

State Atomic Energy Corporation «Rosatom»

Joint-Stock Company

Nizhny Novgorod Engineering Company
«**Atomenergoproekt**»



Annual Report

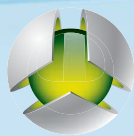
2010

Annual Report | 2010 | JSC NIAEP

Providing the experience
of the future



НИАЭП



Multi-D
NIAEP || technology

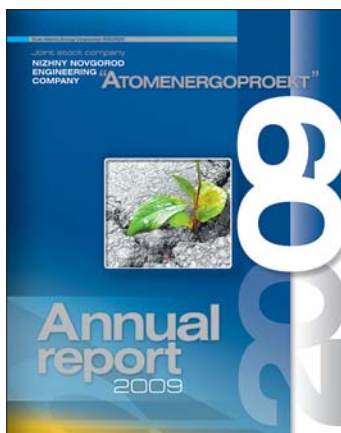
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About the Annual Report

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This public Annual Report (hereinafter-the Report) is to describe activity of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY «ATOMENERGOPROEKT» (JSC NIAEP) within 2010. The Annual Report is the third integrated Report covering financial and not-financial aspects of the Company activities. The previous integrated report was issued in 2010 to make information public within the span of January 01 to December 31, 2009. There are no essential changes concerning the previous periods of reporting with regard to the scope, range and methods used in the Report.

The Report Drafting Process

As the Report drafting proceeded, the principle of interested parties (stakeholders) interaction enacted by the «Public Reporting Policy of the State Atomic Energy Corporation «Rosatom» has been implemented. The target audience of the Report is such interested parties of the Company, as the stockholder, customers, suppliers, subcontractors, labor collective and management of JSC NIAEP, public organizations, governmental authorities, local population, and mass media.

During the Report drafting JSC NIAEP engaged representatives of the principle interested parties into the detailed estimation and perfection of the activity by supporting their participation in dialogues, public hearings and public assurance.

Prior to the Report generation, the matters of priority had been specified and coordinated with the concerned parties of the Company: «Strategy of the Company up to 2020» and «Activities for Steady Development».



Dialogues and public consultations with the concerned parties were conducted as per requirements and recommendations of the «Concerned Parties Interaction Standard AA 1000 SES». Within the scope of the procedures some vital points were specified with deliverables set in *Section 4*.

Information Disclosure Level

For drafting the Report JSC NIAEP's management and audited financial statements as per RSBU standard were used. The Report draft passed an internal audit by the Company's Corporate Review and Audit Department with the audit report displayed in *Appendix 7*.

The report has been drafted with the «Guidelines of the GRI Sustainability Reporting Framework (Global Reporting Initiative)» taken into account. The Report is provided with analysis of essential impacts in terms of sustainable development and efficiency indices specified by the Guidelines are used. For drafting the Report version G3 was used as version G3.1 was issued on March 23, 2011, that is after the drafting works had started. The GRI leaves decision making G3 or G3.1 use to option of the entity engaged into report drafting. The Report information disclosure corresponds to level «B+» and that is confirmed by outcomes of independent external audit

Table 1. GRI Information Disclosure Levels

Уровень применения GRI		C	C+	B	B+	A	A+
Mandatory	Self-declared						
Optional	Third party checked						
	GRI checked						

conducted by ZAO «Bureau Veritas Certification Rus». The audit report is shown in *Appendix 8*.

The Report Scope

The Report is endowed with the Company performance financial and non-financial aspects, which have vital importance for the parties concerned. The Company's reporting scope is defined by having wholly-owned subsidiaries what gives the Company the right for management of the enterprises financial and operational policies. The Company and its subsidiaries activity results are reported here basically consolidated. For cases of not consolidated information reporting appropriate notes are given.

The Company's subsidiaries included in the Report scope are listed in *Chapter 1.1. General Information about JSC NIAEP*. The Company accounting reporting is not consolidated with the associated companies. In view of the intracompany balance, the subsidiaries activity financials do not result in essential changes of financial indices of JSC NIAEP.

In some sections of the Report a part of indices is given in view of entities participating in the single production chain and having significant effect on the business of the Company. In such cases a special reference to the characteristic scope is done. In particular, JSC NIAEP performs the duty of General contractor responsible for on-site works arrangement. In this connection the on-site personnel rate, if there are «overall», «total» references are available or if there is no «own forces» reference, includes the personnel of subcontractors and the «own forces» definition means the personnel of JSC NIAEP's subsidiaries only. Emissions and other environmental impact figures are displayed covering the total impacts caused by activity of on-site subcontracting entities as a whole.

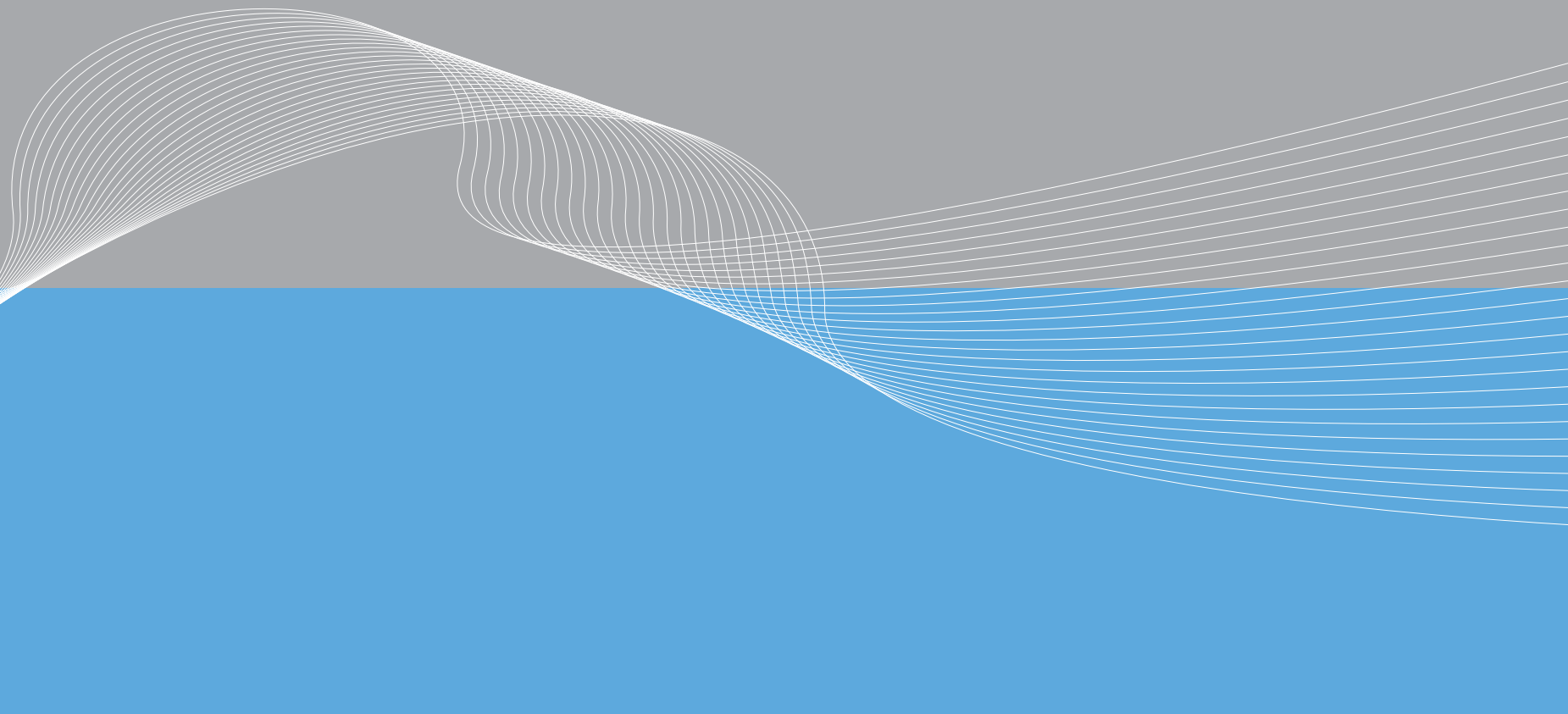
Limitation of Liability

The Annual Report contains statements of forecasting nature regarding the financial, economic and social indices to describe the further development of the Company. The actual events and deliveries can differ from the forecasted ones. The assumptions and intentions feasibility is directly linked to the political, economic, social and legal situation both in the Russian Federations and across the globe. For this reason, actual results of the Company business can differ from the forecast statements specified in the Report.

The Report is released in Russian and English and published on the corporate web-site of JSC NIAEP www.niaep.ru.

This Annual Report is the second public annual report of the Company and lays the foundation of regular reporting in future. Annual Report 2011 will be generated according to the new edition of the «Guidelines of the GRI Sustainability Reporting Framework» (GRI G3.1).

Address by the Chairman
of the Board of Directors of JSC NIAEP



Dear ladies and gentlemen,

Prospering in meeting the challenges, JSC NIAEP, as an engineering company, testifies to its top position in the domestic nuclear industry and displays readiness for pursuing new ambitious targets specified by the Strategy of the Company Development up to 2020 and plans of the State Atomic Energy Corporation «Rosatom».

In 2010, JSC NIAEP proved again its substantiality, constancy and stability. Confirmation of this comes from launching into commercial operation of Rostov NPP Unit 2 the construction General contractor of which was JSC NIAEP since 2007.

The Company keeps its activity for NPP units serial construction – Rostov NPP Units 3 & 4 as well as Kalinin NPP Unit 4, the first criticality of which is scheduled for autumn 2011. The today progress shows JSC NIAEP's readiness to meet its engagement in the targeted terms and with proper quality respected.

As a matter of fact, the unconditional priority of the Company is the designed and constructed facilities safety which is of critical importance nowadays. The precise following the entire variety of safety requirements and regulations, as well as safety culture, are the basic principles of JSC NIAEP employees proceedings.

Production efficiency is a thing of special attention of the Management of JSC NIAEP. Kalinin NPP Unit 4 became the pilot branch project to implement the Production System of Rosatom (PSR). Having been convinced in efficiency of the PSR, the Company uses it successfully to construct Rostov NPP Units 3 & 4 as well.

The Board of Directors highly estimates the policy of innovations and mastering the most advances world's experience taken by the Company. Up to date, JSC NIAEP, dynamically developing its competencies in the area of designing, is a known leader in smart engineering design technology (3D-design and complex engineering product life cycle management system implementation) development and use in Russia. Implementation of smart engineering design is one of the main competitive advantages of JSC NIAEP both on the Russian and the global markets. In the estimation of the Board of Directors this vector of upgrowth will create a young capability for NPPs constructions.



Sergey V. Budylin

*Chairman of the Board of Directors of JSC NIAEP,
Deputy General Director – Director of the Capital Construction
of the State Corporation «Rosatom»*

A stylized, handwritten signature in black ink, consisting of several fluid, overlapping strokes.

Dear colleagues,

In 2010, the Company staff and all the Russian nuclear community celebrated the 65-anniversary of the Nuclear Industry. The anniversary year came to be noticeable for ponderable labor accomplishments of the Company.

On the 10th of December, Rostov NPP Unit 2 was commissioned – the first plant covered by the «Program of the State Corporation «Rosatom» for Long-Term Activity». In fact, the success is attributable to not only JSC NIAEP as the General contractor, but to the Russian nuclear industry in whole, as construction of plants caused renewal of the domestic civil engineering complex and revived the nuclear engineering industry as well.

In 2010, JSC NIAEP, as an advanced engineering company capable to build up at once a number of most complicated objects at the targeted time, kept on its competencies further development. Effective management, high techs implementation, following the whole of safety and quality requirements are the overriding terms to provide adherence to the schedules of Rostov NPP Units 3 & 4 and Kalinin NPP Unit 4 construction.

In December 23, 2010, the Kalinin NPP Unit 4 primary circuit was pumped through the open reactor and that is to testify to the plant readiness for precommissioning and first criticality scheduled to be initiated in September, 2011. Kalinin NPP Unit 4 came to be the pilot branch project to implement the Production System of «Rosatom» (PSR). The most impressive gains provided by the PSR is the primary pipeline welding produced with no any quality loss twice faster than it had been accomplished for Rostov NPP Unit 2.

Address by the Director
of JSC NIAEP



For more than a year the Company has been actively implementing the technology of smart engineering design Multi-D (NPP construction management). This technology allows the 3D model-based civil and erection work processes simulating just prior to the start with due account for resources optimal use. Implementation of smart designing is one of the principle competitive advantages of JSC NIAEP both in the Russian and the global markets. In fact, the technology use provides shortening of civil and erection works dates, decrease of project costs and increase of working efficiency, quality and safety at nuclear engineering objects at the same time.

