atomenergomash
COMPANY OF ROSATOM

CAPACITY BUILDING
2014 INTEGRATED ANNUAL REPORT

ar2014.aem-group.ru

JSC Atomenergomash provides access to the integrated interactive version of the annual report for 2014 for its stakeholders. This product allows easy information presentation of the main annual results of the Company, as well as the access to additional data, which was not included in the print version in a analysis-friendly format.

- Links to online version
- GRI — GRI indicators
- AEM — AEM indicators
- Links for cross-referenced reading of the Report

atomenergomash
COMPANY OF ROSATOM

JSC ATOMENERGOMASH 2014 INTEGRATED ANNUAL REPORT

CAPACITY BUILDING

1 The Division unites major power engineering companies demonstrating a high level of technological and manufacturing competence and extensive professional experience.

2 The management of the Group of Companies aims to integrate its key enterprises, among other measures, by means of introducing a single regulatory framework and interaction standards and establishing a single divisional KPI.

3 The Division plans to actively expand a consolidated order portfolio both in the nuclear sector and in allied industries. It will focus on interaction with foreign clients in order to realize export potential.

4 The key aspect of the Division's development is manufacturing cooperation of its enterprises to create a complete technological chain of equipment production for NPPs and allied industries.

5 In order to devise a single technical energy policy and develop competitive solutions, the Division is creating a research power engineering center which is to become the largest facility of the kind in the Russian nuclear industry.

6 Preservation of the environment of the enterprises' operation areas is an essential prerequisite for business activities of the Group. Environmental safety is ensured by cooperation with environmental organizations, performance of tests and establishment of environmental management systems.

7 Personnel are the main driving force behind the achievement of strategic objectives. High qualifications are a must for all employees. In addition, the Division's personnel take part in nuclear power education programs and actively cooperate with educational institutions. Strong motivation and engagement result from participation in division-wide activities.

8 Atomenergomash enterprises follow the principles of socially responsible business by laying the foundation for the creation of stable jobs both in the territories where they maintain a presence and those where their suppliers and contactors operate. Moreover, the Group of Companies supports charities and funds socially important projects.

9 Our key communicative objective is to promote stakeholder awareness of the operation of the Group of Companies. To achieve this, the Group's enterprises implement a single information policy, employing different communications channels, clearly identifying the target audience and assessing its information needs.

THE COMPANY IN BRIEF

GRI 4.7

JSC Atomenergomash (the "Company"), the Power Engineering Division of Rosatom State Corporation (the "Division"), is one of the leading power engineering companies in the Russian Federation and a provider of efficient integrated solutions for nuclear, thermal energy, gas and petrochemical industries, shipbuilding, and the market for special steels.

The Division was formed to bring together the largest power engineering companies that possess unique technology and manufacturing expertise as well as a wealth of professional experience in order to address the need to reduce dependence on monopoly suppliers.

The Division is comprised of 30 businesses, including research, engineering, manufacturing, construction and installation companies located in the Russian Federation, Ukraine, the Czech Republic and Hungary.

Equipment manufactured by the Division has been installed in more than 20 countries; 13% of the nuclear power plants in operation worldwide and 40% of the thermal power plants in the Russian Federation and FSU countries use the Company's equipment.

2014 PERFORMANCE HIGHLIGHTS

Economic performance

Combined revenue 48.6 bln RUB

EBITDA 4.1 bln RUB

Operating performance

Products shipped to 13 nuclear power plants

Fulfillment of contractual obligations 97.1%

Commercial activities

Market share in the Russian power engineering industry 22%

Share of revenue from new businesses 30%

Share of foreign orders in the total order book 24,3%

Total value of concluded contracts 133.7 bln RUB

Order book at the year-end 227.5 bln RUB

Efficiency improvement

Income from sales of non-core assets 2.4 bln RUB

Effect of the RPS introduction 354 mln RUB

Energy savings 1 million GJ

Transferred to outsourcing >1,300 people

Labor productivity growth 12%

Staff capacity

Share of specialists under 35 years old 32%

Engagement level 75%

Scientific activities

75 patents and intellectual property certificates

269 scientific publications

Social responsibility

Paid to the budget 3.8 bln RUB

Charity expenses 21.7 mln RUB

Environmental responsibility

Environmental impact mitigation costs 190 mln RUB

Reduction of CO_2 emissions 10%

KEY EVENTS IN 2014

Commercial activities

- JSC Atomenergomash concluded the first contract for complete delivery of reactor island equipment - nuclear steam supply systems (NSSS) for 4 units at Akkuyu NPP.
- Following successful contract performance for the naval reactor for the new-generation icebreaker Arktika, two more contracts were concluded to supply two sets of RITM-200 reactor units to the Baltic Works for the other new series icebreakers.
- OJSC SverdNIIkhimmash signed a contract to design, manufacture and supply equipment for production lines within the fuel fabrication module and refabrication facility under the Proryv Project undertaken to develop technology for closing the nuclear fuel cycle loop.

Scientific activities

- The largest research center in the Russian power engineering industry is being created within the Division with a view to formatting a unified technical policy in the industry and developing competitive import-substituting power equipment through R&D.
- JSC TsKBM has developed a new design of the main circulation pump featuring a single-shaft arrangement with a water-cooled motor and water-cooled bearing units, which will increase the safety of nuclear power plants by replacing oil-based lubricants with water-based lubricants.
- Two teams of contributors from JSC NPO TsNIITMASH received science and technology awards from the Russian Government for their developments in 2013.

Staff capacity

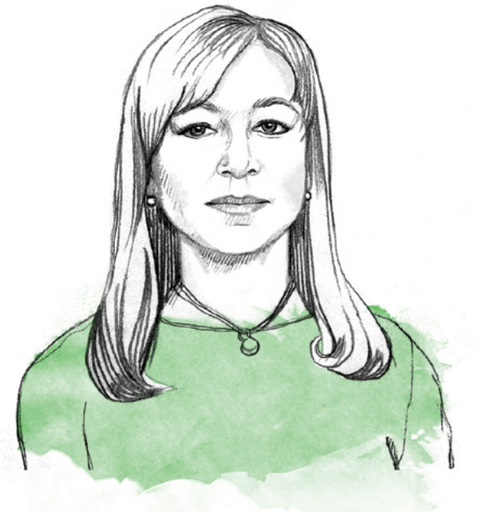
- A team from the Volgodonsk branch of OJSC AEM Technologies won in the TeMP-2014 tournament for young professionals organized by Rosatom State Corporation and Rosatom Corporate Academy as part of work done to attract young professionals to work at the industry's enterprises.
- Two projects implemented by JSC Atomenergomash – the children's energy science and entertainment camp NRJ-Camp and the knowledge continuity project The Generation Bridge – were awarded diplomas of the 1st All-Russian contest of employers' best practices relating to work with children, young people and the talent pool called Creating the Future, which was organized by the Ministry of Education and Science of the Russian Federation.
- The first Masters' graduation ceremony was held at Department No. 76 Power Engineering of the Moscow Physics and Engineering Institute, at which diplomas were received by 10 employees of OJSC ZiO-Podolsk, JSC ZIOMAR EC and OJSC PZM.

Efficiency improvement

- Manufacture of steam generators at the Volgodonsk branch of OJSC AEM Technologies was restored – new production sites were set up and modern equipment was purchased.
- PJSC EMSS successfully passed the first supervisory audit of the energy management system based on ISO 50001:2011, which was conducted by the official representative of the Certification Body for Management Systems and Personnel of TUV-Turingen (Germany) in Ukraine.
- The RPS Industry Project Creating a model workflow at the SUZ-ShEM-3 drive case production site enabled JSC OKB GIDROPRESS to increase the quantity of manufactured products by 87% compared to the previous year.

MESSAGE FROM COMPANY MANAGEMENT

GRI 4-1



Ekaterina Lyakhova,
Chairwoman of the Board of Directors
of JSC Atomenergomash
Director of Investment Management and Operational
Efficiency at Rosatom State Corporation

Dear colleagues and partners,

I am pleased to present to you the Integrated Annual Report of JSC Atomenergomash for 2014. The report focuses particularly on production, financial, social and environmental issues related to the activities of the Power Engineering Division of Rosatom State Corporation.

In recent years, AEM has achieved sound operational results, acquired a reputation as a reliable supplier of equipment, and integrated solutions for the nuclear and thermal power, shipbuilding, and gas and petrochemical industries. Among the major achievements of the Division in the year under review was the signing of the first contract for a set supply of reactor and turbine island equipment to Akkuyu NPP and Hanhikivi NPP, which will allow us to deploy the production chain designed within the Division. On the one hand, this is a development of the capacities, but on the other hand - a high level of responsibility. In addition, in 2014, equipment was supplied for power plants under construction, including the new power generating units of Rostov NPP.

The manufacture of reactor island equipment resumed at the Volgodonsk branch of OJSC AEM Technologies after a long period of inactivity. The plant is currently manufacturing a reactor for the Belarusian NPP and has already delivered two core catchers to the plant. The manufacture of other key equipment for nuclear power plants, namely, steam generators, has also been launched. For this purpose, new sites have been set up, modern equipment has been purchased, and personnel has been trained.

I would also like to acknowledge the excellent work done by Atomenergomash and its enterprises in a number of strategic non-nuclear sectors. In particular, we received new contracts for the manufacture of reactor units for the Russian icebreaking fleet. The Division is continuing to significantly expand its competencies in this market, including in the manufacture of non-power plant equipment. In the thermal power sector, two units with equipment manufactured at the Division's enterprises were successfully started at Yuzhnouralsk TPP in 2014. Deliveries of equipment to Verkhnetagilskaya TPP proceeded ahead of schedule.

In terms of international relations, in 2014 an agreement was reached between an ALSTOM and Atomenergomash joint venture and a French partner concerning significant amendments to the terms of the previously signed agreement. These amendments will significantly increase localization and broaden the scope of deliveries by the Russian partner.

I would like to draw particular attention to the systematic work carried out by the Division's management team to reduce costs and improve efficiency. For example, last year labor productivity in the Company was 2.395 million rubles per person, up 12% from 2013. Total savings from the implementation of the Rosatom Production System in 2014 amounted to more than 354 million rubles.

In recent years, AEM has achieved sound operational results, acquired a reputation as a reliable supplier of equipment, and integrated solutions for the nuclear and thermal power, shipbuilding, and gas and petrochemical industries.

The results achieved by the Power Engineering Division and the foundations that have been laid for future success are all due to the team of top professionals of Atomenergomash. On behalf of Rosatom State Corporation, I would like to thank the Company for the work done in 2014, and its management and employees - for their commitment and professionalism.

I am confident that all our achievements will provide a firm base for JSC Atomenergomash to establish itself as a leader in the global power engineering industry!

Andrey Nikipelov,
Chief Executive Officer of JSC Atomenergomash

Dear colleagues and partners,

I present to you the 2014 Annual Report of the Power Engineering Division of Rosatom State Corporation - JSC Atomenergomash.

Last year was a real breakthrough for our Company. As the famous saying goes: there's "a time to cast away stones, and a time to gather stones together". For a few years, we have been consistently building an entire chain for production of NPP equipment within the Division, acquiring new competencies and implementing new technologies. Last year, we saw the first key results of that work. For the first time in its history, JSC Atomenergomash became a single-source supplier of the entire reactor for a nuclear power plant and turbine equipment. Akkuyu NPP in Turkey and Hanhikivi NPP in Finland will be the first such endeavor for us. Development of project design documentation, manufacture of work pieces and the bulk of key equipment will be carried out by our enterprises. This is an important milestone in the history of our Company and a significant increase in terms of the responsibility towards our customers and partners for the timely fulfillment of contractual obligations.

Despite negative macroeconomic conditions, the Division has experienced growth in both contracting and revenue. In 2014, the order book of JSC Atomenergomash grew by 71 billion rubles to 227.7 billion rubles. The consolidated revenue increased by 2.5 billion rubles to 49 billion rubles.

For a few years, we have been consistently building an entire chain chain for production of NPP equipment within the Division, acquiring new competencies and implementing new technologies. Last year, we saw the first key results of that work. For the first time in its history, JSC Atomenergomash became a single-source supplier of the entire reactor for a nuclear power plant and turbine equipment.

In 2014, JSC Atomenergomash updated its development strategy. One of the key issues outlined in the report is to achieve a significant increase in the revenue share from related non-nuclear industries, which should be at least 50% of total revenue, with at least 30% earned by foreign operations. In this regard, certain changes have occurred in the organizational structure of the parent company: nuclear power engineering, gas and petrochemical engineering, shipbuilding, and general engineering were segregated into separate directorates. The new structure provides a systematic approach in the development of our Company in the areas mentioned above and also in other business sectors.

Last year brought many operational achievements, of which I will highlight the key successes. Enterprises of JSC Atomenergomash supplied equipment for nuclear power plants under construction, including the new unit No. 3 of Rostov NPP. Ownership was granted for productive assets at the Volgodonsk site of OJSC AEM Technologies. Through implementation of the technical revamping and personnel training program, the Company regained its original functions as a manufacturer of key equipment for the nuclear power industry and today is engaged in the production of reactor equipment for nuclear power plants under construction. The Petrozavodsk branch of OJSC AEM Technologies received a certificate for serial production of transport packaging for spent nuclear fuel. It also successfully completed a project to set up a pipeline valve section for nuclear power plants and started to produce finished products.

Development of nuclear power engineering industry is based on the work of engineers and designers is key to the development of nuclear power engineering. I would like to

note the great contribution made by JSC OKB GIDROPRESS to the projects of Rosatom State Corporation in Russia, Turkey, Finland, China, and India. Specialists from JSC SverdNIIkhimmash and JSC TsKBM performed a highly complex task of manufacturing a set of equipment for the production line of fuel pellets to be used in BN-800-type fast-neutron reactors. Major R&D projects and projects in other areas were implemented by our other research and design institutes: JSC NPO TsNIITMASH, OJSC GSPI, OJSC VNIIAM, JSC SNIIP, and JSC IFTP.

The manufacture of a reactor unit for the new-generation lead icebreaker Arktika proceeded in strict compliance with our contractual obligations. The designer and single-source supplier of the plant is JSC Afrikantov OKBM with a significant part of production work done by OJSC ZiO-Podolsk. The availability of an entire production chain in the Division allowed us to conclude a new contract for complete delivery of reactor units in 2014, this time for the serial icebreakers. Overall, owing to the work done by JSC Afrikantov OKBM, JSC SNIIP and other institutions and enterprises of the Division, the order book for shipbuilding increased by almost 19 billion rubles for the year to approximately 59 billion rubles.

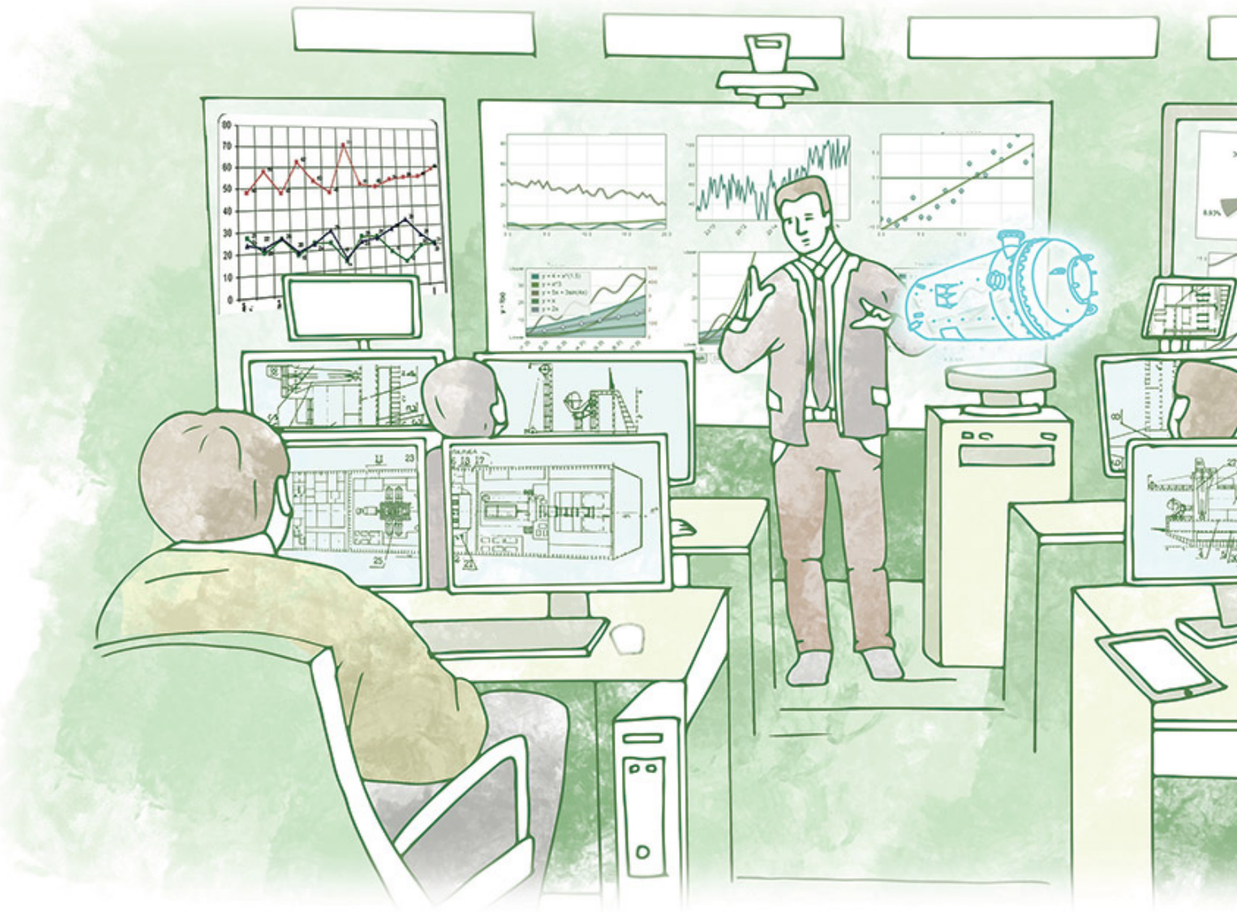
In the thermal power sector, Yuzhnouralsk TPP-2 was commissioned, which received recovery boilers manufactured by OJSC ZiO-Podolsk ahead of schedule. In the near future, we plan to expand the geography of delivery of our equipment for thermal power plants, actively expand to foreign markets, especially the CIS market, which is historically traditional for our enterprises.

In 2014, the Division's enterprises fully completed the annual state defense procurement order. The volume of equipment supplied under the SDPO increased compared with 2013. New licenses were obtained and new types of products began to be delivered.

Despite the challenging situation, our subsidiary PJSC Energomashspetsstal fully complied with all contractual obligations. New orders from top Russian and international companies such as OJSC Magnitogorsk Iron and Steel Works, ArcelorMittal and General Electric were received. Based on the previous investment program, Czech ARAKO developed new products for nuclear and other industries. Pumping equipment deliveries were carried out by Hungarian Ganz EEM Ltd in accordance with the schedules.

Enhancing production efficiency, including through further implementation of the Rosatom Production System, fulfilling all contractual obligations in a timely manner, increasing the revenue across all business lines, and participating actively in import substitution programs will remain our strategic priorities in 2015.

In conclusion, I would like to thank our customers and partners for their trust and constructive cooperation, and to thank the entire team for professionalism and involvement in achieving the Company's objectives. I am confident that by following the values of Rosatom State Corporation and the principles of responsibility and mutual trust, we will be able to ensure the successful and sustainable development of JSC Atomenergomash in the long term.



INFORMATION ABOUT THE REPORT

GRI 4-28

Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to «JSC Atomenergomash» or the «Company») has issued this Integrated Annual Report (the «Report») to disclose information regarding the performance of the Engineering Division of Rosatom State Corporation (the «Division») for the period from January 1, 2014 to December 31, 2014 and present its development outlook.

GRI 4-29, 4-30

JSC Atomenergomash traditionally follows an annual reporting cycle; the previous Report covering the results for the 2013 reporting year was released in 2014.

2013 Report in Annual Report competitions

Public Reporting Competition among organizations of Rosatom State Corporation:

- category "The Best Level of Information Disclosure in an Annual Report": 1st place;
- category "The Best Level of Compliance with International Corporate Reporting Standards": 1st place;
- category "Best Practices in Stakeholder Communications": 2nd place;
- category "The Best Electronic/Interactive Annual Report": 2nd place;
- overall ranking: 2nd place.

LACP Vision Awards Annual Report Competition:

- category "Annual Report of a State-Owned Company": silver award.

The corporate transparency rating of Russian companies[1]:

- sub-rating "Disclosure Quality of Information on Sustainable Development Activities": 1st place;
- overall ranking: 4th place;
- 1st (highest) level of transparency awarded.

MarCom Awards - International Competition for Marketing and Communications Professionals:

- category "Design and Printing": platinum award;
- category "The Best Annual Report of a State-Owned Company": gold award.

1 Organized by the Russian regional integrated reporting network (the representative of the International Integrated Reporting Council (IIRC) in Russia)

Case of AEM: A round table for non-financial reporting practitioners

On June 24, 2014, JSC Atomenergomash and JSC Techsnabexport organized a round table on the subject "Practice of National Companies in the Preparation of Public Non-Financial Reports". Discussion participants included representatives of Rosatom State Corporation and industry organizations: RSPP, OJSC Russian Agricultural Bank, OJSC MegaFon, OJSC Transaero, OJSC TKZ Krasny Kotelshchik, OJSC Rosseti, OJSC Zarubezhneft, British American Tobacco Russia, and others. The discussion was moderated by Yulia Emelyanova, a partner and Deputy General Director of Nexia Pacioli Consulting.

The round table participants shared experience in preparing and promoting non-financial reports and organizing interaction with stakeholders in the course of drafting public reports.

GRI 4-15

The Report was prepared meeting the requirements of the following regulatory documents (as amended):

- Federal Law No. 208-FZ dated December 26, 1995 "On Joint Stock Companies";
- Regulation of the Bank of Russia No. 454-P dated December 30, 2014 "On Disclosure of Information by Issuers of Equity Securities";
- Letter of the Bank of Russia No. 06-52/2463 dated April 10, 2014 "On the Corporate Governance Code";
- Order of the Federal Agency for State Property Management No. 306 dated August 22, 2014 "On Approval of the Methodology for Self-Assessment of Corporate Governance Quality in Companies with State Participation";
- Accountability's AA1000 Series Standards
- G4 Sustainability Reporting Guidelines;
- International Integrated Reporting Framework (IIRC);
- ISO 26000:2010 "Guidance on social responsibility".

The Company has approved internal documents: Standard and Regulation for Annual Public Reporting. These documents establish the procedure for the preparation of a Public Report and the responsibility of the participants in this process as well as requirements for a Public Report, including the System of Performance Indicators of JSC Atomenergomash.

i 01 2013 Report as a best practice
i 02 Promotion of the Report among the expert community

i 03

The Company's Strategic Development Department (the Strategy Directorate) is responsible for preparing the Report. The Public Reporting Committee (chaired by the Director of Strategy), the main responsibility of which is to coordinate the preparation of the Report and assess the materiality and completeness of the information disclosed in the Report, takes part in all key stages of the Report preparation.

GRI 4-18

i 04

p.109

The most important stage in preparing the Report is defining its content. For this purpose, in accordance with the GRI G4 Guidelines the Company has developed a procedure for assessing the materiality of the performance's aspects, widely-acknowledged in the industry and beyond. This procedure includes surveying the members of the Company's Public Reporting Committee and stakeholders. Survey results are plotted on the map of material aspects.

GRI 4-19

Based on the list of material aspects, members of the Public Reporting Committee of JSC Atomenergomash define a list of indicators to be disclosed in the Report from the Company's System of Performance Indicators (Appendix No. 3).

Disclaimer

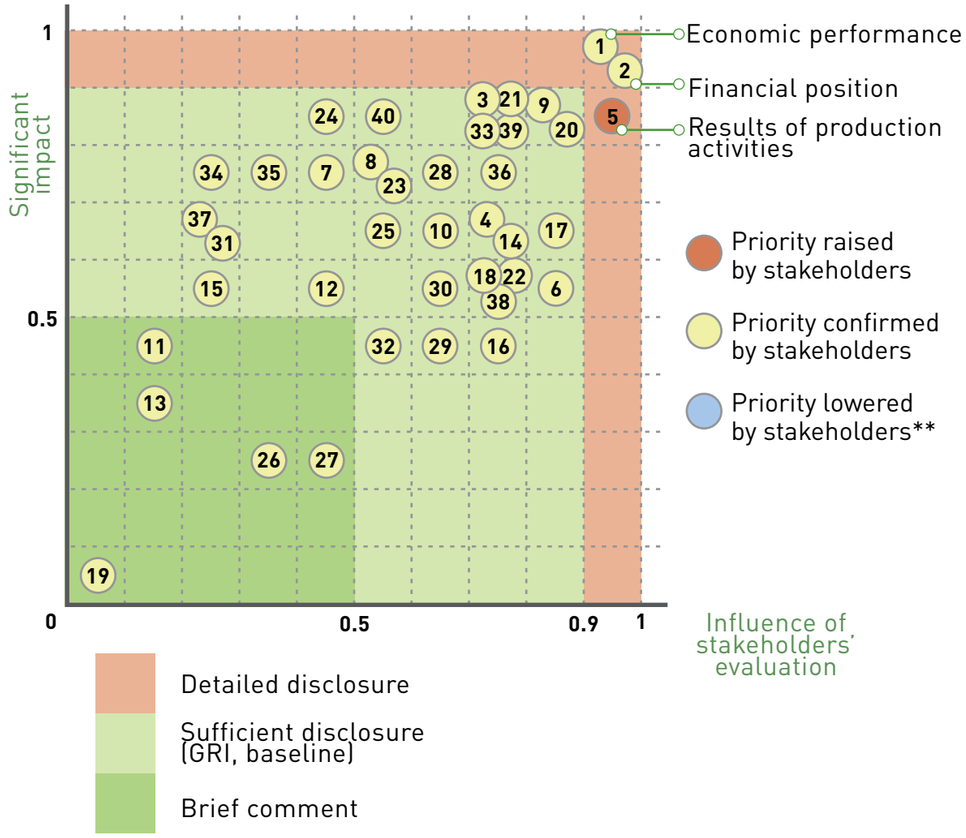
This Report contains a number of forward-looking statements concerning the future state of the Company in terms of various aspects, its plans and expected results. By nature, forward-looking statements involve inherent risk and uncertainties. A range of economic, political, social, and other stochastic factors may influence the Company's activities and its external environment. In this regard, the Company points out that actual results may differ from those expressed, directly or indirectly, in the forward-looking statements contained within the Report.

2 Included in the Integrated Reporting Examples Database of the International Integrated Reporting Council (IIRC).

i 03 Basic parameters of the Report

i 04 Quality of the Report

Map of material aspects*



p.114

* For the list of aspects see Appendix 2

** There are no such aspects in the reporting period [3]

3 Aspect No. 32 "Participation in public policy development and lobbying" is not relevant to the Company since no companies of the Division participate in such activities.

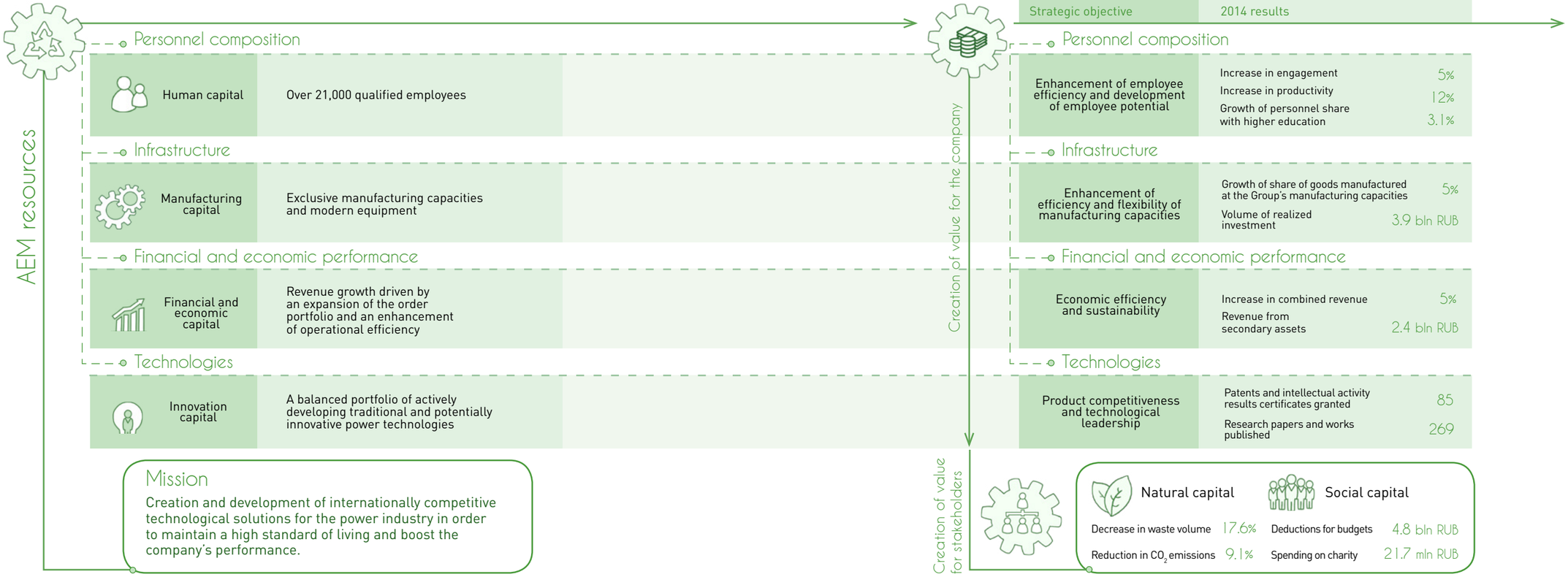
1.1. Business Model

THE DIVISION UNITES MAJOR POWER ENGINEERING COMPANIES DEMONSTRATING A HIGH LEVEL OF TECHNOLOGICAL AND MANUFACTURING COMPETENCE AND EXTENSIVE PROFESSIONAL EXPERIENCE.

For presentation to the stakeholders, the Company has formulated its public business model, which is a schematic description of the Company's activities designed to help assess the key factors of its success. The business model describes the resources of the Company, the main products and the value chain as well as the key marketing channels; it also reflects the assessment of the added value (fixed capital gains) in the reporting year both for the Company in terms of its strategic objectives and for the stakeholders in terms of their basic needs. The Sustainable Development Strategy of the Company provides an efficient use of capital while taking into account the long-term risks and opportunities. Detailed information on the capitals is disclosed in the relevant sections of the Report.

GRI 4-6, 4-9

AEM 28.4
AEM 39.2



Products by business area

Core activities

Nuclear power

Reactor compartment, turbine plant and auxiliary NPP equipment

RU MCS

Reactor plant monitoring and control system for VVER designs

RAW/SNF

RAW/SNF storage, transportation and processing equipment

Special steels

Castings and forgings from special steel

Shipbuilding

Various types of equipment for shipbuilding

Transport and marine energy solutions

Reactors for icebreaker and marine fleets, floating nuclear plants and the Russian Navy fleet

Thermal power

Reactor plant monitoring and control system for VVER designs

Gas and petrochemical industry

Oil and gas processing equipment for oil refineries and marine and ship-based plants

General equipment

Special equipment and heavy machinery components for the military–industrial complex

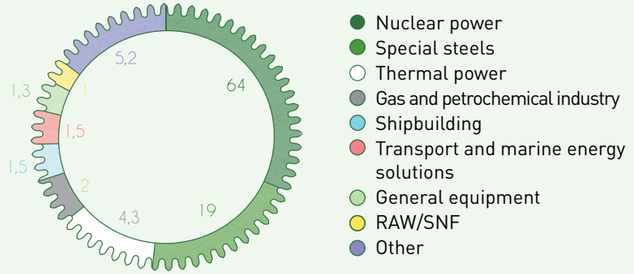
Wind power

Wind power facilities equipment

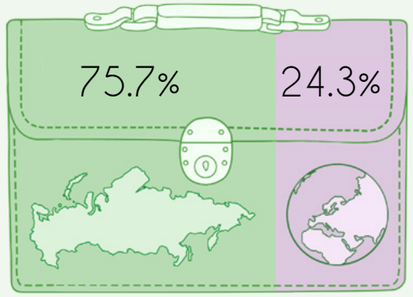
Equipment design → Equipment production → Equipment supply → Equipment installation and commissioning → Maintenance and modernization

Sales

Contracts signed in 2014 by business area, %



Total order portfolio



227.5
bln RUB
(excl. VAT)

Geographical structure of the 2014 order portfolio (%)

Business georgraphy

Moscow
Russia
JSC Atomenergomash
JSC NPO TsNIITMASH
OJSC GSPI
OJSC VNIIAM
CJSC ATM
JSC SNIIP
OJSC OKTB IS
OJSC OZTMiTS
LLC NGSS
LLC EMKO

Petrozavodsk
Russia
OJSC PZM - the Petrozavodsk branch of OJSC AEM Technologies
LLC PZM LZ

Nizhny Novgorod
Russia
JSC Afrikantov OKBM

Nizhnyaya Tura
Russia
OJSC Venta

St-Petersburg
Russia
JSC TsKBM
OJSC AEM Technologies
LLC AAEM

Dubna
Russia
JSC IFTP

Opava
Czech Republic
ARAKO spol. s.r.o.

