreme governing body that are responsible for specific tasks, such as developing strategy or general oversight of the organization's activities | Chapter "Corporate Governance," section "Corporate governance system of the Company" | Page 59 |

| | | |
|---|---|---|
| 4.2. Indicate whether the Chairman of the supreme governing body is also an executive officer of the company (and if so, indicate what this manager's role is in the management of the organization as well as the reasons for this situation) | Chapter "Corporate Governance," section "Corporate governance system of the Company" | Page 68 |
| 4.3. For organizations that have a unitary board structure, indicate the number of independent members of the supreme governing body and/or members that are not involved in the company's executive management | Chapter "Corporate Governance," section "Corporate governance system of the Company" | Page 64 |
| 4.4. Mechanisms which shareholders or employees may use to guide the activities of the supreme governing body or provide it with recommendations | Chapter "Corporate Governance," section "Corporate governance system of the Company" | Page 59 |
| 4.5. A connection between compensation (including severance payments) for members of the supreme governing body, senior managers, and executives and the organization's performance (including social and environmental performance) | Chapter "Corporate Governance," section "Corporate governance system of the Company" | Page 59 |
| 4.6. Processes in place within the supreme governing body to ensure the avoidance of conflicts of interest | Chapter "Corporate Governance," section "Management structure and bodies" | Page 60 |
| 4.7. Process for identifying the qualifications and skills of the members of the supreme governing body to determine the organization's strategy for economic, environmenta l and social issues [sustainable development] | Chapter "Corporate Governance," section "Corporate governance system of the Company" | Page 64 |
| 4.8. Internally developed missions, statements of values, codes of conduct, and principles relevant to economic, environmental, and social performance and the degree of their implementation | Chapter "Corporate Governance," section "Corporate governance system of the Company" | Page 59 |
| 4.9. Processes used by the supreme governing body to oversee how the organization assesses and manages its economic, environmental and social performance, including relevant risks and opportunities, their management, and adherence or compliance with internationally agreed standards, codes of conduct and principles | Chapter "Corporate Governance," section "Management structure and bodies" | Page 61 |
| 4.10. Processes for evaluating the supreme governing body's own performance, particularly with respect to the organization's economic, environmental, and social performance | Chapter "Corporate Governance," section "Corporate governance system of the Company" | Page 59 |
| 4.11. An explanation of whether the organization employs the precautionary principle and in what manner | Chapter "Company Development Strategy," section "Role of the sustainable development concept in the Company's strategy and its application in core activities" | Page 35 |
| 4.12. Externally developed economic, environmental, and social charters, systems of principles or other initiatives to which the organization subscribes or which it supports | Chapter "Information about the Report," section "Objectives and content of the Report" Chapter "Sustainable Development," section "Stakeholder engagement" | Pages 3, 101 |
| 4.13. Memberships in associations (such as industry associations) and/or national and international advocacy organizations in which the organization | Chapter "Sustainable Development," section "Participation in non-profit industry and business organizations" | Page 106 |
| Holds a position in governing bodies | | |
| Takes part in projects or committees | | |
| Provides significant financing beyond general membership fees; or | | |
| 4.14. List of stakeholders engaged by the organization | Chapter "Sustainable Development," section "Stakeholder engagement" | Page 101 |
| 4.15. Grounds for identifying and selecting stakeholders for subsequent engagement | Chapter "Sustainable Development," section "Stakeholder engagement" | Page 101 |
| 4.16. Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | Chapter "Sustainable Development," section "Stakeholder engagement" | Page 101 |
| 4.17. Key issues and interests that have been raised or identified through stakeholder engagement, and how the organization has responded to these key issues and interests, including through its reporting | Chapter "Sustainable Development," section "Stakeholder engagement" | Page 101 |