In 2010, with a view of designing experience exchange, JSC NIAEP initiated foundation of Association of Innovative Engineering Design – Club 3D to incorporate as of today about 30 Russian and foreign companies engaged in the field of design engineering and IT-products generation with issuing association bilingual journal «Club 3D».

In the same year, the Company kept the tradition of holding Fairs of Nuclear Engineering. In the Nizhny Novgorod lands where historically prices for grain were established for ages, now twice per year competitive costs of equipment for NPPs under construction are determined.

During the October Fair of Nuclear Engineering, due to tendering among suppliers of equipment for the typical nuclear power unit, «Symbolical Picked Team» was composed and the best suppliers were mentioned by a symbol of professional recognition – «Minin and Pozharsky» award.

In 2010, NIAEP «grew younger» to come to the mean age of employees of the Company as 41 years. About 100 young design engineers were employed by the Company. And the young is the force capable to make breakthrough in extension of smart engineering design under the guidance of skilled specialists of the Company.

Another gain of great importance for the Company came with winning in the All-Russia contest «Russian Entity of High Social Efficiency» where JSC NIAEP was recognized to be the best in nomination «For Development of the Employment Market». The Government of Russia has appreciated highly our Company for not just having kept the current personnel in the postcrisis year, but also for active creation of new jobs, providing worthy wages, relevant social packages, engaging in employees career planning and professional competencies upgrowth, ensuring safe working conditions and good dealing with other social concerns.

JSC NIAEP is an open and transparent company and this Annual Report enables each party of concern for taking a close look at our annual results. This Report is committed to intimate that the Company is focused not only on providing high current industrial and financial abilities but the Company long-term sustainable progression background foundation. Our perception of the sustainable progression is increase of liabilities to the parties of concern for the business we do.

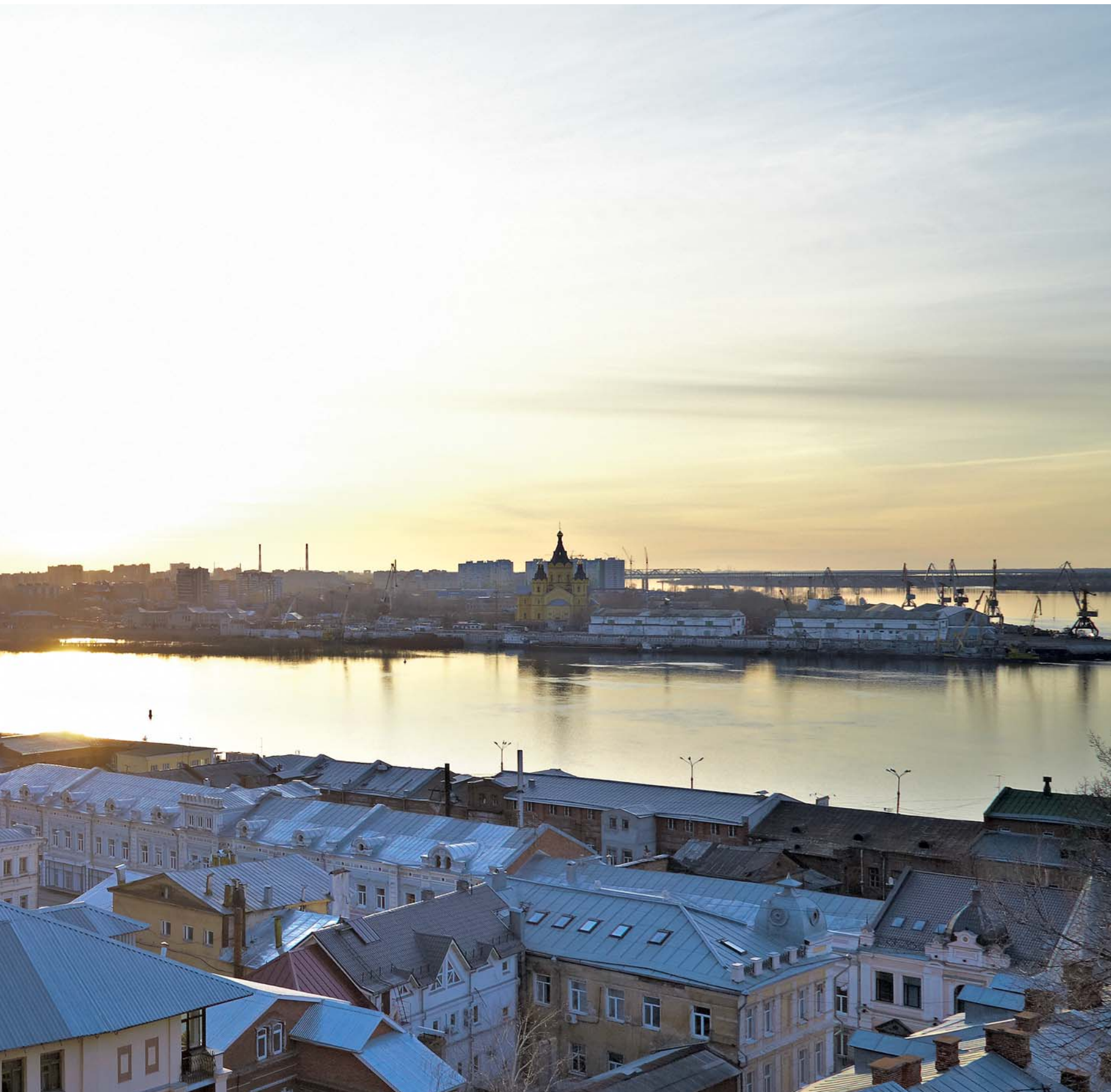


Valery I.Limarenko

Director of JSC NIAEP

A handwritten signature in black ink, appearing to read 'В.И. Лимаренко' (V.I. Limarenko). The signature is fluid and cursive, written on a white background.





Key Performance Indices of JSC NIAEP

For more detailed information on the Company performance see appropriate sections of the Report.



Table 2. Trends of 2008–2010 Main Performance Indices

Index	2008	2009	2010
Revenue, RUR ths.	17 991 500	35 227 938	41 081 487
Net profit, RUR ths.	1 104 845	1 554 314	776 234
Assets, RUR ths.	23 918 537	39 844 781	39 405 842
Labor efficiency, RUR ths./man	13 123	18 206	18 122
Labor force (subsidiaries included), pers.	1 957	3 433	4 556
Number of projects under construction for the reporting period, pers.	2	3	4
Tax payments to the state, regional and local budgets, RUR ths.	2 893 767	2 164 441	1 929 554
Social expenditures (charitable contributions included), RUR ths.	83 367	223 000	230 000
Internal performance (added value), %	15	10	8

Key Events of 2010

Table 3. Key Events of 2010

Date	Event
Key events in production activities	
January 28	Reactor VVER-1000 vessel was successfully proper located at the constructed Kalinin NPP Unit 4.
March 18	Rostov NPP Unit 2 power start-up was accomplished. The event was attended by Vladimir Putin - the Chairman of the Government of the Russian Federation.
July 12	The Board of Directors of JSC NIAEP decided to establish the Kharkov representation office.
July 23	One of the principle stages of Kalinin NPP Unit 4 was accomplished – welding of the primary pipeline. The works were executed in record term -127 days breaking the previous record of the domestic industry of 150 days.
August 4	Rostov NPP Unit 2 was brought to 100% power level.
November 13	Rostechnadzor Of Russia certified Rostov NPP Unit 2 as conforming to requirements of technical regulations and design documentation.
December 10	The State Atomic Energy Corporation «Rosatom» signed Rostov NPP Unit 2 commissioning permit.
December 23	One of the principle processes of NPP construction started – the Kalinin NPP Unit 4 primary circuit pumping through the open reactor.
December 27	One more record in the nuclear industry was achieved – the prestressed system of the Kalinin NPP Unit 4 containment was assembled during 4 months.

Date	Event
Key events in the area of sustainable development	
March 9	JSC NIAEP 2010-2012 collective bargaining agreement was signed.
May 18-20	Within the 4-th International Scientific and Industrial Forum «Fair of Nuclear Engineering» agreements of cooperation with the «Coordination Council of Associations of Industrialists and Businessmen of the Privolzhsky Federal Region» and with the State Higher Professional Educational Establishment «Nizhny Novgorod State Technical University» were signed.
May 21	JSC NIAEP Annual Report 2009 public consultations passed for the first time in the Russian nuclear industry.
September 9-10	JSC NIAEP, under the auspices of JSC «Concern «Rosenergoatom», held the International Conference of Equipment Suppliers for NPPs under Construction. NPP Cost Management at Typical Power Generating Units Design. Cost: price – quality».
October 27	Within the 5-th International Scientific and Industrial Forum «Fair of Nuclear Engineering» the «Symbolical Typical NPP Unit Picked Team» was newly formed.
October 29	Memorandum of foundation of Association of Innovative Engineering Design was signed to incorporate 28 Russian and foreign entities.
November 23	JSC NIAEP 2009 Annual Report was voted to be the leading one in the nuclear industry rating.
December 13	The Strategy of JSC NIAEP beyond 2020 was approved in a panel session of the Strategic Committee of the State Atomic Energy Corporation «Rosatom».
December 23	The Strategy of JSC NIAEP beyond 2020 was approved by the order of the Director of JSC NIAEP. The same order authorized the Strategy Implementation Plan.

Awards of JSC NIAEP



Table 4. Awards Taken During the Reporting Period

JSC NIAEP was awarded with the Standard of the Governor of the Nizhny Novgorod Area in the nomination «Leader of the Year» for high level of scientific developments for the industry.

The Company came to be the winner of competition «Innovation of the Region 2010» initiated by the Government of the Nizhny Novgorod Region and the State Broadcasting Company «Kremlin» in nomination «Innovation in Atomic Engineering». The win of the competition was given for the «Smart Engineering Design Technology-Based NPP Construction Management».

JSC NIAEP won in the All-Russia contest «Russian Entity of High Social Efficiency» in nomination «For Development of the Employment Market».

The Company was awarded with badge of «Engineering Valour» for the contribution to development of the Nuclear Engineering Industry and became the winner of the All-Russia competition in the field of science and engineering.

The Company was awarded with the Diploma of the Governor of the Nizhny Novgorod Region for active participation in organization and implementation of the International Scientific and Industrial Forum «United Russia». Within the forum the Company held the 5-th International Research and Know-How Forum «Fair of Nuclear Engineering».

The press-service of JSC NIAEP came in second as per results of the First Creative Competition of Videos among public relations departments of the State Corporation «Rosatom» enterprises for «Bringing Energy to Life» film.

JSC NIAEP Annual Report 2009 came to be the first in the branch competition – rating among the State Corporation «Rosatom» entities.



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Motive power
of new energy




1. General

Information





1.1. General Information about JSC NIAEP

 Joint-Stock Company
 NIZHNY NOVGOROD
 ENGINEERING COMPANY
 «ATOMENERGOPROEKT»
 (JSC NIAEP) renders
 engineering services in
 designing and construction
 of nuclear power plants and
 power generating units.
 The unique nature of
 the services rendered
 by JSC NIAEP lies in the
 complex approach to
 NPPs construction – from
 designing up to equipment
 delivery and the plant «turn-
 key» commissioning to the
 Customer.

References:

Postal address: 3, Svoboda Sq., Nizhny Novgorod, 603006, Russia

Contact telephone: +7-831-421-79-00

Fax: +7-831-421-06-04

Corporate site: <http://www.niaep.ru>

E-mail: niaep@niaep.ru

The Company's Register Holder:

The Register of Registered Securities of JSC NIAEP is kept by JSC Registrar R.O.S.T.

The Company's Auditor:

JSC «Audit Firm «Kriteriy Audit», bld.1, Nizhny Mezhdunarodny per.10, Moscow, Russia.

Tel: +7-495-589-36-80.

The Company's Shareholders:

The sole shareholder of JSC NIAEP as of December 31, 2010 is JSC «Nuclear Power Industrial Complex» (JSC «Atomenergoprom»).

The Company's Authorized Capital:

In 2010 there were no any changes in the share capital of JSC NIAEP. As of December 31, 2010 the authorized capital of the Company amounted to RUR 500 001 877.

The amount of actually outstanding securities amounted to RUR 500 001 877. All shares were distributed by private offering. The par value amounted to one rouble.