Budapest
Hungary
Ganz EEM LLC

Kramatorsk
Ukraine
PJSC EMSS

Podolsk
Russia
JSC OKB GIDROPRESS
OJSC ZiO-Podolsk
JSC ZIOMAR EC

Volgodonsk
Russia
Volgodonsk branch of OJSC AEM Technologies

Yekaterinburg
Russia
OJSC SverdNIIkhimmash

HOLDING'S ENTERPRISES	AEM Technologies Petrozavodskmash	AEM Technologies	ZiO-Podolsk	ZIOMAR	TsKBM	GIDROPRESS	Afrikantov OKBM	ARAKO	NGSS	SverdNIIkhimmash	GSPI	SNIIP	AAEM	EMSS	VetroOGK
NUCLEAR POWER	●	●	●	●	●	●	●	●					●		
VVER RUMCS *												●			
RAW/SNF**	●				●		●		●	●	●				
TMES***			●				●					●			
SHIPBUILDING	●		●				●	●				●			
SPECIAL STEELS														●	
THERMAL POWER			●	●				●	●						
GAS AND PETROCHEMICAL INDUSTRY	●	●	●	●				●	●						
GENERAL EQUIPMENT			●												
WIND POWER	●	●													●

** RUMCS — Reactor unit monitoring and control system*

*** RAW/SNF — Radioactive waste / spent nuclear fuel*

**** TMES — Transport and marine energy solutions*

Case of OJSC AEM Technologies: Integration processes

In a highly competitive engineering market, improvement in efficiency is the main condition for obtaining new orders. The key task of OJSC AEM Technologies is to reinforce the competitive advantages of a unified company by simplifying the schemes of contractual relations and the procurement process and cutting down the processing time from the moment of agreement conclusion before the commencement of work.

In 2012, the company opened a branch in Volgodonsk, and starting in December, Petrozavodskmash, which became another branch of OJSC AEM Technologies, will also be able to benefit from these advantages. Inter-industrial cooperation has been successfully set up between the Volgodonsk and the Petrozavodsk branches. The foundation of a unified company will allow OJSC AEM Technologies to transition to the next stage of development and focus on the optimization of its business processes and outsourcing of non-core functions during the next two years. The purpose of integration is to increase productivity and reduce costs.

In order to improve efficiency, responsibility for results, and cross-functional interaction within the Division, the Division's companies have been grouped into business areas based on key product segments and business area directors have been appointed.

i 05
GRI 4-8

Key projects

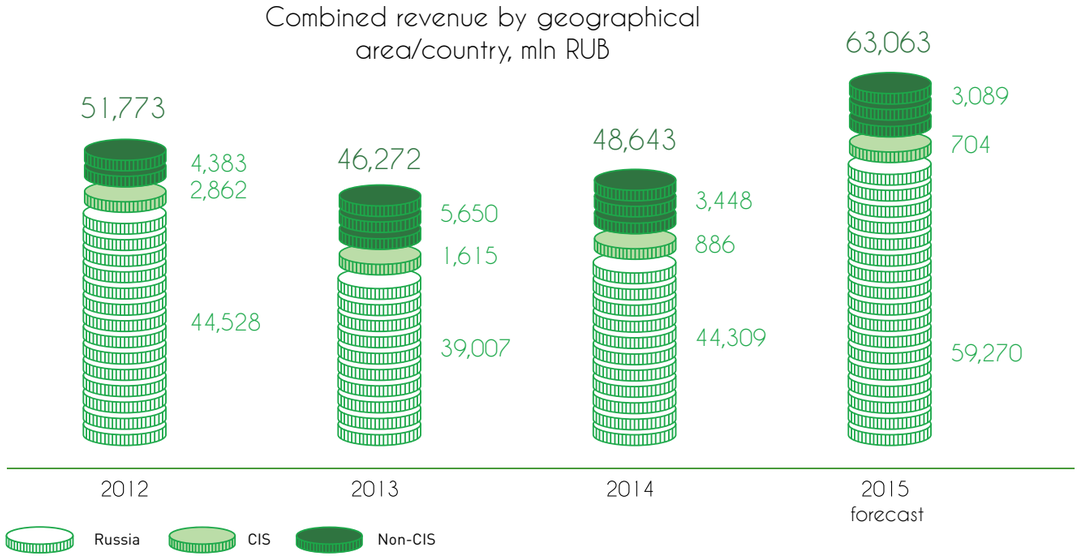
BUSINESS AREA	CITY, COUNTRY	PROJECT
NUCLEAR POWER	Kurchatov, Russia	Kursk NPP
	Balakovo, Russia	Balakovo NPP
	Volgodonsk, Russia	Rostov NPP
	Sosnovy Bor, Russia	Leningrad NPP-2
		Leningrad NPP-1
	Novovoronezh, Russia	Novovoronezh NPP
		Novovoronezh NPP-2
	Zarechny, Russia	Beloyarsk NPP
	Polyarniye Zori, Russia	Kola NPP
	Udomlya, Russia	Kalinin NPP
	Desnogorsk, Russia	Smolensk NPP-2
		Smolensk NPP
	Bilibino, Russia	Bilibino NPP
	Ostrovets, Belarus	Belarus (Ostrovets) NPP
	Kudankulam, India	Kudankulam NPP
	Tianwan, China	Tianwan NPP
	Pyhäjoki, Finland	Hanhikivi NPP
	Dukovany, Czech Republic	Dukovany NPP
	Temelin, Czech Republic	Temelin NPP
	Mersin, Turkey	Akkuyu NPP
	Paks, Hungary	Paks NPP
	Kozloduy, Bulgaria	Kozloduy NPP
	Bushehr, Iran	Bushehr NPP
GAS AND PETROCHEMICAL INDUSTRY	Nizhnekamsk, Russia	Nizhnekamsk Refinery
	Kogalym, Russia	Kogalymneftegaz Refinery
	Ryazan, Russia	Ryazan Refinery Company
	Sindor, Russia	Novosindorskaya Compressor Station
	Pisarevka, Russia	Pisarevka Compressor Station
	Novy Urengoy, Russia	Novy Urengoy Gas Chemical Complex
THERMAL POWER	Novokuibyshevsk, Russia	Novokuibyshevsk Refinery
	Uvat, Russia	Urnenskoe field
		Ust-Tegusskoye field
	Surgut, Russia	Druzhnoye field
	Zheleznogorsk, Russia	Zheleznogorsk CHPP
	Sharypovo, Russia	Berezovskaya TPP
	Reftinskiy, Russia	Reftinskaya TPP
	Saint-Petersburg, Russia	Tsentralnaya CHPP
	Yakutsk, Russia	Yakutskaya TPP-2
	Nizhnyaya Tura, Russia	Nizhneturinskaya TPP
	Verkhniy Tagil, Russia	Verkhnetagilskaya TPP
	Izluchinsk, Russia	Nizhnevartovsk TPP
	Yuzhnouralsk, Russia	Yuzhnouralsk TPP-2
	Svetlogorsk, Belarus	Svetlogorskaya CHPP

Russia CIS Non-CIS

i 05 Products

Regarding industry orders, we can conclude that the high degree of vertical integration enables the Company to participate in the NPP life cycle maintenance projects of Rosatom State Corporation at all stages of the value chain from design, construction and installation to post-sale maintenance services and equipment modernization.

AEM 3.5



1.2. Strategic Vision and Objectives

In 2014, the Strategic Council of Rosatom State Corporation approved an amended development strategy of the Division up to 2030 involving Company transformation into a high-tech, diversified holding that will be competitive in the global market and sustainable in the long term.

AEM's strategic objectives

Become a single-source supplier of key equipment for nuclear power plants (nuclear and turbine island)

Long-term objectives (2030 horizon)

Become one of the major players in related non-nuclear markets	At least 50% of revenue from related markets
Become one of the major players in the global power engineering market	At least 30% of revenue from overseas operations
Increase profitability (EBITDA) and productivity	At least average for the global power engineering industry

Medium-term objectives (2019 horizon)

Reduce fixed costs	By 30%
Increase revenue	By more than 2 times
Reduce the length of the production cycle time	By 30%

i 06

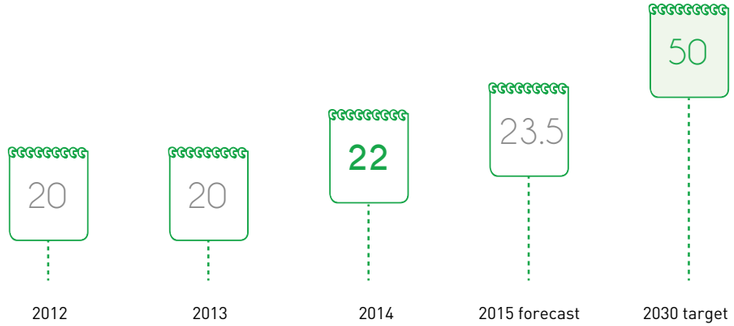
i 06 Strategic objectives of the Company

1.3. Target Markets and Position of the Company[5]

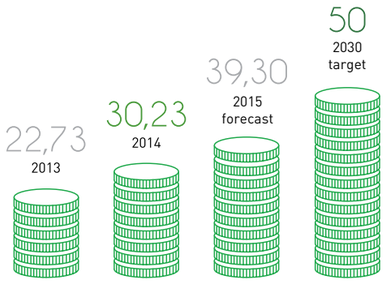
The Company's strategy identifies long-term targets that outline the implementation of the aforementioned strategic objectives:

AEM 3.1, 3.2, 3.4

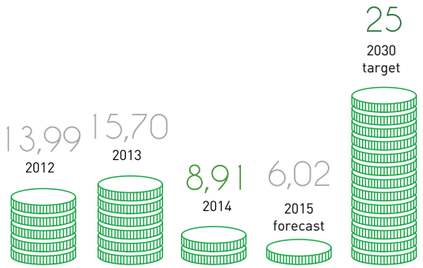
Market share in the Russian power engineering industry, %



Share of revenue from non-nuclear sectors (new businesses), %



Share of revenue from foreign operations[4], %



4 Information on 2014 and 2015 is provided without regard to projects carried out for Akkuyu NPP (Akkuyu Nuclear JSC) and Hanhikivi NPP (Rusatom Overseas JSC) (according to the methodology of Rosatom State Corporation for calculating foreign revenue of the Power Engineering Division).

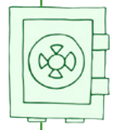
The global power engineering market is currently estimated at about USD 100 billion a year, with thermal power equipment accounting for 60%, gas and petrochemical equipment for 25%, and nuclear power equipment for 15% of this amount. By 2030, the market capacity could be over USD 145 billion a year.

+45% Estimated growth of global power engineering market by 2030

In 2014, most of investments in equipment for new power plants were made in thermal power. The proportion of expenses on equipment in the nuclear power, thermal power and gas and petrochemical industries is expected to even out by 2030.

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 by 2030. The Russian power engineering market is currently estimated at about USD 7.6 billion a year, of which 60% is thermal power equipment, 29% is gas and petrochemical equipment, and 11% is nuclear power equipment. By 2030, the market could grow to USD 15.1 billion a year.

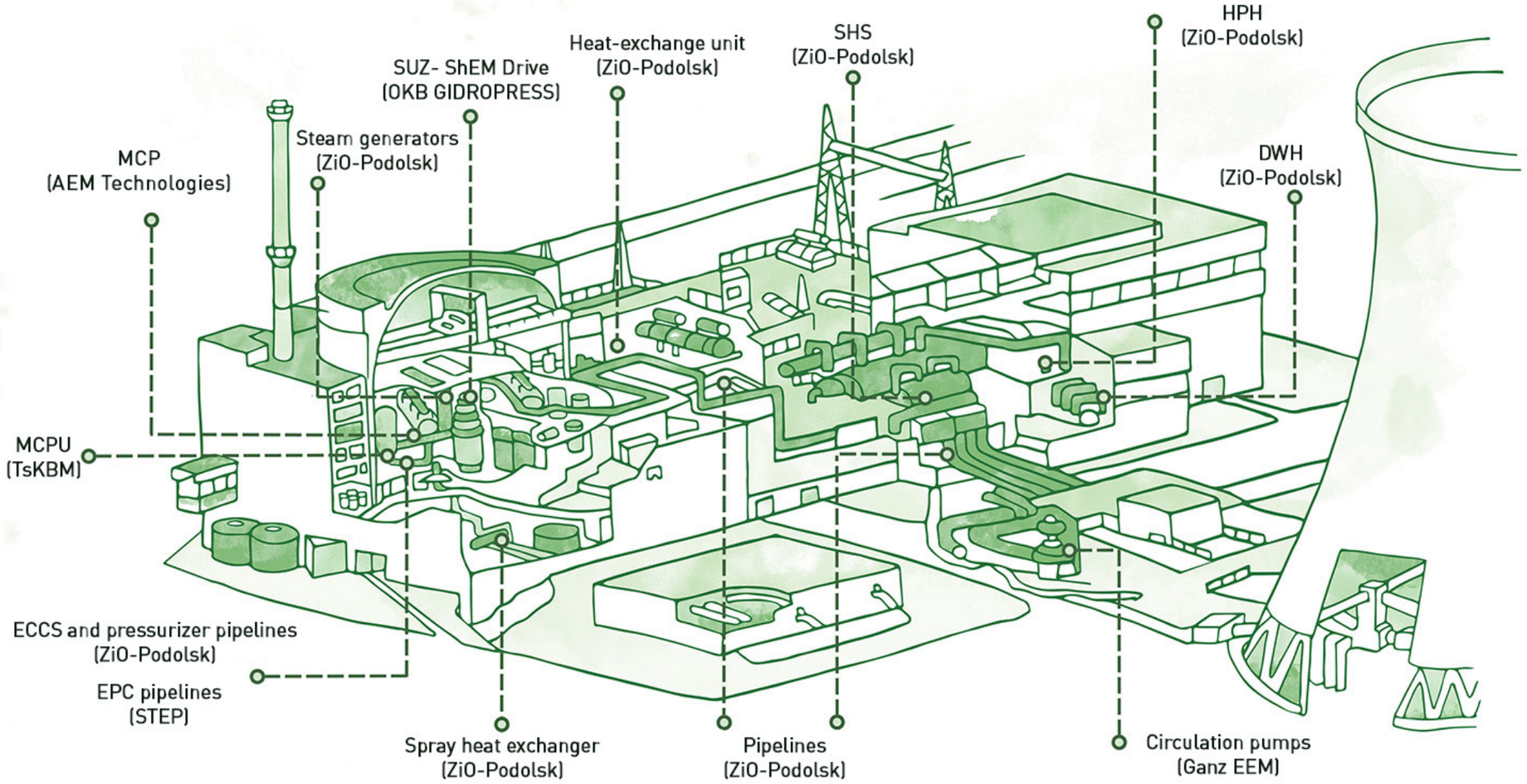
+98% Estimated growth of russian power engineering market by 2030



The main areas of the power engineering market in Russia involve plans to introduce new generating capacity in accordance with the General Scheme of Deployment of Electricity Generation Facilities up to 2020 and further to 2030 and the Road Map for the Construction of Nuclear Power Plants, which is being developed by Rosatom State Corporation. In addition, in 2013 the Ministry of Energy of the Russian Federation approved the Scheme and Program for Development of the Unified Energy System of Russia for 2013–2019.

5 All forecasts are based on market models of JSC Atomenergomash.

NPP's equipment supplied by AEM companies



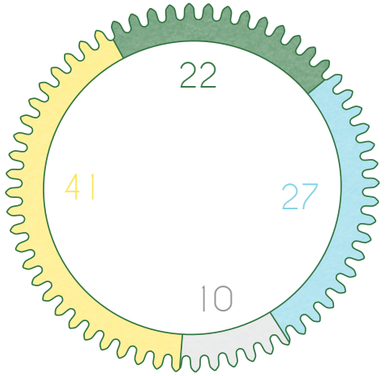
MCP - main circulation piping
SUZ- ShEM Drive - control and protection system solenoid stepper drive
SHS - steam heater separators
ECCS - emergency core cooling system

DWH - delivery water heaters
HPH - high pressure heaters
EPC Pipelines - emergency and planned cooling pipelines

Nuclear Power

The volume and geography of traditional nuclear power markets for JSC Atomenergomash in the Nuclear Power business are defined by the Road Map of Rosatom State Corporation for the construction of new nuclear power units in Russia and abroad, which has shown significant growth in recent years as regards foreign projects. The Company's participation in the projects of Rosatom State Corporation is determined not only by the number of units under construction but also by the completeness of supplied equipment. The main advantage of the Company in the Nuclear Power business is its ability to provide complete delivery of equipment: a reactor island (a nuclear steam supply system) and turbine island.

Share of the Russian power engineering industry, %



Thermal Power

The target market of JSC Atomenergomash for thermal power equipment is the market in Russia formed by new thermal capacity additions, the volume of which is determined by the General Scheme of Deployment of Power Generation Facilities. At the same time, due to the end of the CSC program, JSC Atomenergomash is stepping up cooperation in the modernization of power equipment in Russia and in the markets of CIS countries, which are historically close to Russia, primarily in Kazakhstan.

The Company's strategy in the Thermal Power business aims to enhance its presence in the current markets and to gain a foothold in new markets by providing a comprehensive offer for the supply of boiler equipment, establishing technology partnerships with global industry leaders as well as through active participation in projects for the reconstruction and modernization of power facilities both in Russia and abroad. The Company's strategic goal is to gain a 30-40% share of the target markets for modernization projects.

A significant portion of the revenue in this area is generated by the production of boiler equipment at OJSC ZiO-Podolsk, whose key products are steam boilers for power units with capacities ranging from 50 MW to 800 MW and downstream heat recovery steam generators for modern combined-cycle plants with a unit capacity of up to 420 MW.

The events in the Thermal Power business in 2014, which were key for JSC Atomenergomash, are:

- signing of an agreement with NTV-Energo for the implementation of low-temperature swirl technology for fuel combustion in the power sector and industry in Russia and other countries;
- signing of the Memorandum of Understanding on cooperation in foreign markets with LLC Inter RAO - Engineering;
- the execution of a 5-year license agreement with NEM Energy b.v. for the manufacture and supply of heat recovery steam generators engineered by the Dutch company.

The main challenge for the development of the Thermal Power business in 2014 was a decline in demand and increased price competition in the local market due to the complication of the economic situation as well as the gradual completion of the CSC program. As compensatory measures, the Company has intensified efforts to develop its international business and is consolidating resources to advance to the global market with a competitive offer for the thermal power industry.

In 2015, JSC Atomenergomash plans to continue developing its existing production capacity and technologies (in particular, increase its share of the market for 600 MW to 900 MW coal-fired power units with supercritical steam parameters to 15%). Work to establish new technology partnerships and long-term business relationships with customers in strategic markets continues. In particular, the Company plans to further develop cooperation with key Russian general contractors engaged in thermal power projects in foreign markets such as LLC Inter RAO - Engineering.

Gas and Petrochemical Industry

The gas and petrochemical facilities equipment market in the Russian Federation declined sharply in 2014; therefore, the Company is actively considering opportunities to supply various ranges of its equipment (in particular, mainline pumps for oil transport) under the import substitution programs. In the future, the Company plans to enter the markets for supply of equipment for offshore oilfields.

One of the key strategic goals of JSC Atomenergomash is to increase the share of revenue from non-nuclear sectors to 50%, in particular, by expanding sales in the Gas and Petrochemical business area. The strategy of JSC Atomenergomash in the GPC business assumes strengthening of its position in the current markets for heavy heat exchange equipment, columns, reactors, dust collector units, and air coolers. The key manufacturing assets generating revenue in this business area are OJSC ZiO-Podolsk and the Volgodonsk branch of OJSC AEM Technologies.

The main challenge for the Company in this area is the high competition in the market due to the large number of players with established brands and, consequently, high market entry barriers.

To achieve its strategic objectives in this business in 2015 and in the medium term, the Company has set an objective to multiply the share held by its enterprises in the gas and petrochemical equipment market. As part of achieving this objective, active work with potential customers is carried out by the Company's Directorate for the Gas and Petrochemical Industry.

Special Steels

The Special Steel business area has been established at PJSC EMSS. Its aim is to increase the Company's presence in international and Russian markets for special steels. JSC Atomenergomash views the market for special cast and forged products for the metallurgical, shipbuilding, power (wind, steam, hydro, and nuclear) and general engineering industries in the CIS countries and the EU as the primary target market for special steels. Increased competition caused by the overall slowdown in the Eurozone economy has led to a decline in consumption of special steel products; however, it has not prevented the Company from continuing to supply unique super heavy ingots, castings and forgings.

The Company has received new orders for 2015, both nuclear and non-nuclear, from top Russian and international companies, including:

- a contract with Magnitogorsk Iron and Steel Works for work and backup rolls supply with a total weight of 1,186 tons in 2015;
- as part of cooperation with the world's largest metallurgical corporation ArcelorMittal, PJSC EMSS will manufacture backup rolls for hot and cold rolling mills with a total weight of 330 tons in 2015.
- the completion of the qualification process for PJSC EMSS to supply rotor shafts for General Electric's 1.6 MW wind turbines has allowed the Company to win the tender for an order of 450 rotor shafts with a total weight of 3,480 tons.

In 2015, problems related to development of this business area will include high project risks due to the location of the enterprise in Ukraine and the associated political risks.

PJSC EMSS is actively working in the following areas in implementing the plan for 2015 and for the medium term:

1. Ensuring shipment of wind turbine rotor shafts for General Electric, castings for the Baltic plant, work pieces for Kursk NPP (units 1, 2) and for the RITM-200 project in a timely manner and in full;
2. Participating in tenders and entering into contracts, including strengthening of the Company's position in the Indian market for steel rolls and expansion into new markets, in particular, the market for backup rolls in Iran and other Asian countries;
3. Conducting of negotiations:
    - with OJSC Turboatom on the supply of castings and forgings for the modernization of Slavyanskaya TPP (800 MW, medium pressure);
    - with Alstom on unblocking the orders under the Arabelle project as well as placement of new orders for the supply of turbine and generator rotors and expansion of cooperation between Alstom and JSC Atomenergomash;
    - with JSC Power Machines and BHEL regarding supply of products in 2015-2016;
    - with General Electric concerning qualification for 2.3 MW and 2.7 MW wind turbine rotor shafts;
    - with Siemens concerning qualification and supply of products in 2015-2016.

Shipbuilding

Shipbuilding is one of the most dynamic business areas of JSC Atomenergomash, which contributes to achieving the strategic objective of the Division to increase the Company's revenue in non-nuclear sectors and enhance its position in the international market. The strong positions of JSC Afrikantov OKBM in marine nuclear reactor engineering, as well as the aggregate capacity of the Division's enterprises will allow JSC Atomenergomash to become one of the leading suppliers of equipment for icebreaker and Navy fleets, including reactors, shell equipment, monitoring and control systems, castings and forgings and components in the future.

In shipbuilding, JSC Atomenergomash considers the Russian market for large-capacity and high-tech ships as its target market, the volume of which determined by the "Strategy of Development of the Shipbuilding Industry of the Russian Federation up to 2030" and the relevant federal target programs "Development of Civil Marine Shipbuilding in 2009-2016" and "Development of the Defense Industry Complex", which envisage the construction of over 100 vessels up to 2030.

In 2014, the Company significantly strengthened its presence in the market of equipment of the shipbuilding industry of the Russian Federation, primarily for 22220 series multipurpose nuclear icebreakers; the range of non-power plant equipment supplied, including for the Russian Navy, continued to expand gradually. The order book in this business area grew by almost 19 billion rubles in 2014 to 56 billion rubles.

The main challenge for the Company in the shipbuilding market is the high competition in the market due to the large number of players with established brands and significant experience in the supply of products for the Navy and commercial shipbuilding. Meeting the requirements for the submission of various patents, licenses, permits, and pre-approved technical documentation, as well as requirements for positive experience of supplying products for the shipbuilding industry pose a serious barrier to market entry.

In 2015, the strategic priorities for this business area will continue to be: active participation in import substitution programs, development of a new type of equipment, expansion of the range of equipment supplied for the Navy, and increase of the share of orders manufactured at the facilities of the Division's enterprises.

AEM 36.1

International Cooperation

International cooperation with global leaders is one of the major focuses for expanding into new markets.

ALSTOM

In June 2007, JSC Atomenergomash and Alstom signed a cooperation and support agreement, under which LLC AAEM was established and registered in July 2007 to implement projects for the manufacture and supply of turbine island equipment for NPPs with Russian VVER-type reactors based on ARABELLE™ low-speed technology.

In December 2007, a licensing agreement was concluded with Alstom Power Systems, under which LLC AAEM received the exclusive right to use Alstom's technology for manufacturing steam turbine islands for NPPs being built under the Russian project in the Russian Federation and abroad. The Alstom license has enabled LLC AAEM to receive an order for the manufacture of two turbine islands for Baltic NPP with the possibility for production deployment at the Division's enterprises.

In 2014, an agreement was reached with Alstom to expand the list of licensed products to include additional equipment in the scope of products localized in Russia and enable LLC AAEM to develop its own production further.

Doosan Heavy Industries & Construction

In June 2014, a Memorandum of Understanding and a Confidentiality Agreement were signed between JSC Atomenergomash and Doosan Heave Industries & Construction in the framework of cooperation in the engineering and supply of equipment in Russia for projects for 660 MW coal-fired thermal power plants with supercritical steam parameters. Currently, work is underway to achieve a mutually acceptable format of cooperation between the parties.

NEM Energy b.v.

In 2009, a License and Cooperation Agreement was signed between JSC ZiO-Podolsk, JSC ZIOMAR EC and NEM Energy b.v, Europe's leading company in the field of engineering heat recovery steam generators and part of the German transnational group Siemens, regarding collaboration in this field. In cooperation with NEM Energy b.v., projects for the manufacture of heat recovery steam boilers for CCGT-190 at Novomoskovsk TPP, CCGT-420 at Yuzhnouralsk TPP-2, and CCGT-400 at Nizhnevartovsk TPP have already been implemented.

In 2014, the parties agreed to continue cooperation by signing an extension to the license agreement for the next 5 years valid until 2019.

6 JJSC Atomenergomash owns 51% of the authorized capital of LLC AAEM; 49% of the authorized capital is owned by Alstom Power Holdings S.A.

1.4. Sustainable Development Strategy

The Company recognizes that following the concept of sustainable development is one of the most important success factors in the medium and long-term perspective. The principles of sustainable development are deeply integrated into the Company's operations and are reflected in the mission of JSC Atomenergomash laid down in its corporate strategy: to establish and develop globally competitive technological solutions for the power industry in order to maintain a comfortable life for people and to achieve growth in the Company's business performance. Thus, the Company aims to keep the balance between its strategic objectives and the interests of all stakeholders in economic, social, and environmental areas.

The Company has developed its own concept of sustainable development and has worked out an agenda in accordance with this concept that takes into account both current and potential initiatives and projects.

The agenda for sustainable development of JSC Atomenergomash is based on the results of the UN Conference on Sustainable Development "Rio +20", and a similar agenda of Rosatom State Corporation.

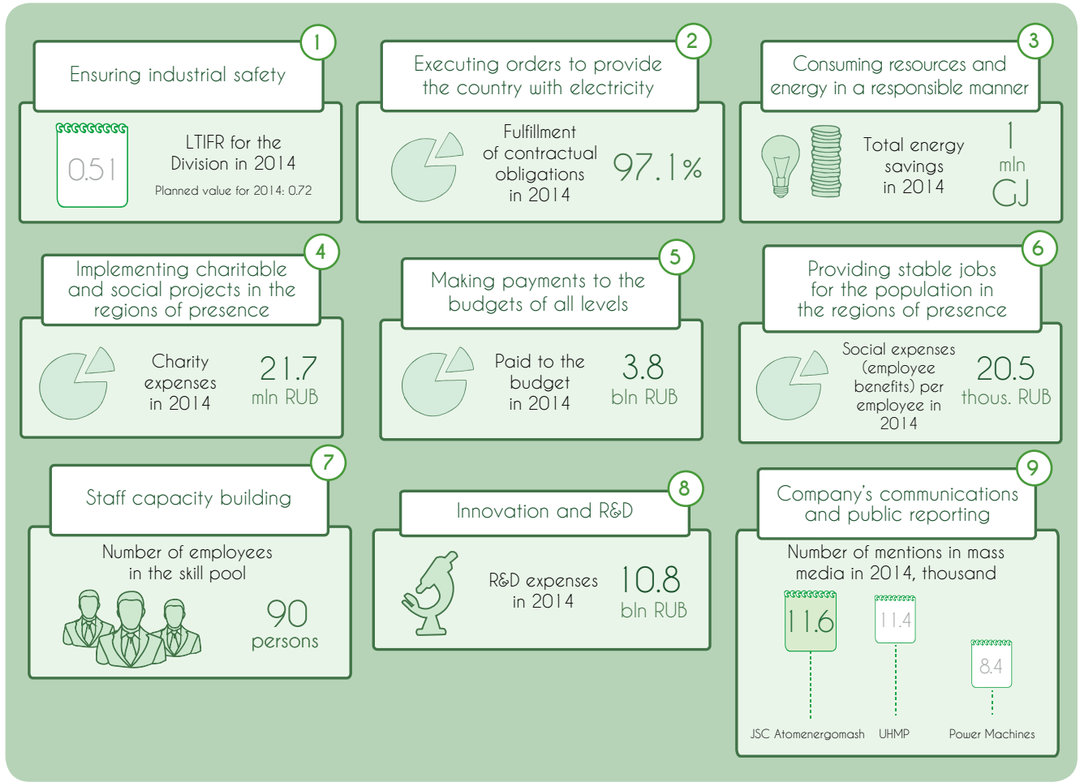
The initial work plan included development of a stand-alone paper - the Sustainable Development Strategy of JSC Atomenergomash up to 2020, the draft was prepared and presented during the public dialogue in 2014. Within that framework, a list of the Company's activity areas was highlighted in accordance to the sustainable development and key plans for these areas were reviewed. Considering that there are separate strategies in place and different planning horizons for these areas and that the responsibility for the implementation of projects in them lies with different divisions, as well as considering the processes of de-bureaucratization taking place at the Company, it was decided not to develop an additional formal document that duplicates already existing ones.

This decision is based on the Company's historical structure of sustainable development management, which suggests that sustainable development initiatives are to be implemented and managed in a decentralized manner by respective business units while the Strategy Directorate coordinates work in the units related to sustainable development matters and maintain an up-to-date database of initiatives and plans under implementation. Consolidated results of the implementation of sustainable development plans are disclosed in the relevant sections of Reports.