| Performance indicator | Name of performance indicator in area of sustainable development | Degree of disclosure of indicator | Report section | Report page |
|---|---|---|---|---|
| **Economic performance indicators** | | | | |
| EC1 | Direct economic value generated and distributed, including income, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments: | Full | Chapter "Core Activities," section "Economic activities," subsection "Financial results" | Page 40 |
| EC1 | revenue from the sale of goods and services | | Chapter "Core Activities," section "Economic activities," subsection "Financial results" | Page 40 |
| EC1 | funds allocated for investments | | Chapter "Core Activities," section "Economic activities," subsection "Financial results" | Page 41 |
| EC1 | net profit | | Chapter "Core Activities," section "Economic activities," subsection "Financial results" | Page 41 |
| EC1 | asset value | | Chapter "Core Activities," section "Economic activities," subsection "Financial results" | Page 41 |
| EC3 | Supporting an organization's obligations concerning a pension plan with established benefits | Full | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" | Page 87 |
| EC4 | Significant financial assistance received from the government authorities | Full | Chapter "Core Activities," section "Intellectual activities" | Page 48 |
| EC5 | Ratio between standard entry-level salary and minimum wage in the main regions of operation | Full | Chapter "Sustainable Development," section "Personnel," subsection "Motivation and key performance indicators" | Page 95 |
| EC7 | Procedures for hiring from the local community and the proportion of senior management hired from the local community | Full | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" | Page 90 |
| EC8 | Procedures for hiring from the local community and the proportion of senior management hired from the local community | Full | Chapter "Sustainable Development," section "Social impact," subsection "Personnel recruitment and development" | Page 99 |
| **Performance indicators for interaction with the public** | | | | |
| SO2 | The percentage and total number of business units analyzed for risks related to corruption | Full | Chapter "Sustainable Development," section "Economic security" | Page 100 |
| SO4 | Actions taken in response to cases of corruption | Full | Chapter "Sustainable Development," section "Economic security" | Page 100 |
| SO7 | Total number of cases of legal action against an organization due to the restriction of competition as well as practical approaches to preventing monopolistic practices and their consequences. | Full | Chapter "Core Activities," section "Economic activities," subsection "Commercial activities" | Page 43 |
| SO8 | Monetary value of significant fines and the total number of non-financial sanctions imposed for failure to comply with laws and regulatory requirements. | Full | Chapter "Core Activities," section "Improvement of performance efficiency" | Page 49 |
| **Performance indicators for approaches to labor organization** | | | | |
| LA1 | Total number of employees by type of employment, contract and region | Full | Chapter "Sustainable Development," section "Personnel," subsection "Size and structure of personnel" | Pages 82-84 |
| LA2 | Total number of employees and personnel turnover rate by age group, gender and region | Full | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" | Page 90 |
| LA3 | Payments and benefits provided for full-time employees which are not provided to part-time or temporary employees with a breakdown by core activities | Full | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" | Page 85 |

| | | | | |
|---|---|---|---|---|
| LA4 | Proportion of employees covered by collective agreements | Full | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" | Page 86 |
| LA5 | Minimum period(s) of notification regarding significant changes in the organization's activities, and also whether such a period is specified in the collective agreement | Full | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" | Page 86 |
| LA6 | Proportion of all personnel represented on official joint health and safety committees with the participation of representatives of management and its employees involved in monitoring and compiling recommendations with respect to health and safety programs in the workplace | Full | Chapter "Sustainable Development," section "Personnel," subsection "Industrial and occupational safety" | Page 98 |
| LA7 | Accident frequency rate, occupational disease rate, lost day rate, workplace absentee rate, and total number of work-related fatalities with a breakdown by region | Full | Chapter "Sustainable Development," section "Personnel," subsection "Industrial and occupational safety" | Page 97 |
| LA8 | Significant programs for education, training, counseling, risk prevention and control as well as assistance to employees, their families and members of the public with respect to serious diseases. | Full | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" | Page 87 |
| LA9 | Coverage of health and safety issues in formal agreements with trade unions | Full | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" | Page 87 |
| LA10 | Average number of training hours per employee per year with a breakdown by employee category | Full | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" | Page 92 |
| LA11 | Programs for skills development and lifelong education that are designed to support the employability of employees and assist them in the final stage of their careers | Full | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" | Page 93 |
| LA 12 | Proportion of employees for whom periodic assessments of performance and career development are conducted | Full | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" | Page 92 |
| LA13 | Structure of an organization's management bodies and personnel with a breakdown by gender and age group as well as an indication of minority representation and other diversity indicators | Full | Chapter "Sustainable Development," section "Personnel," subsection "Personnel recruitment and development" | Page 91 |
| LA14 | Ratio between the base salaries of male and female employees with a breakdown by employee category | Full | Chapter "Sustainable Development," section "Personnel," subsection "Motivation and key performance indicators" | Page 92 |
| **Environmental performance indicators** | | | | |
| EN1 | Consumption of materials with an indicator of weight and volume | Incomplete | Chapter "Core Activities," section "Production activities" | Page 39 |
| EN3 | Direct energy consumption with an indication of the primary sources | Full | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 53 |
| EN4 | Indirect energy consumption with an indication of the primary sources | Full | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 53 |
| EN5 | Energy saved as a result of measures to reduce energy consumption and increase energy efficiency | Full | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 53 |
| EN8 | Total water consumption with a breakdown by source | Full | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 55 |