The Company's Subsidiaries:

● **«Construction & Assembling Management №1» LLC, (CAM LLC)**, registered by the Interdistrict Inspectorate of the Federal Tax Service of Russia №4 in the Rostov Region (District 6143 of Volgodonsk) on September 2, 2008 at address of: 27, Old Building of Volgodonsk NPP Directorate, Volgodonsk-28, Rostov Region, 347388;

● **«Construction & Assembling Management №2» LLC, (CAM LLC)**, registered by the Interdistrict Inspectorate of the Federal Tax Service of Russia №3 in the Tverj Region (District 6916 of the town of Udomlya and the Udomlya District) on October 22, 2008 at address of: 3, Kalinin NPP Capital Construction Management Office, Udomlya, 171841, Russia;

● **«Volgodonsk Erection Management Department»**, registered by the Interdistrict Inspectorate of the Federal Tax Service of Russia №4 in the Rostov Region (District 6143 of Volgodonsk) on September 7, 2007 at address: Office 1, 56, Marshal Koshevoy str., Volgodonsk, 347386, Russia.

The Company's Branches:

- **The Udomlya Branch of JSC NIAEP** – «Board of Directors of the General Contractor at Kalinin NPP»;
- **The Volgodonsk Branch of JSC NIAEP** – «Board of Directors of the General Contractor at Rostov NPP».

The Company's Representative Offices:

- **The Volgodonsk Representative Office of JSC NIAEP;**
- **The Moscow Representative Office of JSC NIAEP;**
- **The Saint-Petersburg Representative Office of JSC NIAEP;**
- **The Kharkov Representative Office of JSC NIAEP.**



Host Areas Map



«The Association of Innovative Engineering Design is committed to pool everyone who applies the advanced and effective methods of complex designing of complex industrial entities – not only in the nuclear engineering, but in oil-and-gas and aerospace branches in the power engineering. It is committed to be a constantly acting platform to exchange innovations».

Valery I.Limarenko
Director of JSC NIAEP

Associations Membership

The All-Russian Branch Association of Employers «Nuclear Power Engineering Science and Industry Employers of Russia»

JSC NIAEP is a member of the All-Russian Branch Association of Employers «Nuclear Power Engineering Science and Industry Employers of Russia». The Company is timely depositing the membership dues.

The Association of Employers

Under the initiative of JSC NIAEP Memorandum of Association of Innovative Engineering Design was signed by 28 Russian and foreign entities, where JSC NIAEP, PKF of JSC «Concern Rosenergoatom», JSC Afrikantov OKBM, Bentley Systems Co., Dassault Systems Co., Siemens PLM Software, KCBA (Kiev), JSC «Kharkov Institute «Energoproekt» was signed.

Within arrangements of the Association the June of 2011 is going to be under the International Research and Know-How Forum «Smart Engineering Design – Complex Product Life Cycle Management».

Historical Events

The following facilities were commissioned as per JSC NIAEP's projects:

- 7 power units of total capacity of 4820 MW;
- 94 turbo-sets at 24 hear power plants of total capacity of 9380 MW;
- 124 power boiler units of capacity of 98 096 tons of steam per hour.



RECENT ACHIEVEMENTS:

- in 2001, Rostov NPP Unit 1 of 1000 MW capacity was commissioned;
- in 2005, Kalinin NPP Unit 3 of 1000 MW capacity was commissioned;
- in December, 2010, Rostov NPP Unit 2 of 1000 MW capacity was commissioned.

The Company carried on its activity abroad as well: designed, provided operation and overhauled the Armenian NPP; participated in designing NPP in Kazakhstan, NPP Bushehr in the Islamic republic of Iran and NPP Kudankulam in India.

Primary Activities

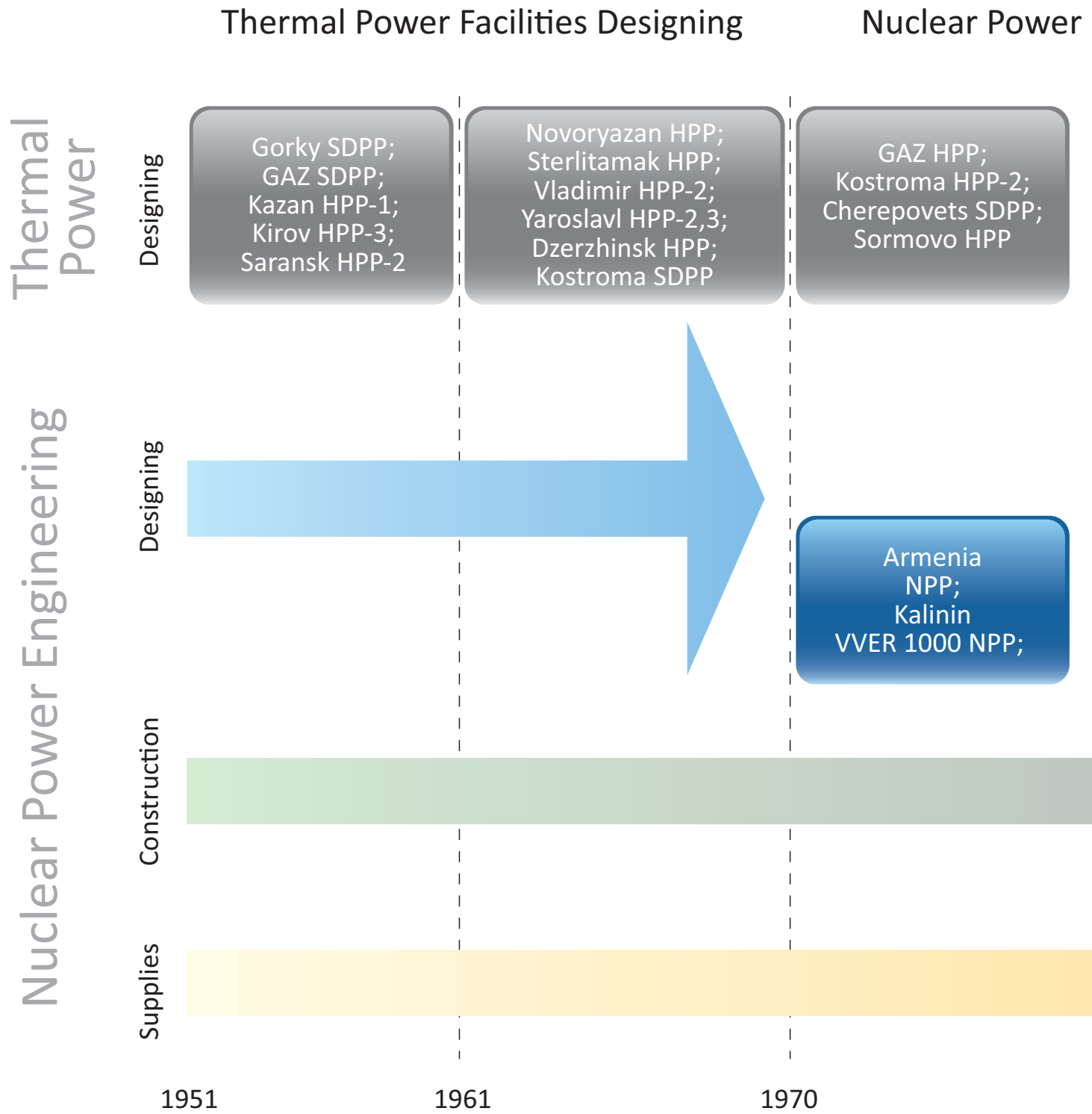
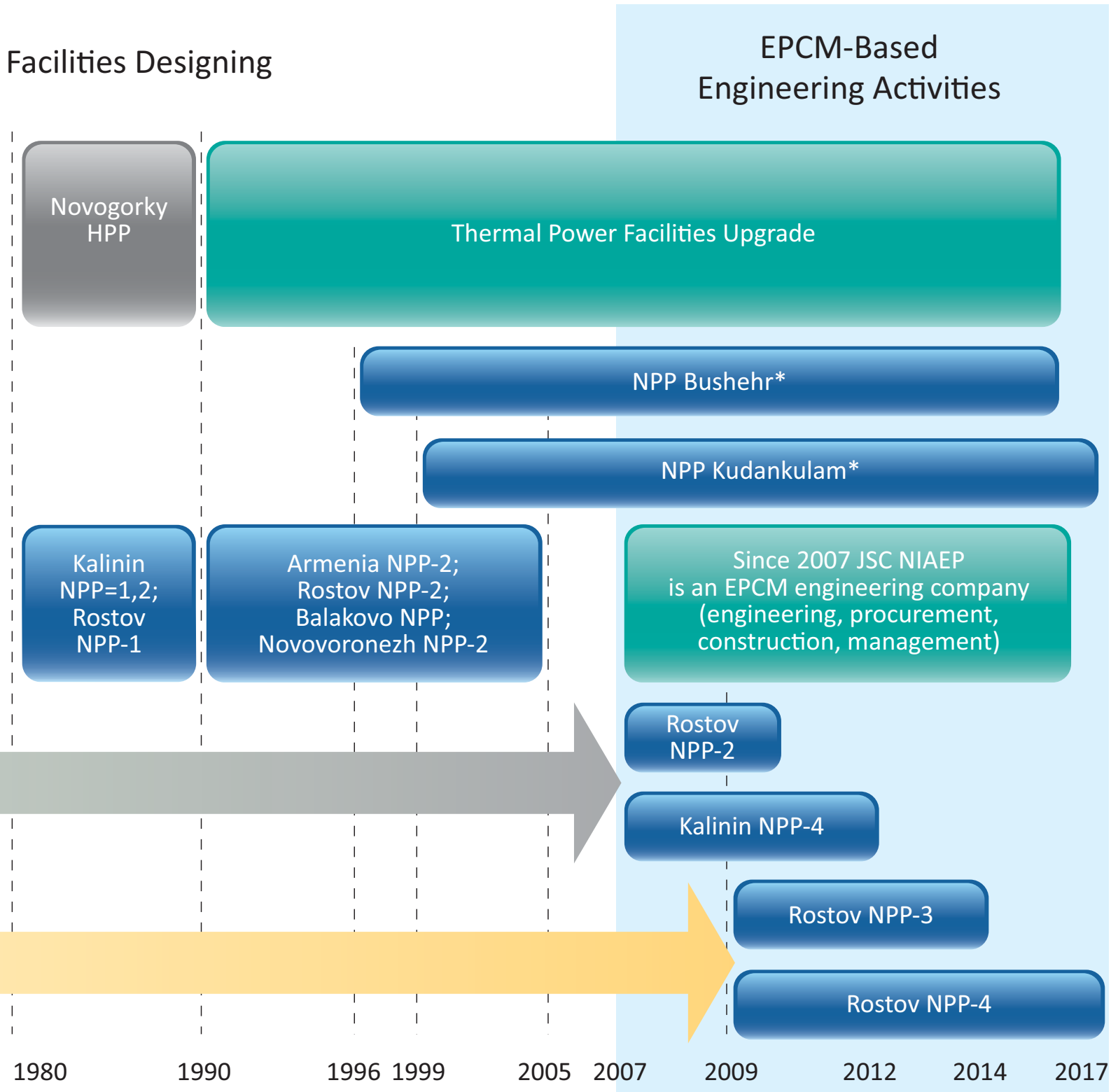


Figure 1. JSC NIAEP Activities Development



* Design and working documentation is under development as per agreement with JSC Atomenergoproekt Moscow – the General designer of NPP Bushehr and NPP Kudankulam.

1.2. General Description of Activities

Since 2007, JSC NIAEP has been conducting its business as an EPCM company.