The agenda for sustainable development of JSC Atomenergomash

RIO+20	ROSATOM STATE CORPORATION	JSC ATOMENERGOMASH	
Health and population	Ensuring nuclear radiation safety and security of nuclear facilities	Ensuring industrial safety	1
Disaster risk reduction			
Energy	Ensuring energy security	Executing orders to provide the country with electricity	2
Sustainable consumption	Minimizing the environmental impact	Consuming resources and energy in a responsible manner	3
Poverty eradication	Providing positive economic and social impacts on a regional, national and international scale	Implementing charitable and social projects in the regions of presence	4
Food security			
Human rights and equality			
Sustainable development financing		Making payments to the budgets of all levels	5
Promoting employment and social protection		Providing stable jobs for the population in the regions of presence	6
Human development	Improving the capital utilization efficiency	Staff capacity building	7
Education			
Technologies		Innovation and R&D	8
Transparency	Ensuring public acceptance of development for nuclear energy	Company's communications and public reporting	9

Operationalisation of the agenda for sustainable development of JSC Atomenergomash



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2.1. Corporate Governance System

THE MANAGEMENT OF THE GROUP OF COMPANIES AIMS TO INTEGRATE ITS KEY ENTERPRISES, AMONG OTHER MEASURES, BY MEANS OF INTRODUCING A SINGLE REGULATORY FRAMEWORK AND INTERACTION STANDARDS AND ESTABLISHING A SINGLE DIVISIONAL KPI.

The Company's corporate governance is based on the requirements of Russian legislation in the field of corporate law. i 07

In its day-to-day activities, the Company complies with the corporate governance principles relating to delineation of the functions of the Company's governing bodies, increasing the degree of interaction, preventing conflicts of interest, and specifically defining responsibilities of the parties to each other. i 08

Corporate governance objectives

The main objectives of corporate governance are to create an effective system ensuring the safety and efficient use of funds invested by shareholders as well as mitigate risks that shareholders cannot assess and are not willing to accept, where the need to manage such risks in the long term would inevitably decrease the Company's investment attractiveness to investors and the value of its shares.

i 07 Regulatory framework
i 08 Basic principles of corporate governance

Governing bodies

GRI 4-34

The governing bodies of the Company under its Charter are:

- the General Meeting of Shareholders;
- the Board of Directors;
- the Chief Executive Officer (the sole executive body).

The Company does not have an audit commission (internal auditor); internal control of business transaction is carried out in accordance with internal documents and local regulations of the Company.

Structure of authorized capital

GRI 4-13 i 09

The authorized capital of the Company consists of the nominal value of the Company's shares purchased by shareholders.

The authorized capital of the Company amounts to RUB 1,015,926 (one million fifteen thousand nine hundred twenty-six rubles) and is divided into 1,015,926 (one million fifteen thousand nine hundred twenty-six) ordinary registered shares (hereinafter referred to as the shares) with a nominal value of 1 ruble each.

All shares of the Company are issued in a non-documentary form.

Each ordinary share of the Company confers equal rights to the shareholder who owns it.

As at December 31, 2014, the outstanding shares were distributed as follows:

JSC Atomenergoprom	80.6296%
JSC AEM Leasing	2.3673%
INTERNEXCO GMBH	9.0896%
JSC TVEL	5.0201%
JSC Techsnabexport	2.8481%
LLC EMKO	0.0453%

No changes in the structure of the Company's authorized capital took place in 2014.

The General Meeting of Shareholders held on November 27, 2014 (Minutes No. 04/14-VOSA dated November 27, 2014) decided to increase the authorized capital of JSC Atomenergomash by issuing 1,200,000 (one million two hundred thousand) ordinary shares to be placed through private subscription.

The additional issue was registered by the Central Bank of the Russian Federation Main Branch for the Central Federal District, Moscow, on December 24, 2014; the state registration number of the issue: 1-01-11322-A-005D.

i 09 Outstanding shares as at December 31, 2014

General Meeting of Shareholders

i 10

The competence of and the procedure for convening and holding the General Meeting of Shareholders are defined in the Company's Charter as well as in the Federal Law "On Joint Stock Companies."

i 11 i 12

In 2014, 5 general meetings of shareholders were held (1 annual and 4 extraordinary general meetings).

AEM 1.8

No dividends were paid in 2014 as no decisions to declare and to pay dividends were made by the General Meeting of Shareholders of the Company. The Company did not adopt any local regulatory acts governing the dividend policy.

Board of Directors

The quantitative composition of the Company's Board of Directors remained unchanged in 2014 at 5 members. The personal composition of the Board of Directors changed twice in 2014. i 13

The current Board of Directors was elected by resolution of the Extraordinary General Meeting of Shareholders held on November 27, 2014 (Minutes No. 03-14 VOSA dated November 27, 2014): Boris Silin, Nikolay Drozdov, Ekaterina Lyakhova, Andrey Nikipelov, Igor Shpagin.

The Company does not have independent members of the Board of Directors within the meaning defined in the Corporate Governance Code recommended for use in the Letter of the Bank of Russia No. 06-52/2463 dated April 10, 2014 "On the Corporate Governance Code". GRI 4-38, 4-39

i 10 Competence of the General Meeting of Shareholders
i 11 List of General Meetings of Shareholders held in 2014
i 12 Major and related party transactions
i 13 Composition of the Company's Board of Directors before November 27, 2014

Corporate governance structure

General Meeting of Shareholders

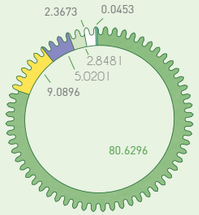
Board of Directors

Chief Executive Officer

Internal Audit Department

Company's Top Management

Share capital structure



In 2014, 5 general meetings of shareholders were held

- JSC Atomenergoprom
- INTERNEXCO GMBH
- JSC TVEL
- JSC Techsnabexport
- JSC AEM Leasing
- LLC EMKO

5 members

In 2014, 16 meetings of the Board of Directors were held to address 38 agenda items.

Andrey Nikipelov

Elected by a decision of the Extraordinary General Meeting of Shareholders on April 16, 2012.

The Chief Executive Officer is responsible for carrying out the decisions adopted by the General Meetings of Shareholders and the Board of Directors.

Information about the Members of the Board of Directors

i 14

Ekaterina Lyakhova

CHAIRWOMAN OF THE BOARD OF DIRECTORS
Date of birth: June 7, 1975
Has been in office since June 29, 2012 to present.

Andrey Nikipelov

Date of birth: March 7, 1968
Has been in office since June 29, 2012 to present.

Nikolay Drozdov

Date of birth: June 23, 1972
Has been in office since October 4, 2013 to present.

Boris Silin

Date of birth: October 26, 1954
Has been in office since November 27, 2014 to present.

Igor Shpagin

ДDate of birth: February 14, 1971
Has been in office since October 14, 2009 to present.

i 15

i 14 Information about the Members of the Board of Directors

i 15 Nomination of candidates and prevention of conflicts of interest

GRI 4-49, 4-50

The competence of the Board of Directors is defined by the Company's Charter. Meetings of the Board of Directors are called as necessary. Meetings of the Board are called by its Chairman/Chairwoman on his/her own initiative or at the request of a Board member, the Chief Executive Officer of the Company or the Company's Auditor.

Key principles of operation, responsibilities and tasks of the Board of Directors:

- carrying out strategic management of the Company's activities;
- determining basic principles of and approaches to creating a risk management and internal control system in the Company;
- controlling activity of the Company's executive body in an efficient manner;
- accountability of members of the Board of Directors to the General Meeting of Shareholders of the Company.

AEM 38.1, 38.2

In 2014, 16 meetings of the Board of Directors were held to address 38 agenda items.

i 16

i 17

In 2014, no decisions on the payment of remuneration and/or compensation of expenses to members of the JSC Atomenergomash Board of Directors were adopted, no remuneration was paid, and no compensation of expenses was provided.

Members of the Board of Directors do not own any shares of the Company.

Chief Executive Officer

The Chief Executive Officer of the Company, Andrey Nikipelov, was elected by a decision of the Extraordinary General Meeting of Shareholders on April 16, 2012.

In accordance with the requirements of Article 69 of the Federal Law "On Joint Stock Companies" and Article 9 of the Company's Charter, the Chief Executive Officer is responsible for carrying out the decisions adopted by the General Meetings of Shareholders and the Board of Directors.

The Chief Executive Officer directly participates in drawing up the Company's development strategy, both at the level of mission and values and at the level of functional strategies. The Company's Board of Directors approves the long-term development strategy of the Company.

The Chief Executive Officer does not own any shares of the Company.

i 16 List of meetings of the Board of Directors in 2014

i 17 Remuneration policy for members of the Board of Directors

AEM 38.3

p.91

GRI 4-35

p.52

GRI 4-42

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The amount of remuneration for the Chief Executive Officer is determined by the employment contract in accordance with the laws of the Russian Federation and by the wage system in place at the organizations of Rosatom State Corporation and takes into account the fulfillment of key performance indicators set for the Chief Executive Officer on an annual basis.

KPIs set for the Chief Executive Officer of JSC Atomenergomash in 2014[7]

Indicator	Target value			Actual value
	Minimum	Target	Maximum	
AEM's adjusted free cash flow, bln rubles	57.089	58.806	70.567	58.904
Labor productivity, bln rubles/person	2.5	2.6	2.86	2.395
Index of implementation of the REA Concern Investment Program as it pertains to AEM, %	95	100	105	100
Integral indicator for new products, %	95	100	105	107
Integral indicator of investment performance, %	80	100	120	120
EBITDA margin, %	4.38	4.86	5.83	8.48
Semi-fixed costs, mln rubles	15,266	13,878	11,102	13,688
Reduction of process times	0.7	1.0	1.2	1.03
LTIFR, %		0.84		0.51
Fulfillment of the State Defense Procurement Order (SDPO), %		100		100
Engagement level, %		70	74	75

The KPI map for the Company's Chief Executive Officer for 2015 will also include indicators "Foreign revenue" and "Foreign order book for 10 years".

In accordance with the legislation, information about the declared income, property and liabilities is presented on the official website of Rosatom State Corporation in the Anti-Corruption section.

7 Information regarding these indicators (except the SDPO) is available in the relevant sections. The KPIs for 2015 were not yet approved at the time the text of the Report was prepared.

Company's Top Management

Andrey Nikipelov

Chief Executive Officer
In office since 2012

Sergey Filatov

Deputy Chief Executive Officer – Director for Economics and Finance
In office since September 2014

Vladimir Razin

Deputy Chief Executive Officer – Director of Operations
In office since 2012

i 18
GRI 4-36
i 19

Sergey Kuleshov

Deputy Chief Executive Officer – Corporate Governance Director
In office since 2006

Ksenia Sukhotina

Deputy Chief Executive Officer – Director of Human Resources and Organizational Development
In office since 2010

Konstantin Tulupov

Director for Strategy
In office since 2011

i 18 Organizational structure of JSC Atomenergomash
i 19 Information about Company's management

Vladimir Angelov

Director for Nuclear Power
In office since January 2014

Yury Zubkov

Director for Gas and Petrochemical Industry
In office since 2013

Andrey Buzinov

Director for Shipbuilding and General Equipment
In office since 2013

Alexander Levenshtein

Internal Audit Director
In office since 2007

Natalia Shirokovskikh

Chief Accountant
In office since 2012

i 20

i 20 Interaction with EMPs

2.2. Ethics and Anti-Corruption Practices

Key security focus areas:
- combating fraud;
- protection of intellectual property;
- protection of trade secrets;
- protection of state secrets and information.

i 21

The main tasks of the Company's Security Directorate and EMPs are:
- participating in the implementation of the State policy of the Russian Federation in the field of economic security and combating corruption;
- providing information to the Company's management on matters related to economic security, asset protection, and combating corruption;
- carrying out organizational, methodological and functional management of the enterprise asset protection units;
- identifying and analyzing factors and conditions that contribute to the emergence of threats to economic security and assets;
- drafting regulations on the prevention of threats to economic security and assets in top-priority areas;
- preparing and following up measures designed to prevent the following from occurring in the Company: corruption and corrupt practices; external and internal threats to financial security; external and internal threats to personnel security; external and internal threats to intellectual property; shadow economic activities; illegal activities in the field of management of federal property and property complexes; illegal activities in the field of procurement, performance of work, and provision of services for the needs of Rosatom State Corporation and its organizations
- protecting the economic interests of the Russian Federation and Rosatom State Corporation in the course of cooperation with foreign partners;
- protecting state secrets and information;
- protecting intellectual property.

Key performance indicators in this area are based on implementation of the following measures:

- Organization of expert work related to contracts and screening of counterparties.
- Organization of monitoring the sale of unclaimed movable property of the Company and its EMPs.
- Absence of evidence of damage caused in the course of organizing and conducting tendering processes at JSC Atomenergomash.
- Protection of the Company's interests in court and enforcement proceedings as well as administrative and criminal proceedings in which the Company acts as the plaintiff/claimant (as regards activities directed at tracing debtors and debtors' property in order to enforce court orders and orders from law enforcement agencies).
- Timely consideration of reports of corruption and fraud received via the Hotline of Rosatom State Corporation.
- Implementation of activities of JSC Atomenergomash as regards "Accounts Receivable".

i 22

i 21 Regulatory framework

i 22 Key performance indicators description

AEM 30.4

In order to prevent theft and fraud and to reduce the risk of economic damage, enterprises of JSC Atomenergomash in collaboration with state authorities, local authorities, public associations, collectives of workers and citizens as well as structural units of the Federal Security Service of Russia, the Ministry of Internal Affairs of the Russian Federation and the tax authorities are implementing the Anti-Corruption Plan of Rosatom State Corporation for 2014-2015.

In addition, a package of measures to prevent risks and eliminate consequences of violations has been developed. Control over the risk identification process and preventing fraud by counterparties is carried out jointly with the Internal Control Department in accordance with the Regulations on the Security Directorate and the Regulations on the Asset Protection Department.

According to the nuclear safety requirements, engineered safeguards and special monitoring tools have been installed at a number of enterprises.

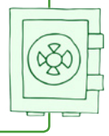
GRI 4-58

In order to improve the corporate culture and to create an atmosphere of integrity and a zero tolerance to theft, an "Anti-Corruption" section has been set up on the Company's official website. In addition:

- in-house printed publications of the companies publish materials about the implementation of the Anti-Corruption Plan of Rosatom State Corporation for 2014-2015, including information on any identified cases of theft and fraud, and contact information of the specialized Hotline;
- an information slip on using the Hotline is included among the documents for reading by new employees.

Prevented economic damage

386.9 mln RUB



Prevented economic damage

GRI SO5

AEM 30.3

Enterprise	Amount of prevented damage, mln rubles	Number of criminal cases
JSC Atomenergomash	117	
JSC TsKBM	74.1	
OJSC VNIIAM	67.5	
JSC Afrikantov OKBM	52.5	2
OJSC SverdNIIkhimmash	44.3	1
OJSC ZiO-Podolsk	18.2	1
OJSC PZM	7.5	1
OJSC AEM Technologies	4.3	
JSC SNIIP	0.8	1
JSC OKB GIDROPRESS	0.65	
PJSC ENERGOMASHSPETSSTAL		3
OJSC Venta		2
TOTAL:	386.85	11

2.3. Internal Control, Audit and Risk Management

Internal control and audit

It is foreseen that ongoing supervisory activities in the Internal Control and Audit function of the company structure will be divided into the following areas: audit, control and audit activities, and compliance with the Unified Industry Standard for Procurement. To enable the employees to perform the activities related to the function in accordance with the regulations of the process, a six-month Monitoring Plan is prepared to include information on the inspection period and the number of hours allocated for the implementation of each control activity. In accordance with the approved procedures, when preparing the Monitoring Plan, the Chief Executive Officer and all the employees of the Company have the right make a proposal to implement a follow-up measure.

i 23

The key performance indicator for the Internal Control and Audit function is the absence of actual incidents or significant adverse findings during inspections by state authorities related to the processes that were previously inspected by the EMPs.

Risk management

At the end of 2014, JSC Atomenergomash established a dedicated structural unit – the Risk Management Group – whose activities are aimed at creating a corporate risk management system and coordinating risk management and insurance activities. The tasks of the Group include regular audits of risks and ascertaining whether they are within the set risk limits, organizing interaction in making risk-related decisions between all participants in the risk management process from the CMP level to the level of Rosatom State Corporation.

i 24

AEM 40.4

JSC Atomenergomash continuously improves its risk management system and evaluates its compliance with international standards (ISO 31000:2009 etc.) and the best industry and international practices.

Risk management objectives

i 23 Regulatory framework

i 24 Regulatory framework

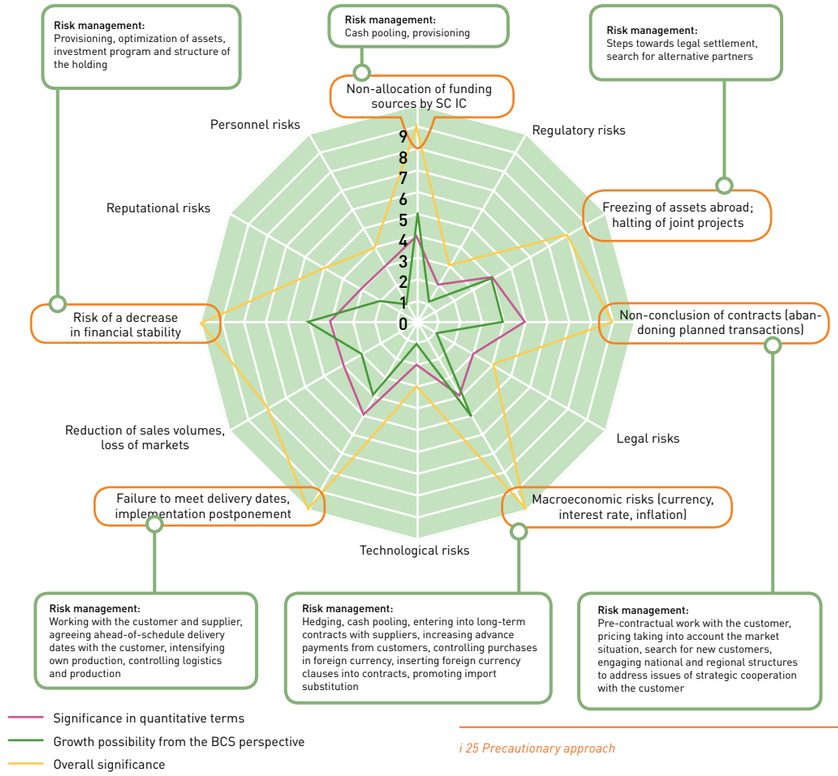
Operation within the risk appetite boundaries established by the order of Rosatom State Corporation in 2014 as a maximum negative deviation of the adjusted free cash flow of JSC Atomenergomash from the planned value of 5 percent has been set a key performance indicator in this area. In 2014, a positive deviation of 2.7% was registered.

i 25

GRI 4-2

AEM 40.5

Significance and dynamics of key risks in the short and medium term



i 25 Precautionary approach

The Company's risk management system compliances with ISO 31000:2009 "Risk management: Principles and guidelines" standard

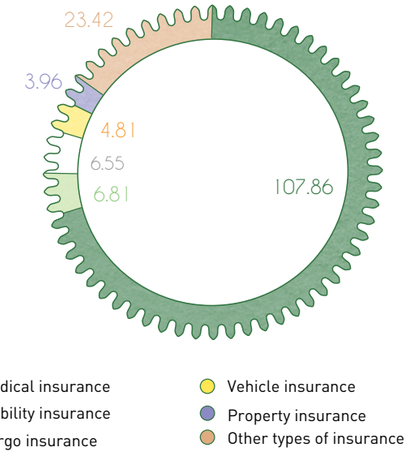
ISO 31000:2009. Annex A. Enhanced risk management attributes	Risk management practice at JSC Atomenergomash
Risks of the organization meet its risk criteria	The organization's indicators are checked regularly for conformity to the set risk limits
Continuous improvement	The regulatory and methodological documentation relating to risks is analyzed and improved on an ongoing basis together with Rosatom State Corporation; it is planned to introduce a quantitative risk assessment model and to arrange for property risks to be assessed by a surveyor
Full responsibility for the risks	Owners of key risks, who are responsible for and are authorized to carry out risk management, have been designated; persons responsible for development, implementation and maintenance of the risk management concepts have been determined, **revision of the list of owners and key risks is planned**
Incorporation of risk management into the decision-making process	All risk management components are presented in accordance with the key decision-making processes in the organization
Continuous communications	Continuous communications with external and internal stakeholders, including comprehensive and frequent reporting on the effectiveness of risk management as part of proper governance have been established
Full integration into the organization's management structure	Efficient risk management is considered by managers to be a natural means of achieving the organization's objectives e. The risk management process is integrated into the strategic planning processes of the organization

Case of JSC Atomenergomash: Currency risk management

The currency risk was identified as one of the most significant risks faced by JSC Atomenergomash in the second half of 2014. On the one hand, financial indicators of international contracts improved because of a sharp increase in foreign exchange rates; on the other hand, the costs of purchasing services, equipment, materials and components for purchases in foreign currency or linked to exchange rates significantly increased. Thus, certain activities and a plan for managing foreign exchange risks in 2015 at the level of the Company were developed and adopted as part of the currency risk management measures. The main risk management activities are natural hedging - controlling purchases in foreign currency, inserting currency clauses into contracts, and promoting import substitution. The expected effect from risk management is more than 200 million rubles.

Insurance traditionally is one of the most important risk management tools.

Insurance expenses in the reporting year, by type, mln RUB



i 26 Insurance expenses

3.1. Economic Performance

THE DIVISION PLANS TO ACTIVELY EXPAND A CONSOLIDATED ORDER PORTFOLIO BOTH IN THE NUCLEAR SECTOR AND IN ALLIED INDUSTRIES. IT WILL FOCUS ON INTERACTION WITH FOREIGN CLIENTS IN ORDER TO REALIZE EXPORT POTENTIAL.

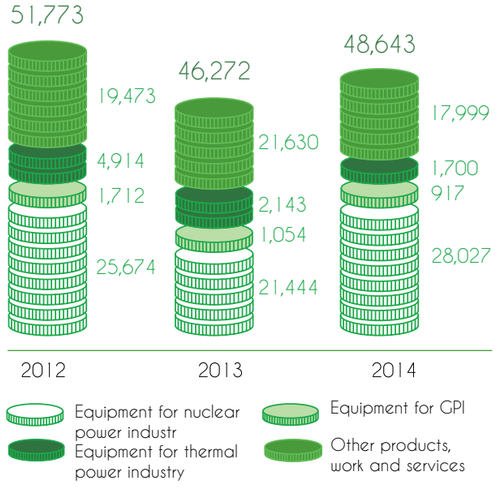
One of the key performance indicators for a company positioning itself as a successful business is the economic performance.

i 27

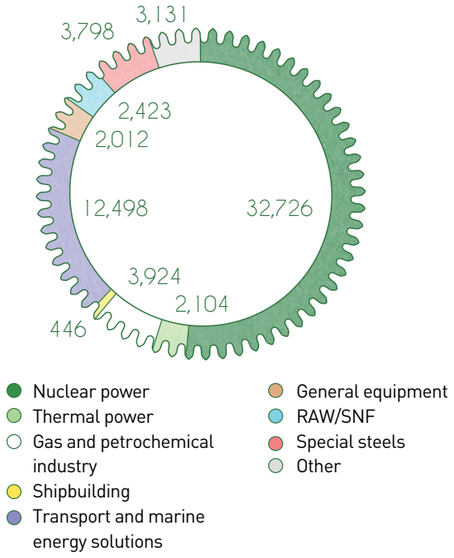
Responsibility for the financial result is provided for in the motivation system of JSC Atomenergomash. In particular, the KPIs for the Chief Executive Officer and Deputy Chief Executive Officers include the following indicators: adjusted free cash flow, labor productivity, EBITDA margin, and semi-fixed costs.

AEM 1.4, 1.12

Combined revenue by operatingsector, mln RUB[3]



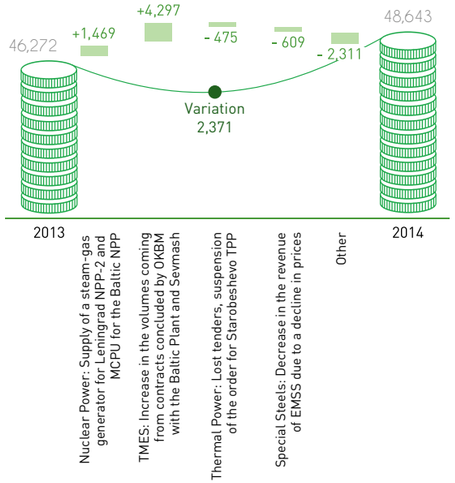
Combined revenue forecast for 2015, mln RUB



8 Taking into account a retrospective adjustment for consolidation.

i 27 Regulatory framework

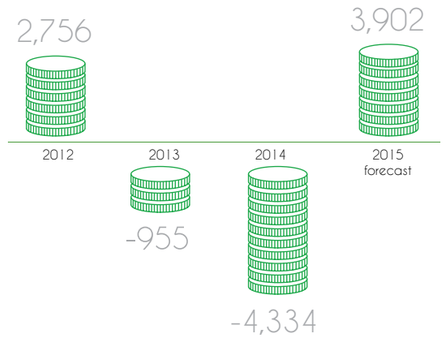
Factor analysis of the change in combined revenue, mln RUB



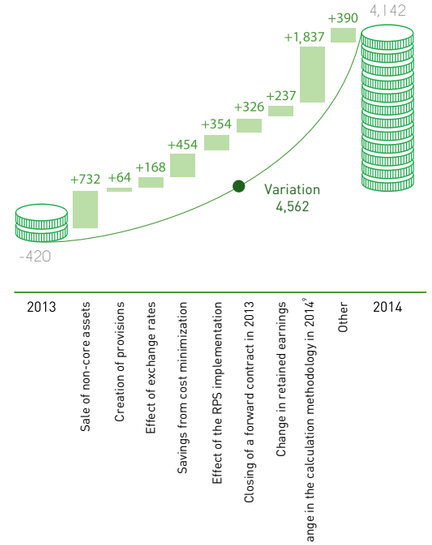
The Company's losses in 2014 are mainly due to exchange rate differences that, in particular, affected the operating results of PJSC EMSS.

AEM 1.3

Net Operating Profit After Tax (NOPAT), mln RUB

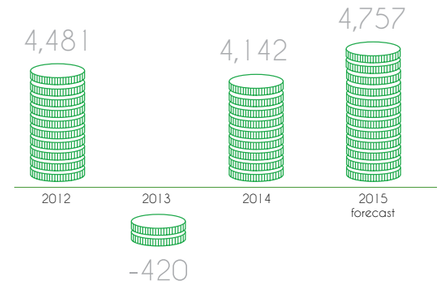


Factor analysis of the change in EBITDA, mln RUB



EBITDA, mln RUB

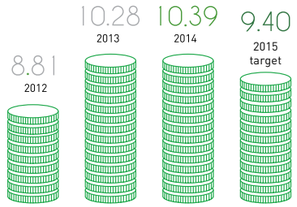
AEM 1.2



9 Provisions for impairment of financial investments and contributions to the Authorized Capital and securities transactions in 2014 are not taken into account in EBITDA.

AEM 1.11

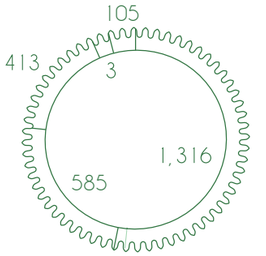
Share of management expenses in revenue, %



AEM 1.10

i 28

Income from the sale of non-core assets, mln RUB



- JSC Atomenergomash
- JSC SNIIP
- JSC TsKBM
- OJSC GSPI
- Other

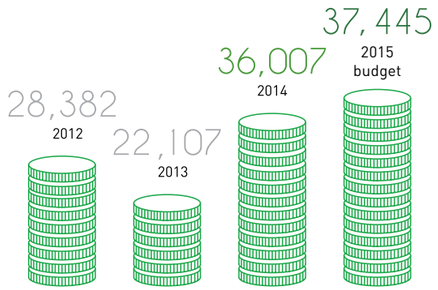
Income from the sale of non-core assets in 2014 — 2.4 bln RUB

i 28 Dynamics of income from the sale of non-core assets

3.2. Financial Position[10]

The financial position of a business is one of the most important factors ensuring its stable and efficient operation.

Net debt structure, mln RUB



The Company's net debt and debt to equity ratio increased due to an increase in borrowed funds. However, the ratio of short-term receivables to short-term payables remained close to the standard, which – coupled with the level of current liquidity – attests to the Company's solvency in the short term.

AEM 2.1

3.94 Debt to equity ratio

i 29 Net debt structure

10 The figures indicated in this section are provided according to data from the combined financial statements.

AEM 2.5

0.71 Receivables to payables ratio

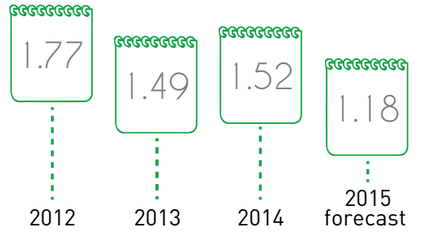
AEM 2.6

i 29

AEM 2.4

i 30
i 31
i 32
i 33
i 34

Current ratio



Required ratio: 1.5

6.1 Net assets to authorized capital ratio

i 30 Debt to equity ratio
i 31 Receivables to payables ratio
i 32 Excess of net assets over authorized capital
i 33 Return on assets
i 34 Return on equity

GRI EC4

AEM 2.2

i 35

Financial assistance received from the Government, thous. RUB

ENTITY	TYPE OF ASSISTANCE	AMOUNT
2012		
OJSC ZiO-Podolsk	Tax benefit	400
	Subsidies	50,000
OJSC PZM	Subsidies	40,120
	Tax benefit	13,991
JSC NPO TsNIITMASH	Prize	400
	Tax benefit	20,900
TOTAL FOR 2012		125,811
2013		
OJSC AEM Technologies	Subsidies	86,500
OJSC ZiO-Podolsk	Subsidies	2,320
OJSC PZM	Tax benefit	23,276
JSC NPO TsNIITMASH	Prize	955
	Tax benefit	20,196
TOTAL FOR 2013		133,247
2014		
OJSC AEM Technologies	Subsidies	68,500
OJSC ZiO-Podolsk	Subsidies	580
OJSC PZM	Tax benefit	20,092
JSC NPO TsNIITMASH	Prize	138,500
	Grant	600
	Prize	1,300
	Tax incentives	23,236
TOTAL FOR 2014		253,070
FORECAST FOR 2015		
JSC NPO TsNIITMASH	Subsidies	121,000
	Tax benefit	23,498
OJSC AEM Technologies		118,291
TOTAL FOR 2015		262,789

i 35 Comments on purpose of assistance

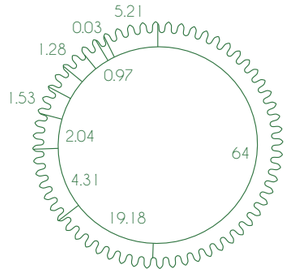
3.3. Commercial Activities

Building up the order book, including for new businesses and foreign projects, is currently one of the main objectives of the Company.