| | | | | |
|---|---|---|---|---|
| EN20 | Atmospheric emissions of NOX, SOX and other significant pollutants with an indication of type and weight | Full | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 56 |
| EN21 | Total discharge volume | Incomplete | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 57 |
| EN22 | Total weight of waste | Full | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 57 |
| EN23 | Total number and volume of significant spills | Full | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 58 |
| EN28 | Monetary value of significant fines and the total number of non-financial sanctions imposed for failure to comply with environmental laws and regulatory requirements. | Full | Chapter "Sustainable Development," section "Environmental responsibility" | Page 107 |
| EN30 | Total expenses and investment on environmental protection with a breakdown by type | Full | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 58 |
| **Aspect: Elimination of discrimination** | | | | |
| HR4 | Total number of incidents of discrimination and actions taken | Full | Sustainable Development," section "Personnel," subsection "Size and structure of personnel | |
| HR5 | Activities in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights | Full | Chapter "Sustainable Development," section "Personnel," subsection "Social policy" | Page 85 |
| HR6 | Activities that pose a significant risk for incidents of child labor, and measures taken to promote the abolition of child labor | Full | Chapter "Sustainable Development," section "Personnel," subsection "Social impact" | Page 95 |
| HR7 | Activities that pose a significant risk for incidents of forced or compulsory labor, and measures to promote the abolition of all forms of forced or compulsory labor | Full | Chapter "Sustainable Development," section "Personnel," subsection "Social impact" | Page 95 |
| **Labeling of products and services** | | | | |
| PR4 | Total number of incidents of failure to comply with regulations and voluntary codes concerning information and labeling about the features of products and services with a breakdown by type of outcome | Full | Chapter "Core Activities," section "Improvement of performance efficiency," subsection "Energy efficiency" | Page 58 |
| PR6 | Programs to ensure compliance with laws, standards and voluntary codes related to marketing communications, including advertising, product promotion and sponsorship. | Full | Chapter "Sustainable Development," section "Stakeholder engagement" | Page 113 |
| PR7 | Total number of instances of failure to comply with regulatory requirements and voluntary codes related to marketing communications, including advertising, product promotion and sponsorship, with a breakdown by type of outcome. | Full | Chapter "Sustainable Development," section "Stakeholder engagement" | Page 113 |
| PR8 | Total number of substantiated complaints concerning breaches of customer privacy and loss of customer data. | Full | Chapter "Sustainable Development," section "Economic security" | Page 109 |
| PR9 | Monetary value of significant fines imposed for failure to comply with laws and regulatory requirements concerning the provision and use of products and services. | Full | Chapter "Core Activities," section "Improvement of performance efficiency" | Page 49 |