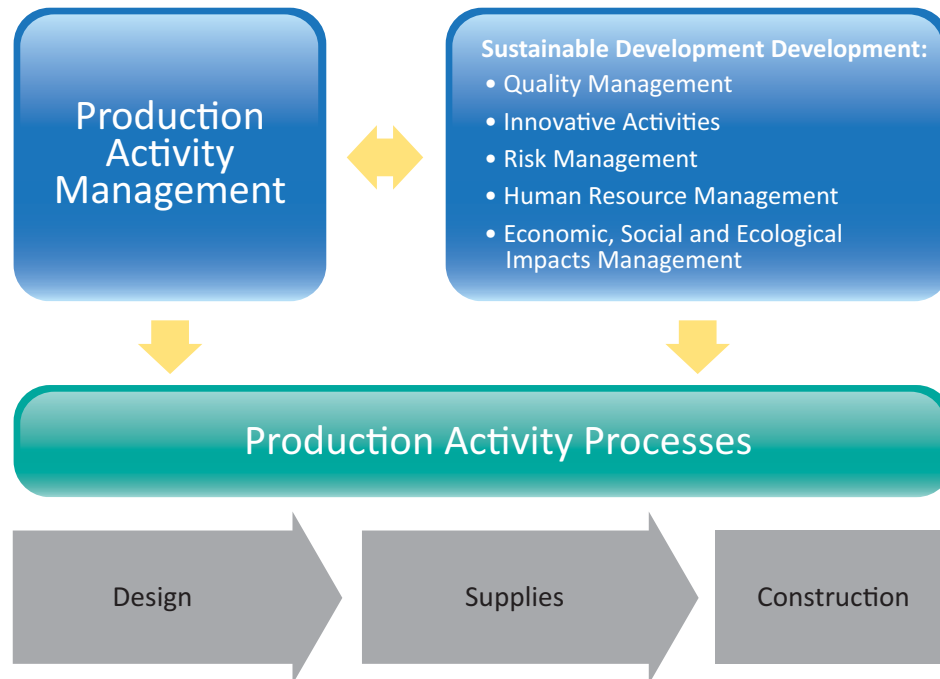


Figure 2. Main Processes of JSC NIAEP Activity

According to the EPCM-model the basic processes of industrial activities of JSC NIAEP are designing, supplies and construction. Within the designing the Company provides engineering surveys and works out design documentation. JSC NIAEP fully takes over ordering, supplies and completing of equipment and materials for NPPs construction. The Company is engaged in construction

of objects employing own resources and also involving contractors when carrying out functions of the General contractor. The JSC NIAEP 2010 results and production activity improvement initiatives are described in *Section 2. Production Activities*.

The major object of our Company as the General contractor is to manage NPPs construction. The company

bears responsibility for quality, safety level, duly revealing and prevention of would-be risks, innovations implementation, and personnel as well as for impacts of any types arising during the Company performance. These activity aspects management procedures are depicted in *Section 3. Sustainable Development Activities*.

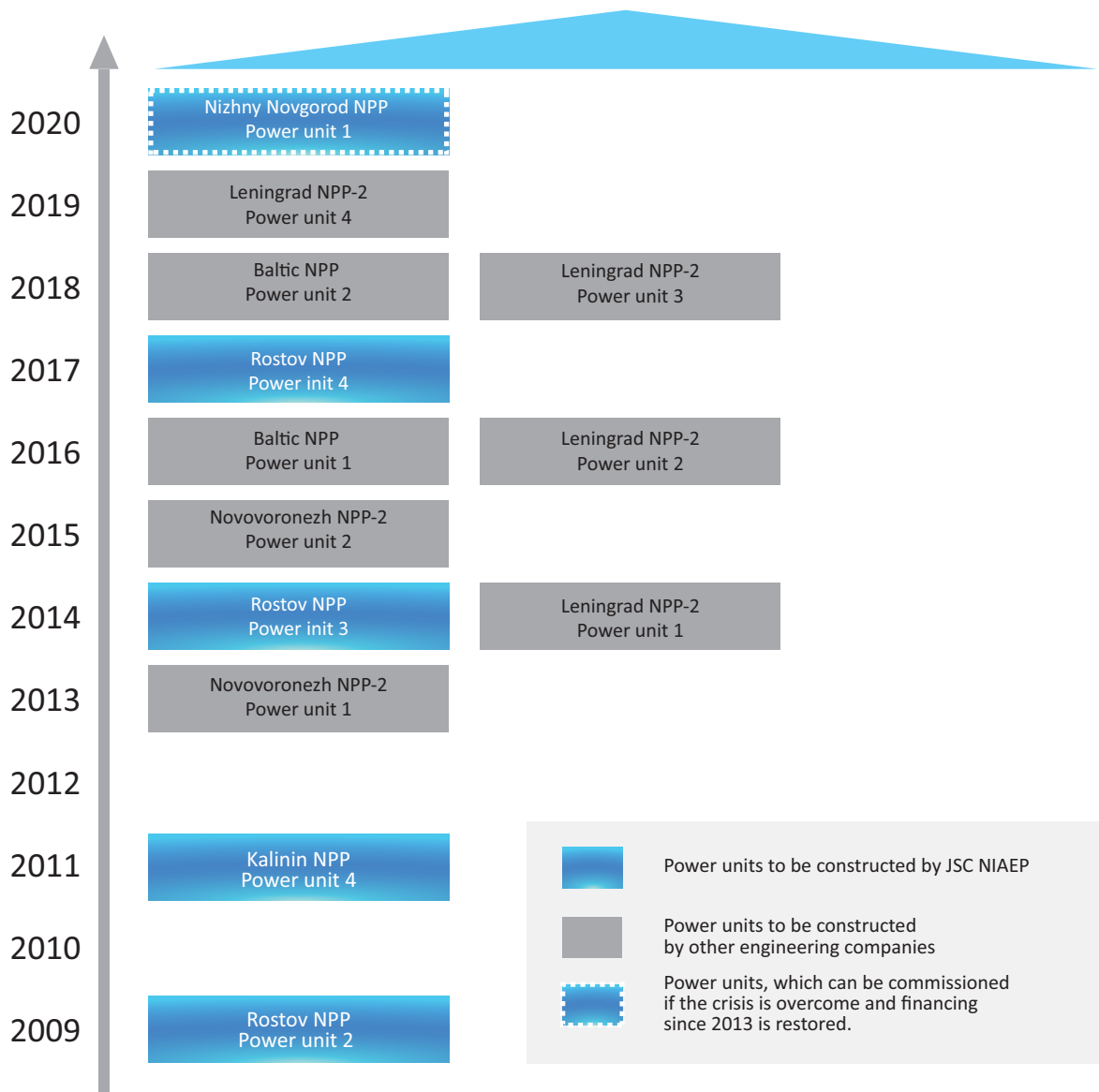


Figure 3. General Plan of NPPs Construction

The Russian Market of NPPs Construction

The basic market for JSC NIAEP to conduct its business is the Russian market of NPPs construction. The size and prospects of the main market of JSC NIAEP presence – the nuclear engineering market – are determined in the «Program of State Corporation Rosatom for Long-Term (2009–2015) Activity» approved by resolution of the Government of the Russian Federation as of 20.09.2008 №705 and the General Layout of Electric Power Industry Facilities up to 2020, approved by order of the Government

of the Russian Federation as of 22.02.2008 № 215-p.

The principle customer of JSC NIAEP is Concern Rosenergoatom joining in the State Corporation Rosatom. Thereafter, consumers and the product market, the scope of works and the works performance terms amounts are determined and approved within the State Corporation Rosatom activities.

In 2010, the market of nuclear engineering facilities construction

was presented with the following five companies:

- JSC NNEC Atomenergoproekt (JSC NIAEP);
- JSC SPbAEP;
- JSC Atomenergoproekt (JSC AEP);
- JSC Northern Construction Management (JSC SUS);
- JSC Managing Company «Uralenergostroy» (JSC Uralenergostroy).

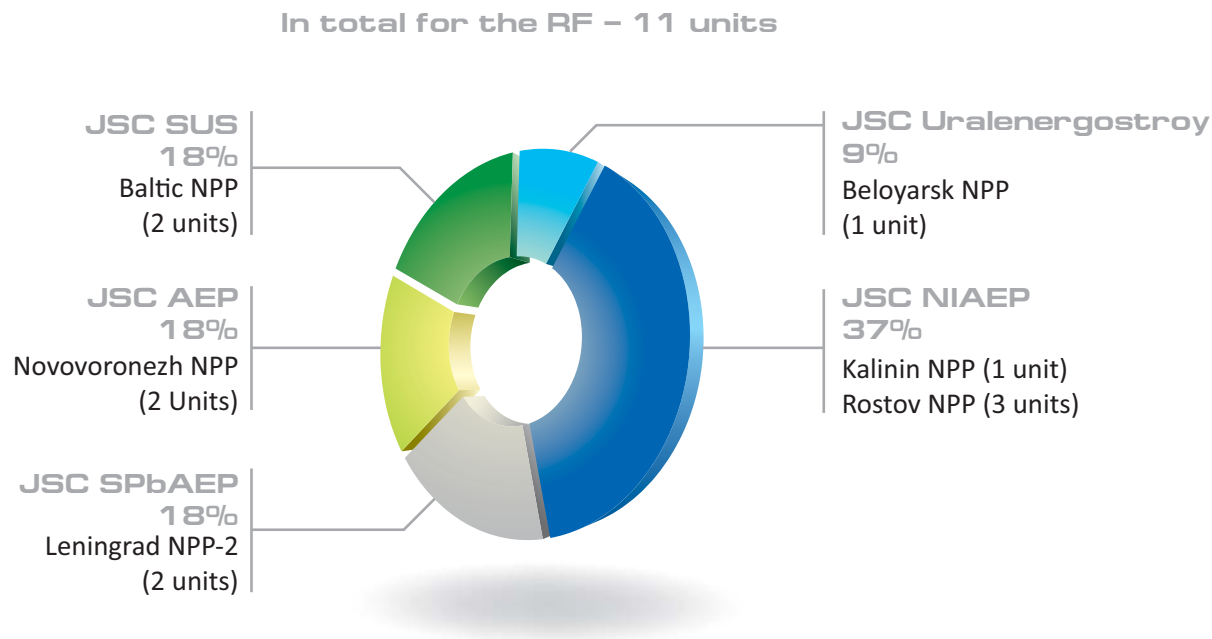


Figure 4. The JSC NIAEP's NPP Units Construction Market Share in Russia 2010

JSC Uralenergostroy was engaged in construction of the Beloyaeskaya NPP. JSC SUS – a subsidiary of JSC SPbAEP – was engaged in priority works for arrangement of the Baltic NPP site which had been designed by JSC SPbAEP. At this stage no general contractor for the Baltic NPP construction has been specified yet. JSC NIAEP is going to take share in tendering for the plant construction.

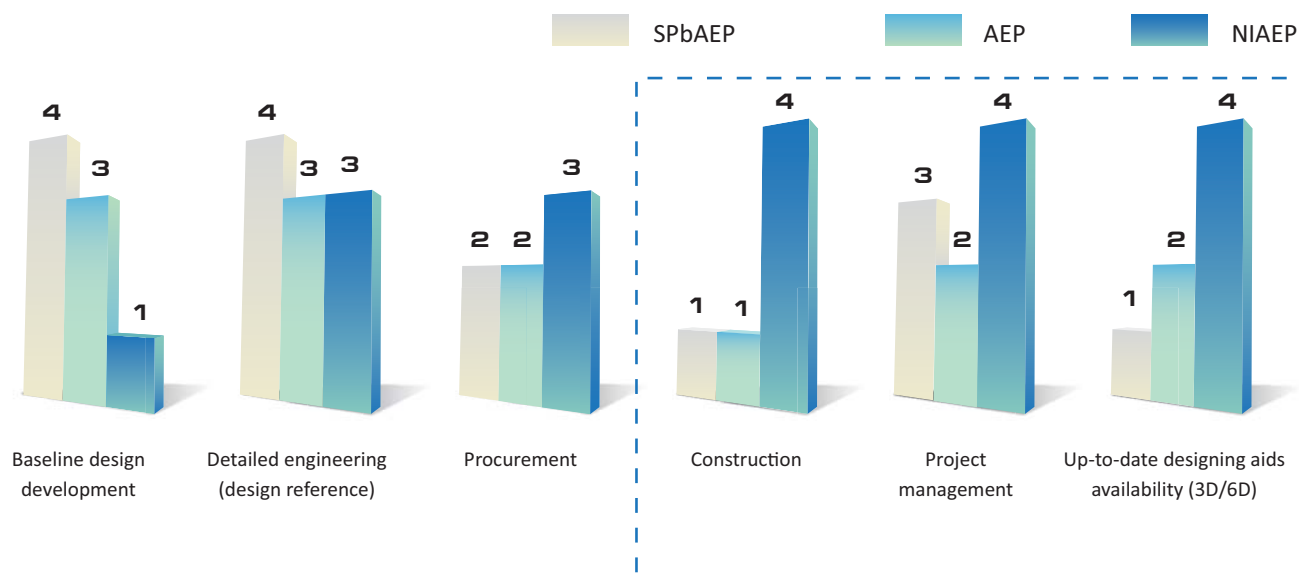
JSC NIAEP, JSC Atomenergoproekt and JSC SPbAEP, as distinguished from JSC SUS and JSC Uralenergostroy, are EPCM-companies to carry out the complete scope of works for construction of the NPP including designing, supplies and the project management. JSC Atomenergoproekt and JSC SPbAEP command in common 36 % of the NPP construction market to be the main competitors of JSC NIAEP.