AEM 33.4

i 36

Structure of contracts concluded in the reporting year by operating segment, %



- Nuclear power
- Transport and marine energy solutions
- RAW/SNF
- Special steels
- Shipbuilding
- Thermal power
- Gas and petrochemical industry
- General equipment
- Complete supply of RUMCS VVER equipment
- Other

Sectoral structure of the order book at the year-end, mln RUB

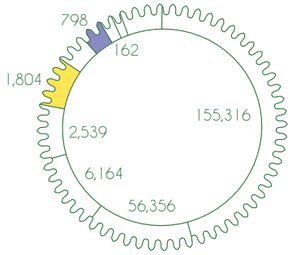
AEM 33.1

i 37

i 38

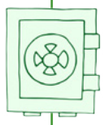
i 39

i 40



- Nuclear power
- TMES
- RAW/SNF
- Shipbuilding
- Thermal power
- Gas and petrochemical industry
- Special steels
- General equipment
- VVER RUMCS
- Other

AEM 33.2



24.3%

Share of foreign orders in the order book in 2014

i 36 Regulatory framework

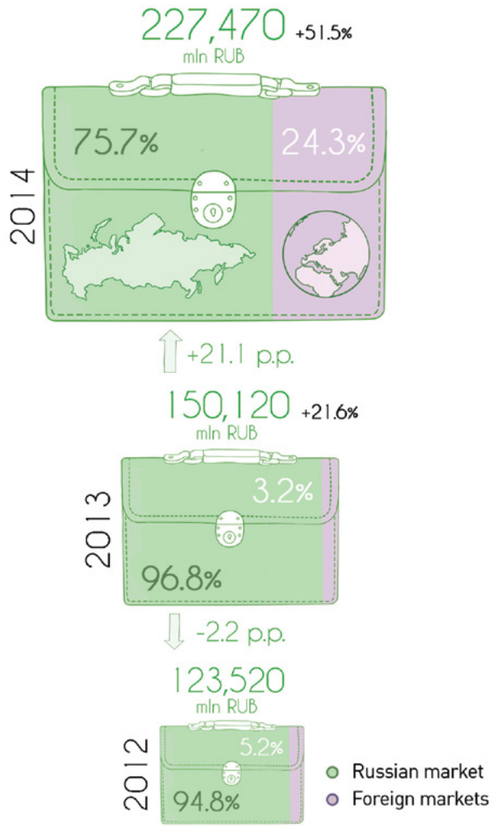
i 37 Dynamics of sectoral structure of the order book

i 38 Geographical structure of the order book

i 39 Structure of the foreign portion of the order book

i 40 Value of contracts concluded in the reporting year

Volume of the order book at the year-end and share of foreign orders in the order book



Strategic objective as a global company:

To become one of the global players in the power engineering market: gain not less than 30% of revenue on foreign markets by 2030

3.4. Investment Activities

The Company has approved investment activity regulations defining the Company's investment planning system, which serves as the basis for initiating, preparing, implementing and monitoring projects, issuing project passports, managing changes, and preparing and analyzing reports on projects of the Company and its EMPs in the course of carrying out investment activities. The provisions on these regulations apply to the Company and its EMPs that have implemented them as a binding local normative act in accordance with the legislation of the Russian Federation and regulations of Rosatom State Corporation.

The following performance indicators have been introduced with a view to achieving the key parameters of projects during the investment stage:

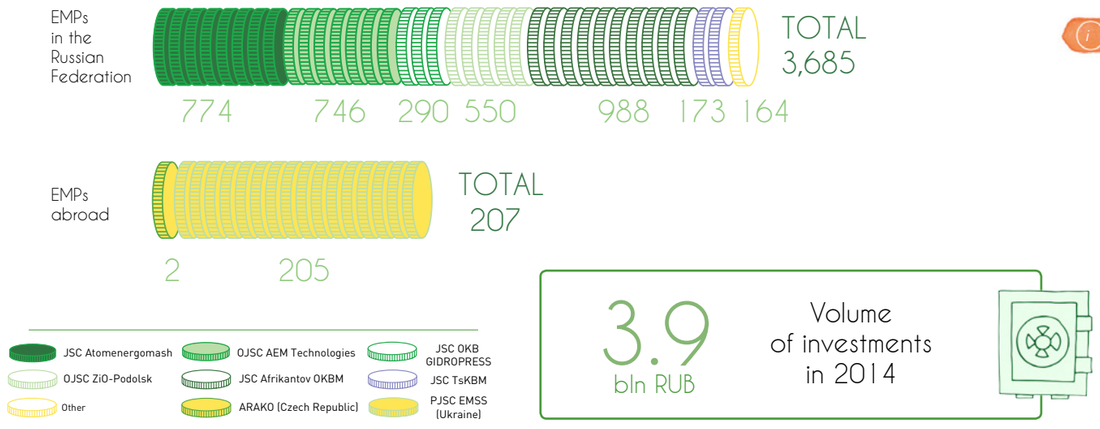
1) An integral investment activity indicator, which includes three components:

- return on the investment proposal for a future period;
- planned/forecast return on the portfolio;
- compliance with key milestone dates.

2) Reduction of the share of costly projects.

AEM 4.1, 4.2

Volume of investments by EMP and country, mln RUB



i 41

3.9 bln RUB — Volume of investments in 2014

i 41 Volume of investments by EMP and country

AEM 4.4

Key investment projects are implemented at the following enterprises: JSC Afrikantov OKBM, OJSC ZiO-Podolsk, JSC OKB GIDROPRESS, OJSC AEM Technologies, JSC NPO TsNIITMASH, and JSC TsKBM.

Projects aimed at reducing operating costs under the Power Engineering Division Reconfiguration Program:

- compacting the size of the production site of OJSC ZiO-Podolsk;
- relocating research, engineering and design assets (OJSC GSPI and OJSC VNIIAM);
- relocating the asset and production complex of JSC TSKBM.

These projects include both the sale of freed up land and the purchase of new production equipment.

COMPANY	MAJOR PROJECTS	PROJECT BUDGET	PERIOD
OJSC ZiO-Podolsk	Replenishing and maintaining the production capacity of OJSC ZiO-Podolsk	RUB 686 million	2011-2016
	Increasing the capacity of OJSC ZiO-Podolsk to support the targets for general equipment production.	RUB 813 million	2012-2016
	Increasing the capacity of OJSC ZiO-Podolsk to enable non-nuclear equipment production.	RUB 175 million	2013-2015
OJSC AEM Technologies	Assimilating production of products for nuclear power plants and the gas and petrochemical industry.	RUB 871 million	2013-2019
	Establishing high-tech production of stamp-welded gate and wedge gate valves for nuclear, thermal power, oil and gas industry enterprises using nanostructured protective coatings.	RUB 348 million	2013-2015
	Establishing modern production of racks for storage of fuel assemblies using high-boron steel	RUB 210 million	2013-2015
	Setting up a production complex for manufacturing of heavy equipment for nuclear power plant reactors at a welding production facility.	RUB 2,128 million	2011-2015
JSC TsKBM	Technical revamping and modernization of the production complex of JSC TsKBM.	RUB 598 million	2012-2015

4.1. Results of Production Activities

THE KEY ASPECT OF THE DIVISION'S DEVELOPMENT IS MANUFACTURING COOPERATION OF ITS ENTERPRISES TO CREATE A COMPLETE TECHNOLOGICAL CHAIN OF EQUIPMENT PRODUCTION FOR NPPS AND ALLIED INDUSTRIES.

The key performance indicators for production activities are the fulfillment of production plan and contractual obligations.

The key results of production activities in 2014 by business area were as follows:

i 42
i 43

Nuclear Power

- supply of products for the following NPPs: Beloyarsk NPP, Rostov NPP (power units 3, 4), Kalinin NPP, Balakovo NPP, Novovoronezh NPP, Novovoronezh NPP-2, Kursk NPP, Kozloduy NPP, Leningrad NPP, Leningrad NPP-2, Tianwan NPP-2, Belarusian NPP, Kudankulam NPP, and Paks NPP;
- supply of products for the following facilities: FSUE EKhP Kombinat, FSUE Eleron SNPO, FSUE VNIIA, FSUE UEMZ, FSUE Mayak PO, OJSC Izotop, FSUE Tekhnomash, FSUE NITI, FSUE VNIIKHT, OJCS Dedal NPK, OJSC Severstal, OJSC Norilsk Nickel GMK, FSUE RosRAO, and FSUE GKhK;

Thermal Power

- commissioning of facilities that use products developed by JSC ZIOMAR EC and supplied by OJSC ZiO-Podolsk:
  - two CCGT-420 units for Yuzhnouralsk TPP-2;
  - CHPP-9 of JSC Mosenergo;
  - CCGT-400 of Nizhnevartovsk TPP.
- supply of products for Verkhnetagilskaya TPP, Iriklinskaya TPP, Yaroslavl CHPP, etc.

Gas and Petrochemical Industry

- supply of equipment manufactured by OJSC ZiO-Podolsk and the Volgodonsk branch of OJSC AEM Technologies to major Russian oil and gas companies:
  - OJSC Gazprom (for the Usinsk compressor station);
  - OJSC Lukoil (for the construction of the offshore oil production platform LSP-2 at the Filanovsky oil and gas condensate field in the Caspian Sea; for the reconstruction of the Kogalymneftegaz Refinery);
  - OJSC Rosneft Oil Company (for OJSC Verkhnechonskneftegaz);
  - OJSC Tatneft (for the large refinery complex under construction in Nizhnekamsk, the Republic of Tatarstan);
- certification of mainline pumps manufactured by Ganz EEM Ltd (Hungary) for OJSC Transneft;
- supply of equipment manufactured by JSC Afrikantov OKBM for the ethylene plant of PJSC Nizhnekamskneftekhim.

Special Steels

- shipment of castings and forgings for the Belarusian NPP;
- completion of the production of castings and forgings for the reactor shell core under the VVER-TOI project;
- shipment of castings and forgings for the RITM-200 reactor shell for the nuclear icebreaker LK-60;
- shipment of products for ArcelorMittal plants in Belgium and Poland, to Alstom, ThyssenKrupp Materials France (France), VoestAlpine (Austria), Euskal Forging SA (Spain), and BHILAI STEEL PLANT (India).

i 42 Fulfillment of the production plan by Division's enterprises
i 43 Fulfillment of contractual obligations by Division's enterprises

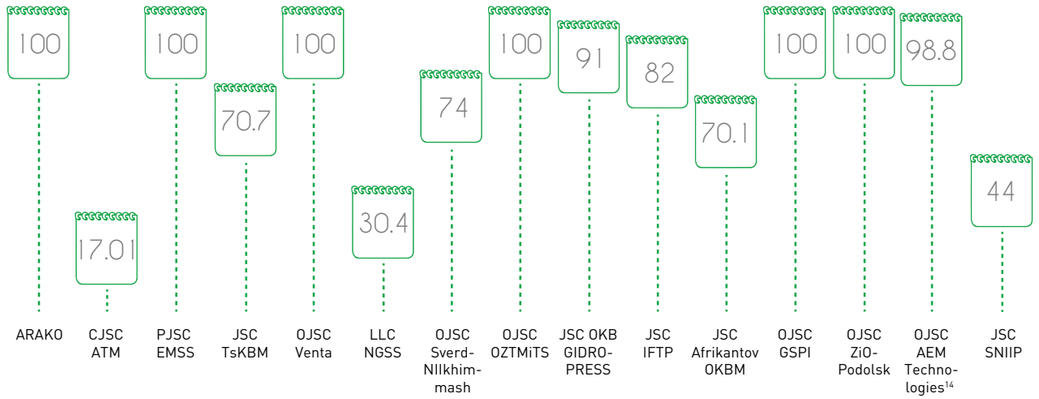
Case of OJSC ZiO-Podolsk: Unique shipment

OJSC ZiO-Podolsk used a new scheme of delivery of large-sized cargo. For the first time, a set of four steam generators for the first unit of Leningrad NPP-2 was delivered mainly by river transport. For the first time in the plant's history, highly sophisticated and large-sized equipment weighing more than 1,500 tons was delivered to the nuclear power plant multi-modally by road, rail and water. This not only solved the problems associated with the lack of direct access to rail lines and difficult road conditions, but also enabled significant savings to be achieved in transportation.

AEM 5.5

i 44

Share of products manufactured at own facilities, %



One of the most important future tasks of the Division is creating a complete technological chain to produce equipment for nuclear power plants. In this regard, special importance is attached to the projects implemented in the framework of industrial cooperation between the enterprises of the Division, i.e. in which the value chain is implemented by the Division's enterprises.

↙ p.28

14 Including the Petrozavodsk branch

i 44 Dynamics of share of products manufactured at own facilities

4.2. Quality and Industrial Safety

Safety is one of the key values of Rosatom State Corporation. The safety of nuclear facilities is directly related to the quality of manufactured products.

GRI PR1

The growing safety requirements for the nuclear facilities under construction and in operation impose special obligations on all enterprises of the Division regarding product quality, where safety assessment becomes an integral element in the manufacturing of all kinds of products.

The high quality of products manufactured by EMPs is ensured by the developed and certified quality management system of the EMPs meeting the requirements of ISO 9001.

AEM 6.1

Enterprises holding ISO 9001 certificates

NAME OF THE ENTITY	NAME OF CERTIFICATION SYSTEM AND CERTIFICATE'S VALIDITY PERIOD
ARAKO spol. s.r.o.	TÜV SÜD, until November 7, 2015
JSC Atomenergomash	IQNet (the Russian Register of St Petersburg), until December 26, 2016
JSC OKB GIDROPRESS	BUREAU VERITAS Certification, until October 23, 2017
JSC Afrikantov OKBM	TÜV Thüringen, until May 10, 2016
JSC NPO TsNIITMASH	BUREAU VERITAS Certification, until September 20, 2015
CJSC ATM	AFNOR Certification, until November 14, 2016
OJSC AEM Technologies	IQNet (the Russian Register of St Petersburg), until July 26, 2016
OJSC Venta	GOST R VCS, until December 27, 2017
OJSC VNIIAM	EvroRestr VCS, until June 27, 2016
OJSC GSPI	Technoprogress VCS, until November 26, 2015
OJSC ZiO-Podolsk	Lloyd's Register Quality Assurange до 30.11.2015
JSC ZIOMAR EC	
OJSC SverdNIIkhimmash	Management System Register VCS, until September 21, 2015
JSC SNIIP	EvroRus VCS, until August 16, 2016
JSC TsKBM	IQNet (LLC Test -St Petersburg), until June 30, 2017
LLC AAEM	IQNet (LLC Test -St Petersburg), until October 23, 2015
LLC EMKO	The Russian Register of St Petersburg VCS, until May 13, 2015
PJSC EMSS	TÜV Thüringen, until August 21, 2016

In pursuit of its quality objectives, in 2014 JSC Atomenergomash:

- Ensured the required level of the quality of equipment manufactured for nuclear power plants under construction and in operation (based on the results of acceptance inspection upon first presentation);
- Demonstrated continued compliance of its quality management system with the requirements of GOST ISO 9001:2011;
- Maintained its membership in self-regulatory organizations of the nuclear industry; the scope of the certificate of clearance for work affecting the safety of facilities using nuclear energy was extended to include the enterprises and facilities of the chemical, gas and petrochemical industries as well as oil and gas facilities;
- Approved and put into effect a corporate standard of JSC Atomenergomash ST KSS 0033.02.001-2014. This standard establishes the procedure for monitoring the quality assurance for safety class 1, 2 and 3 products and for safety class 4 products intended for use at Russian and foreign nuclear facilities.

Case of JSC Atomenergomash: Audit of the quality management system

On December 8-10, 2014, representatives of the Finnish nuclear consortium Fennovoima Oy and supervisory authority (STUK) conducted an audit at JSC Atomenergomash. The purpose of this audit was to check the quality management system of JSC Atomenergomash as a potential supplier of equipment for the Hanhikivi NPP project. The audit resulted in an audit report containing recommendations for improvement of the processes at JSC Atomenergomash and also noting the Company's strengths.

Case of JSC Afrikantov OKBM: Nuclear and radiation safety

In 2014, JSC Afrikantov OKBM was inspected and audited by the following state regulators in the field of nuclear and radiation safety (NRS):

- a number of inspection activities were carried out as part of continuous supervision by the Volga ITD (Interregional Territorial Department) for Nuclear and Radiation Safety Supervision of Rostekhnadzor;
- the Volga ITD also conducted a number of unscheduled inspections before making a decision to issue or deny a license for operation of devices containing radioactive materials and operation of critical test facilities ST-659 and ST-1125;
- a number of inspection activities were carried out by Inter-District Inspectorate No. 153 of the Federal Medical and Biological Agency of Russia to check compliance with previously issued orders.

According to the conclusion of the supervisory authorities, the identified deficiencies do not preclude continued operation of radiation facilities of the organization within the authorized activities to the full extent.

i 45

The quality objectives set for 2015 are as follows:

- improving the quality of equipment manufactured for nuclear power plants under construction and in operation (based on the results of acceptance inspection upon first presentation);
- receiving accreditation as a supplier for EMPs of JSC Atomenergomash involved in the supply of equipment for Akkuyu NPP and Hanhikivi NPP;
- demonstrating continued compliance of the quality management system of JSC Atomenergomash with the requirements of GOST ISO 9001:2011.

i 45 Safety at facilities

16 Approved by the Turkish Atomic Energy Authority — TAEK
17 Approved by the Radiation and Nuclear Safety Authority of Finland — STUK

4.3. Optimization of Production Processes

Implementation of the Rosatom Production System (the "RPS") is an industry project aimed at creating a universal system for managing comprehensive optimization of production and management processes at enterprises of Rosatom State Corporation, based on the best local and foreign experience.

i 46

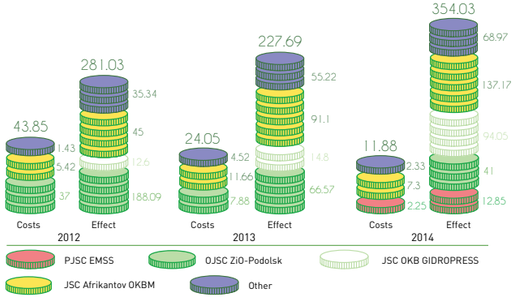
Effect from RPS implementation in 2014 — 354 mln RUB

In 2014, the number of RPS projects increased — by 2.2 times

AEM 7.2, 7.3

i 47

RPS costs and economic effect from RPS projects, mln RUB



i 46 Regulatory framework

i 47 Details on costs and effects of RPS projects

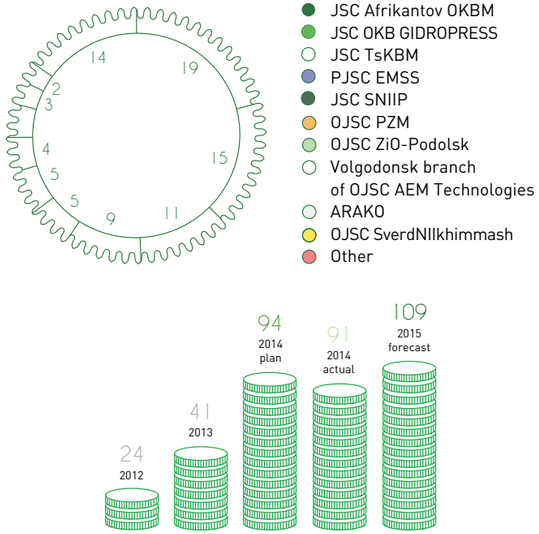
JSC Afrikantov OKBM and JSC OKB GIDROPRESS, which have started the process of establishing RPS enterprises, implement more than a third of the projects. The primary objectives of the process are:

- logistics rationalization;
- order smoothing;
- implementation of the 5C system;
- optimization of the most problematic business processes.

i 48

AEM 7.1

Number of RPS projects



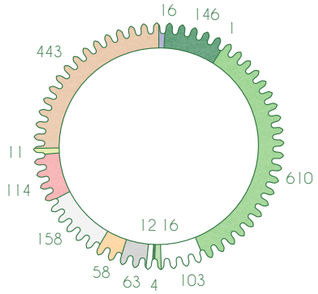
i 48 Details on volume of RPS projects

One of the key RPS drivers is the involvement of employees in the form of submitting proposals on improving processes. In 2014, the enterprises of the Division received more submissions than for the previous 2 years in total.

Share of realized proposals from employees in 2014 — 64.9%

AEM 7.4

Number of submitted proposals and share of realized proposals



- OJSC SverdNIIkhimmash
- PJSC EMSS
- JSC NPO TsNIITMASH
- OJSC ZiO-Podolsk
- JSC OKB GIDROPRESS
- OJSC VNIIAM
- CJSC ATM
- JSC SNIIP
- OJSC Venta
- JSC TsKBM
- Volgodonsk branch of OJSC AEM Technologies
- OJSC PZM
- ARAKO
- JSC Afrikantov OKBM

Number of proposals submitted by employees in 2014 — 1,755

i 49

Case of OJSC AEM Technologies: A white sledgehammer

After learning the basic principles of the RPS, the blacksmiths at the Volgodonsk branch of OJSC AEM Technologies transformed their worksite. In order to instill a positive attitude towards cleanliness and order in the minds of people around, they painted the sledgehammer, which is used in hot forging operations using coal blends, in white. The white color helps to better monitor the cleanliness of the equipment and do maintenance and checkups of the machine in an efficient and timely manner.

i 49 Dynamics of number of submitted proposals and share of realized proposals

4.4. Procurement Activities

JSC Atomenergomash is an organization that is subject to the Federal Law "On Procurement of Goods, Works and Services by Certain Types of Legal Entities" No. 223-FZ dated July 18, 2011. As JSC Atomenergomash is included in the perimeter of Rosatom State Corporation, it applies the Unified Procurement Standard of Rosatom State Corporation approved by the Supervisory Board of Rosatom as Procurement Regulations.

i 50

GRI 4-12, 4-13

The Division's enterprises cooperate with many suppliers of various products and services. It should be noted that the main part of the so-called supply chain is within the Division.

AEM 35.6

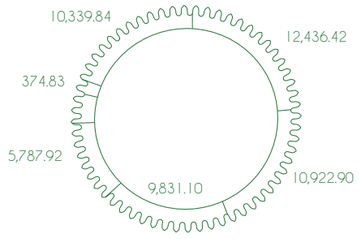
In 2014, the enterprises of the Division signed contracts worth a total of approximately RUB 52 billion, which exceeds the amount for 2013 by one-third. JSC Atomenergomash, JSC Afrikantov OKBM and OJSC ZiO-Podolsk concluded contracts worth approximately RUB 33 billion.

i 51

i 52

AEM 35.5

Total value of contracts, mln RUB



i 50 Regulatory framework
i 51 Supply chain
i 52 Dynamics of value of contracts

Share of purchases from enterprises of the Division in total purchases in 2014

40.99%

Key performance indicators for 2014:

- increasing the share of public procurement processes;
- reducing the share of competitive procurement processes for which complaints about the procurement organizer/ customer actions were found to be substantiated.

AEM 35.7

Share of competitive procurement processes for which complaints about the procurement organizer's actions were found to be substantiated[14], %

COMPANY	2012	2013	2014
OJSC OKB GIDROPRESS	0.22	0.97	1.02
OJSC VNIIAM	12.02	0	0
LLC AAEM	0	0	1.30
CJSC ATM	0	13.16	1.96
JSC Atomenergomash	0	0	6.42
JSC SNIIP	0	0	0.62
JSC TsKBM	0.15	0	0
JSC NPO TsNIITMASH	0	0	5.64

i 53

14 The enterprises for which this value is less than 0.1% are not included.
i 53 Purchases from SMBs

AEM 35.2

Share of public procurement processes[15], %

COMPANY	2012	2013	2014
JSC Afrikantov OKBM	93	94	94
JSC OKB GIDROPRESS	99	100	95
OJSC VNIIAM	33	33	81
LLC AAEM	0.2	95	96
CJSC ATM	87	91	92
JSC Atomenergomash	94	94	96
OJSC AEM Technologies	70	96	98
OJSC Venta	99	100	99
OJSC GSPI	94	98	96
OJSC ZiO-Podolsk	97	97	93
JSC ZIOMAR EC	76	81	24
JSC IFTP	17	65	77
LLC NGSS	3	92	21
OJSC OZTMiTS	98	97	81
OJSC PZM	92	90	94
JSC SNIIP	74	87	86
OJSC SverdNIIkhimmash	97	91	91
JSC TsKBM	95	95	91
JSC NPO TsNIITMASH	87	93	86
LLC EMKO	15	93	26

15 Reduction in the share of public procurement processes at individual enterprises is caused by the increase in the share of purchases carried out on the basis of decisions of authorizing bodies (PPC and CPC), small purchases, and purchases from a single supplier (including additional agreements) at these enterprises.

Case of OJSC SverdNIIkhimmash: Forum "Atomex-Region 2014"

atomex

On October 23, the Forum of Nuclear Industry Suppliers "Atomex-Region 2014", organized by JSC Atomenergomash and OJSC SverdNIIkhimmash, was held in Yekaterinburg. During the Forum, procurement specialists of the Division had a meeting with representatives of nuclear industry suppliers. The purpose of the meeting was to remove existing barriers and to develop joint solutions for further cooperation between customers and suppliers from the nuclear power industry.

5.1. Innovative Development Program

IN ORDER TO DEVISE A SINGLE TECHNICAL ENERGY POLICY AND DEVELOP COMPETITIVE SOLUTIONS, THE DIVISION IS CREATING A RESEARCH POWER ENGINEERING CENTER WHICH IS TO BECOME THE LARGEST FACILITY OF THE KIND IN THE RUSSIAN NUCLEAR INDUSTRY.

The Innovative Development Program of JSC Atomenergomash has been designed to ensure implementation of the Division's strategy and objectives. The Program defines priorities in addressing the objectives of JSC Atomenergomash in the sphere of development and use of innovations as well as in optimizing utilization of allocated resources.

i 54

Purpose of the Program

The purpose of developing the Program is to ensure high competitiveness and economic efficiency of the Division's enterprises through:

- development and implementation of innovative, high-tech, serial, integrated power engineering products and their maintenance in all stages of their life cycle on local and foreign markets;
- development and optimal utilization of innovative processes (process stages) used in production in power engineering and other activities of the enterprises;
- participation in the development and manufacture of pilot and experimental equipment to support research programs of State Research Centers of the Russian Federation and conversion of the research results to the products and product manufacturing technologies.

i 54 Purpose of Innovative Development Program

Case of JSC Atomenergomash: Uniting the innovation potential

The Division is building the largest research center in the Russian power engineering industry with the participation of JSC NPO TsNIITMASH and OJSC VNIIAM, which are headed by Vladimir Mikhailov, Doctor of Engineering, winner of state awards, and bearer of the badge "For Services to the Nuclear Industry" (1st degree). The key task of the center is to unite the scientific potential of the enterprises, form a unified technical policy in the Division, and develop competitive import-substituting power equipment for the nuclear power industry and related fields through R&D.

Amount of R&D expenditures in 2014

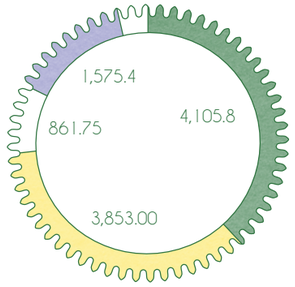
10.8 bln RUB

AEM 8.1

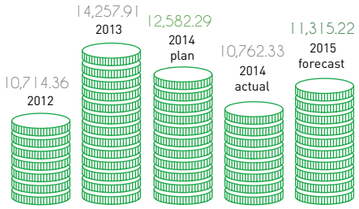
i 55

i 56

R&D expenditures, mln RUB



- JSC Afrikantov OKBM
- JSC OKB GIDROPRESS
- JSC NPO TsNIITMASH
- OJSC SverdNIIkhimmash
- Other



AEM 8.2

As regards agreements with universities for conducting joint R&D, the amount of such agreements concluded in 2014 was lower than in previous years. Stability in this area is only demonstrated by JSC Afrikantov OKBM: despite a reduction in the number of agreements, their total value increased compared to 2013.

i 55 R&D expenditures

i 56 Share of revenue spent on R&D by Division's enterprises

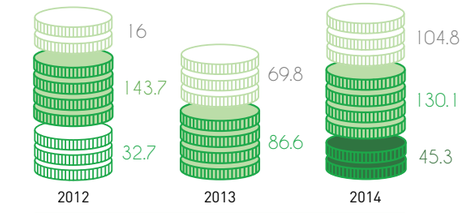
Number and total value of R&D agreements concluded with universities

AEM 36.6

Company	2012		2013		2014	
	Number of agreements	Total value	Number of agreements	Total value	Number of agreements	Total value
JSC Afrikantov OKBM	16	28.5	11	35	5	36.7
OJSC SverdNIIkhimmash	5	5.6	2	0.5	5	5.7
JSC TsKBM	2	3.3	2	3.8	-	-
OJSC AEM Technologies	1	130	1	160		

Value of purchased intellectual property, mln RUB

AEM 8.4



- OJSC ZiO-Podolsk
- OJSC SverdNIIkhimmash
- JSC ZIOMAR EC
- OJSC AEM Technologies

5.2. Results of Innovation Activities

JSC Atomenergomash approved an Intellectual Property Management Concept that defines key principles and regulations concerning intellectual property management and, in particular, addresses the following processes:

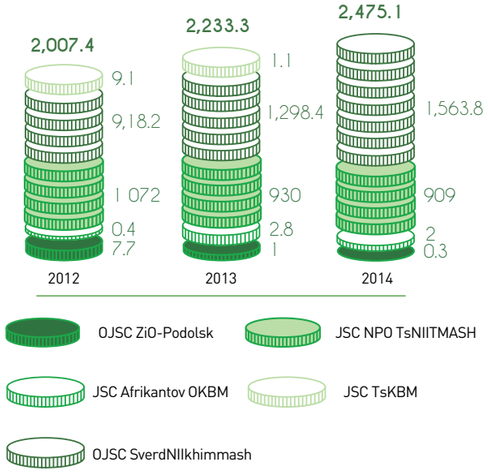
- development, design and use of IP;
- providing information support for IP management;
- encouraging innovation and creativity;
- controlling the development and use of IP;
- providing regulatory and methodological support.

Case of JSC NPO TsNIITMASH: Import substitution

One of the key determinants of JSC Atomenergomash success is close cooperation between institutes and manufacturers throughout the development and implementation of new technologies. Thus, the technology for producing a seamless billet for the bottom of the steam generator shell from a round slab by sectional forging and stamping, developed by JSC NPO TsNIITMASH, was finalized together with specialists from PJSC EMSS. This technology, which is unique for the Russian Federation, has enabled the Company to do without input from foreign suppliers of billets for steam generator bottoms.

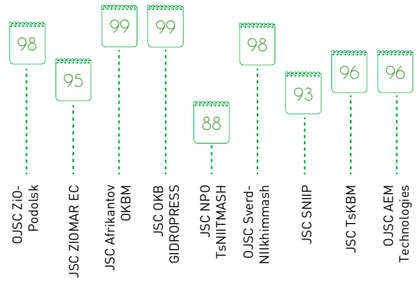
Value of intellectual property sold to external customers, mln RUB

AEM 9.3 AEM 9.6

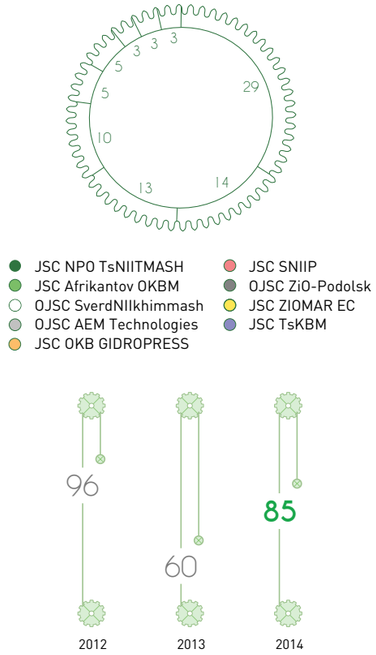


Contribution to the revenue from products manufactured with the use of R&D results, %

AEM 9.2



Number of patents and intellectual property certificates



The contribution to the revenue from products manufactured with the use of R&D results is, on average, more than 95% and is increasing by several tenths of a percent every year.

i 57

i 57 Contribution to the revenue from products manufactured with the use of R&D results

Case of OJSC ZiO-Podolsk: IP implementation

In developing technology for high-performance processing of holes in shell equipment for icebreaker reactor units, a modular system was developed for deep drilling on a horizontal boring machine using Kennametal's HTS-DFR product. Based on this system, a range of tools allowing to process the complex profile of the hole bottom was developed. The introduction of a modern tooling system has allowed the complexity of processing to be significantly reduced.

In 2014, the Division's enterprises received 85 patents and intellectual property certificates

5.3. Scientific Activities

The Division unites a whole host of legendary institutes and design bureaus, which possess unique competencies in developing innovative solutions for the power industry. Many scientists who are employed by enterprises of the Division have state awards for their developments. Enterprises of the Division have in-house centers for postgraduate studies and dissertation councils.