# Appendix 11.

## Table on the consideration of the opinions of stakeholders based on the results of dialogues and public consultations

### Dialogue 1

| Suggestion | Status | Company's response |
|---|---|---|
| **Scientific organizations and the expert community** | | |
| Show the indicators disclosed in the report with dynamics for 2010–2012. | Considered | It is made for the indicators, for which 3-years disclosure is necessary and reasonable |
| Make a brief section "Achievements in science, technology and instrument engineering." | Partially considered | «Innovative activities» section added |
| Clarify what caused the increase in the number of indicators disclosed. | Not considered | Cause for this – is our desire to achieve a maximum level of openness and transparency in annual public reporting in accordance with best practices. |
| In the 2011 report you had a section devoted to work with young people and universities. Will there be a similar section this year? | Considered | «Young employee policy» section added |
| What kind of model of engagement will be established with universities and which focuses will be in demand in the recruitment of personnel? | Considered | The information is contained in the «Young employee policy» section |
| Will the reporting reflect the joint research projects with universities (both planned and current ones), which are required by the strategy of the Rosatom State Corporation? | Partially considered | The information is contained in the «Young employee policy» section |
| We would like to see the innovative development strategy of Atomenergomash. | Considered | The information is contained in the «Innovative activities» section |
| **Trade unions and other professional organizations** | | |
| We would like to connect the structure of your report with the indicators disclosed. | Considered | The information is contained in the Appendices 9 and 10 |
| For two years it was reported that a branch of a department of the Moscow Engineering Physics Institute was being established on the core of Petrozavodskmash and that personnel were being trained. Now given the emergence of the new production site in Volgodonsk and the transfer of part of production from Petrozavodsk, we would like to understand how this will affect the training of highly skilled personnel. | Not considered | At the moment, there is a process of integration of the production site in Volgodonsk to the processes and procedures of the Holding. This point will be presented in the Company's Annual Report for 2013. |
| Over the past year your enterprises have undergone restructuring, including the transfer of skilled personnel as well as the dismissal and recruitment of personnel. In this regard, we would like to see some sort of interactive image or infographic. | Considered | The information is contained in the «Personnel» section |
| In 2012, the Rosatom State Corporation launched a rather large number of programs (globalization, innovation management) for which numerous employees are being recruited from various divisions with the incorporation of a special training module so that they serve as representatives for various projects in the future. We would like to see the involvement of Atomenergomash in such industry-based projects. | Partially considered | The information is contained in the «Personnel» section |
| **Customers** | | |
| Does the report contain a marketing section? To this end, on what do you base your forecast for the workload of enterprises (for the nuclear and non-nuclear aspects, for example)? That is to say, is it based on some sort of research or somehow taken a priori? | Partially considered | As for the nuclear aspect, we naturally are guided by a road map for the construction of nuclear power plants in Russia and abroad and use the version recommended by the Rosatom State Corporation. As for the non-nuclear aspect, the sources of information are detached reports, investment plans for the industry development, approved by the Russian government, other core documents. |
| In connection with the incorporation of Energomashspetsstal into the Atomenergomash profile and the commissioning of the facilities in Volgodonsk, is there a detailed plan for distributing capacity utilization and product specialization? | Considered | Capacity utilization plan exists as well as product specialization. For details see sections «Production activities», «Improvement of performance efficiency», «General information about the Company» |

## Dialogue 2

| Suggestion | Status | Company's response |
|---|---|---|
| **Scientific organizations and the expert community** | | |
| options for the "cost-resources-capital" chain need to be specified in the business model diagram of OJSC Atomenergomash, and if your business model diagram is inclusive, your strategy should explain the development of either the entire business model or its individual parts. | Considered | The information is contained in the «Business model of OJSC Atomenergomash» section |
| Has the availability of resources been assessed? Are negotiations taking place with ARMZ and other suppliers about what resource base will be sufficient to ensure your plans? Is there a provision in the raw materials, specialists? | Not considered | Yes, such aspects was considered in the strategic planning processes. |
| **Unidentified issue** | | |
| Do you plan to attract investors or funds for development, including for innovative and high technology products? | Considered | At present our main investor is the Rosatom State Corporation. But in the future we are planning to attract investors and this will depend on each specific project and also on the State Corporation. We are not compiling the strategy to attract investors ourselves. This falls within the purview of our shareholder. |
| How consistent is the strategy with the objectives set for you by Rosatom? | Considered | OJSC «Atomenergomash» development strategy is the strategy of the power engineering division of SC Rosatom. |
| The development program for the Russian energy system was recently posted on the website of the Ministry of Energy. The program provides for the decommissioning of units at the Leningrad NPP and Kursk NPP. Is Atomenergomash involved in this process? | Not considered | We have an entire set of assets (GSPI and SverdNIIKhimmash) which were merged into a consortium last year along with ASE-NIAEP and Nukem. As for the moment, company creates its vision for the development of this area. |
| We would like to point out that you speak about technological leadership, but the R&D unit is not covered anywhere. We would like to know what the Company is doing in this area and whether it interacts with any industry-based institutions. | Partially considered | The information is contained in the «Innovative activities» section |