The JSC NIAEP's business models and the main competitors review has revealed a number of competitive advantages of the Company as regarding to independent procurement and construction management (see Table 5).

Table 5. Main Competitor Business Models Review

	NIAEP	SPbAEP	AEP
Designing	NIAEP – designing (own subdivisions)	SPbAEP – designing (own subdivisions)	AEP – designing (own subdivisions)
Procurement	NIAEP – own subdivisions on procurement/supplies Monopoly equipment – DEZ (Unified Customer Directorate)	Atomstroyeksport (AES) Monopoly equipment – DEZ (Unified Customer Directorate)	Atomstroyeksport (AES) Monopoly equipment – DEZ (Unified Customer Directorate)
Construction	NIAEP – general contract on construction	SPbAEP – general contract on construction	AEP – general contract on construction
	Own forces: • SMU-1 • SMU-2 • VDMU	Own forces: • SUS (50% ownership of SPbAEP)	Own forces: • SMU
	Contractors: • SEZAM • ROSSEM • GEM • Others	Contractors: • Gidromontazh • Metrostroy • Titan • Others	Contractors: • OEK • Atomenergmontazh • Energospetsmontazh • Stroyenergosservis • Others

Besides, JSC NIAEP as in comparison with competitors has stronger competencies to manage a structure based on Multi-D technology of designing (see Fig. 5).



NIAEP’s strengths:

- Unique experience of NPP project turn-key implementation.
- 3D/6D-designing.
- Availability of own strong procurement department.
- Acquisition of construction assets.

NIAEP’s weaknesses:

- Missing of an own NPP baseline project.
- Limited experience of general contracting (only for NPPs where NIAEP is the general contractor; lack of foreign projects)
- Limited experience of NPP-2006 construction

Figure 5. JSC NIAEP’s competencies as against the main competitors review (Provider: Roland Berger Strategy Consultants)

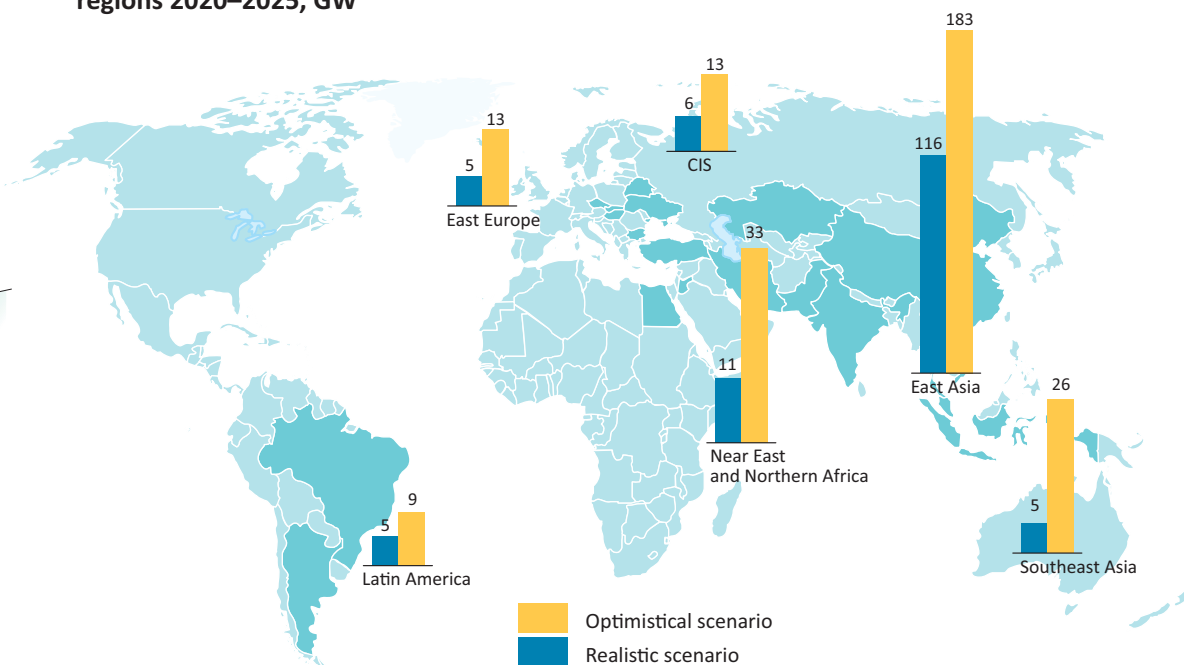
The International NPP Construction Market

JSC NIAEP is operating in design and surveys covering both the domestic nuclear engineering facilities and abroad (see *Section 2.2. Operating Activity Results*). At this juncture the Company is engaged into NPP construction abroad and the International market is one of

the trends of JSC NIAEP's Strategy up to 2020. To develop the strategy JSC NIAEP initiated reviewing of the International NPP construction market and an estimation of capabilities of the Company to come into. The review covered 5 key areas: the CIS, the East Europe, Latin America, the Near East

and Northern Africa, Asia. A realistic scenario for the areas comes to promise 148 GW of NPP capacities.

Forecast for nuclear engineering capacities commissioning in perspective regions 2020–2025, GW



COMMENTS:

- Nuclear engineering projects are financed by the state through interstate agreements and various consortia.

- Race for new projects is being developed basically between formed nuclear engineering industry national teams (Korea, France, Japan, Russia, China).

Figure 6. The JSC NIAEP's potential markets performance

In the 2000th, the basic players of the international NPP construction were interforeign companies consortia. The great significance was got with splitting risks due to formation of consortia/partnerships – both auxiliary to implement one or few projects (e.c. EDF and CGNPC) and long-term ones (e.c. Hitachi and GE, Areva and MHI, Toshiba and Westinghouse/Shaw).

The NPP construction demand availability in the third world countries has created preconditions for formation of «national teams». The important competitive advantage to secure a contract abroad is legal and financial support of the state. Accordingly, in 2010 «national teams», acting today as the basic competitors of the State Corporation Rosatom in the foreign

markets, started their formation in some countries to entrance to foreign markets under initiative of the Government and major players in the nuclear engineering.

For today there are 3 «national teams» formed to represent interests of Korea, France and Japan.

Table 6. The International Nuclear Engineering Industry «National Teams» Description

	Korea	France	Japan
Composition	<ul style="list-style-type: none"> • KEPCO • Samsung • Hyundai • Doosan Heavy Industries 	<ul style="list-style-type: none"> • EDF • Areva • Alstom • Vinci/Bouygues 	<ul style="list-style-type: none"> • TEPCO • Kaden • Chuden • Toshiba • Hitachi • Mitsubishi Heavy Industries
International market entry examples	The United Arab Emirates (UAE) NPP construction tender win	The UAE NPP tender failure	Tendering for Vietnam NPP construction
Target markets	<ul style="list-style-type: none"> • In the short term: India, Indonesia, Vietnam, Thailand, the South Africa, Malaysia, Turkey • Up to 2030 Korea is planning to export 80 nuclear reactors 	<ul style="list-style-type: none"> • USA, Western Europe, China • Developing countries to construct NPPs in their territories for the first time 	<ul style="list-style-type: none"> • Asia (Vietnam for the nearest future)

For more detailed information see *Section 1.4. Mission and Strategy*.

Now JSC NIAEP does not render services to manage NPPs (upgrading, repairs and maintenance). Nevertheless, the market seems to be a perspective for the Company.

Customer, Contractors and Suppliers Relations

The main Customer of JSC NIAEP is JSC Concern Rosenergoatom – a part of the State Corporation Rosatom. The Customer is committed to provide all processes of for construction, including land and licensing matters.

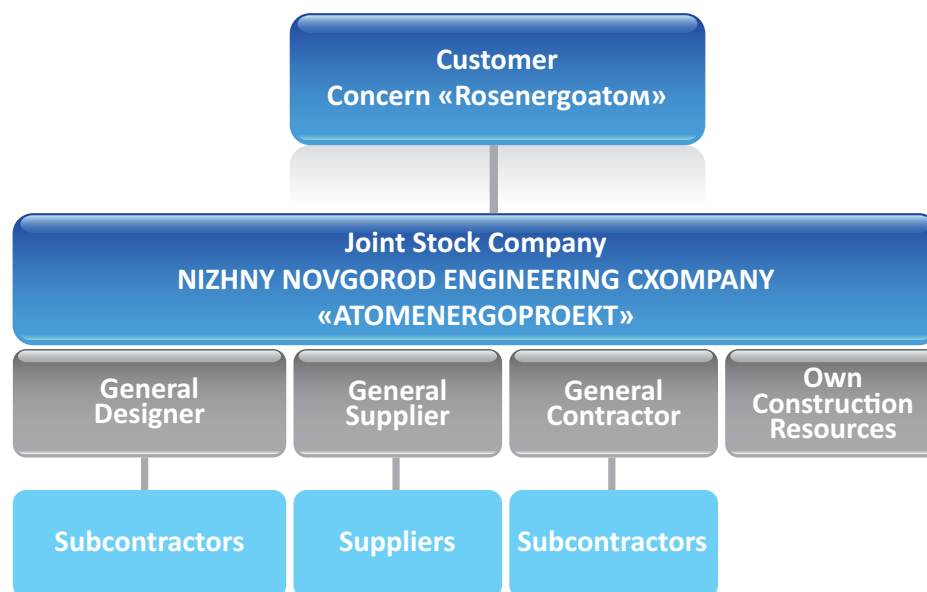


Figure 7. Customer, contractors and suppliers relations

JSC NIAEP involves contractors to make design and civil erection works on the base of competitiveness and pursuant to requirements of the Unified Branch-Wide Procurement Standard of the State Corporation «Rosatom».

The standard commits the regulation the NPP construction equipment and materials suppliers as well.

The Company's interaction with equipment manufacturers are specified just at the stage of facility design.

Since 2008, JSC NIAEP has been acting as an organizer of Fair of Nuclear Engineering, which appeared to be an effective tool to provide the power generating units under construction with equipment price/quality parameters required. The competitive environment is widely used by the Company to catch open bidding procedures to be effective. For creation of competitive environment the Company actively uses open competitive procedures. To minimize risks of delivery terms failure the Company provided the supplies with supply warranties tools (see *Section 2.3. Management of Operating Activities*).

In 2010, JSC NIAEP initiated the creation of Nizhny Novgorod Cluster for Nuclear Engineering to promote the suppliers and connected industries increase of research and technical capabilities (see *Section 3.5.2. Economic Impacts Management*).



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1.3. Corporate Management

Corporate Management Principles

The JSC NIAEP's corporate management system is grounded on requirements of the State Corporation Rosatom with the key concerned parties interests reviewed. The company aims at observance of the Code of Corporate Behavior approved by order of the FCSM of the RF as of 04.04.2002 №421/P in view of the specificity of corporate management conditioned by the shareholder soleness. The Code of Corporate Behavior observance information is shown in *Appendix 2*.

In 2010 JSC NIAEP proceeded with activities on the Company corporate management development.

The following regulatory documents were implemented into the Company's activity practice:

- Rules on interaction of structural divisions of JSC NIAEP to prepare materials to be used at the JSC NIAEP's Board of Directors meetings and general meetings of stockholders;
- Regulations on interaction of structural divisions and officials of JSC NIAEP to manage subsidiaries of JSC NIAEP;
- Standard of the Enreprise (STP) «Procedure for Drafting Public Annual Reports for Accounting Periods»;

● Temporary rules on internal auditing non-financial data of the public reporting of JSC NIAEP.

These documents provide strengthening of the role of interaction with concerned parties in the Company's corporate management system. This Report has been made on the basis of adopted documents to indicate the brand new level of the Company's a transparency and interaction with concerned parties.

The Report is qualified to be an important document for further perfection of the Company's corporate management system.

The Share Capital and Securities

In 2010, there were no changes in the share capital of JSC NIAEP. As of December, 31, 2010 the sum of the Company's share capital amounted to RUR 500 001 877.

The number of actually allocated securities amounted to 500 001 877.

All shares are placed by private subscription. The nominal value of one security is one RUR.

The sole shareholder of JSC NIAEP is JSC Atomenergoproekt which is part of the State Atomic Power Corporation Rosatom. The Shareholder has the

right for routing the activity of the Board of Directors and providing it with guidelines pursuant to the Provision on the Board of Directors.