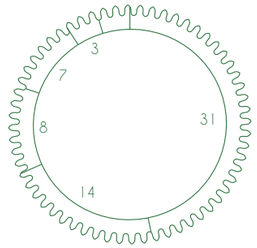
66 employees received postgraduate training at the Division's enterprises in 2014

5 postgraduate dissertation were presented in enterprises' dissertation councils in 2014

Number of postgraduate students in postgraduate centers at the Division's enterprises

AEM 10.2

i 58

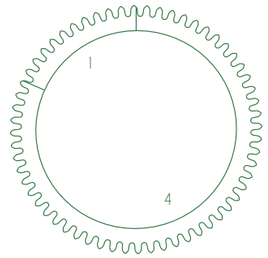


- JSC OKB GIDROPRESS
- JSC NPO TsNIITMASH
- OJSC PZM
- OJSC SverdNIIkhimmash
- OJSC ZiO-Podolsk
- JSC Afrikantov OKBM

Number of theses presented in dissertation councils at the Division's enterprises

AEM 10.1

i 59



- JSC OKB GIDROPRESS
- JSC NPO TsNIITMASH

i 58 Dynamics of number of postgraduate students in postgraduate centers at the Division's enterprises

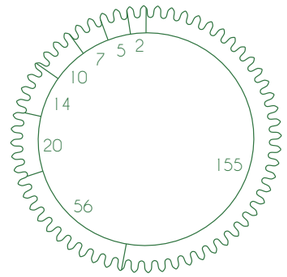
i 59 Dynamics of number of works presented in dissertation councils at the Division's enterprises

One of the important performance indicators for scientific activity is the number of published scientific papers and articles.

In 2014 employees of the Division's enterprises published **269** articles and scientific papers

Published scientific papers and articles

AEM 10.3



- JSC Afrikantov OKBM
- OJSC SverdNIIkhimmash
- JSC NPO TsNIITMASH
- JSC SNIIP
- OJSC ZiO-Podolsk
- JSC OKB GIDROPRESS
- JSC IFTP
- OJSC VNIIAM

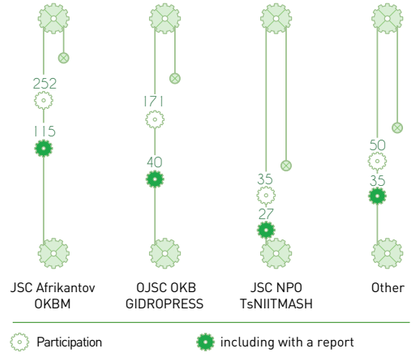
i 60 Dynamics of participation in scientific conferences

Another important performance indicator for scientific activity is participation in scientific conferences with reports.

Participation in scientific conferences in 2014

AEM 10.4

i 60



Published scientific papers and articles

COMPANY	2012	2013	2014
OJSC ZiO-Podolsk	8	8	10
JSC Afrikantov OKBM	86	146	155
JSC OKB GIDROPRESS	17	9	7
OJSC SverdNIIkhimmash	30	30	20
JSC SNIIP	21	10	14
JSC NPO TsNIITMASH	66	59	56
OJSC VNIIAM	2	3	2
JSC IFTP	4	4	5
TOTAL:	234	269	269

6.1. Environmental Management and Compliance with Environmental Requirements

PRESERVATION OF THE ENVIRONMENT OF THE ENTERPRISES' OPERATION AREAS IS AN ESSENTIAL PREREQUISITE FOR BUSINESS ACTIVITIES OF THE GROUP. ENVIRONMENTAL SAFETY IS ENSURED BY COOPERATION WITH ENVIRONMENTAL ORGANIZATIONS, PERFORMANCE OF TESTS AND ESTABLISHMENT OF ENVIRONMENTAL MANAGEMENT SYSTEMS.

Environmental safety issues are an essential part of the positioning of the Division's enterprises both in terms of operation in the market for advanced energy solutions and in terms of environmental protection in their business activities.

i 61

AEM 17.3

Enterprises holding ISO 14001 certificates[16]

CMP	AVAILABILITY OF ISO 14001 CERTIFICATE
JSC SNIIP	YES
OJSC AEM Technologies	Certification is planned for 2015
PJSC EMSS	YES

Enterprises of the Division make payments to the budget of the Russian Federation for the negative impact on the environment in accordance with legislation. Environmental impact assessments are carried out under the legislation of the Russian Federation, with fines being imposed on enterprises where violations of the legislation are identified as a result of such assessments.

i 62

16 *ISO 14001 is a series of international standards on environmental management.*

i 61 Regulatory framework

i 62 Fines and non-financial sanctions for non-compliance with environmental legislation

Amount of fines for non-compliance with environmental legislation in 2014

760 thous. RUB

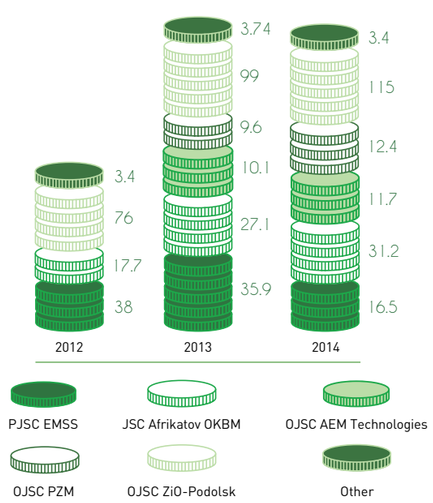
GRI EN29

AEM 17.2

Costs of preventing environmental impacts and the environmental management system, mln RUB

GRI EN31

AEM 18.1



Costs of preventing environmental impacts and the environmental management system in 2014

190 mln RUB

Case of OJSC PZM: Environmental compatibility of production

The enterprise has implemented measures to mitigate the impact of manufacturing processes on the environment:

- repair of dedusting aspiration systems;
- transfer of hazard class 1, 2 and 3 wastes to specialized organizations for decontamination and utilization;
- organization of selective waste collection.

Case of JSC Afrikantov OKBM: Inspection by Rosprirodnadzor

During the period from November 10, 2014 to December 5, 2014, JSC Afrikantov OKBM was inspected by the Department of the Russian Federal Agency for Oversight of Natural Resource Use (Rosprirodnadzor) for the Volga Federal District to verify compliance with the statutory environmental protection requirements. The inspection identified violations of the conditions of the permit for air pollutant emissions (according to the protocols of instrumental measurements) at 2 emission sources.

JSC Afrikantov OKBM was imposed an administrative fine of 80,000 rubles for violating the conditions of the permit for air pollutant emissions. The administrative fine was paid in January 2015.

The enterprise has developed and approved a plan of measures to eliminate violations of environmental legislation (Order No. 041/2792-P dated December 15, 2014). The violations have now been rectified in full.

6.2. Emissions and Wastes

In accordance with the legislation of the Russian Federation, the enterprises develop draft standards for waste generation and disposal limits as well as drafts of maximum permissible emissions of pollutants into the air. As a result, enterprises obtain documents for disposal of production and consumption wastes and permits for air pollutant emissions.

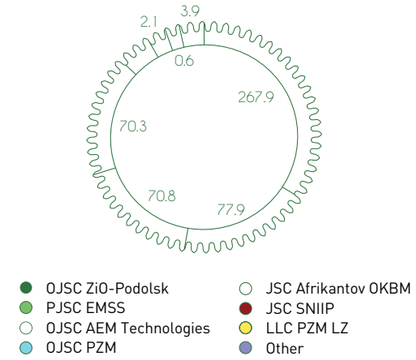
Enterprises of the Division directly emit greenhouse gases of two types: carbon dioxide (CO_2) and nitrous oxide (N_2O).

CO_2 emissions in 2014: **527.7** tons

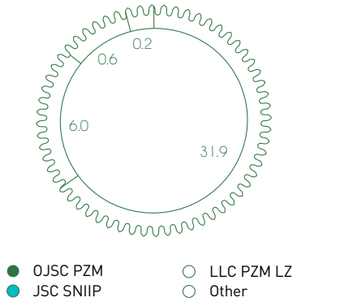
N_2O emissions in 2014: **38.7** tons

GRI EN15
AEM 14.1

Direct emissions of greenhouse gases, tons
Carbon dioxide (CO_2)



Direct emissions of greenhouse gases, tons
Carbon dioxide (N_2O)



i 63 Dynamics of direct emissions of greenhouse gases

Case of PJSC EMSS: Initiatives to reduce emissions

PJSC EMSS is implementing a number of costly measures to reduce emissions of pollutants into the air from production processes, including the following:

- Reconstruction of thermal and heating furnaces;
- Installation of a new vacuum system;
- Installation of a new ladle furnace;
- Modernization of pressure equipment.

Through the implementation of these activities, a 190,625 t reduction in greenhouse gas emissions was achieved in 2014.

Reduction of CCl_4 emissions in 2014 compared to 2013: **47%**

GRI EN20
AEM 14.6

Emissions of ozone-depleting substances, tons

COMPANY	SUBSTANCE TYPE	2012	2013	2014
OJSC SverdNIIkhimmash	carbon tetrachloride	0.04	0.04	0.04
JSC Afrikantov OKBM	carbon tetrachloride	0.07	0.07	0.02
OJSC ZiO-Podolsk	trifluorotrichloroethane	0.5	0.5	
	trichloromethane	0.006	0.006	
	carbon tetrachloride	0.003	0.003	
	trifluorochloromethane	0.1	0.1	

Ozone-depleting substances are only emitted by two enterprises of the Division; OJSC ZiO-Podolsk has optimized its production processes that previously generated these substances.

The reduction of carbon tetrachloride emissions at JSC Afrikantov OKBM was achieved with optimising the manufacturing process and a switch to other organic solvents that are not ozone-depleting.

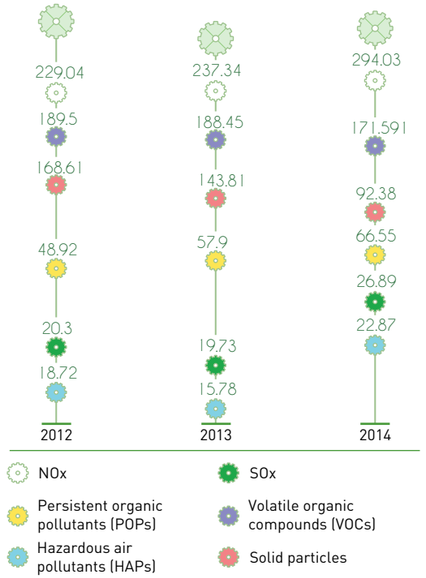
Emissions of pollutants into the atmosphere for the Division as a whole are growing due to the increasing production volumes. Most of the emissions originate from PJSC EMSS, JSC Afrikantov OKBM, OJSC ZiO-Podolsk and the branches of OJSC AEM Technologies. At the same time, JSC OKB GIDROPRESS is reducing its emissions every year.

GRI EN21

AEM 14.7

i 64

Atmospheric emissions of NOX, SOX and other significant pollutants, tons



i 64 Atmospheric emissions of pollutants by Division's enterprises

Reduction in the weight of wastes compared to 2013 **17.6%**

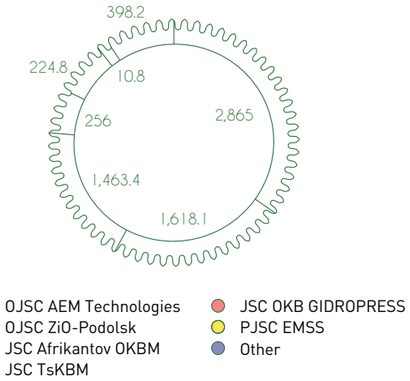
Approximately 88% of the generated wastes are classified as "non-hazardous"; more than half of them are generated from steel manufacturing operations at PJSC EMSS and LLC PZM LZ. The bulk of the hazardous wastes are generated at key production sites: JSC Afrikantov OKBM, OJSC ZiO-Podolsk and the branches of OJSC AEM Technologies.

GRI EN23

AEM 15.2

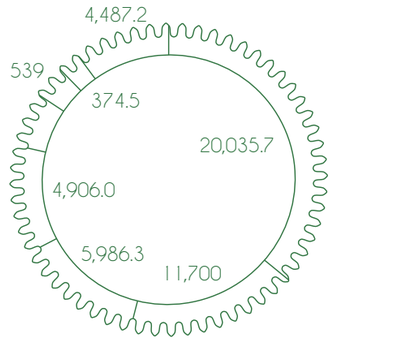
i 65

Total weight of waste (hazardous), tons



i 65 Dynamics of total weight of waste

Total weight of waste (non-hazardous), tons



i 66

The main waste disposal methods are landfill burial, transfer to specialized contractors and recycling.

i 66 Share of waste disposed of in various ways

Case of OJSC PZM: Selective waste collection

According to the internal regulations, the heads of structural units of OJSC PZM carry out a selective waste collection and arrange for wastes to be removed and transferred to specialized organizations for disposal, decontamination and utilization in a timely manner. Thus, in 2014:

- spent mercury-containing lamps (hazard class 1) were transferred for decontamination to LLC Environmental Protection Center under a contract;
- hazard class 3 wastes (waste compressor oil, emulsion mixtures, etc.) generated as a result of modernization of production facilities and the cleanup of the area around the fuel oil of station were transferred to LLC Environmental Protection Center for decontamination and utilization under a contract;
- hazard class 5 wastes (waste scrap metal: non-contaminated steel chips, ferrous metal scrap, ferrous metal chips) were transferred to LLC PZM LZ for utilization as well as to a specialized organization for processing;
- natural pure wood chips (hazard class 5) were used at the enterprise;
- other hazard class 4 and 5 wastes were transferred for burial in a landfill in Orzega in accordance with the standards for waste generation and disposal limits.

6.3. Energy Consumption

Engineering enterprises require an uninterrupted and reliable supply of energy to support the manufacturing process. Energy is required to operate the machines, for space heating and illumination, and heat treatment of finished and semi-finished products.

Pursuant to the Federal Law No. 261 dated November 23, 2009 and the Order of Rosatom State Corporation No. 1/676- P dated August 9, 2011, the Division implements the program "Energy conservation and energy efficiency improvement".

The current energy efficiency improvement program was drawn up based on the results of energy audits carried out at the enterprises of JSC Atomenergomash in 2010-2011. After the new energy audits, which will take place in 2015-2016, the programs will be updated.

i 67

The main tasks for the future as regards energy efficiency improvement are:

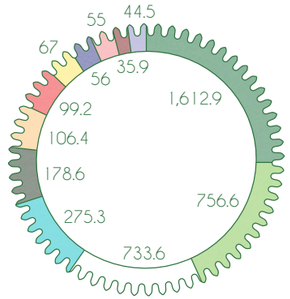
- Combining energy efficiency improvement activities with the revamping and maintenance program;
- Implementing energy service contracts;
- Strengthening control over energy consumption and assigning personal responsibility to employees.

i 68

i 69

The average energy consumption for key enterprises tends to decrease. The consolidation perimeter includes the Volgodonsk branch of OJSC AEM Technologies, which has increased its total consumption, but has also become one of the top three enterprises in terms of energy savings after OJSC PZM and OJSC ZiO-Podolsk.

Energy Consumption, thous. GJ



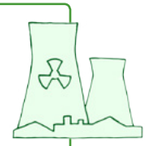
- OJSC ZiO-Podolsk
- OJSC PZM
- Volgodonsk branch of OJSC AEM Technologies
- JSC Afrikantov OKBM
- OJSC Venta
- JSC TsKBM
- JSC OKB GIDROPRESS
- JSC NPO TsNIITMASH
- OJSC GSPI
- OJSC SverdNIIkhimmash
- JSC SNIIP
- Other

GRI EN3 GRI EN6

AEM 12.1 AEM 12.4

i 70 i 71

Total energy savings > 1 mln GJ[18]



18 Calculated in relation to the base year (2009).

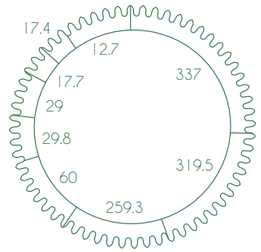
i 67 Responsibility for implementation

i 68 Energy consumption at JSC Atomenergomash

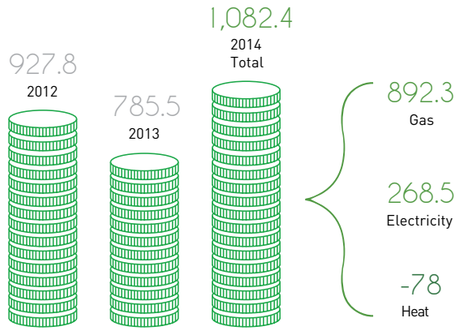
i 69 Energy expenses

i 70 Dynamics of energy consumption Dynamics of energy consumption

Energy savings, thous. GJ



- OJSC PZM
- OJSC ZiO-Podolsk
- Volgodonsk branch of OJSC AEM Technologies
- JSC Afrikantov OKBM
- JSC TsKBM
- OJSC Venta
- JSC OKB GIDROPRESS
- OJSC GSPI
- Other



i 71 Dynamics of energy savings

Case of OJSC PZM: Regional stage of the energy efficiency competition

The project of OJSC PZM titled "Automation of Pump Stations: Water Intake and Waste Water Pumping" are considered to be "best practices" in the category "Leader in the Implementation of the Best Available Technologies" and was selected for participation in the federal stage of ENES 2014 - a competition among completed energy saving and energy efficiency improvement projects. The results of the regional stage of the competition were summed up by the Ministry of Construction, Housing, Public Utilities and Energy of the Republic of Karelia.

7.1. Personnel Composition

PERSONNEL ARE THE MAIN DRIVING FORCE BEHIND THE ACHIEVEMENT OF STRATEGIC OBJECTIVES. HIGH QUALIFICATIONS ARE A MUST FOR ALL EMPLOYEES. IN addition, THE DIVISION'S PERSONNEL TAKE PART IN NUCLEAR POWER EDUCATION PROGRAMS AND ACTIVELY COOPERATE WITH EDUCATIONAL INSTITUTIONS. STRONG MOTIVATION AND ENGAGEMENT RESULT FROM PARTICIPATION IN DIVISION-WIDE ACTIVITIES.

Staffing for the enterprises is one of the most important elements of efficient activities management and certainly one of the key priorities in the development of the Division's enterprises. The Company is a socially responsible business and is committed to providing equal opportunities for different gender and age groups of employees.

Over 60% of the total number of employees is employed at the four largest enterprises of the Division: OJSC ZiO-Podolsk, JSC Afrikantov OKBM, OJSC AEM Technologies and PJSC EMSS.

i 72

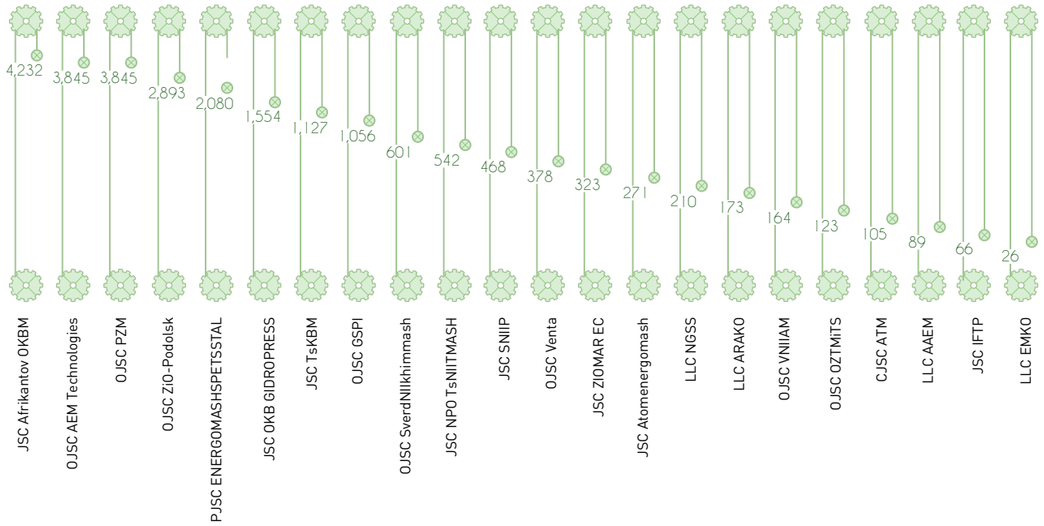
GRI LA12

AEM 20.6

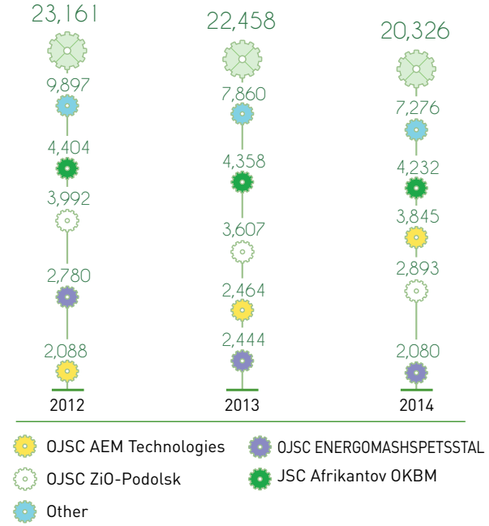
GRI 4-10

AEM 20.1

Number of employees, persons



Number of employees, persons



i 72 Personnel composition by categories

Given the production specifics, namely, the physically demanding nature of work at production facilities, there is a predominance of men over women, with an average ratio of 60 to 40. Research and design organizations are noted for a high proportion of employees past retirement age, which reflects the shortage of a young scientific workforce in Russia.

At present, enterprises of the Division are actively working to transfer auxiliary and support functions to outsourcing companies.

Number of employees transferred to outsourcing in 2014 >1,300

Number of employees planned to be transferred to outsourcing in 2015-2016 >2,000

7.2. Labor Conditions and Organization

The current wage system is focused on business results. This is achieved through personnel performance reviews. Salaries and wages are paid in full compliance with the CUWS[19], which is set for all organizations that are part of Rosatom State Corporation. The main objective of the current system is to stimulate performance and to guarantee social protection to the employees.

i 73

GRI 4-11

AEM 21.2

i 74

Most enterprises of the Division have collective agreements, which apply to all employees.

Average salary in 2014 — approximately 60,000 RUB[20]

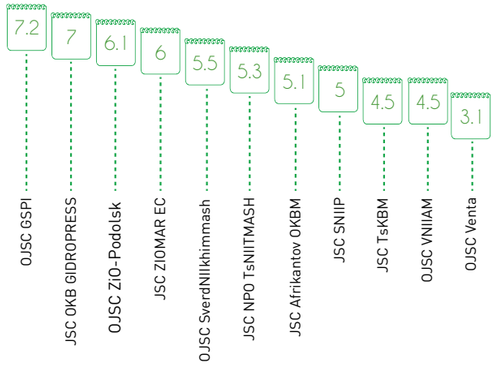
In order to ensure compliance with the Industry Agreement[21], the organizations annually consider the indexation of employees' salaries equal at least to the inflation rate in Russia according to the Federal State Statistics Service.

According to the Industry Agreement, a number of enterprises of the Division submit reporting documents, which include a list of reporting indicators such as "the decimal factor", to the trade union organization.

AEM 21.6 GRI LA2

i 75[22,23] AEM 20.2

Ratio of the average salary of 10% of the highest-paid employees to that of 10% of the lowest-paid employees



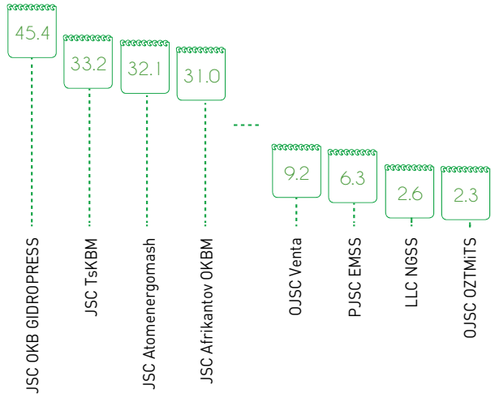
AEM 21.9 AEM 21.8

i 76

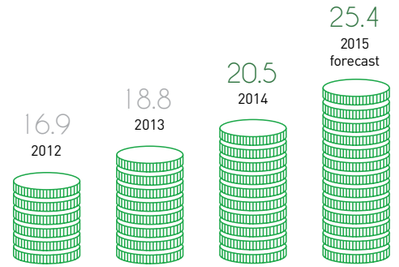
Enterprises of the Division provide all their employees (regardless of their status and type of contract) with a comprehensive package of social and fringe benefits approved in the applicable regulatory documents:

- medical insurance;
- pension programs;
- housing programs;
- health resort treatment and vacations for employees and their children;
- holding sports and cultural events;
- catering for employees;
- financial aid;
- corporate benefits on subscriptions to sports and health facilities;
- support to industry veterans and retirees.

Social expenses (employee benefits) per employee per year, thous. RUB



Social expenses (employee benefits) per employee per year (average within Division), thous. RUB



In connection with the entry into force of the Federal Law "On Special Assessment of Working Conditions" on January 1, 2014, in the reporting year a number of enterprises employed a new procedure to conduct a special assessment of working conditions. At the other enterprises, the results of the previous certification of workplaces are still valid.

In 2014, special assessments were conducted for 489 workplaces

i 77

19 The Common Unified Wage System.

20 Including KPI-based bonuses.

21 The Industry Agreement on Nuclear Power, Industry and Science for 2015-2017 between Rosatom State Corporation, the All-Russia Industry Union of Employers in the Nuclear Industry, Power and Science of Russia and the Russian Trade Union of Nuclear Power and Industry Workers.

22 Excluding the KPI-based bonuses paid during the reporting period, but taking into account the provisions made.

23 For the enterprises included in the budget perimeter.

i 73 Industry Agreement

i 74 List of enterprises which have collective agreements

i 75 Increase in the average salary

i 76 The decimal factor dynamics

i 77 Workplace certification/special assessment

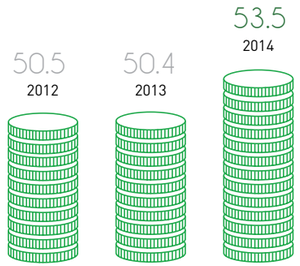
7.3. Training and Education

Professional development of personnel is an important prerequisite to support the workflow, competitiveness and dynamic development of the Division.

In general, the required personnel qualifications are achieved through appropriate education: employees with secondary vocational education (with at least 20% of the employees having higher education) prevail at production sites; in engineering design and management companies, there is a prevalence of employees with higher professional education and with academic degrees and titles of professors, and RAS Academicians.

AEM 23.2

Share of employees with higher education, %



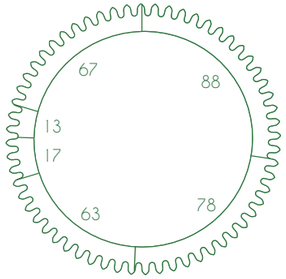
i 78

i 78 Share of employees with higher education by Division's enterprises

Candidates of Science

AEM 23.3 AEM 23.4

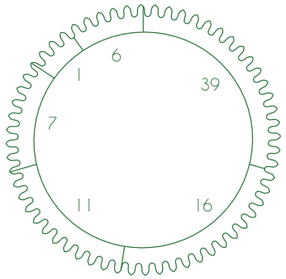
i 79 i 81 i 82



- JSC NPO TsNIITMASH
- JSC Afrikantov OKBM
- JSC OKB GIDROPRESS
- JSC SNIIP
- OJSC SverdNIIkhimmash
- Other

Doctors of Science

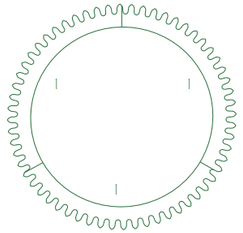
i 80



- JSC NPO TsNIITMASH
- JSC Afrikantov OKBM
- JSC OKB GIDROPRESS
- JSC SNIIP
- OJSC SverdNIIkhimmash
- Other

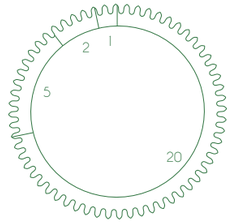
i 79 Dynamics of Candidates of Science
i 80 Dynamics of Doctors of Science

RAS Academicians



- JSC Afrikantov OKBM
- JSC OKB GIDROPRESS
- JSC NPO TsNIITMASH

Professors



- JSC NPO TsNIITMASH
- JSC Afrikantov OKBM
- JSC OKB GIDROPRESS
- JSC Atomenergomash

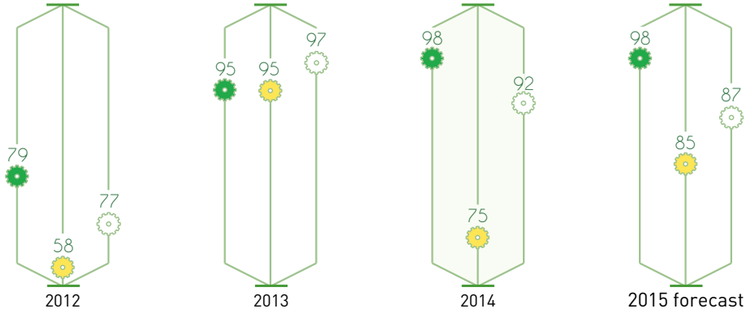
i 81 Dynamics of RAS Academicians
i 82 Dynamics of professors

The enterprises play an active role in the programs for the development of corporate competencies and management skills. Training under industry programs helps build a uniform management system and improve interaction between different departments and enterprises of the Division. Great attention is paid to helping new employees to adapt and provide them with the key knowledge from experienced tutors in order to accelerate delivery of results by the employees and to preserve all important and valuable knowledge in the Division.

Employees actively participate in drawing up individual development plans, and their desires are taken into account in choosing seminars and training time. The KPIs for senior officials include the indicator "Level of Engagement Based on Training Factor".

GRI LA9
AEM 23.5
i 83

Average hours of training per employee per year



- Middle managers
- Specialists and operating staff
- Senior managers

i 83 Average hours of training per employee per year by Division's enterprises

Case of JSC TsKBM: Divisional professional skills competition

In 2014, machining and fitting supervisors competed to be recognized as "The Best Professional at JSC TsKBM" in two age categories:

- young workers (up to and including 35 years old; grade: 4 or 5, without restrictions as to the length of experience);
- experienced workers (without restrictions as to the age and length of experience; grade: 6 or higher).

The competition involved representatives of six enterprises: OJSC ZiO-Podolsk, JSC Afrikantov OKBM, OJSC PZM, JSC OKB GIDROPRESS, OJSC AEM Technologies and JSC TsKBM.

Case of OJSC AEM Technologies: Production Master School in Volgodonsk

The divisional pilot project titled "Production Master School" has started in the Volgodonsk branch of OJSC AEM Technologies. The concept of the project is to create a comprehensive system of training managers under a program for industrial engineers. The course is based on the best Russian and foreign practices in training for line managers at production facilities. The modules are designed to enable students to immediately apply the acquired theoretical knowledge to actual production processes. At the end of training, each group member will be required to implement a project aimed at improving production activities.

7.4. Personnel Efficiency

The Division has adopted a unified policy for personnel performance management. The goal of the policy is to improve personnel efficiency by:

- establishing common principles and tools for setting KPIs and assessing their achievement by employees;
- evaluating the skill level of employees, including in order to ensure effective remuneration of employees;
- preparing recommendations for the skill pool;
- compiling individual employee development plans for the subsequent planning of training.

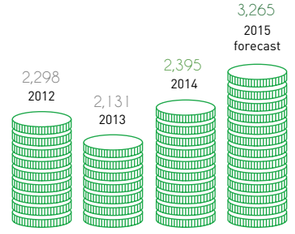
GRI LA11
AEM 24.4

Performance reviews are conducted for all employees of the Division's enterprises.

The main indicator of personnel performance is labor productivity

AEM 24.1

Labor productivity within the Division, thousand rubles/person per year[25]



An employee engagement survey is an important aspect for ensuring personnel efficiency. The survey provides information to the Company's management about the extent to which employees are committed to accomplishing priority tasks and about the key drivers for increasing engagement and motivation.

AEM 24.5

In 2015, an annual engagement survey was conducted among the Division's employees. The Division's results were again at the level of the industry's figures and above the average for Russian employers.