## Dialogue 3

| Suggestion | Status | Company's response |
|---|---|---|
| **Trade unions and other professional organizations** | | |
| It is necessary to provide the information concerns the process of interaction between company and personnel and skill pool. | Considered | The information is contained in the «Personnel» section |
| Are you planning to release a consolidated financial statement? | Partially considered | The information is contained in the «Information about the report» section |
| **Scientific organizations and the expert community** | | |
| It is necessary to provide the information concerns the facility sites' specialization. | Partially considered | The information is contained in the «General information about the Company» section |
| Provide the information concerns the interaction with universities and institutions, and plan of work with young employees. | Partially considered | The information is contained in the «Personnel» section |
| How does OJSC Atomenergomash conduct work on R&D projects jointly with universities? | Considered | The information is contained in the «Young employee policy», «Innovative activities» sections |

## Public consultations

| Suggestion | Status | Company's response |
|---|---|---|
| **Expert community and scientific organizations** | | |
| To present the factor analysis of revenue and key financial items. | Considered | The information is contained in the «Economic activities», «Financial results» sections |
| Present the principal structure of debt. | Not considered | The information in the required form will be presented in the Annual Report of OJSC "Atomenergomash" 2013 |
| Can there be some kind of dividend policy with respect to the companies that make up the holding? | Not considered | The information in the required form will be presented in the Annual Report of OJSC "Atomenergomash" 2013 |
| To present the company's COGS breakdown | Considered | The information is contained in the «Economic activities», «Financial results» sections |
| Does the introduction of RPS imply a reduction in administrative expenses? | Partially considered | The information is contained in the «RPS program» section |
| Appraisal of the entering the international markets | Not considered | The information is contained in the «Company development strategy» section |
| Disclose not only the long-term target indicators, but also the short-term for the period of 1-3-5 years. | Not considered | The information in the required form will be presented in the Annual Report of OJSC "Atomenergomash" 2013 |
| Description of the key items and causes for changes in order book | Not considered | The information is contained in the «Commercial activities» section |
| To disclose the information concerns the internal audit | Considered | The information is contained in the «Internal control and audit» section |
| There is the information about the supervision of the preparation of the integrated reports of subsidiaries and affiliates as well as consulting support. How is work proceeding in this area? | Partially considered | The information is contained in the «Information about the report» section |
| **Subsidiary organizations** | | |
| How were the performance indicators compiled? On slide 17, you write: disclosure of internal performance indicators. The standard for this is usually GRI and public reporting indicators, but here you are declaring your own indicators. As subsidiaries and affiliates, we are very interested in the approaches to these internal indicators and whether you have compiled them at present. | Not considered | The issue at hand is KPI |
| To enlarge the investment and innovative sections with the numerical information | Partially considered | The information is contained in the «Investment activities», «Innovative activities» sections. The numerical information in the required form will be presented in the Annual Report of OJSC "Atomenergomash" 2013 |
| To provide supplies breakdown by customer | Partially considered | The information is contained in the « The Company's position in the global and Russian power engineering industry», «Commercial activities» sections. |
| Input to the total revenue by certain SASC, improvement of performance efficiency by these SASC | Considered | The information is contained in the «General information about the Company», «Improvement of performance efficiency» sections. |