The Corporate Management Bodies and Principal Documents

The Company's management bodies are the General Meeting of Shareholders (the sole shareholder is ATOMENERGOPROM JSC), the Board of Directors and the Director (the sole executive body). The powers of the management bodies are specified in the Articles of Association of JSC NIAEP approved by the decision of the Sole shareholder of August 6, 2009.

Decisions on the issues related to the competence of the General Meeting of Shareholders are made by the Sole shareholder single-handedly.

In 2010, the Company's Sole shareholder made 5 decisions (see *Table 7*).

The Board of Directors of JSC NIAEP bases its activity on the provisions of Federal Law N°208-ФЗ «On Joint Stock Companies», and the Articles of Association of the Company.

The Board of Directors working order, measures on interests conflicts prevention, requirements to the competence of the Board of Directors members are presented in the

Provision on the Board of Directors of JSC NIAEP.

There are no committees at the Board of Directors as the matter concerns to the competence of the Board of Directors of JSC NIAEP and no solutions of the kind have been taken by the Board till now.

Table 7. Solutions of the Sole shareholder in 2010

No	Date	Solution Number	Adopted solutions
1	08.04.2010	7	<ul style="list-style-type: none"> • On early termination of the powers of the Board of Directors of JSC NIAEP. • On election of new composition of the Board of Directors of JSC NIAEP.
2	29.06.2010	8	<ul style="list-style-type: none"> • On approval of Annual Report 2009 of JSC NIAEP. • On approval of JSC NIAEP's annual accounting reporting under totals of 2009. • On approval of net profit distribution under totals of 2009. • On approval of auditor of JSC NIAEP for 2010. • On election of the Board of Directors of JSC NIAEP in new compositions. • On election of the Revision Committee of JSC NIAEP in new composition.
3	28.07.2010	9	<ul style="list-style-type: none"> • On revisions in the Articles of JSC NIAEP.
4	10.09.2010	10	<ul style="list-style-type: none"> • On the early termination of the powers of members of the JSC NIAEP's Board of Directors. • On election of the Board of Directors of JSC in new composition.
5	28.10.2010	11	<ul style="list-style-type: none"> • On the early termination of the powers of members of the JSC NIAEP's Board of Directors. • On election of the Board of Directors of JSC NIAEP in new composition.

Composition of the Board of Directors

The composition of the Board of Directors as of 31.12.2010 acts under Solution of the Sole shareholder of the Company № 11 of October 28, 2010.



Sergey Vasilievitch BUDYLIN

Sergey V. Budylin was born in 1959 in Moscow. In 1982 he graduated from the Moscow Energy Institute by speciality of Engineer-Electrician. Before incoming to the nuclear industry he worked in the development for long time where he headed a number of big construction and erection companies. He has been working in the structure of the nuclear industry since 2009. He held an appointment as the director of development company JSC NIKIMT-Atomstroy, then – Adviser of General Director of the State Corporation Rosatom, Director of Capital Construction Department transformed thereafter into Capital Construction Management. He has been the Chairman of the Board of Directors of JSC NIAEP since 2010. He doesn't have a share ownership in the authorized capital of JSC NIAEP.



Marina Yurievna PODRIADOVA

Marina Y. Podriadova was born in Moscow in 1960. In 1983 she graduated from the Moscow Financial Institution (Academy) with honors by speciality of Economist. From 1997 to 2001 – Financial Director, Chief Accountant of JSC TEMDE Ltd. From 2002 to 2004 – Chief Accountant of JSC GIPERCENTER. From 2004 to 2009 – Chief Accountant, Financial Director of LLC DS DEVELOPMENT (group of companies DON-Stroy). Since March, 2010 up to the present time – Deputy Director of Capital Construction Department of the State Corporation «Rosatom». A member of the Board of Directors of JSC NIAEP since 2010. She doesn't have a share ownership in the authorized capital of JSC NIAEP.



Gennady Stanislavovitch SAKHAROV

Gennady V. Sakharov was born in 1961 in Kaluga. In 1984 he graduated from Serpukhov Top-Level Command and Engineering School of Missile Forces named after Leninsky Komsomol, in 2003 – St.-Petersburg State Architectural – and-Constructional University, in 2008 – postgraduate courses at economic faculty of the Lomonosov Moscow State University. Candidate of Economic Sciences. From 1979 to 1999 served in the Armed Forces of the Russian Federation. From 1999 to 2001 – Adviser for the Kaluga, Smolensk, Tula and Oryol areas of the Federal public service of Russia for financial environmental sanitation and bankruptcy. Assigned for qualifying category- 1 Class Adviser of State Service. From 2007 – Chief of Investment Programs Management Department of JSC Concern Energoatom. Since 2009 – Director of Capital Investment Programs Management Department of JSC Atomenergoprom. Since 2010 – Head of Capital Investment Programs Management Department of the State Atomic

Energy Corporation «Rosatom». From 2009 to 2010 – Chairman of the Board of Directors of JSC Energospetsmontazh. Decorated with Order of Military Merit, Medal For Combat Services and with other government and branch awards. Has title of Honorable Builder of Verhnevolzhje. A member of the Board of Directors of JSC NIAEP since 2010. He doesn't have a share ownership in the authorized capital of JSC NIAEP.



Alexander Ivanovich FROLOV

Alexander I.Frolov was born in 1947 in Moscow. In 1971 he graduated the Moscow Mining Institute, in 1980 – the All-Union Academy of Foreign Trade. From 1971 to 1980 he worked at Institute of CNII Podzemmas of the Ministry of Coal Industry of the USSR as a 1st Category Designer. Being an inventor he has several inventor's certificates. From 1980 to 1998 he worked in the Central Office of the Federal Committee for Foreign Economic Relations, afterwards – Ministry of Foreign Economic Relations of the USSR. From 2000 to 2006 – Chief Specialist, Chief of Department, Deputy Chief and First Deputy Chief of Department of Financial Control of FSUE «Concern «Rosenergoatom».

From 2006 to 2008 – Adviser of General Director, Deputy Chief of Department of FSUE «CNIIAtominform». In 2007 he was awarded with the Certificate of Honour of the Federal Agency on Atomic Energy for Conscientious Work in the Nuclear Industry. From 2008 to 2010 – Chief Specialist of Investment Objects Cost Management Department of JSC «Atomenergoprom». Since 2010 – Chief Specialist of Investment Objects Cost Management of the Capital Construction Management of the State Corporation «Rosatom». He is a member of the Board of Directors of JSC NIAEP since 2010. He doesn't have a share ownership in the authorized capital of JSC NIAEP.



Valery Igorevitch LIMARENKO

Valery I.Limarenko was born in 1960 in Kharkov. In 1983, he graduated from the Kharkov Aviation Institute specializing in «Liquid-Propellant Jet Engines». From May, 2003, he was the Minister of Construction, Power Engineering, Housing and Utilities and Information Technologies of the Government of the Nizhny Novgorod Region. From December, 2003 to 2005, Valery Limarenko was the Chief Federal Inspector in the Nizhny Novgorod Region. He is a Class 3 Active State Advisor of the Russian Federation. From 2005 to 2007 he was a Deputy Governor, Deputy Chairman of the Nizhny Novgorod Region Government in Construction, Power Engineering, Housing and Utilities and Information Technologies. Since May, 2007 till present, he is the Director of JSC Nizhny Novgorod Engineering Company «ATOMENERGOPROEKT». Valery I.Limarenko is a member of the Board of Directors of JSC NIAEP since 2007. He doesn't have a share ownership in the authorized capital of JSC NIAEP. The amount of the Director's emoluments is specified according to the labor contract. The Company's Director acts under Decision of Company's Sole shareholder № 1as of December 22, 2008.

The composition of the Board of Directors is defined by the Sole stockholder on his own authority to be noticed to JSC NIAEP by means of appropriate solution submittals. The Board of Directors doesn't include independent directors as the matter concerns to the competence of the Sole shareholder of JSC NIAEP, but no solutions of the kind have been taken.

In 2010, 26 meetings of the Board of Directors were held where solutions in 5 lines passed through consideration to be adopted:

- decision making on establishment of separate subdivisions of the Company, approval of appropriate Rules and Regulations and submittal to the Sole shareholder of proposals to make changes to the Articles of the Company association;
- approval of the collective bargaining agreement of the Company and alterations to the agreement;

- approval of bargains;
- approval of annual plans and budgets of the Company;
- decision making on the matters referred to the competence of the general meeting of the Company's subsidiaries.

The report on activity of the Board of Directors of JSC NIAEP in the line of its priorities is introduced *Appendix 1*.

The Company's activities are attended by Secretary to the Board of Directors. Under the auspices of the Company's Legal Bureau the Secretary is engaged into arrangement of activities of the Board of Directors and preparation of materials to provide meetings of the Board.

The results of the carried out by the Company analysis of existing practice of the Board of Directors activity conformity to the Code of Corporate Behavior show compliance with the basic midpoints. Some points of the

Code are not applicable by virtue of the specificity regarding availability of just the Sole shareholder.

Under decision of the Sole shareholder it is possible to pay remunerations to the members of the Board of Directors during execution their duties and (or) compensate expenses caused by execution of their obligations as members of the Board of Directors of the Company. The amount of such remunerations and compensations is fixed by decision of the Sole shareholder. In 2010, according to the outcomes of the Board of Directors performance the Sole shareholder did not such decisions and remunerations to the members of the Board of Directors were neither charged nor paid during the reporting period.

Financial and Economic Activities Control

The control of financial and economic activities of the Company is accomplished by the Internal Control and Audit Department of JSC NIAEP, the Auditing Commission and an Independent Auditor.

The Internal Control and Audit Department conducts its activity according to the schedule of control events agreed with the Internal Control and Audit Department of the State Corporation «Rosatom» and in compliance with decisions of management bodies of the Company, as well as orders and directives of the sole executive body of the Company.

Into its work the Internal Control and Audit Department takes roots of principles for auditing such business-processes as procurement activity

and claim administration. The department also reviews opinions of subcontracting construction entities regarding the Company's performance as the General contractor and the fulfillment of the closed contracts.

The principle lines of the Internal Control and Audit Department activity in 2010 are as follows:

- carrying out of measures of control to reveal and eliminate irregularities with the purpose to reduce risks in financial and economy as well as production activities;
- expanding the coverage of branches, representations and affiliated companies with measures of control (in 2010, 7 field checks were conducted);

● assurance of the revealed irregularities elimination actions performance control (100-percentage performance of the Director orders as per results of control actions was provided);

● enhancement of internal control functions owing to implementation of the unified branch-wide procurement standard and the comprehensive program for fighting theft and fraud.

In 2010, the Department carried out 57 control actions (in 2009 – 18), including 12 checks of financial and economic activities, 45 official investigations and checks by personal orders of the Director of the Company. The checks included not

only revealing of irregularities but their cause removal.

In accordance with the checks findings seven officials were disciplinary or monetary penalized.

Besides, to provide control of financial and economic activities the General meeting of shareholders annually elects Auditing commission of the Company. Pursuant to decisions of annual General meeting of shareholders of JSC NIAEP as of June 29, 2010 №8 and as of February 28, 2011 №12 Auditing Commission in the following composition was elected: Evgenia A.Zabelina, Ilya D.Rychkov and Roman A.Kashchavtsev.

Dividend Payment

The procedure of dividend payment in JSC NIAEP is regulated by Section 8 of the Articles of Association. According to the Articles of Association, the Company has the right to make decisions (announce) about dividend payment by the outcomes of the first quarter, six months, nine months of the financial year and/or the financial year. The decision about dividend payment by the outcomes of the first quarter, six months and nine months

The competence of Auditing Commission is defined by the Federal Law «On Joint-Stock Companies», the Articles of Association of the Company and Regulations on the Auditing Commission of the Company. The Auditing Commission is accountable only to the General meeting of shareholders and independent of officials of the Company's administration. The findings of the Auditing Commission as per 2010 work results are introduced *in Appendix 5*.

No decisions for paying remunerations or indemnification of charges to the members of the

Auditing Commission of JSC NIAEP due to the fulfillment of their duties in 2010 were made.

The external auditor of the Company is JSC «Audit Firm «Kriteriy-Audit» – a member of the self-regulating organization of auditors of noncommercial partnership «Moscow Auditor Chamber». JSC «Audit Firm «Kriteriy-Audit» was elected the auditor of JSC NIAEP in 2010 according to decision of the Sole shareholder of the Company as of June 29, 2010 № 8.

of the financial year can be made during three months after the end of the corresponding period. The decision about dividend payment, including the amount of dividends, procedure, form and term is made by the Sole shareholder of the Company, i.e., JSC ATOMENERGORPOM. The amount of dividends cannot exceed the one recommended by the Board of Directors.