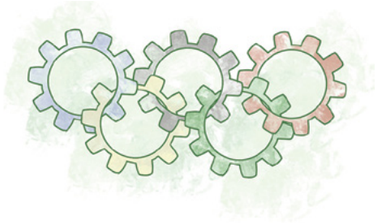
One of the key strengths of the Company, which is traditionally quoted in engagement surveys, is the high employee satisfaction in terms of the content and the importance of their work. Employees really love and value both their work and the results they achieve: these indicators are above the average for local companies. This is common in the nuclear industry: being part of the nationally important, efficient, and innovative Rosatom State Corporation makes people take pride in their work, fully aware of how important it is.

Average engagement level in the Division in 2014 **75%**

Overall employee satisfaction with their work in the Company in 2014 **71%**

25 This indicator is consolidated for the budget perimeter.

Case of JSC Atomenergomash: Divisional Olympiad



On July 5, Moscow's Sokolniki Park hosted the 2014 Atomenergomash Sports Olympiad. The participants in the Olympiad included employees of the management company and their family members as well as sports teams of 13 Russian and foreign enterprises of the Division from Moscow, St Petersburg, Yekaterinburg, Nizhny Novgorod, Petrozavodsk, Podolsk (Moscow Region), Dubna (Moscow Region), and Nizhnyaya Tura (Sverdlovsk Region). In total, over 400 people took part in the Olympiad.

The program featured competitions in the most popular sports in the Power Engineering Division: mini football, volleyball, chess and table tennis, as well as competitions for fans. The competition was pretty heated. The winner in the team scoring was the team of JSC Afrikantov OKBM.

7.5. Occupational Safety and Health

The enterprises of the Division comply with all industrial and occupational safety and health requirements.

i 84

AEM 22.4

Enterprises holding OHSAS 18001 certificates[26]

EMPs	Availability of OHSAS 18001 certificate
JSC ZIOMAR EC	Certification is planned for 2015
OJSC ZiO-Podolsk	Certification is planned for 2015
JSC SNIIP	YES
LLC NGSS	YES
OJSC Venta	Certification is planned for 2015
OJSC AEM Technologies	Certification is planned for 2015
OJSC VNIIAM	YES
PJSC EMSS	Certification is planned for 2015

26 OHSAS 18000 is a series of standards containing requirements and guidelines for the development and implementation of occupational safety and health management systems, which enables organizations to manage the risks integrated in their management system and improve its functioning.

i 84 Regulatory framework

Case of PJSC EMSS: Introduction of Occupational Safety & Health Management System

PJSC EMSS is one of the first enterprises in Ukraine to implement OHSAS 18001, an international occupational safety and health management system. The main purpose of this system is to minimize the risk of accidents and emergencies. Voluntary certification under the international standard will not only improve the working environment and safety of employees at the plant but will also improve the rating of the enterprise and create additional opportunities for attracting investments.

GRI LA8

AEM 22.6

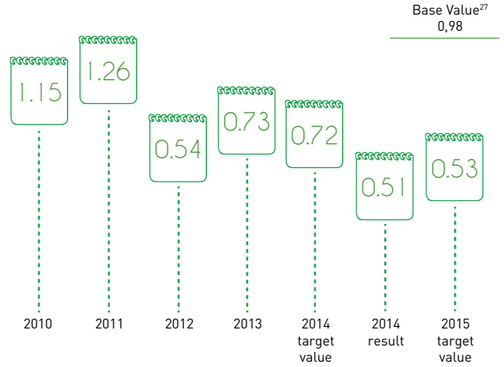
JSC Atomenergomash is a party to the current Sectoral Agreement on Nuclear Power, Industry and Science, which aims to provide the necessary labor and socio-economic conditions for employees in the sector of economy while considering the interests of employers and the State. The agreement regulates issues concerning the health and safety of employees, labor protection, social security, sports and fitness activities and educational work, among others. In addition, these issues are covered in collective agreements at enterprises of the Division.

The performance in this area is assessed based on the "Lost Time Injury Frequency Rate (LTIFR)" KPI.

LTIFR for the Division as a whole

AEM 22.3

i 85



27 The baseline value: the average value for 3 years.

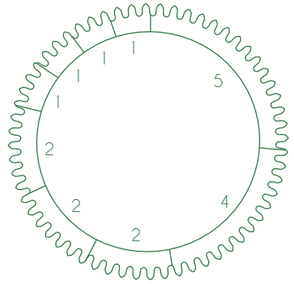
i 85 LTIFR by Division's enterprises

GRI LA6

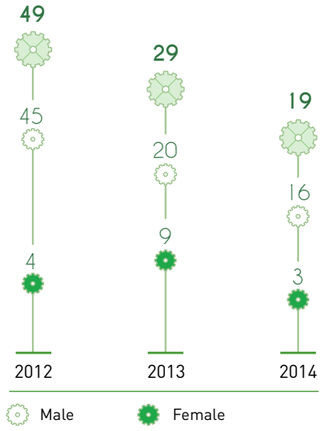
AEM 22.2

i 86

Frequency of occupational accidents, number of injuries



- OJSC ZiO-Podolsk
- PJSC EMSS
- OJSC Venta
- JSC Afrikantov OKBM
- LLC PZM LZ
- JSC NPO TsNIITMASH
- OJSC SverdNIIkhimmash
- OJSC AEM Technologies
- OJSC PZM



i 86 Accident frequency rate

Fatal accidents

COMPANY	GENDER	2012	2013	2014
OJSC AEM Technologies	Men	1		
	Women			
PJSC EMSS	Men	2		
	Women			
OJSC ZiO-Podolsk	Men			1
	Women			

Occupational injuries and diseases

COMPANY	GENDER	2012	2013	2014
PJSC EMSS	Men	2	1	
	Women			
OJSC PZM	Men	1		2
	Women			
LLC PZM LZ	Men	2	2	
	Women			

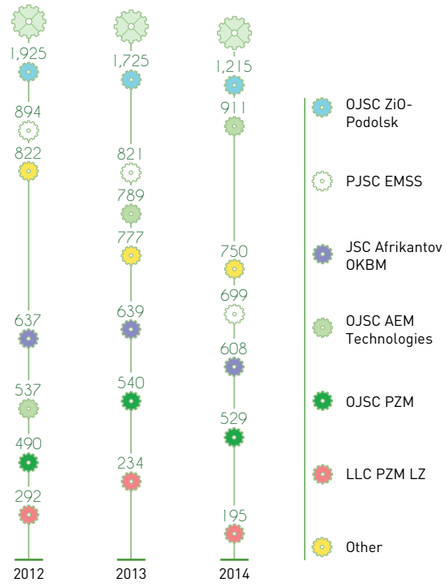
Preventive work to prevent occupational injuries and diseases continued in the reporting year.

All the employees who work under harmful conditions regularly undergo periodic medical examinations and are also entitled to out-of-turn medical examinations (check-ups).

GRI LA7

AEM 22.10

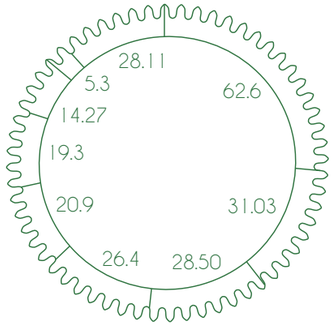
Number of employees working under harmful conditions



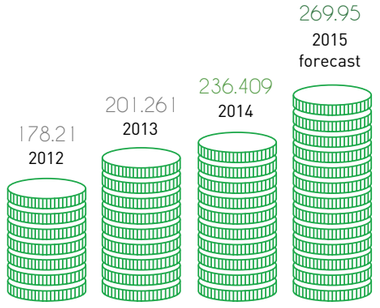
According to the Sectoral Agreement, enterprises spend no less than 0.5% of their production costs on improving working conditions.

AEM 22.9

Occupational safety and health expenditures, mln rubles



- JSC Afrikantov OKBM
- PJSC EMSS
- OJSC ZiO-Podolsk
- OJSC AEM Technologies
- JSC OKB GIDROPRESS
- JSC TsKBM
- OJSC GSPI
- OJSC Venta
- Other



7.6. Availability of Replacement Personnel

Personnel turnover is inevitable in any company. The Division's enterprises have no cyclic fluctuations in personnel numbers (seasonal etc.), and changes in these numbers are due to operational requirements as well as headcount optimization measures or voluntary resignation of employees.

GRI LA1

Average personnel turnover in 2014 **30%**

AEM 25.5

AEM 25.6

Share of employees who have worked more than 5 years at the enterprises approximately **50%**

i 87

i 88

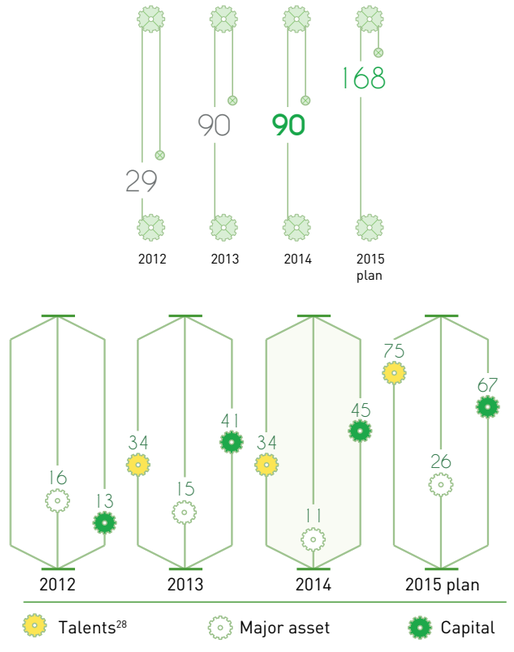
One of the most important tasks in ensuring availability of replacement personnel is to attract young specialists for internships and subsequent work at the Division's enterprises. This requirement primarily results from the ambitious strategic objectives for innovative developments and the need to transfer accumulated knowledge in the field of advanced technologies owned by the Division's enterprise.

i 87 Dynamics of personnel turnover by Division's enterprises

i 88 Share of employees with seniority of more than 5 years by enterprises

In 2014, the skill pool for employees of enterprises from all levels continued to operate at the Division; professional development and training programs are being implemented.

Number of employees in the skill pool



28 Major assets: top-level executives; capital: middle-level management; talents: specialist-level employees and managers of small groups.

i 89 Number of employees in the skill pool by Division's enterprises

AEM 25.4

In 2014 **47%** of the Top 1000 appointments were made from the skill pool

AEM 25.3

i 89

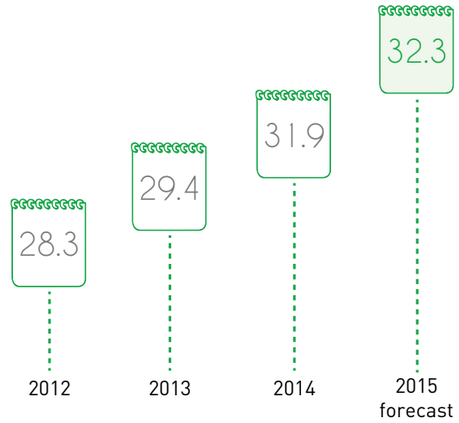
i 90

The Company is committed to attracting young professionals under 35 years old to develop human resources and expanding the pool of qualified candidates in order to prepare promising, qualified managers.

AEM 20.4

i 91

Share of specialists under 35 years old, %



i 90 Share of employees from the skill pool appointed to a top 1000 position

i 91 Share of specialists under 35 years old

AEM 36.2

JSC Atomenergomash and the enterprises of the Division maintain constant interaction with all stakeholders, such as educational institutions, training centers at enterprises etc., as part of accomplishing the task of securing qualified personnel.

To control the university training programs and consider the needs of the Division to the maximum extent possible, active work is conducted to integrate vocational education and production. This objective lies at the core of creating and opening basic departments and branches of departments from leading Russian technical universities (National Research Nuclear University MEPhI, MSTU STANKIN, Bauman Moscow State Technical University, Nizhny Novgorod Alekseev State Technical University, Ural Federal University named after Boris Yeltsin) at the enterprises as well as organizing excursions, training and internships for students as part of strategic cooperation.

i 92

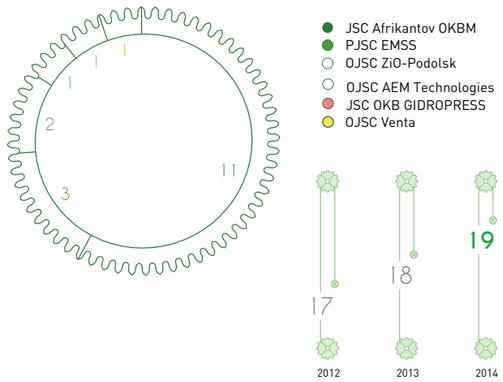
The Division's enterprises annually provide on-the-job training for more than 700 senior students of secondary and higher vocational education institutions; the best students are offered employment. Among the main KPIs are the university acceptance ratio and its achievement, the rate of employment and retention of high-potential graduates, and the satisfaction of applications for target enrollment in universities.

19 base departments operated at the enterprises in 2014

i 92 Key agreements with universities

AEM 36.3

Number of functioning base departments at enterprises



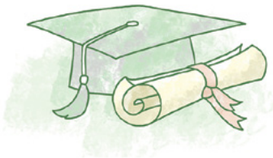
AEM 36.4

i 93

Expenditures for cooperation with universities, mln RUB

i 93 Expenditures for cooperation with universities by Division's enterprises

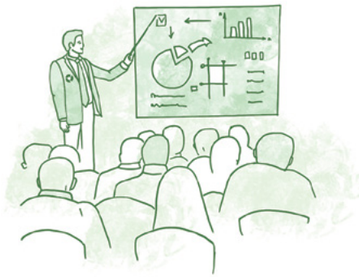
Case of JSC Atomenergomash: The first graduation of Masters



In 2014, the ceremony of presenting the diplomas to the first graduates from the Master's program of Department No. 76 «Power Engineering," which was organized in November 2011, was held at NRNU MEPhI in the framework of the strategic partnership agreement signed between JSC Atomenergomash and MEPhI. Master's degrees were awarded to 10 employees of OJSC ZiO-Podolsk, OJSC PZM and JSC ZIOMAR EC.

Enterprises of the Division traditionally participate in joint activities with universities and secondary general educational institutions aimed at training potential personnel for the nuclear industry: Job Fairs, Career Days of Rosatom State Corporation, Open Days, and guided tours. In addition, manufacturing enterprises organize engineering and professional skills contests. The participation of enterprises in conferences and forums of young professionals, as well as the organization of in-house scientific and technical conferences are equally important.

Case of PJSC EMSS: Cooperation with universities



In 2014, the following work was carried out in this area:

- selection of 3rd year students at DSEA; targeted training for the needs of EMSS for an academic year; participation in the development and presentation of diploma and course projects: 9 people;
- training of departmental teachers: 4 people;
- supply of information and analytical materials for research and teaching work at departments: 11 materials;
- preparation of joint scientific publications: 5 publications;
- organization and holding of scientific and technical conferences: 1 conference.

Case of OJSC SverdNIIkhimmash: Roundtable with universities

Representatives of JSC SverdNIIkhimmash participated in a round table on the subject "Higher Education in the Russian Federation: Heading Towards Practicality." The discussion among representatives of employers and universities focused on the development strategy of universities to meet the needs of employers.

AEM 25,1

i 94

Recruiting senior students for practical training is an important aspect of the cooperation with universities. After the practical training, the best students are offered employment.

1,204 students completed practical training at the enterprises in 2014

i 94 Number of students who completed practical training by Division's enterprises

The Bridge between Generations

In 2014, the Bridge between Generations project (a project designed to assure continuity of critical knowledge, which received appreciation and support from the IAEA) was implemented at the eight key enterprises of the Division: OJSC ZiO-Podolsk, JSC ZIOMAR EC, JSC OKB GIDROPRESS, OJSC SverdNIIkhimmash, JSC TsNIITMASH, JSC Afrikantov OKBM and JSC TsKBM were joined by the Volgodonsk branch of OJSC AEM Technologies. Following an assessment and selection process, about 50 people were identified as sources of critical knowledge. To participate in the project, more than 80 young professionals were specially selected as recipients of the knowledge.

I AM AN AEM ENGINEER

Since 2013, the Division has been implementing a project for the development of engineering and scientific personnel at its enterprises called "I AM AN AEM ENGINEER." This is a strategic project of the Company aimed at providing the Division with the best engineering personnel. 38 people from nine key enterprises of the Division participating in the project are undergoing a two-year training program, which takes into account the priority issues of skill pool development.

TeMP-2014 Tournament

The traditional TeMP-2014 tournament for students and graduates of local specialized technical universities was held. During two months, the teams, under the auspices of Rosatom State Corporation enterprises, developed a project to enable the State Corporation to become a global technology leader in the 21st century. The purpose of the Tournament was to select and evaluate promising students of the target universities of the nuclear industry.

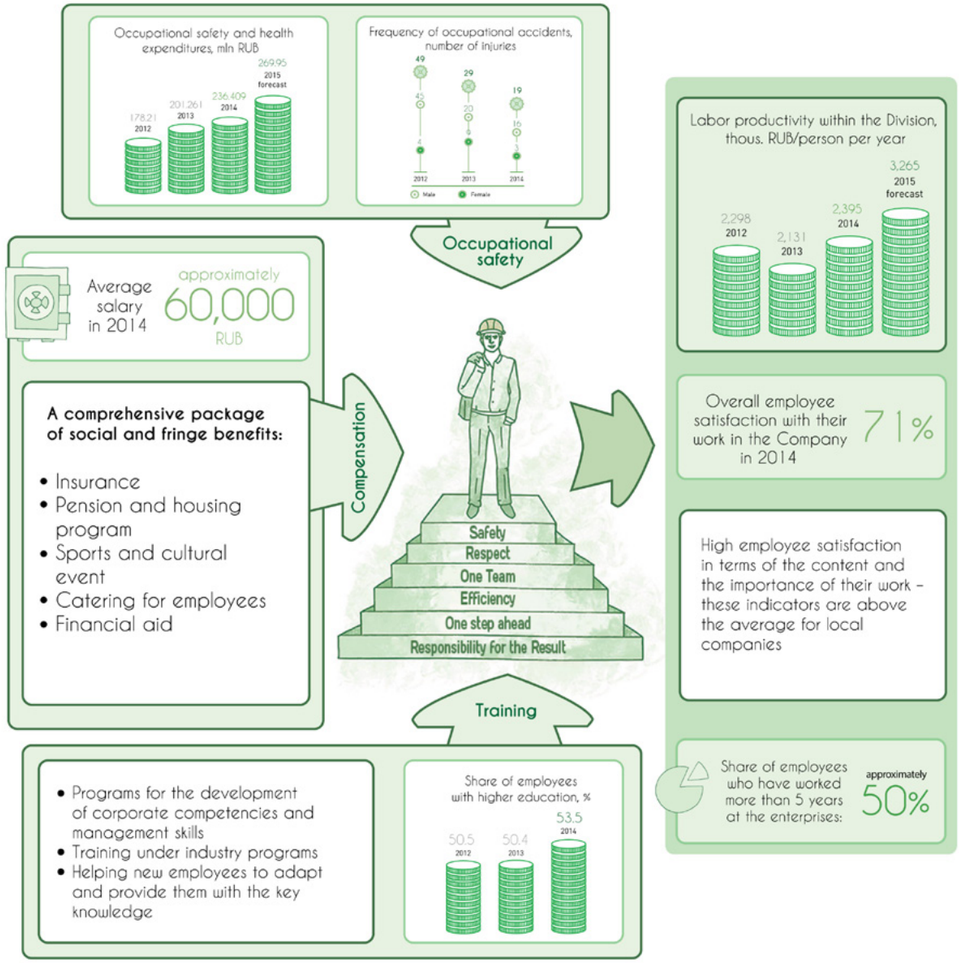
In 2014, seven enterprises of the Division participated in the Tournament: the Volgodonsk branch of OJSC AEM Technologies, JSC OKB GIDROPRESS, OJSC GSPI, the Ural branch of OJSC GSPI, OJSC PZM, JSC SverdNIIkhimmash, and JSC NPO TsNIITMASH.

The project prepared by the team from Volgodonsk: "Development of methods for optimizing local heat treatment of closing seams on steam generator elements by using flexible heating units and producing a uniform thermal field" was named as the best project in the category "Production Efficiency".

Children's NRJ-Camp

2014 was the first time that three sessions of the unique NRJ-Camp were held, with more than 250 children participating in the program. The scientific and development program of the camp was designed to reveal the best qualities, increase self-esteem, and develop the creative abilities of the children.

In 2014, the main teaching topic was "Sustainable Energy". The program was focused on the use of alternative and environmentally-friendly power sources and on research and development activities in this area, which will significantly increase the cost efficiency of these "soft" power systems.



8.1. Regional Presence

ATOMENERGOMASH ENTERPRISES FOLLOW THE PRINCIPLES OF SOCIALLY RESPONSIBLE BUSINESS BY LAYING THE FOUNDATION FOR THE CREATION OF STABLE JOBS BOTH IN THE TERRITORIES WHERE THEY MAINTAIN A PRESENCE AND THOSE WHERE THEIR SUPPLIERS AND CONTACTORS OPERATE. MOREOVER, THE GROUP OF COMPANIES SUPPORTS CHARITIES AND FUNDS SOCIALLY IMPORTANT PROJECTS.

The Division's enterprises are geographically dispersed and located not only in different parts of the Russian Federation, but also in Central Europe. In this regard, positioning in the regions plays an important role for the Company and this primarily concerns interaction with local companies and specialists.

GRI EC9
AEM 35.4

In their activities, the Division's enterprises engage local suppliers on a general basis, which is due to the application of the Unified Industry Procurement Standard and the fact that it is impossible to establish any preferences which are not provided for in the current legislation of the Russian Federation, in particular, based on geographical distribution. Participants in procurement processes are not given any preferences on a geographical basis.

JSC Atomenergomash is committed to the principles of socially responsible business and sees the creation of new workplaces, both in the locations where it maintains a presence and those where their suppliers and contractors operate, as one of its main objectives in this area. Through its HR projects and corporate social programs the Company promotes employment in local communities and the development of personnel at enterprises. The unified industry payment system being introduced by the Company guarantees a stable income and sound financial backing for the Company's employees. The timely payment of wages, development of social programs and active cooperation with regional management on labor market issues help to increase the attractiveness of the Company for employees and reduce social tension in the regions.

EC6
AEM 28.1

In making hiring decisions, the Company is governed by Article 64 of the Labor Code of the Russian Federation (prohibiting groundless rejection or refusal based on discriminatory grounds). The Company does not have a formalized policy of recruiting local staff: in recruiting personnel, the Company first of all looks at the level of qualification and, if necessary, practicality of staffing from other regions.

29 Local employees are those who live permanently in the area where the employer enterprise operates, i.e. not hired from other regions.

GRI EC5
AEM 28.2

At the key regional enterprises, the senior management positions are mainly occupied by representatives of the local community.

A number of key enterprises of the Division that participate in the Industry Agreement meet the requirement to ensure that the monthly salary based on the minimum position level is not below the subsistence level for the working population in the constituent entities of the Russian Federation. In 2014, the key enterprises fulfilled this requirement .

In addition, enterprises of the Division make annual tax payments to the budgets of various levels; four enterprises of the Division are included in the list of the largest taxpayers in their respective regions: JSC OKB GIDROPRESS, JSC Afrikantov OKBM, OJSC AEM Technologies, and OJSC ZiO-Podolsk. The amount of payments to local budgets increases annually.

Amount paid to the budgets of all levels in 2014 — 3.8 bln RUB

30 Exceptions were JSC SNIIP and JSC NPO TSNIITMASH. This was due to the transfer of non-core personnel to outsourcing. In early 2015, this discrepancy was eliminated.

AEM 28.3

Payments to the budgets of different levels, thous. RUB

	2014	
BUDGET TYPE	ASSESSED	PAID
TOTAL	4,823,044	3,758,340
including:		
Federal budget — total	4,369,673	3,365,050
VAT	2,684,925	1,642,261
Profit tax	30,742	18,806
Personal income tax	1,647,296	1,696,651
other	6,710	7,332
Budgets of the constituent entities of the Russian Federation — total	338,394	287,735
Profit tax	208,894	167,605
Property tax	118,839	116,801
Transport tax	3,069	3,046
other	7,744	282
Local budgets — total	114,978	105,556
Land tax	103,235	93,252
other	11,743	12,304

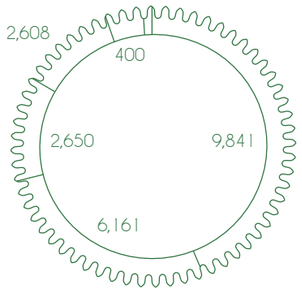
8.2. Social Investments and Charity

Enterprises of the Division participate in the improvement and development of infrastructure in the regions where they operate, especially in towns and cities. In addition, the Company supports participation in charitable projects.

Charity expenses in 2014 **21.7** mln RUB

AEM 29.1

Charity expenses, thous. RUB



- PJSC EMSS
- JSC Afrikantov OKBM
- JSC Atomenergomash
- JSC OKB GIDROPRESS

Case of JSC Atomenergomash: Masterslavl, a City of Crafts

During the New Year's season, Atomenergomash presented the children from the boarding school in Safonovo with a trip to the capital's entertainment and training center named "Masterslavl, a City of Crafts". Since the action was timed to coincide with the New Year holidays, an orphanage boarding school that did not yet receive New Year's gifts was selected. In addition to the gifts "under the Christmas tree" the Company decided to create a bright and memorable party for the kids. 34 children from the boarding school aged from 8 to 14 years arrived in Moscow. The idea was brought to life through funds from the gift fund which were previously planned to be used for gifts for the Company's partners.

One of the Company's most important tasks is implementing the corporate social program in terms of welfare assistance to retired pensioners and veterans of the enterprises.

8.3. Compliance with Legislation

The rules and the principles that are based on unconditional compliance with the law and are consistent with international standards and best practices of corporate governance and ethical business conduct are fundamental for the activities of the Company. Therefore, an important task of the Company's Legal Department is to reduce the number and the severity of cases of non-compliance with the legislation.

Fines for non-compliance in 2014 amounted to 6.6 million rubles. Four non-financial sanctions were charged to the Group's companies in the reporting year.

GRI PR9

AEM 31.2

i 96

Case of JSC Atomenergomash: The best legal department

On June 20, results of the annual contest "The Best Legal Departments of Russia - 2014" were summarized at the 4th St Petersburg International Legal Forum. The Legal Department of JSC Atomenergomash won in the category "Mechanical Engineering" for the fourth time.

The contest was organized by the Legal Insight magazine. Rewarding the best legal departments of Russia in the framework of the Forum underlines the high status and the importance of the work of Russian corporate lawyers in the eyes of the international legal community.

i 96 Dynamics of fines and non-monetary sanctions by Division's enterprises

i 95

Case of OJSC AEM Technologies: Employment of citizens of Ukraine

The Volgodonsk branch and OJSC PZM received a large number of job applications from Ukrainian citizens. Most of them were accepted. Among the new employees are assembly fitters, welders, CNC machine operators, turners, heat-treaters, and electricians. OJSC AEM Technologies implements measures to provide social support to new employees: one-time financial assistance and compensation of accommodation expenses.

AEM 29.3

Support for retirees and veterans in 2014 **52** mln RUB

i 95 Support for retirees and veterans by Division's enterprises

9.1. External Communications

OUR KEY COMMUNICATIVE OBJECTIVE IS TO PROMOTE STAKEHOLDER AWARENESS OF THE OPERATION OF THE GROUP OF COMPANIES. TO achieve THIS, THE GROUP'S ENTERPRISES IMPLEMENT A SINGLE INFORMATION POLICY, EMPLOYING DIFFERENT COMMUNICATIONS CHANNELS, CLEARLY IDENTIFYING THE TARGET AUDIENCE AND ASSESSING ITS INFORMATION NEEDS.

Marketing communications, including promotion activities, advertising, participation in exhibitions etc., are an important area of the activities of JSC Atomenergomash. The work in this area helps improve the attractiveness of the products and services for the target audience: obtaining in-depth knowledge of potential customers is a way to convince them to opt for the Division's products. The well-established communications of JSC Atomenergomash are a precondition for its proper functioning as an economic unit and one of the key prerequisites for its successful activities in the market.

i 97

AEM 34.3

In 2014, as part of the marketing activities, a number of events were organized: seven press tours, including those for foreign journalists and representatives of countries that are potential customers for the Division's products; in addition, a regional forum of nuclear industry suppliers (ATOMEX-Region) was held in Yekaterinburg in November. JSC Atomenergomash and the Companies of the Division took part in 30 conference and exhibition events (including 17 abroad). The Division had a booth at five of them.

i 98

Case of OJSC AEM Technologies: A tour for Asian journalists

On November 28, 14 journalists from leading media of India, Vietnam and Bangladesh were taken on a tour of the Volgodonsk branch of JSC AEM Technologies. The interest of journalists in the manufacture of NPP equipment was due to the development of nuclear power programs in their countries.

The key KPI in this area in 2014 was that JSC Atomenergomash was among the top three in the industry ranking of exhibition booths of nuclear industry enterprises following the International Forum Atom-expo-2014 in the categories "Design", "Interactivity" and "Friendliness".

i 97 Regulatory framework

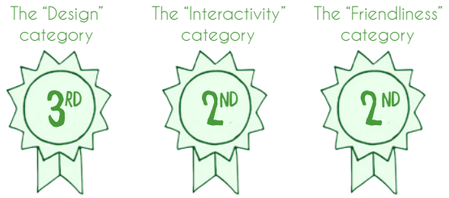
i 98 Conference and exhibition

Case: Atomexpo-2014

Atomexpo-2014, a major international forum and exhibition, was held as per tradition in June.

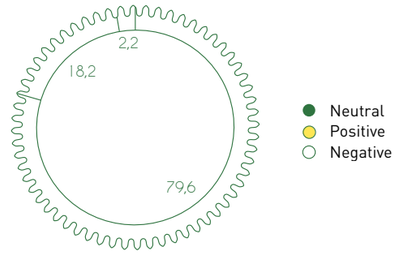
The JSC Atomenergomash presentation was designed to familiarize the participants with the Division and, in particular, present the entire production chain of equipment for nuclear power plants. A photo shoot was organized for visitors where they could have of a photo of themselves taken in work uniforms of the Division's enterprises with a model welding machine; this event was incredibly popular with many visitors lining up to have their photo taken.

JSC Atomenergomash in the ranking of exhibition booths of nuclear industry enterprises[31]



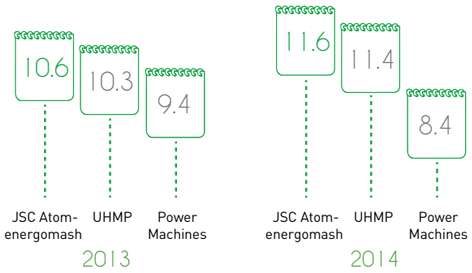
Tonality of mentions of the Division in the mediamedia, %

AEM 34.6



Number of mentions compared to competitors, thous.[32]

AEM 34.5



In 2015, the Company plans to continue implementation of the marketing communications plan as regards participation in exhibitions, work with the media, and organization of press tours, conferences and round tables on innovative developments and the advantages of the Division's products.

31 Composed on the basis of a survey of visitors and participants of Atomexpo-2014.

32 Here and hereinafter the data are given as of November 1, 2014

9.2. Internal Communications

A key objective in this area in 2014 was to increase the openness of the Company's top management. Corporate media published a series of interviews with managers of the main business areas, in which the speakers told the readers about the strategic goals and objectives, major achievements, and bottlenecks in these areas.

i 99

AEM 37.1

JSC Atomenergomash and the key EMPs implemented the following corporate communications development projects:

Corporate newspaper «AEM Bulletin»

As part of supporting a common information environment for the Division, the monthly corporate newspaper AEM Bulletin is published in three languages (Russian, Czech, Hungarian) in four countries: Russia, Ukraine, the Czech Republic and Hungary.