# Appendix 12.

## List of supervised, subsidiary and affiliate companies as of December 31, 2012

| | Full name of organization | AEM – full ownership share, % [20] |
|---|---|---|
| 1 | Closed Joint-Stock Company Russian Power Engineering Company (REMKO) | 100.00 |
| 2 | Open Joint-Stock Company ZiO-Podolsk Engineering Plant | 99.43 |
| 3 | Open Joint-Stock Company ZIOMAR Engineering Company | 100.00 |
| 4 | Open Joint-Stock Company Intellectual Power Engineering | 75.00 |
| 5 | Open Joint-Stock Company Sverdlovsk Chemical Engineering Research Institute (SverdNIIKhimmash) | 88.90 |
| 6 | Limited Liability Company Estate Real Estate Management | 100.00 |
| 7 | Limited Liability Company Energomashkompleks (EMKO) | 100.00 |
| 8 | Limited Liability Company Stalenergoproekt (STEP) | 90.00 |
| 9 | Closed Joint-Stock Company AEM Invest | 100.00 |
| 10 | Limited Liability Company Nalim | 100.00 |
| 11 | Closed Joint-Stock Company AEM Leasing | 100.00 |
| 12 | Closed Joint-Stock Company RusAtomStroy-Invest Direct Investment Company | 100.00 |
| 13 | Closed Joint-Stock Company RusAtomStroy-Management | 100.00 |
| 14 | Closed Joint-Stock Company Yug Construction and Installation Company | 100.00 |
| 15 | Open Joint-Stock Company SpetsAtomEnergoMontazh Trust | 90.00 |
| 16 | Limited Liability Company Neftegazspetsstroy | 51.00 |
| 17 | Closed Joint-Stock Company AEM Technologies | 99.99 |
| 18 | Closed Joint-Stock Company Atomtruboprovodmontazh (ATM) | 51.00 |
| 19 | ARAKO spol sro | 100.00 |
| 20 | LLC Arako | 100.00 |
| 21 | Open Joint-Stock Company Venta Nizhnyaya Tura Engineering Plant | 74.84 |
| 22 | Limited Liability Company VenTrans | 100.00 |
| 23 | Open Joint-Stock Company Central Engineering Design Bureau (TsKBM) | 100.00 |
| 24 | Open Joint-Stock Company Power Engineering Group | 51.00 |
| 25 | Limited Liability Company GEM-Belgorod Management Company | 51.00 |
| 26 | Limited Liability Company PK-Compensator | 51.00 |
| 27 | Limited Liability Company PK-Steelwork | 51.00 |
| 28 | Limited Liability Company GEM-Belgorod Trading House | 51.00 |
| 29 | Limited Liability Company PK-Boiler | 51.00 |
| 30 | Open Joint-Stock Company Institute of Physics and Technology Problems | 100.00 |
| 31 | Open Joint-Stock Company Specialized Scientific Research Institute for Instrumentation Engineering (SNIIP) | 100.00 |
| 32 | Open Joint-Stock Company Experimental Refractory Metals and Hard Alloys Plant (OZTMiTS) | 71.52 |
| 33 | Open Joint-Stock Company Applied Nuclear Physics Research Center | 100.00 |
| 34 | Open Joint-Stock Company Petrozavodskmash | 80.14 |
| 35 | Floorboard Trading & Investments Limited | 100.00 |
| 36 | Limited Liability Company KarelMashInvest | 100.00 |
| 37 | Limited Liability Company Karelbummash | 100.00 |

[20] The ownership share is calculated by multiplying the proportion of AEM's direct control in AEM organizations and the proportion indirectly controlled by the Group's organizations. The letter "S" in this column means that the company is supervised.