According to the results of the financial and economic activity for 2009, there was made Decision №8 of the Sole shareholder of June 29, 2010 to pay dividends in the amount of RUR 940 460 500. The payment of dividends (less profit tax) was made by transferring the money to the settlement account of JSC ATOMENERGORPOM during 60 days as of decision making.

1.4. Mission and Strategy

- Mission of JSC NIAEP is to promote development and increase of efficiency of the Russian atomic engineering by granting the full and high-quality package of engineering services to construction nuclear power plants (NPP) and to satisfy the customer needs.
- Strategy of JSC NIAEP (hereinafter – the Strategy) is assigned for the Company's mission realization. The Strategy encloses the general objective of the Company: rise to leading competitive engineering company in the nuclear industry of the Russian Federation and providing its mid-term presence in the international market.

The year of 2010 made a significant contribution to the Strategy realization.

Within 2010, the Strategy was updated and formalized. On December 13, 2010, in the panel session of the Strategic committee of the State Corporation «Rosatom» the Strategy 2020 was endorsed and on December 23, 2010, it was approved by order of the Director of JSC NIAEP. The same order approved The Strategy implementation plan.

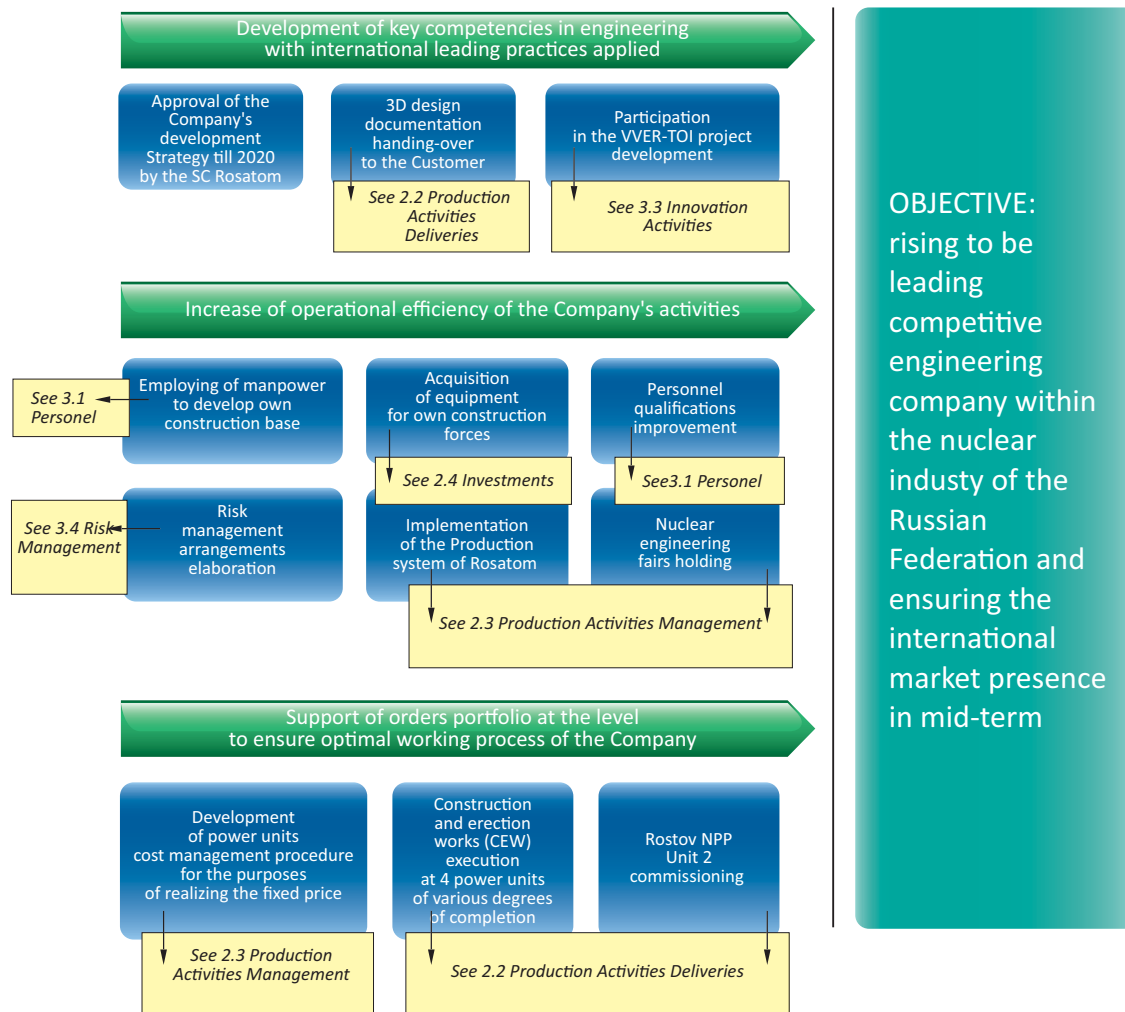


Figure 8. The Basic Results of the Strategy realization in 2010

Strategic Objectives

The Strategy 2020 saves the continuity of the objectives, which were formulated earlier. The General objective is the same; strategic objectives for 2010, 2015 and 2020 were specified.

Table 8. The Company's Strategic Objectives up to 2010

	2010 r.	2015 r.	2020
Amount of power units under construction/constructed	<ul style="list-style-type: none"> • in the RF – 3/1 units. • abroad – 0/0 units. • Total – 3/1 units. 	<ul style="list-style-type: none"> • in the RF-4/3 units. • abroad -5/0 units. • Total -9/3 units. 	<ul style="list-style-type: none"> • in the RF – 1/7 units. • abroad – 1/4 units. • Total – 2/11 units.
NPPs construction projects	<p>Constructed NPPs in the RF:</p> <ul style="list-style-type: none"> • Rostov NPP Unit 2 <p>NPPs under construction in the RF:</p> <ul style="list-style-type: none"> • Kalinin NPP Unit 4 • Rostov NPP Unit 3 	<p>Constructed NPPs in the RF:</p> <ul style="list-style-type: none"> • Kalinin NPP Unit 4 • Rostov NPP Unit 3 <p>NPPs under construction in the RF:</p> <ul style="list-style-type: none"> • Rostov NPP Unit 4 • Baltic NPP Units 1,2³⁾ • Nizhny Novgorod NPP Unit 1 <p>NPPs under construction abroad:</p> <ul style="list-style-type: none"> • NPP Kudankulam Units 3,4,5,6³⁾ • NPP Metsamor³⁾ 	<p>Constructed NPPs in the RF:</p> <ul style="list-style-type: none"> • Rostov NPP Unit 4 • Baltic NPP Units 1,2³⁾ • Nizhny Novgorod NPP Unit 1 <p>NPPs under construction in the RF:</p> <ul style="list-style-type: none"> • Nizhny Novgorod NPP Unit 2 <p>Constructed NPPs abroad:</p> <ul style="list-style-type: none"> • NPP Kudankulam Units 3,4,5,6 • NPP Metsamor³⁾ <p>NPPs under construction abroad:</p> <ul style="list-style-type: none"> • NPP Kudankulam Units 6
Design and construction time reduction¹⁾	28+60 months	20+48 months («in paper» – completed project VVER-TOI)	20+48 months («in metal» – Nizhny Novgorod NPP, if the site is approved as VVER-TOI «pilot»)
2-Unit NPP construction cost^{1,2)}	RUR 165 mlrd. (Rostov NPP units)	RUR 194 mlrd. (Baltic NPP units)	RUR 156 mlrd. (Nizhny Novgorod VVER-TOI NPP) 20% cost reduction within the VVER-TOI project
Diversification share	0%	25% <ul style="list-style-type: none"> • services for NPPs • network construction 	24% <ul style="list-style-type: none"> • services for NPPs • network construction

Notes to Table 8:

1) Objectives of the Engineering Division of the SC «Rosatom».

2) In prices of 2008.

3) If JSC NIAEP wins the tender.

After reaching the 2015 objectives the 2020 objectives are assumed to be updated and refined.

The Base Point Lines of the Strategy

The base point lines of the Strategy of JSC NIAEP are determined by strategic initiatives of the State Corporation «Rosatom».

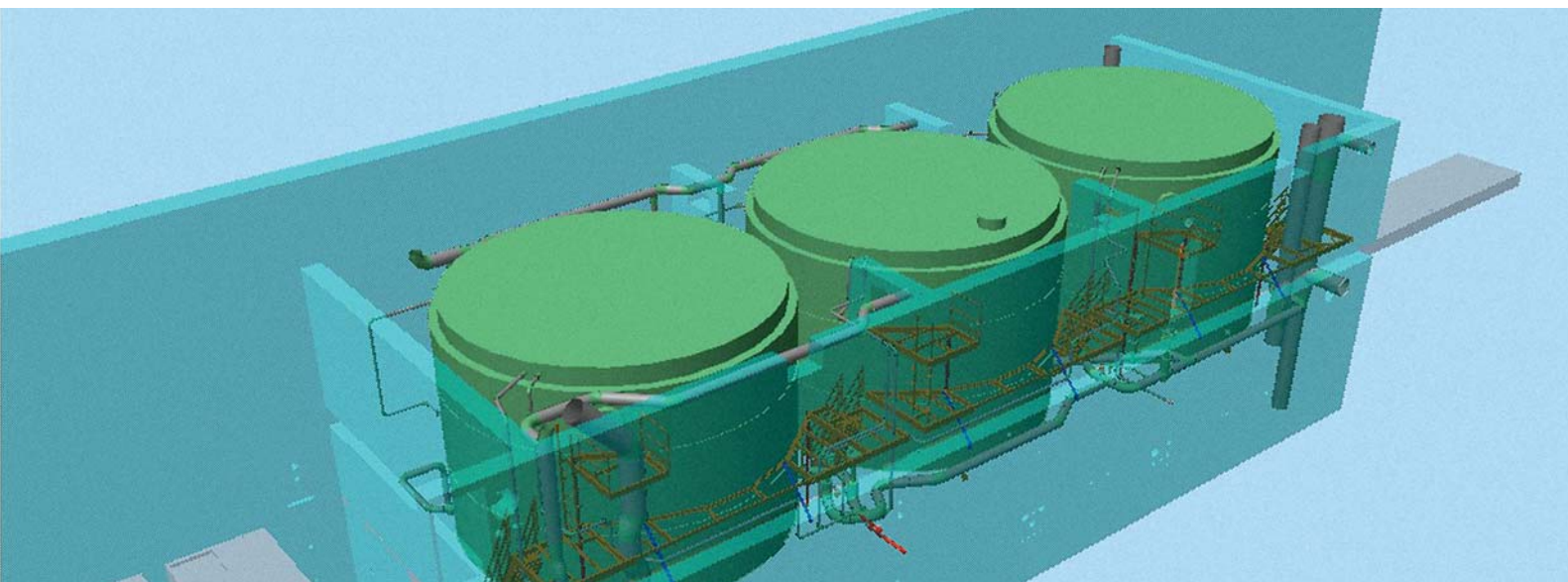
Table 9. The CS «Rosatom» Strategy Projection on the Strategy of JSC NIAEP

First level strategic initiatives	Second level strategic initiatives	JSC NIAEP's Strategy base line
Increase of nuclear generation share in the Russian Federation	Engineering development	<ul style="list-style-type: none"> Implementation of EPC/EPCM conditions-based NPPs construction projects in the RF: 6 nuclear power generation units are planned to be commissioned till 2020
	Providing of serial NPP units construction and VVER TOI development	<ul style="list-style-type: none"> Participation in the VVER-TOI project development (Multi-D-model, turbine hall designing, NPP LCM system development)
The VEER technological platform global expansion	Implementation of program of NPP construction abroad	<ul style="list-style-type: none"> Specialization within the Rosatom «national team» abroad: BNI, BOP, BTI¹⁾, it is planned to take part in construction of 4 NPP units in India and 1 NPP unit in Armenia till 2020
	The global engineering competency fitting-out and global expansion financial infrastructure formation	<ul style="list-style-type: none"> Formation of partnerships with world construction companies specializing in NPPs construction (e.c. Balfour Beatty, Vinci etc.)
Замыкание ядерного топливного цикла на базе быстрых реакторов	Fast neutron reactor technologies development and prototypes construction	<ul style="list-style-type: none"> Participation in development of BN-1200 reactor-based NPP project Implementation of BN-1200 reactor-based NPP projects subject to EPC/EPCM conditions

1) BNI – Balance of Nuclear Island

BOP – Balance of Plant

BTI – Balance of Turbine Island



EPC and EPCM Conditions – Based NPP Projects Implementation in the Russian Federation

The conversion to the EPC/EPCM-model was necessary to provide serial construction of power generation units pursuant to the new facilities commissioning schedule. Now JSC NIAEP realizes all projects as an EPCM-contractor.