In 2014, a full online version of the newspaper was launched: http://vestnik-aem.ru, which is designed to expand the audience by making it convenient to read and providing unique content not included in the printed version.

According to the engagement survey, about 2/3 of the personnel quoted the AEM Bulletin as their main source of information about the organization and the industry in general.

Industry TV project "The Rosatom Country"

In order to create a favorable image of its enterprises in the cities of presence and to inform the general public about the key projects, JSC Atomenergomash joined the industry project of broadcasting an information and analytical TV program called "The Rosatom Country." A total of more than 100 TV stories covering the work of the Division's enterprises were aired in 2014.

Awareness Days

Following the traditional practice of Rosatom State Corporation, meetings between the Company's management and employees are held regularly in the format of Awareness Days aimed at not only conveying important information about the Company to employees but also arranging dialogue between personnel and management.

Interactive information kiosks at enterprises of the Division

Information kiosks (terminals) are designed to improve services for employees and to raise their awareness. At the terminals, employees can review their timesheets, order a report, check the schedule of leaves or the employee appraisal schedule, and ask a question to management. Free access is provided to all background information on the enterprise as well as key news and information publications of the industry.

i 99 Regulatory framework

Kiosks are installed at OJSC ZiO-Podolsk, JSC ZIOMAR EC, and the Volgodonsk and the Petrozavodsk branches of JSC AEM Technologies.

9.3. Corporate Branding

JSC Atomenergomash has enacted the Order "On the development and introduction of a corporate identity at the subsidiaries, affiliates as supervised companies of JSC Atomenergomash".

The project to update the corporate style of JSC Atomenergomash and transition to a single standard of visual communications was introduced in 2012. The main objective of bringing the enterprises together under a unified identity is to increase the recognition of the Company as a single group and an integral part of Rosatom State Corporation.

i 100

In 2014, the project of the transition to a single corporate identity was completed by the following key enterprises of the Division of JSC Atomenergomash.

The main types of visual identification that have been brought in line with the single corporate identity include: forms of organizational and administrative documents, presentational, representative and exhibition materials, websites, interiors and special clothing.

i 100 Transition to a single corporate identity

A single online space (a ring of websites of the Division's enterprises) was implemented based on modern information technologies within the scope of a project to introduce a single website template in line with the corporate identity.

i 101

The initiated campaign to communicate information about corporate values carried out in all divisions of Rosatom State Corporation has become one of the important areas of activities. At JSC Atomenergomash, values are transmitted through subject heading lists in corporate media and the weekly AEM news digest, and are mentioned in publications, in particular, in interviews with top managers. The keynote of the Report - "Capacity Building" - is also in line with one of the values of the Company: "One Team".

i 102

i 103

9.4. Stakeholder Engagement System

The Company considers stakeholder engagement as one of the fundamental factors of sustainable development and consistently develops productive cooperation in this field together with the enterprises of the Division.

i 101Professional photo shoots

i 102 New version of official website

i 103 Social networks and blogosphere

This work involves the following tasks:

- analysis of the mutual influence of the Company and the stakeholders in various aspects of operations;
- identifying stakeholder expectations and aspirations;
- responding to the expectations of stakeholders and searching for a consensus on problematic issues;
- establishing long-term partnerships with key stakeholders.

Stakeholder engagement practices include stakeholder prioritization, i.e., identification of several groups, for accomplishing these tasks.

GRI 4-25

In the reporting year, the Company changed its approach to stakeholder prioritization: while previously prioritization was based on an annual survey of the Company's executives and stakeholders and scoring assessments, the current approach does not assume annual changes to the annual stakeholder map and calculation of scores and estimates; instead, stakeholders are divided into groups (circles). The criterion for assigning to groups is not the reciprocal influence between stakeholders and the Company, but rather their level of interaction which is defined by both the intersection and collision of interests.

The basis for this mapping was provided by the results of the surveys conducted in previous years as well as the analysis of the Company's practices and benchmarking of international, national, and industry practices. This stakeholder map was submitted for approval during the public dialogue and was collectively recognized as objective and understandable.

The first circle indicates the Company itself, i.e. its EMPs and employees as well as shareholders. The key interests of these parties are returns, risks, and long-term sustainability.

The second circle includes the main partners of the Company in various areas:

- business partners (interests: transparency, risks, technologies);
- customers (interests: quality, price, delivery time, references, reputation);
- suppliers (interests: solvency, product requirements, order portfolio);
- scientific and expert community (technology, interaction efficiency, safety and environmental impact, etc.).

The third circle contains regulators and "stimulators", i.e. those who directly and indirectly establish the requirements and the guidelines of the Company: government agencies, investors, public and non-profit organizations, and competitors. The range of their interests is quite broad and, in addition to those listed above, includes compliance with laws and standards, payment of mandatory payments and CSR activities, infrastructural and human capabilities and needs etc.

GRI 4-26

In the course of preparation of the Report, the Company traditionally held public dialogues with stakeholders in 2015. To improve the efficiency of interaction, it was decided to change the existing scheme of interaction. Instead of four in-person dialogues (the first - an opening general dialogue on the concept of the Report; the second and the third – narrowly-focused dialogues for subject matter experts; the fourth - public consultations on the draft Report), it was decided to do part of the work remotely. Thus, at the beginning of the reporting campaign, a distance survey was conducted among stakeholders to assess materiality; the first dialogue (February 5, 2015) was not dedicated to the general concept but to the well-elaborated content plan of the Report, which included the survey results, a list of indicators, and the main points of emphasis. Narrowly-focused dialogues were conducted in the format of remote interaction with subject matter experts, which both saved time and increased the involvement of experts throughout the Report preparation process. Public consultations, which were held in the traditional format (April 29, 2015), summed up the results of interaction in the framework of preparation of the Report and identified a number of areas for improvement in future reporting campaigns.

p.145

As per tradition, the Stakeholder Committee took part in conducting the public dialogues. Based on the results of this work, the members of the Committee provided public assurance of the Report voluntarily and free of charge.

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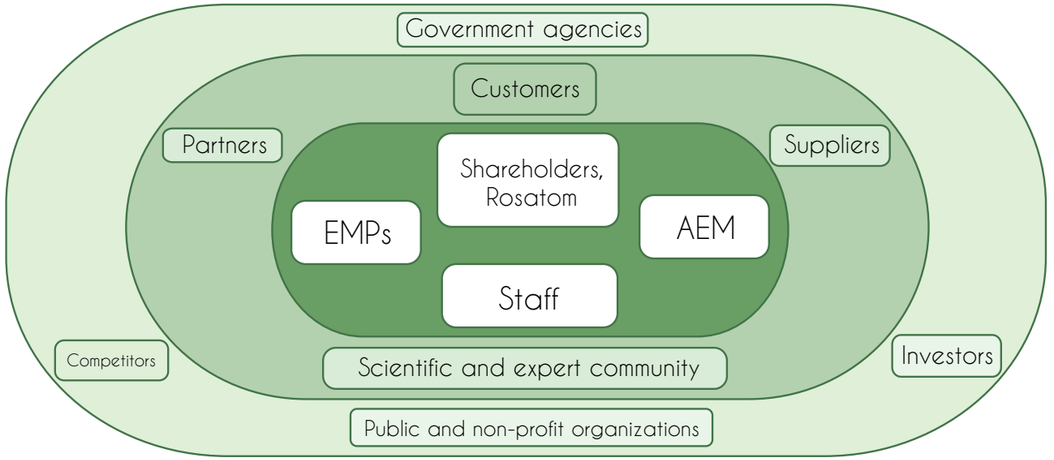
Stakeholder Map



Appendix 1. Glossary

Abbreviations used in the Report

NP	nuclear power
NPP	nuclear power plant
FNR	fast-neutron reactor
VVER	water-water power reactor
WPP	wind power plant
GPC	gas and petrochemical industry
SSC	State Scientific Center
SDPO	state defense procurement order
MCPU	main circulating pump unit
MCP	main circulation piping
CSC	capacity supply contract
CUWS	common unified wage system
CIR	integrated investment resource
KPI	key performance indicator
CS	compressor station
SMB	small and medium-sized business
OR	oil refinery
RC	oil refinery company
EMPs	entities included in the Company's management perimeter
GSM	General Shareholder Meeting
SNF	spent nuclear fuel
FNPP	floating nuclear power plant
SG	vertical-type steam generator
CCGT	combined cycle gas turbine power plant
IPA	Innovative Development Program
RPS	Rosatom Production System
RAW	radioactive waste
IP	intellectual property
RU	reactor unit
BoD	board of directors
RUMCS	reactor unit monitoring and control system
QMS	quality management system
JV	joint venture
AFCF	adjusted free cash flow
SUZ-ShEM	control and protection system solenoid stepper drive
SCSP	supercritical steam parameters
TMES	Transport and marine energy solutions
TP	thermal power
TPP	thermal power plant
CHPP	combined heat and power plant
PE	power engineering
NSSS	nuclear steam supply system
LTIFR	lost time injury frequency rate

Terms used in the Report

LTIFR – lost time injury frequency rate.

Aspect – a topic that describes one of the Company's activity areas or its impact on stakeholders.

Employee engagement – an emotional and intellectual state that motivates employees to do their job efficiently.

Senior management (top management) – Company employees who adopt decisions having a significant effect on the Company's activities as a whole (from the functional directors' level up to the CEO).

Combined revenue – a total revenue of the companies included in the combined accounting statements perimeter in accordance with a company approved procedure, net of revenue from intra-group sales and other adjustments.

Local employees/managers – employees who live permanently in the area where the employer enterprise operates.

AFCF – a key performance indicator for operations of Rosatom State Corporation; a cash flow from operating activities adjusted for non-cash items. It characterizes the dynamics of the cash flows available for development.

Stakeholder (interested party) – an individual, group of individuals or an organization that is influenced by or can exert an influence on the company.

Significant operating regions – regions in which an enterprise's production facilities and key personnel are located.

Material aspect – an aspect reflecting a significant area of the Company's activities or a significant impact on stakeholders.

Appendix 2. Material Aspects and Their Boundaries

GRI 4-18

List of aspects with indication of the materiality level

ASPECT NO.	ASPECT
1	Economic Performance*
2	Financial Position
3	Market Presence
4	Investment Activities
5	Results of Production Activities
6	Quality and Safety*
7	Optimization of Production Processes
8	R&D Expenditures
9	R&D Results
10	Scientific Activities
11	Consumption of Materials*
12	Energy Consumption*
13	Water Consumption*
14	Emissions*
15	Waste*
16	Sustainability of Products
17	Compliance with Environmental Requirements*
18	Environmental Expenses*
19	Biodiversity*
20	Personnel*

ASPECT NO.	ASPECT
21	Labor Conditions and Organization*
22	Occupational Health and Safety*
23	Training and Education*
24	Personnel Efficiency *
25	Availability of Replacement Personnel
26	Respect for Human Rights *
27	Impact on the Local Community*
28	Regional Presence*
29	Social Investments and Charity*
30	Anti-corruption Practices*
31	Compliance with Legislation*
32[33]	Participation in the Public Policy*
33	Commercial Activities
34	Marketing Communications*
35	Procurement Activities
36	Cooperation
37	Corporate Communications
38	Activities of the Board of Directors
39	Organizational Management Model
40	Internal Control, Audit and Risk Management

** GRI aspects.*

33 This aspect is not relevant to the Company as none of the enterprises of the Division participate in such activities.

Boundaries of material aspects

GRI 4-22

There were no restatements of information compared with the previous year.

GRI 4-13

In 2014, there were changes in the structure of the Division: LLC Stalenergoproekt was excluded from the consolidation perimeter and OJSC AEM Technologies was reorganized by the merger of OJSC PZM and CJSC PZM into it.

GRI 4-17, 4-20, 4-21, 4-23

The boundaries of each material aspect were determined by a survey among the members of the Public Reporting Committee of JSC Atomenergomash. The coverage of the key EMPs was changed due to changes in the composition of the Division.

The Consolidated Financial Statements Profile is used in the "Aspect No. 1" column. Based on the results of the material aspects analysis performed by the Company, the information disclosure boundaries will not cover companies outside the Division.

ASPECTS	LLC Alstom Atomenergomash	ARAKO	CJSC Atomtruboprovodmontazh	JSC Atomenergomash	OJSC AEM Technologies	OJSC Venta	OJSC VNIIAM	JSC OKB GIDROPRESS	OJSC GSPI	OJSC ZiO-Podolsk	OJSC ZIOMAR EC	JSC IFTP	LLC PZM LZ	LLC NGSS	OJSC OZTMiTS	JSC Afrikantov OKBM	OJSC PZM	CJSC REMKO	OJSC SNIIP	OJSC SverdNIIkhimmash	OJSC TsKBM	OJSC TsNIITMASH	LLC EMKO	PJSC EMSS
1		+	+	+	+	+		+	+	+	+				+	+	+	+	+	+	+	+	+	+
2		+	+	+	+	+		+	+	+	+				+	+	+	+	+	+	+	+	+	+
5		+	+	+	+	+	+	+	+	+	+	+		+	+	+	+		+	+	+	+	+	+
3	+	+	+	+	+	+	+	+	+	+	+			+	+	+	+		+	+	+	+	+	+
4	+	+	+	+	+	+		+	+	+	+				+	+	+		+	+	+	+		+
6	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
7		+	+		+	+	+	+		+						+	+		+	+	+	+		+
8					+			+		+	+					+	+		+	+	+	+		
9					+			+		+	+					+	+		+	+	+	+		
10				+	+		+	+		+	+	+				+	+		+	+	+	+		+
11				+	+	+	+	+	+	+	+	+			+	+	+		+	+	+	+		
12					+	+	+	+	+	+		+			+	+	+		+	+	+	+		+

ASPECTS	LLC Alstom Atomenergomash	ARAKO	CJSC Atomtruboprovodmontazh	JSC Atomenergomash	OJSC AEM Technologies	OJSC Venta	OJSC VNIIAM	JSC OKB GIDROPRESS	OJSC GSPI	OJSC ZiO-Podolsk	OJSC ZIOMAR EC	JSC IFTP	LLC PZM LZ	LLC NGSS	OJSC OZTMiTS	JSC Afrikantov OKBM	OJSC PZM	CJSC REMKO	OJSC SNIIP	OJSC SverdNIIkhimmash	OJSC TsKBM	OJSC TsNIITMASH	LLC EMKO	PJSC EMSS
14					+					+			+		+	+	+		+	+	+	+		+
15		+	+		+	+	+	+	+	+		+	+		+	+	+		+	+	+	+		+
16					+	+		+	+	+		+	+		+	+	+		+	+	+			+
17					+	+		+	+	+		+	+		+	+	+		+	+	+			+
18					+	+		+	+	+		+	+		+	+	+		+	+	+			+
20	+	+	+	+	+	+	+	+	+	+	+	+		+	+	+	+		+	+	+	+	+	+
21	+	+	+	+	+	+	+	+	+	+	+	+		+	+	+	+		+	+	+	+	+	+
22	+	+	+		+	+	+	+	+	+	+	+	+		+	+	+		+	+	+	+		+
23	+	+	+	+	+	+	+	+	+	+	+	+		+	+	+	+		+	+	+	+	+	+
24	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
25	+	+	+	+	+	+	+	+	+	+	+	+		+	+	+	+		+	+	+	+	+	+
28					+	+		+		+						+	+			+	+		+	+
29				+	+	+		+	+	+	+					+	+		+	+	+	+		+
30	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+		+
31	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
33	+	+	+	+	+	+	+	+	+	+	+	+		+	+	+	+		+	+	+	+	+	+
34		+		+	+	+		+		+						+	+		+	+	+	+		+
35	+	+	+	+	+	+	+	+	+	+	+			+	+	+	+		+	+	+	+	+	
36	+			+						+	+	+											+	
37		+		+	+	+		+	+	+	+					+	+		+	+	+	+	+	+
38				+																				
39	+	+		+	+			+	+	+	+			+		+	+			+	+			+
40				+																				

Appendix 3.
Index of Performance Indicators of JSC Atomenergomash

NO.	INDICATOR	REPORT SECTION	PAGE
1	1.2 EBITDA and factor analysis of its change (mln rubles)	3.1. Economic Performance	53
2	1.3 Net Operating Profit After Tax (NOPAT), mln rubles		53
3	1.4 Combined revenue and factor analysis of its change (mln rubles).		52
4	1.8 Payment of declared (accrued) dividends (mln rubles)	2.1. Corporate Governance System	39
5	1.10 Income from the sale of non-core assets (mln rubles)	3.1. Economic Performance	54
6	1.11 Share of management expenses in revenue (%)		54
7	1.12 Combined revenue by operating sector (mln rubles)		52
8	2.1 Debt to equity ratio (based on combined financial statements)	3.2. Financial Position	54
9	2.2 Financial assistance received from the Government (mln rubles)		55
10	2.4 Current ratio (based on combined financial statements)		55
11	2.5 Receivables to payables ratio (based on combined financial statements)		55
12	2.6 Net debt structure (mln rubles)		54
13	2.7 Excess of net assets over authorized capital		(i)
14	2.8 Return on Assets (%)		(i)
15	2.9 Return on Equity (%)		(i)
16	3.1 Share of the Russian power engineering industry (%)	1.3. Target Markets and Position of the Company	26,30
17	3.2 Share of revenue from non-nuclear sectors (%)	1.2. Strategic Vision and Objectives	26
18	3.4 Share of revenue generated by foreign operations (%)		26
19	3.5 Combined revenue by geographical area/country ('000 RUB)	1.1. Business Model	24
20	4.1 Volume of investments (mln rubles)	3.4. Investment Activities	58
21	4.2 Volume of investments by country (mln rubles)		58
22	4.4 Description of key investment projects		59
23	5.3 Fulfillment of the production plan (%)	4.1. Results of Production Activities	(i)
24	5.4 Key products	1.1. Business Model	(i)

NO.	INDICATOR	REPORT SECTION	PAGE
25	5.5 Share of products manufactured at own facilities	4.1. Results of Production Activities	62
26	6.1 List of enterprises holding ISO 9001 certificates	4.2. Quality and Industrial Safety	63
27	6.2 Number of incidents at the facilities (accidents, fires, etc.)		(i)
28	6.5 Nuclear and radiation safety measures		65
29	7.1 Number of RPS projects	4.3. Optimization of Production Processes	66
30	7.2 Costs of RPS projects (mln rubles)		66
31	7.3 Economic effect from RPS projects (mln rubles)		66
32	7.4 Number of submitted proposals and share of realized proposals		67
33	8.1 R&D Expenditures (mln rubles)	5.1. Innovative Development Program	71
34	8.2 Share of revenue spent on R&D (%)		71
35	8.4 Value of purchased intellectual property (mln rubles)		71
36	9.2 Contribution to revenue from products manufactured with the use of R&D results (%)	5.2. Results of Innovation Activities	72
37	9.3 Value of sold intellectual property (mln rubles)		72
38	9.6 Number of patents and intellectual property certificates		73
39	10.1 Number of theses presented in dissertation councils at the Division's enterprises	5.3. Scientific Activities	74
40	10.2 Number of postgraduate students in postgraduate centers at the Division's enterprises		74
41	10.3 Number of published scientific papers and articles		75
42	10.4 Participation in scientific conferences, including participation with reports		75
43	12.1 Energy consumption (GJ)	6.3. Energy Consumption	82
44	12.2 Energyexpenses (mln rubles)		(i)
45	12.4 Energy savings (GJ)		83

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46	14.1 Direct emissions of greenhouse gases	6.2. Emissions and Wastes	78
47	14.6 Emissions of ozone-depleting substances		79
48	14.7 Atmospheric emissions of NOX, SOX and other significant pollutants		80
49	15.2 Total weight of waste by type and disposal method		80
50	17.2 Fines and non-monetary sanctions for non-compliance with environmental legislation	6.1. Environmental Management and Compliance with Environmental Requirements	76
51	17.3 List of enterprises holding ISO 14001 certificates		76
52	18.1 Costs of prevention of environmental impacts and the environmental management system		76
53	20.1 Number of employees (at the year-end) by type of employment contract (permanent/temporary), type of employment (full-time/part-time), age group and gender	7.1. Personnel Composition	84
54	20.2 Payments and benefits for employees depending on type of employment	7.2. Labor Conditions and Organization	87
55	20.4 Share of specialists under 35 years old	7.6. Availability of Replacement Personnel	97
56	20.6 Composition of the organization's governance bodies and personnel with a breakdown by gender and age group	7.1. Personnel Composition	85
57	21.1 Notice period regarding significant operational changes	7.2. Labor Conditions and Organization	(i)
58	21.2 Percentage of employees covered by collective agreements		86
59	21.6 Average salary growth index		86
60	21.8 Social expenses per employee per year, ('000 RUB)		87
61	21.9 Ratio of the average salary of 10% of the highest-paid employees to that of 10% of the lowest-paid employees		86
62	22.2 Accident and occupational disease frequency rate	7.5. Occupational Health and Safety	94
63	22.3 LTIFR		93
64	22.4 List of enterprises holding OHSAS 18001 certificates		92
65	22.6 Health and safety topics covered in formal agreements with trade unions		93
66	22.9 Occupational safety and health expenditures		95
67	22.10 Number of employees working under harmful conditions		95

NO.	INDICATOR	REPORT SECTION	PAGE
68	23.2 Share of employees with higher education (%)	7.3. Training and Education	88
69	23.3 Candidates and Doctors of Science, MBAs		88
70	23.4 RAS Academicians, professors		89
71	23.5 Average hours of training per employee per year, by employee category		89
72	24.1 Labor productivity	7.4. Personnel Efficiency	91
73	24.4 Percentage of employees receiving regular performance reviews (%)		91
74	24.5 Engagement level, %		91
75	25.1 Number of students who completed practical training	7.6. Availability of Replacement Personnel	99
76	25.3 Number of employees in the skill pool		96
77	25.4 Share of employees appointed to a Top 1000 position from the skill pool		97
78	25.5 Employee turnover by age group, gender and region		96
79	25.6 Share of employees who have worked more than 5 years at the enterprises (%)		96
80	25.8 Activities and programs aimed at HR reproduction		100
81	28.1 Procedures for hiring from the local community and the proportion of senior management hired from the local community	8.1. Regional Presence	102
82	28.2 Ratio of the minimum wage in the Company to the statutory minimum wage		103
83	28.3 Payments to the budgets of different levels (mln rubles)		103
84	28.4 Business geography (enterprises of the Division)	1.1. Business Model	
85	29.1 Amount and description of significant social investments and charity expenditures	8.2. Social Investments and Charity	104
86	29.3 Amount of social support to industry veterans		105

NO.	INDICATOR	REPORT SECTION	PAGE
87	30.3 Number of cases of punishment for corruption (employees, business partners, etc.) and their results	2.2. Ethics and Anti-corruption Practices	47
88	30.4 Anti-corruption tools		47
89	31.2 Penalties and non-monetary sanctions for non-compliance with legislation	8.3. Compliance with Legislation	105
90	33.1 Sectoral structure of the order book at the year-end	3.3. Commercial Activities	56
91	33.2 Geographical structure of the order book at the year-end		56
92	33.3 Fulfillment of contractual obligations, %	4.1. Results of Production Activities	(i)
93	33.4 Structure of contracts concluded in the reporting year, by operating segment (% and mln rubles)	3.3. Commercial Activities	56
94	34.1 Requirements for marketing communications and current practices	9.1. External Communications	(i)
95	34.3 Key PR events organized by the Company		106
96	34.5 Mentions in the media		107
97	34.6 Tonality of mentions in the media		107
98	35.2 Share of public procurement processes	4.4. Procurement Activities	69
99	35.4 Policy and proportion of purchases from local suppliers (by region)	8.1. Regional Presence	102
100	35.5 Total value of contracts (mln rubles)	4.4. Procurement Activities	68
101	35.6 Share of purchases within the Division (%)		68
102	35.7 Share of competitive procurement processes for which complaints about the procurement organizer's actions were found to be substantiated		68
103	35.8 Share of purchases from small and medium-sized businesses		(i)
104	36.1 List and description of strategic alliances with companies and description of joint projects	1.3. Target Markets and Position of the Company	34

NO.	INDICATOR	REPORT SECTION	PAGE
105	36.2 List and description of cooperation agreements with educational institutions	7.6. Availability of Replacement Personnel	97
106	36.3 Number of functioning base departments at enterprises		98
107	36.4 Expenditures for cooperation with universities (mln rubles)		98
108	36.6 Number and total value of R&D contracts concluded with universities	5.1. Innovative Development Program	71
109	37.1 Projects for development of communication channels within the Division	9.2. Internal Communications	108
110	38.1 Number of meetings held by the Board of Directors	2.1. Corporate Governance System	42
111	38.2 Number of issues addressed at the meetings of the Board of Directors		42
112	38.3 Payment of remuneration to the members of the Board of Directors		42
113	39.1 Organizational structure		ⓘ
114	39.2 Business area matrix	1.1. Business Model	21
115	40.4 Measures for the development of the risk management system	2.3. Internal Control, Audit and Risk Management	48
116	40.5 Map of risks		49
117	40.6 Insurance expenses (by type) (mln rubles)		51

Appendix 4.
GRI G4 Index ("Core" Compliance Option)

GRI 4-32

GRI 4-18

NO.	STANDARD ELEMENT	REPORT SECTION	EXCLUDED INFORMATION	PAGE	AUDITOR'S ASSURANCE
		STRATEGY AND ANALYSIS			
1	4.1 Statement from the most senior decision-maker	Message from Company Management		6	+
2	4.2 Description of key impacts, risks, and opportunities	2.3. Internal Control, Audit and Risk Management		49	+
		PROFILE OF THE ORGANIZATION			
3	4.3 Name of the organization	The Company in Brief		152	+
4	4.4 Primary brands, products, and services	1.1. Business Model		ⓘ	+
5	4.5 Location of headquarters	The Company in Brief		152	+
6	4.6 Countries of operation	1.1. Business Model		16	+
7	4.7 Legal form and nature of ownership	The Company in Brief		2,152	+
8	4.8 Main markets	1.1. Business Model		22	+
9	4.9 Scale of the organization	1.1. Business Model		16	+
10	4.10 Number of employees	7.1. Personnel Composition		84	+
11	4.11 Employees covered by collective agreements	7.2. Labor Conditions and Organization		86	+
12	4.12 Supply chain	4.4. Procurement Activities		68	+
13	4.13 Changes in size, structure or ownership	2.1. Corporate Governance System 4.4. Procurement Activities Appendix 2. Material Aspects and Their Boundaries		38 68 115	+
14	4.14 Precautionary approach	2.3. Internal Control, Audit and Risk Management		ⓘ	+
15	4.15 Externally developed charters, principles, or other initiatives	Information about the Report		13	+

NO.	STANDARD ELEMENT	REPORT SECTION	EXCLUDED INFORMATION	PAGE	AUDITOR'S ASSURANCE
16	4.16 Memberships of associations or organizations	7.2. Labor Conditions and Organization		(i)	+
		IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
17	4.17 Report profile	Appendix 2. Material Aspects and Their Boundaries		115	+
18	4.18 Process for defining the report content and aspect boundaries	Information about the Report Appendix 2. Material aspects and their boundaries Appendix 4. GRI G4 index ("Core" Compliance Option)		14 114 123	+
19	4.19 Material aspects	Information about the Report		14	+
20	4.20 Boundaries of material aspects within the organization	Appendix 2. Material Aspects and Their Boundaries Appendix 4. GRI G4 Index ("Core" Compliance Option)		115	+
21	4.21 Boundaries of material aspects outside the organization			115	+
22	4.22 Restatements of information provided in previous reports			115	+
23	4.23 Changes in the scope and aspect boundaries			115	+
		STAKEHOLDER ENGAGEMENT			
24	4.24 List of stakeholders	9.4. Stakeholder Engagement		111	+
25	4.25 Basis for identification and selection of stakeholders			110	+
26	4.26 Organization's approach to stakeholder engagement			110	+
27	4.27 Key concerns raised by stakeholders	Appendix 12. Consideration of Stakeholder Opinions		145	+

NO.	STANDARD ELEMENT	REPORT SECTION	EXCLUDED INFORMATION	PAGE	AUDITOR'S ASSURANCE
		GENERAL INFORMATION ABOUT THE REPORT			
28	4.28 Reporting period	Information about the Report		12	+
29	4.29 Date of most recent previous report			12	+
30	4.30 Reporting cycle			12	+
31	4.31 Contact point	Contact information		152	+
32	4.32 GRI content index	Appendix 4. GRI G4 index ("Core" Compliance Option)		123	+
33	4.33 External assurance for the Report	Information about the Report 9.4. Stakeholder Engagement Appendix 10. Non-Financial Assurance Report Appendix 11. Public Assurance report		(i) 140 138	+
		CORPORATE GOVERNANCE			
34	4.34 Governance structure	2.1. Corporate Governance System		38	+
35	4.35 Process for delegating authority			42	+
36	4.36 Responsibility for environmental, economic and social topics			44	+
37	4.38 Composition of the highest governance body			39	+
38	4.39 Overlapping positions of BoD Chairman and CEO			39	+
39	4.40 Procedure for nomination and selection of potential BoD members			(i)	+

NO.	STANDARD ELEMENT	REPORT SECTION	EXCLUDED INFORMATION	PAGE	AUDITOR'S ASSURANCE
40	4.41 Preventing conflicts of interests			(i)	+
41	4.42 Role of the BoD in approving values, mission and strategy			42	+
42	4.48 Approval of the Report	Information about the Report		(i)	+
43	4.49 Communicating critical concerns to the BoD	2.1. Corporate Governance System		42	+
44	4.50 Critical concerns that were communicated to the BoD			42	+
45	4.51 Remuneration policies			(i)	+
46	4.52 Process for determining remuneration			(i)	+
	ETHICS AND INTEGRITY				
47	4.56 Values, principles, standards and norms of behavior	2.1. Corporate Governance System		(i)	+
48	4.58 Mechanisms for reporting unethical and unlawful behavior	2.2. Ethics and Anti-corruption Practices		47	+
	PERFORMANCE INDICATORS				
49	EC4 Financial assistance received from government	3.2. Financial Position		55	+
50	EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	8.1. Regional Presence		103	+

NO.	STANDARD ELEMENT	REPORT SECTION	EXCLUDED INFORMATION	PAGE	AUDITOR'S ASSURANCE
51	Proportion of senior management hired from the local community at significant locations of operation		The proportion for each enterprise is not specified because a common approach to keeping records of this indicator is not available. Will be presented in the 2015 Report	102	+
52	Policy and proportion of purchases from local suppliers (by region)		Information on the percentage of purchases from local suppliers is not included because at present such records are not kept.	102	+
53	EN3 Energy consumption within the organization	6.3. Energy Consumption		82	+
54	EN6 Reduction of energy consumption			83	+
55	EN15 Direct emissions of greenhouse gases	6.2. Emissions and Wastes	Data are not converted into CO_2 equivalent because at present such records are not kept.	78	+
56	EN20 Emissions of ozone-depleting substances		Data are not converted into CO_2 equivalent because at present such records are not kept.	79	+
57	EN21 Atmospheric emissions of NOX, SOX and other significant pollutants			80	+
58	EN23 Total weight of waste by type and disposal method			80	+
59	EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6.1. Environmental Management and Compliance with Environmental Requirements		76	+

NO.	STANDARD ELEMENT	REPORT SECTION	EXCLUDED INFORMATION	PAGE	AUDITOR'S ASSURANCE
60	EN31 Total environmental protection expenditures and investment by type		Information on the waste management and emission control expenses and expenses for remediation of environmental damage will be disclosed in the next reporting period.	76	+
61	LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	7.6. Availability of Replacement Personnel	Information about new employee hires will be disclosed in the next reporting period. A breakdown of employee turnover by age and gender is not provided because such records are not kept.	96	+
62	LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	7.2. Labor Conditions and Organization		87	+
63	LA4 Minimum notice periods regarding significant operational changes, including whether these are specified in collective agreements			ⓘ	+
64	LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	7.5. Occupational Health and Safety	Coefficients have not been calculated because records are kept in absolute numbers.	94	+