| | Full name of organization | AEM – full ownership share, % |
|---|---|---|
| 38 | Limited Liability Company Casting Plant | 100.00 |
| 39 | ATOMENERGOMASH CYPRUS LIMITED | 100.00 |
| 40 | Open Joint-Stock Company Energomashspetsstal | 50.0001 |
| 42 | Open Joint-Stock Company Afrikantov Experimental Design Bureau for Mechanical Engineering (Afrikantov OKBM) | S |
| 43 | OJSC Order of the Red Banner of Labor and Order of Labor of the Czechoslovak Socialist Republic Experimental and Design Organization GIDROPRESS | S |
| 44 | OJSC State Specialized Design Institute (GSPI) | 100.00 |
| 45 | OJSC All-Russian Nuclear Power Engineering Research and Design Institute | S |
| 46 | Open Joint-Stock Company Kaluga Turbine Plant | 20.28 |
| 47 | Open Joint-Stock Company E4- Tsentrenergomontazh | 25.50 |
| 48 | Open Joint-Stock Company Signal Instrument Engineering Plant | 30.00 |
| 49 | Open Joint-Stock Company GIDROPRESS Protvino Experimental Plant | 48.90 |
| 50 | Closed Joint-Stock Company Power Engineering Equipment Trading House | 25.50 |
| 51 | Open Joint-Stock Company Industry Design and Engineering Bureau for the Development of Modern Technologies and the Manufacturing of Products from Glass | 100.00 |
| 52 | Limited Liability Company ALSTOM Atomenergomash | 51.00 |
| 53 | Closed Joint-Stock Company Nuclear Power, Oil, Gas and Petrochemical Power Engineering Experimental Plant | 100.00 |
| 54 | Limited Liability Company BINOM | 100.00 |
| 55 | Closed Joint-Stock Company AEM Logistics | 100.00 |
| 56 | Closed Joint-Stock Company Wind Power Independent Generating Company | 100.00 |
| 57 | Liges s.r.o. | 100.00 |
| 58 | GARDEA, a.s. | 51.00 |
| 59 | Chladici veze Praha, a.s. | 51.00 |
| 60 | Open Joint-Stock Company Scientific Production Association Central Power Engineering Technology Research Institute | 50.0001 |
| 61 | Limited Liability Company BummashAvto | 100.00 |
| 62 | Open Joint-Stock Company Volgodonsk Nuclear Power Engineering Research and Design Institute | 100.00 |
| 63 | Ganz Engineering and Energetics Machinery Limited Liability Company | 51.00 |
| 64 | Open Joint-Stock Company VNIIAES ASU TP | 53.30 |

## Appendix 13.

### Feedback form

Dear Readers,

You are now familiar with the Annual Report of OJSC Atomenergomash. Your opinion is important to us. Your comments and suggestions will help us make the next Annual Report more interesting and useful for you.

Please send the completed form to the following address: 115184, Moscow, Ozerkovskaya nab., 28/3, OJSC Atomenergomash, fax: (495) 668-20-95, e-mail: aem@aem-group.ru

**1 Did you learn anything new about the Company from this Report?**

YES ☐ NO ☐

If YES, please specify:

_____

**2 How do you assess the report in terms of:**

| | Poor | Satisfactory | Good | Excellent |
|---|---|---|---|---|
| Reliability of the data presented | | | | |
| Relevance and materiality of the issues disclosed | | | | |
| Completeness of the information presented | | | | |
| Structure and ease of finding the necessary information | | | | |
| Design | | | | |

**3 Which sections of the Report did you find most interesting?**

_____

**4 Which sections of the Report did you find least interesting?**

_____

**5 What additional information about OJSC Atomenergomash would you like to see in the next Annual Report?**

_____

**6 Please indicate which group of stakeholders you belong to:**

☐ **Company employee** ☐ **Shareholder** ☐ **Investor** ☐ **Government representative**

☐ **Business association representative** ☐ **Media member** ☐ **Non-profit organization representative**

☐ **Other** _____

**6 Additional comments:**

_____

## Appendix 14.

### Company details and contact information

| | |
|---|---|
| Full name | Open Joint-Stock Company Nuclear and Power Engineering |
| State registration certificate number and issue date | Registered in the Unified State Register of Legal Entities of Interdistrict Inspectorate of the Federal Tax Service No. 46 for Moscow as No. 1067746426439 dated March 29, 2006, certificate series 77 No. 008387114 |
| Company's legal address | 119017, Moscow, ul. Bolshaya Ordynka, 24 |
| Company's mailing address | 119017, Moscow, ul. Bolshaya Ordynka, 24 |


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