NO.	STANDARD ELEMENT	REPORT SECTION	EXCLUDED INFORMATION	PAGE	AUDITOR'S ASSURANCE
65	LA7 Workers with high incidence or high risk of diseases related to their occupation			95	+
66	LA8 Health and safety topics covered in formal agreements with trade unions			93	+
67	LA9 Average training hours per year per employee by gender and personnel category	7.3. Training and Education	A breakdown by gender is not provided because such records are not kept.	89	+
68	LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	7.4. Personnel Efficiency		91	+
69	LA12 Composition of governance bodies and personnel with a breakdown by gender and age group	7.1. Personnel Composition	A breakdown by personnel category is not provided because such records are not kept.	85	+
70	SO5 Confirmed incidents of corruption and actions taken	2.2. Ethics and Anti-Corruption Practices		47	+
71	PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	4.2. Quality and Industrial Safety		63	+
72	PR7 Requirements for marketing communications and current practices	9.1. External Communications		ⓘ	+

NO.	STANDARD ELEMENT	REPORT SECTION	EXCLUDED INFORMATION	PAGE	AUDITOR'S ASSURANCE
73	PR9 Fines and non-monetary sanctions for non-compliance with laws and regulations and requirements for products	8.3. Compliance with Legislation		105	+
		INFORMATION ON MANAGEMENT APPROACH			
74	Economic performance	3.1. Economic Performance		52	+
75	Financial position	3.2. Financial Position		54	+
76	Market presence	1.3. Target Markets and Position of the Company		27	+
77	Investment activities	3.4. Investment Activities		58	+
78	Results of production activities	4.1. Results of Production Activities		60	+
79	Quality and safety	4.2. Quality and Industrial Safety		63	+
80	Optimization of production processes	4.3. Optimization of Production Processes		66	+
81	Innovation development program	5.1. Innovative Development Program		70	+
82	Results of innovation activities	5.2. Results of Innovation Activities		72	+
83	Scientific activities	5.3. Scientific Activities		74	+
84	Energy consumption	6.3. Energy Consumption		82	+
85	Emissions	6.2. Emissions and Wastes		78	+
86	Wastes			81	+
87	Sustainability of products	6.1. Environmental Management and Compliance with Environmental Requirements		76	+
88	Compliance with environmental requirements			76	+
89	Environmental expenses			76	+
90	Personnel composition	7.1. Personnel Composition		84	+
91	Labor conditions and organization	7.2. Labor Conditions and Organization		86	+

NO.	STANDARD ELEMENT	REPORT SECTION	EXCLUDED INFORMATION	PAGE	AUDITOR'S ASSURANCE
92	Occupational health and safety	7.5. Occupational Health and Safety		92	+
93	Training and education	7.3. Training and Education		88	+
94	Personnel efficiency	7.4. Personnel Efficiency		91	+
95	Availability of replacement personnel	7.6. Availability of Replacement Personnel		96	+
96	Regional presence	8.1. Regional Presence		102	+
97	Social investments and charity	8.2. Social Investments and Charity		104	+
98	Anti-corruption practices	2.2. Ethics and Anti-Corruption Practices		46	+
99	Compliance with legislation	8.3. Compliance with Legislation		105	+
100	Commercial activities	3.3. Commercial Activities		56	+
101	Marketing communications	9.1. External Communications			+
102	Procurement activities	4.4. Procurement Activities		68	+
103	Cooperation	1.3. Target Markets and Position of the Company		27	+
104	Corporate communications	9.2. Internal Communications		108	+
105	Activities of the Board of Directors	2.1. Corporate Governance System		38	+
106	Organizational management model	1.1. Business Model		16	+
107	Internal control, audit and risk management	2.3. Internal Control, Audit and Risk Management		48	+

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i 105 GRI G4 Principles

Appendix 5.
Combined Accounting Statements

Combined balance sheet for December 31, 2014
Units of measure: thousand RUB

NOTES	NAME OF INDICATOR	CODE	FOR DEC. 31, 2014	FOR DEC. 31, 2013	FOR DEC. 31, 2012
	ASSET I. FIXED ASSETS				
	Non material assets	1110	13,671,530	12,899,173	12,699,759
	including:				
5.5	subsidiaries business reputation	1115	13,117,185	12,365,210	12,172,760
	Research and development results	1120	354,144	220,054	114,408
	Fixed assets	1130	27,099,989	22,494,305	20,387,537
	Profitable investments in tangible assets	1140	2,969	79,662	82,848
5.3	Financial investments	1150	5,656,545	6,846,123	7,589,559
	including:				
3.3	financial investments in associates	1151	107,704	1,456,003	1,197,394
	Deferred tax assets	1160	1,829,269	1,560,947	982,531
	Other non-current assets	1170	2,122,142	3,121,715	3,465,399
	Total for section I	1100	50,736,588	47,221,979	45,322,041
	II. CURRENT ASSETS				
	Stocks	1210	21,696,573	19,111,215	19,463,421
	including:				
	raw materials, materials and other similar valuables	1211	9,874,562	7,928,351	6,839,489
	work in progress costs	1212	7,883,057	9,205,676	10,047,823
	ready products and goods for resale	1213	3,136,702	1,842,801	2,385,061
	supplied goods	1214	802,252	134,388	191,048
	other stocks and costs	1216	-	-	-
	Value added tax on acquired values	1220	444,777	455,968	427,855
	Receivables	1230	44,739,401	30,892,622	78,691,393
	Long terms receivables	1231	10,724,083	7,417,663	32,375,109
	including:				
	settlements with clients and customers	1232	1,477,876	384,803	385,809
	Short-terms receivables	1233	34,015,318	23,474,959	46,316,284
	including:				
	settlements with clients and customers	1234	19,743,594	14,834,317	15,160,265
	Financial investments	1240	39,932,226	9,355,216	15,473,935
	Cash	1250	3,863,842	4,393,938	2,840,784
	Other current assets	1260	4,157,615	3,703,710	4,174,466
	Total for section II	1200	114,834,434	67,912,670	121,071,855
	BALANCE	1600	165,571,022	115,134,649	166,393,895
	LIABILITIES III. CAPITAL AND RESERVES				
5.4	Charter capital (share capital, authorized capital, partners' contributions)	1310	1,016	1,016	738
5.4	Share capital of supervised companies	1311	6,152,616	5,836,885	5,846,885
	Own shares redeemed from shareholders	1320	-	-	-
	Revaluation of non-current assets	1340	244,402	318,252	310,540
5.4	Capital surplus (excluding revaluation)	1350	22,898,620	22,736,601	14,552,251
5.4	Reserve capital	1360	484,062	441,417	410,803
	including:				
	reserves formed In accordance with the legislation	1361	105,255	66,504	59,260
	reserves formed In accordance with the constituent documents	1362	378,807	374,913	351,543
	Retained earnings (accumulated losses)	1370	3,023,013	3,983,083	8,224,095
	Total for section III	1300	32,803,729	33,317,254	29,345,312
5.6	The percentage of minority	1301	(3,765,341)	1,235,177	1,535,587
5.5	Subsidiaries business reputation	1302	164,805	184,066	174,192

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i 106 Report on Analysis of Combined Financial Statements
i 107 Accounting Statements of JSC Atomenergomash
i 108 Auditor's Report on Accounting (Financial Statements)

NOTES	NAME OF INDICATOR	CODE	FOR DEC. 31, 2014	FOR DEC. 31, 2013	FOR DEC. 31, 2012
	IV. LONG TERMED (FIXED) LIABILITIES				
5.7	Borrowed funds	1410	10,297,049	8,782,311	13,568,993
	Deferred tax liabilities	1420	-	-	-
	Estimated liabilities	1430	237,920	271,033	250,580
	Other commitments	1450	46,298,744	21,595,316	49,285,994
	Total for section IV	1400	56,833,713	30,648,660	63,105,567
	V. SHORT TERMED LIABILITIES				
5.7	Borrowed funds	1510	27,134,788	13,449,340	15,348,487
	Payables	1520	47,760,319	32,204,174	52,694,542
	including:				
	suppliers and contractors	1521	9,592,130	7,162,679	7,264,980
	payable to the personnel of the company	1522	507,187	518,127	524,093
	payable to the state extrabudgetary funds	1523	186,047	179,093	171,409
	payable taxes and levies	1524	2,240,588	1,122,809	1,621,191
	other creditors	1525	35,234,368	23,221,466	43,112,869
	Deferred revenues	1530	382,430	746,647	1,246,327
	Evaluation liabilities	1540	3,827,961	3,277,045	2,439,348
	Other commitments	1550	428,617	72,286	504,532
	Total for section V	1500	79,534,115	49,749,492	72,233,236
	BALANCE	1700	165,571,022	115,134,649	166,393,895

Deputy General Director – Director for Economy and Finance Filatov S.N.

06 April 2015

Head of Department Shvetsov I.V.

Combined report on financial results for January-December, 2014

Units of measure: thousand RUB

NOTES	NAME OF INDICATOR	CODE	FOR REPORTED PERIOD	FOR THE SAME PERIOD OF THE PREVIOUS YEAR
5.8	Revenue	2110	48,643,079	46,370,069
	Cost of sales	2120	(40,863,514)	(39,620,460)
	Gross profit (loss)	2100	7,779,565	6,749,609
	Selling expenses	2210	(1,070,051)	(979,437)
	Management expenses	2220	(5,055,609)	(4,757,628)
	Profit (loss) from sales	2200	1,653,905	1,012,544
	Income from participation in other organizations	2310	3,439	10,572
	Interest receivable	2320	861,917	932,723
	Outstanding interest	2330	(1,717,290)	(2,330,741)
	Other income	2340	10,011,014	5,710,991
	Other expenses	2350	(16,225,534)	(8,853,867)
3.3	Capitalized profit (loss)	2360	(19,582)	(4,847)
	Profit (loss) before tax	2300	(5,432,131)	(3,522,625)
	Current income tax	2410	(1,488,015)	(495,799)
	including permanent tax liabilities (assets)	2421	(587,889)	(736,734)
	Change in deferred tax liabilities	2430	(376,453)	(141,630)
	Change in deferred tax assets	2450	560,140,	590,940
	Other	2460	171,050,	37,909
	Net income (loss)	2400	(6,565,408)	(3,531,205)
	Profit belonging to a group	2470	(1,903,017)	(3,134,177)
	Profit attributable to minority shareholders	2480	(4,662,392)	(397,028)

Deputy General Director – Director for Economy and Finance Filatov S.N.

06 April 2015

Head of Department Shvetsov I.V.

Appendix 6.
Internal Auditor's Report

Conclusion of the Internal Audit Directorate on the results of internal audit of the public reporting preparation process of JSC Atomenergomash for 2014

May 14, 2015
Moscow

The internal audit of the process of the public annual report preparation of JSC Atomenergomash was performed in accordance with:

- The Order of the Director General of JSC Atomenergomash Nikipelov A.V. as of March 28, 2013 No. 33/89-P "On the approval of Regulations for planning and control of the management's activities in internal audit of JSC Atomenergomash and the Standard operations procedure of JSC Atomenergomash and its affiliated, dependent and supervised companies on compensation of damage and elimination of violations (shortcomings) revealed by results of the control held by specialized internal control authorities" adopted in recognition of the requirements of Rosatom State Corporation policy in the sphere of public reporting implemented by the order No. 1/403-P of May 13, 2011;
- Public Annual Reporting Standard of JSC Atomenergomash adopted by the order No. 3 3/43 5-P of December 25, 2013;
- Basic provisions of GRI Reporting Manual in the sphere of sustainable development (G4 version);
- Series of the international AA1000 standards;
- International Integrated Reporting Committee (IIRC).

The public annual reporting regulations are approved by the order of the Director General Nikipelov A.V. of December 25, 2013 No. 33/435-P according to which responsibility for preparation and submission of information is assigned to heads and employees of the structural divisions involved in the public reporting process.

The key points of the actual procedure of the process organization in the Company are the following: creation of the annual report concept, preparation of the annual report draft, dialogues with interested parties, updating of the report draft, public hearings.

During the audit:

- the assessment of the system of internal audit effectiveness of the public reporting preparation (including the analysis of regulation and formalization of the key processes connected with public reporting preparation; the analysis of the key control procedures introduction efficiency providing reliability of public reporting preparation) was carried out;
- the assessment of compliance of the public reporting preparation procedure to the current legislation, internal standard requirements and international recommendations regulating the business process of public reporting preparation was carried out;
- recommendations on the internal audit system improvement at public reporting preparation were developed

Audit results allow to draw a conclusion on a satisfactory condition of the system of internal audit effectiveness of the public reporting preparation and on compliance of the public reporting preparation procedure of JSC Atomenergomash to the current legislation, Rosatom State Corporation policy in the sphere of public reporting and to the internal standard requirements of JSC Atomenergomash regulating the business process of public reporting preparation.

Internal Audit Director
of JSC Atomenergomash

A.L. Levenshtein

Appendix 7.
Conclusion on the Public Assurance

We conducted an independent review of JSC Atomenergomash integrated annual report for 2014 (hereinafter referred to as the Report), and submit its assessments and conclusions in terms of its completeness and materiality as well as the effectiveness of Company's response to the suggestions of its stakeholders.

We take into account that of JSC Atomenergomash forces the development of the advanced international standards, including Guidance Global Reporting Initiative (GRI) of latest version of G4, International Integrated Reporting Council (IIRC) and Standards AA1000 Series of the International Institute of Social and Ethical Accountability.

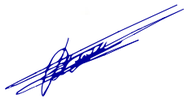
The Report covers the most significant themes relevant to the Company's and its stakeholders. The report discloses issues of economic, environmental and social activities of the Company. The methodology for materiality assessment for activity aspects developed and implemented by the Company, based on the requirements of international standards allowed to take into account the opinion of the Company and stakeholders. In our opinion, there is no reason to be doubtful of the objectivity of the procedure for determining the content of the Report.

In our opinion, the Report covers the most significant themes relevant to the company's stakeholders. We are not aware of any facts that could cast some doubt over credibility of the information presented in the Report or concealment of any existent information. Information is set forth in the Report in a balanced manner: both strategic goals and objectives are presented, as well as challenges and risks that may thwart their implementation.

The company has traditionally engaged stakeholders into the Report's preparation in the form of public dialogues, which allow participants to present their recommendations and receive a company's response. According the dialogues' outcomes, the protocols (minutes) were set up and agreed with participants, in line with which comments were added in the text of the Report, what, in turn, allowed to increase stakeholders' awareness on issues of their concern. In addition, the Company has met the commitments pledged during the previous reporting campaigns.

This year, the Company increased flexibility and efficiency of interaction with stakeholders, using new formats, including correspondence. Separately we note that the company has done significant work for expanding of the audience of dialogues and attraction of new stakeholders' representatives.

We express confidence that JSC Atomenergomash will exercise its obligations, plans and intentions outlined in the 2014 Report, and will continue to develop its activities in the area of public reporting and interaction with stakeholders.



P.A. Belousov
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S.S. Golovachev
Leader of the Project
"Development of the Public
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Social Responsibility and non-
financial reporting under RSPP

A.Y. Khitrov
Director-General of All-Russian
Sectoral Association of
Employers "Union of Employers
of Nuclear and Power Industries,
Science of Russia"

Appendix 8.
Non-Financial Auditor's Opinion

Introduction

The subject of the assurance is the Integrated Annual Report of Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to as the Report) for the period from January 1 to December 31, 2014.

This conclusion is addressed to the management of Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to as JSC Atomenergomash).

Responsibility of the parties

The management of JSC Atomenergomash is fully responsible for the preparation and accuracy of this Report.

We are responsible for the independent assurance of the Report only to JSC 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 JSC 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 to requirements of the Regulations on reporting in the sphere of sustainable development of Global Reporting Initiative (the main option in compliance with GRI G4 Manual);
- observance of requirements of the International Integrated Reporting Framework;
- observance of requirements of the RF legislation to annual reports of joint-stock companies regarding disclosed data;
- observance of standard requirements of Rosatom State Corporation and internal local regulations of JSC Atomenergomash regarding contents of the public reporting.

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 JSC Atomenergomash in order to ensure and analyze the Group's compliance with AA1000 APS 2008 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 2008;
- Interviews with management representatives of JSC Atomenergomash;
- 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 JSC Atomenergomash; 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 JSC 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 JSC 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 JSC Atomenergomash 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 criteria specified above.

Limitations of assurance

The assurance is limited to the reporting period (January 1 to December 31, 2014).

The assurance on the reliability of the quantitative performance data disclosed in the Report was made as 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 JSC 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 and containing information as subject to publication in a hard-copy form as well as in electronic form on JSC Atomenergomash website.

Provided Report's version includes tasks for designers, the performance of which we had no opportunity to certify.

We had no opportunity to certify the fact of the Report publication on JSC Atomenergomash website due to the fact that the date of signing hereof preceded the planned date of the Report publication on the Company website. Also, we had no opportunity to certify the approval of final version of the Report by the Board of Directors and the General Stockholders' Meeting, due to the fact that the date of signing hereof preceded the planned date of the Report approval.

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 JSC 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 disclosing the activities of JSC Atomenergomash in matters of sustainable development and its results.

Nature and degree of compliance with AA1000 APS 2008 principles

As a result and within the scope of our work, we did not identify material misstatements to criteria of AA1000 APS 2008 standard regarding observance of the principles (involvement, importance, susceptibility).

Compliance of the Report to requirements of the Regulations on reporting in the sphere of sustainable development of Global Reporting Initiative (the main option in compliance with GRI G4 Manual).

In order to express an opinion on this Report, we analyzed its compliance with GRI G4 recommendations when preparing the Report with respect to the reporting principles and standard elements for the stated level of the Report preparation "in compliance with."

Principles used to determine the content of the Report

Materiality

- Materiality assessment, disclosed in a Report based on the conducted survey in relation to representatives of the internal and external stakeholders of JSC Atomenergomash.
- The Report reflects significant aspects of the JSC Atomenergomash activities in economic, social and environmental matters for the main stakeholders.
- The report describes key topics raised in the reports of foreign companies with similar profile.

Stakeholder coverage

- JSC Atomenergomash presented information in the Report on stakeholders and mechanisms for incorporating their interests when determining the contents of the Report.
- The Report demonstrates JSC Atomenergomash efforts to consider in its activities the substantive interests of stakeholders. The Report provides information on the stakeholders recommendations made during the dialogue and consultations on the Report. For all comments and suggestions Company provided feedback in the Report.

Sustainable development context

- The Report presents the results of JSC Atomenergomash operations in the broad context of sustainable development, including various aspects of economic, social and environmental activities.

Completeness

- The Report with sufficient degree of completeness discovers the information on standard reporting elements for the chosen option "in compliance with."

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 G4 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.
- Most of the quantitative indicators are given in the three-year dynamics, which allows analysis of the trends of the Company's activities.

Accuracy

- The accuracy of the actual information presented in the Report is sufficient for stakeholders to assess the performance of JSC Atomenergomash in matters of sustainable development.
- Calculations of indicators are based on the techniques containing in the GRI G4 Manual.

Timeliness

- The Report was prepared for the purpose of submitting it to the Annual 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 Glossary (Appendix 1) facilitating understanding of provided information by the Report users is presented in the Report.

Reliability

- The information on performance presented in the Report is based on the internal reporting documents of JSC 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 JSC Atomenergomash.
- We did not discover any evidence that calls into question the reliability of the information contained in the Report.

Standard reporting components

- Disclosure of the general standard reporting elements is generally presented with observance of GRI G4 requirements for the declared option of report preparation «in compliance».

Special standard reporting components

Approaches to management

- The Report reflects approaches to management of significant aspects of economic, social and environmental matters.

Performance indicators

- All indicators necessary for ensuring implementation of requirements to the main option "in compliance with" G4 Manual are provided in the Report with observance of instructions to GRI G4 indicators. G4-EC9, G4-EN31 indicator is disclosed not in full with specification of the reasons for incomplete disclosure.
- Other indicators are also disclosed in the Report, including indicators with excluded information from disclosure, contained in the GRI Content Index.

Overall assessment of the Report

The work carried out by us allows to draw a conclusion that the structure and number of disclosures required for the main option of the Report preparation "in compliance" with GRI G4 Manual are presented in the Report and are reasonably reflected in the Index of GRI contents.

Observance of requirements of the RF legislation to annual reports of joint-stock companies regarding disclosed data.

On the basis of this work, we found no material misstatements in requirements of "Regulation on Information Disclosure by Issuers" (approved by the Bank of Russia 30.12.2014 No.454-II) regarding the disclosure of information in the annual report of the company. At the same time, we note that the Report doesn`t provide detailed information on costs concerning the types of energy resources.

Observance of standard requirements of Rosatom State Corporation and internal local regulations of JSC Atomenergomash regarding contents of the public reporting.

JSC Atomenergomash disclosed in the Report a number of indicators set out in the JSC Atomenergomash Standard of public annual reporting, which recognized by Company to be material. As a result and within the scope of our work, we did not identify significant discrepancies indicators disclosure included into the indicators index of JSC Atomenergomash, requirements of Rosatom State Corporation policy in the sphere of public reporting and JSC Atomenergomash Standard of public annual reporting.

Compliance of the Report to the requirements of the International Integrated Reporting Standard

As a result and within the scope of our work, we did not identify material deviations from the International "IR" Framework and its requirements for the elements' composition of the content required for the integrated report.

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. Increase the extent of indicators disclosure concerning which instructions to GRI G4 indicators have not been considered not in full (partial disclosure).
4. In the case of incomplete indicators disclosure to provide explanations for it in accordance with the recommendations of the GRI.

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 JSC 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 Manual and GRI certificates. The project leader underwent training in the assurance of the reporting in matters of sustainable development at the Accountability training center and has LCSAP certificate.

Director General
CJSC NP Consult

V.N.Skobarev

Moscow
May 15, 2015

Appendix 9.
Consideration of Stakeholder Opinions

Table on the consideration of stakeholders' suggestions on the content of the Annual Report

NO.	SUGGESTION/RECOMMENDATION	COMPANY'S RESPONSE
	Shareholders, Rosatom SC	
1	Change the keynote of the Report to "Uniting the Potentials".	Taken into account.
2	Move the "Procurement Activities" section to the "Production Activities" or the "Economic Activities" chapter.	Taken into account.
3	Provide marketing performance indicators in the "Marketing and PR Communications" section.	The "Communication Activities" chapter has been restructured and expanded.
4	Show the results for the year as a contribution to the achievement of strategic objectives.	Taken into account in section 1.4.
5	Move the "Market Presence" section to the "Strategy" section.	Taken into account.
6	Separate the information about anti-corruption activities, risk management and internal audit from the "Corporate Governance" section.	Not taken into account. This is not consistent with the understanding of corporate governance as adopted by the Company.
7	Move all the safety information into a separate section.	Not taken into account. In our work, industrial safety and product quality are two inseparable concepts. Personnel safety is, in our understanding, an independent and self-sufficient subject.
8	Provide explanations on the new approach to constructing a stakeholder map.	Taken into account in section 9.4.
9	Comments need to be given on the dynamics of indicators in relation to the planned values.	Partly taken into account in sections of the Report.
10	Specific quantitative indicators of the achievement of KPIs need to be provided, with comments.	Taken into account in section 2.2.
11	Consider visualization of large tables in the "Personnel" section.	This task has been passed on to the design team.
12	Indicate the bases for the forecasts and the strategy in the section on the markets.	Taken into account in section 1.3.

NO.	SUGGESTION/RECOMMENDATION	COMPANY'S RESPONSE
	Entities included in the management perimeter	
13	Specify the results of scientific and engineering activities.	Will be taken into account in the next reporting period.
	Personnel/trade unions	
14	Replace the indicator "Social expenses per employee per year" with the "Social package per employee per year."	Taken into account.
	Customers/partners	
15	Disclose information on sociological studies in the regions of operation in relation to the Company's assessment of prospects for the development of nuclear power.	These types of sociological studies are conducted in the regions when commissioned by Rosatom State Corporation, and it appears that the results of these studies should be disclosed in its reports.
16	Move the "Corporate Governance" section closer to the end of the Report.	Not taken into account. The first part of the Report describes the Company and its management while the second part deals with the management of various aspects.
17	Place the "Interaction with the Society" section and the "Communication Activities" section next to each other.	Taken into account.
	Scientific and expert community	
18	Include an "Import Substitution" section in the Report and describe new opportunities and prospects for the Company in this regard.	Currently, no specific results on this point are available; however, section 5.1. discloses a case on this topic. This topic will be expanded in the reports for future periods.
19	Disclose information on "Scarcity of specialists in a particular field" (including the Company's activities in this connection).	Taken into account in section 7.6.
20	Disclose the amount of received grants as well as foreign and national investments in R&D and work with the public science foundations in the reports.	Will be taken into account in the next reporting period
21	Disclose the amounts of produced IP items and their appraised value as intangible assets; the number of publications on subjects of research; plans for the introduction of an IP management system in the Company.	Will be taken into account in the next reporting period

NO.	SUGGESTION/RECOMMENDATION	COMPANY'S RESPONSE
22	Disclose detailed data (quantitative and qualitative) on R&D performed in cooperation with universities, as well as data on grants received from the Ministry of Education for the development of joint research, platforms, laboratories, industries, and enterprises.	Will be taken into account in the next reporting period
23	Disclose the age structure of specialists at the enterprises, the projected hiring numbers for specialists in specific disciplines, i.e. the demand for various specialties in the Division.	Taken into account as regards the age structure in section 7.1. As regards other indicators, such records are not kept at present.
24	Reflect the programs for training of specialists for the Division developed in collaboration with universities and other educational institutions.	Partially disclosed in section 7.6. More detailed information will be disclosed in future reporting periods.
	Public organizations, non-profit organizations, the media	
25	Disclose the approach to employee engagement assessment in more detail, including accounting for the special features of operation of nuclear industry enterprises as well as the assessment results.	Taken into account in section 7.4.
26	Add the main goals and objectives of the Company to the objectives of the Report.	The specified objectives of the Report are important to the Company and fully reflect our vision of the practical purpose of the Report.
27	Change the title of the section "Impact on the Society" to "Interaction with the Society."	Taken into account.
28	In the "Compliance with Legislation" section, make an emphasis on compliance with, rather than violation of, legislation.	Taken into account.
29	Swap the "Environmental Expenditure" and the "Compliance with Environmental Requirements" sections.	Taken into account.
30	Describe the Company's compliance with the Industry Agreement on Nuclear Power, Industry and Science for 2015-2017.	Taken into account in section 7.2.
31	Disclose information on the work related to the special assessment of labor conditions and development of professional standards.	Taken into account as regards assessment of labor conditions in section 7.5. Currently, the Company does not participate in the development of professional standards.

NO.	SUGGESTION/RECOMMENDATION	COMPANY'S RESPONSE
32	Present the final results of the expedition of the OKA Ecological Movement to Rostov NPP in 2014 in the Report.	This material does not have a direct relation to the Company.
33	Disclose information about worker and engineer dynasties, salary levels by employee category, and the system of penalties and rewards.	Information about dynasties is disclosed in the reports of EMPs. The rest is taken into account in section 7.2.
34	Disclose the Company's program for getting out of a permanent loss-making situation.	Chapter 1 discloses information about the strategy for the period up to 2030, which was approved in 2014.
35	Disclose information about the number of claims for products and the number of warranty repairs for the last 10 years.	This information will be disclosed in future reporting periods.
36	Emphasize the topic of information security.	Not taken into account. Currently, this topic is covered in the Report to the optimal extent possible.
37	Disclose the relationship between the increase in salaries and own productivity.	Sections 5.1, 7.2, and 7.4, respectively, disclose the data on the percentage of products manufactured at our facilities, increase in the average salary, and labor productivity.
38	Expand the topics of outsourcing and engagement of contractors in implementation of the production program.	Taken into account in section 7.1.
39	Indicate the output/capital ratio and capacity utilization rate in the Report.	Not taken into account. This information is internal and is treated as non-public by the world's largest companies.
40	Disclose information on the implementation of the principles of the best available technologies and "green" production.	The case of selective waste collection at OJSC PZM has been disclosed.
41	Indicate how energy savings were achieved.	A comment has been made in section 6.3

Table on the incorporation of stakeholders' suggestions into the Company's activities

NO.	SUGGESTION/RECOMMENDATION	COMPANY'S RESPONSE
	Shareholders, Rosatom SC	
1	Use the practice of conducting extramural public dialogues.	Currently, this practice is already being used, for example, surveying stakeholders on the essential aspects of operation.
2	Develop a joint position with Rosatom State Corporation regarding disclosure of information on compliance with the Corporate Governance Code.	Currently, this work is already underway.
	Scientific and expert community	
3	Analyze unemployment rates in the regions of operation.	Given that our enterprises are not backbone enterprises in the cities of operation, we do not carry out analysis on this matter.
4	Consider joining the working group on the development of a training program for certification of integrated reporting at the RRN.	At present, an application for including a representative of the Company in the working group has already been submitted.
	Public organizations, non-profit organizations, the media	
5	Conduct one of the public dialogues at a subsidiary of the Company.	This possibility is currently being considered for the next reporting campaign.
6	Ensure the presence of the Company's CEO during public consultations on the draft Report.	The event is traditionally attended by Deputy CEOs for the respective business areas on behalf of the Company's CEO.
7	Actively involve the media in the public dialogue.	Interaction with the media is particularly important at the stage of promotion of the published annual Report. Their representatives are invited to take part in the working meetings and discussions on common grounds.
8	Use the official methodological recommendations on accounting for greenhouse gas emissions, which are currently at the approval stage, in the next reporting periods.	Following their approval, these methodologies will be put by the Company in practice.

NO.	SUGGESTION/RECOMMENDATION	COMPANY'S RESPONSE
9	Provide an independent mechanism for monitoring the efficiency of the Company's production system and conduct a voluntary environmental audit annually, starting from 2015.	These matters are within the competence of each individual EMP.
10	Conduct a valuation of the Company's production system as an independent product.	The Company's production system is built in strict compliance with the requirements and recommendations of Rosatom State Corporation and constitutes an integral element of the Rosatom Production System. Thus, this issue is outside our competence.

Consideration of recommendations received in the previous reporting period

NO.	SUGGESTION/RECOMMENDATION	COMPANY'S RESPONSE
1	Disclose the structure of needs as regards personnel qualifications.	Not taken into account. Such projections are not made.
2	Disclose information about the structure of the Division's employees by profession.	Not taken into account. Records are kept by personnel category.
3	Modify the business model of the Company to reflect production specifics of an engineering company.	Taken into account in section 1.3.
4	Reflect the activities on social support and interaction with AEM and industry veterans.	Taken into account in section 8.2.
5	Disclose the indicator "Number of created highly productive jobs."	This will be taken into account in future reporting periods after a common calculation methodology is adopted.
6	Disclose information about insurance as a risk management tool.	Taken into account in section 2.3.
7	Provide information on the "general engineering" field.	Information about this field is confidential.
8	Consider the possibility of self-assessment in the field of social responsibility as per ISO 26000	Will be taken into account in future reporting periods.

NO.	SUGGESTION/RECOMMENDATION	COMPANY'S RESPONSE
9	Include information about postgraduate courses and dissertation counsels in the Report.	Taken into account in section 5.3.
10	Supplement the Report with information on corporate projects as regards cooperation between various enterprises of the Division within these projects.	Taken into account when defining the key idea of the Report.
11	Include information on innovation activities: number of IP items, number of patented solutions, number (share) of sold IP items, number of purchased IP items (including abroad)	Taken into account in sections 5.1. and 5.2.
12	Include information on cooperation with universities: indicators of work with base departments, etc.	Taken into account in section 7.6.
13	Disclose information on the intellectual property management system.	Taken into account in section 5.2.
14	Include comparative qualitative indicators which graphically illustrate the efficiency of the innovative technologies used by the Company in comparison with traditional technologies.	Taken into account as a case in section 5.2.
15	Pay attention to market valuation of intangible assets of the Division's enterprises, work relating to patent and legal protection of inventions, know-how, trademarks, brands and other intangible assets.	To be taken into account in future reporting periods.
16	Provide information about the EBITDA dynamics and structure.	Information on the EBITDA dynamics is provided. The structure by EMP is not disclosed.

GRI 4-3, 4-5, 4-7

Joint-Stock Company Nuclear and Power Engineering

JSC Atomenergomash

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