The 2010, principle results and prospects on this strategic base point are introduced in *Section 2. Operating Activities*.

The Strategy base line:

EPC/EPCM conditions based NPP projects implementation in the RF

Objects within the base line:

Kalinin NPP Unit 4 test and commercial operation commissioning

Competitive tendering for NPPs construction

Rostov NPP Unit 3 construction and erection works accomplishment

Rostov NPP Unit 4 construction and erection works accomplishment

Figure 9. The Strategy Point Line: EPC/EPCM Conditions–Based NPP Projects Implementation

Participation in the VVER-TOI Project

VVER-TOI is optimization of the NPP-2006 typical project, which was developed with participation of two other engineering companies of the nuclear industry – JSC SPbAEP and JSC AEP. In comparison with the NPP-2006 the new typical project provides 20% decrease of construction as well as designing and construction term up to 60 (20+40) months.

For more detailed information on the strategy point line see *Section 3.3. Innovation Activities*.

The Strategy base line:

Participation in the VVER-TOI project development

Objects within the base line:

6D-project (process engineering part) development for VVER-TOI
Term: December, 2012

Turbine hall engineering design development, including turbine plant with design and process engineering parts made in up-to-date information environment
Term: June, 2012

Development of 6D-project for the main building of Rostov NPP Unit 3
Term: April, 2012

NPP unit life cycle management system development
Term: December, 2012

Delivery of activities results on the branch-wide catalogue of equipment and materials into commercial operation within the VVER-TOI project
Term: December, 2011

Figure 10. The Strategy Point Line: Participation in the VVER-TOI Project Development





Specialization within the «National Team» of the SC «Rosatom»

The SC Rosatom's Program for NPPs construction abroad can be realized due to «national team» formation.

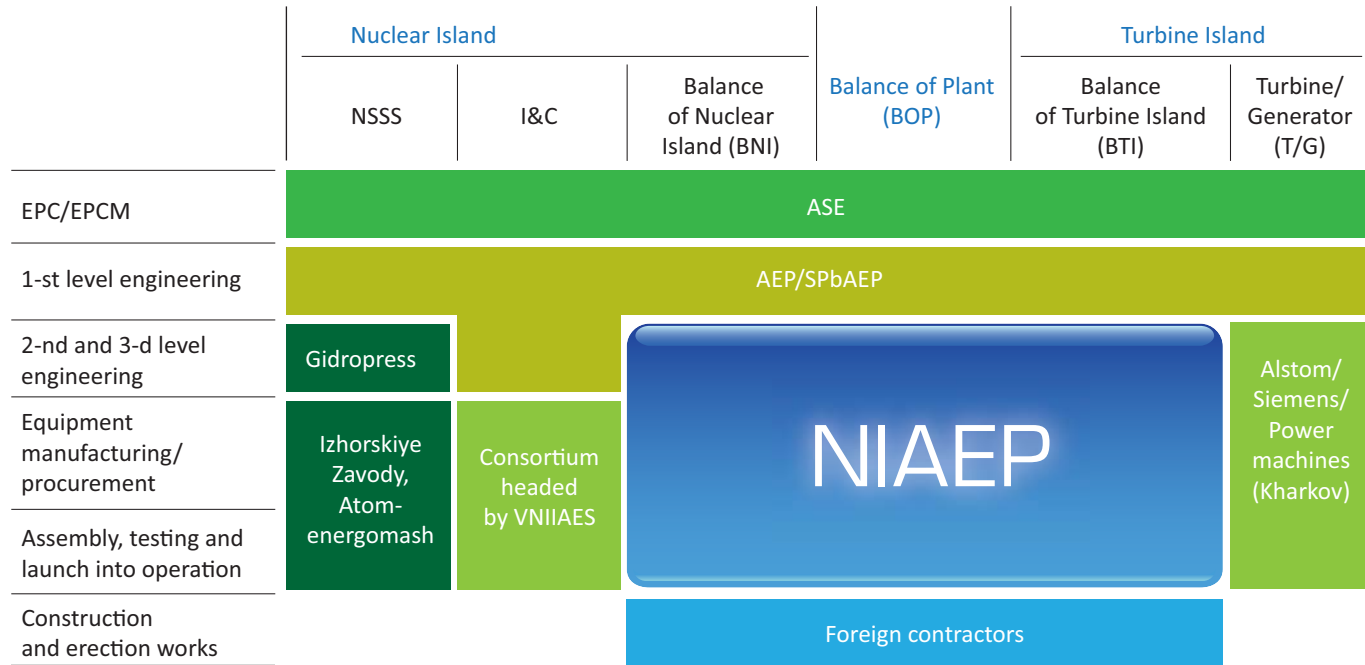


Figure 11. Specialization in the «national team» of Russia

Within the specialization in the Rosatom team abroad, the Company undertakes designing and turn-key construction of the reactor compartment common systems, common station systems, and the turbine compartment common systems general, and also receives the function to control local

contractors in construction and erection works (CEW).

Implementation of this point line will allow increasing the 2011–2020 total amount of business up to RUR 74 mlrd. (about 15 % of the Indian and Armenian projects total cost).

Within the SC Rosatom «national team» formation activities, in 2010, JSC NIAEP cooperated with a number of international companies (see *Section 3.8. Cooperation with the Parties Concerned*).

Formation of Partnership with the World Development and Construction Companies

To provide diversification of activity the Company can reach additional competences due to formation of partnerships (NPPs construction worldwide, servicing in the Russian Federation) and purchase of companies (NPPs and networks construction).

Table 10. The partnership strategy of JSC NIAEP up to 2020

Business guidelines	Options of development			Comments of JSC NIAEP
	Independently	Joint ventures/ partnerships	Procurement	
Construction of NPPs in the RF			Purchase of specialized CEW companies	<ul style="list-style-type: none"> • For implementation of the diversification strategy JSC NIAEP needs additional competencies. • To reduce NPP construction time and to strengthen the CEW competences JSC NIAEP has already picked 3 specialized CEW companies to purchase. • A joint venture is needed to provide construction and services such competences are available for specialized world companies. • Purchasing of a «development and construction player» and a design institute is necessary for obtaining a share in the Russian market of EPC-network services.
Construction of NPPs over the world		Construction competencies (technology) overlearning		
Services for NPPs		Overlearning of competencies for servicing NPPs (upgrading)		
Network construction			Purchase of engineering companies/institutes	
HPPs construction	No additional competencies required			

Arrangements on interaction with foreign partners in various areas of activity of the Company and the main deliveries of the cooperation are displayed in *Section 3.8. Cooperation with the Parties Concerned*.

Participation in the Fast Neutrons Reactor-Based NPP Project Development

One more priority point line of the Company's Strategy is participation in participation in the fast neutrons reactor-based NPP project development. These are the latest fourth generation reactors. JSC NIAEP

is going to take part in the project development and the project practical implementation both in Russia and in the world nuclear market.

Within development of this point line of the Strategy the Company

is studying capabilities of fast neutrons reactor-based projects implementation in cooperation with JSC Afrikantov OKBM.

1.5. Values and the Public Stance on Sustainable Development Issues

In its activity JSC NIAEP is guided by the following values:

- Safety and Quality;
- Constant Improvement of competences;
- Cooperation and Experience exchange;
- Social Liability.

Within drafting the Report the JSC NIAEP public stance on sustainable development issues was specified on the base of the values. The public stance on sustainable development is a framework document for decision making on socially significant aspects of the Company activities. In spite of the fact that the public stance was formulated outside the reporting period the stance publication in this Annual Report can be seen advisable as the interaction with the parties concerned during the Report drafting was conducted within the public stance. At a dialogue with stakeholders the public stance draft was shown to the parties concerned. They volunteered a number of valuable remarks and proposals, which were taken into consideration during drafting the public stance final version. For more detailed information about the dialogue is displayed in *Section 4. Cooperation between the Parties Concerned for Drafting the Report*.

THE PUBLIC STANCE OF JSC NIAEP

Safety and Quality

The key characteristic of NPPs constructed by JSC NIAEP is safety.

Safety requirements to nuclear engineering facilities are specified in appropriate regulatory and legal framework at international, national and the branch levels.

In its activity JSC NIAEP observes rigidly all applicable rules and standards. For construction of power generating units the Company uses the NPP projects which are up to the applicable requirements.

NPP operation safety directly depends on the quality of works

produced at all stages of construction. The Company guarantees high levels of quality, reliability and safety of facilities under construction. The quality control is based on principles of the General quality management represented in international standards ISO 9000. JSC NIAEP imposes the highest requirements on providing the necessary level of safety to suppliers and contractors and rigidly controls quality of performance, equipment and materials.

In fact, program of optimization of processes at different stages of NPP life cycle with ISO 9000 standards

taken into consideration is scheduled to be implemented in 2011.

Besides, the same year is planned for implementation of the investment project risk management system in collaboration with the State Corporation Rosatom. For these purposes a working group of JSC NIAEP's specialists will be composed to cover all the lines of NPP construction project management.

The Personnel Development

The Company works in the innovational hi-tech market and that imposes a set of exclusive requirements to the personnel competences level. Therefore, engaging the best specialists of the industry and improvement of knowledge and practical skills to cover all key competencies needed for our projects implementation are of huge importance for us. The Company provides high level of salary

and invests considerable proceeds in development of the personnel and upgrading its skills. Main principles in the area of the personnel management are objective assessment of each employee professional contribution, granting capabilities for career development and providing of the employee activities deliverables to salary level correlation.

With the purpose for the further improvement of knowledge and practical skills of employees, the Company will follow all through 2011 the prepared schedule of professional skills improvement.

For assessment of the personnel activities efficiency the Company is going to put into operation Regulations on key performance indicators before the 2011 end.





Innovation Activities

The Company provides technical development on the foundation of up-to-date IT-based innovative approaches to NPP units design management.

JSC NIAEP gives enhanced attention to its partners technological and innovation development level as well.

The Company aims at joint innovation development with the partners. For these purposes Association of innovative engineering design is now being under establishment.

By December 2012, the NPP unit life cycle management system is planned to be established for

providing the VVER-TOI project parties with access to the actual information regarding the power generating unit at all its life cycle stages. Information on the system creation progress will be spread at specialized conferences and the JSC NIAEP's web-site news line.

Contribution to Economical Development of Host Areas

The Company is engaged into execution of high-scale projects, which are of great significance for host territories economy. JSC NIAEP is aware of the liability for foundation of conditions for social and economic development of host regions. The Company is one of the largest taxpayers in the Nizhny Novgorod region. JSC NIAEP contributes to jobs creation both in host territories and at suppliers/manufacturers of

equipment and materials. When employing manpower the Company's host territories local population is of highest priority. JSC NIAEP has a stake in nuclear engineering development in the host territories. For these purposes, Nizhny Novgorod nuclear engineering cluster is now under formation. The Company is now proceeding to comprehensive concept of economic impact management and designing programs for social and

economic development of the host regions. Within 2011, plan for the Cluster participants and the Nizhny Novgorod Administration joint action will be worked out. Programs for social and economic development of territories adjoining the Nizhny Novgorod NPP site area are planned to be developed in 2011 as well.

Social Liabilities

Sustainable development of JSC NIAEP is directly depends on public acceptability of activities on atomic engineering facilities construction. The Company attaches special importance to the factor of social stability and considers social liability as one of the key principles of its activities.

Social effect of the Company is realized both inside (personnel), and outside (local communities).

The Collective bargaining agreement shows the Company liabilities as employer in the field of employee social protection and benefits.

The Company conducts systematic JSC NIAEP giveaway program-based charity work in the host territories.

JSC NIAEP undertakes for taking into account the concerned party opinions when developing and



accomplishing plans in the field of social treatment.

Within 2011, the Company will channel funds for discharging its liabilities to execute the Collective bargaining agreement.

By the 60-anniversary of the Company corporate arrangements to

consolidate the employees adherence to traditions and values of the industry will be held with the events highlighted in mass media.

Environmental Protection

Power generating units construction has maximal environmental impact.

To control the Company production activities necessary documents to provide environmental safety and protection when constructing NPP units as well as plans of arrangements to decrease waste products formation amount and disposal are elaborated.

JSC NIAEP keeps within the environmental laws ant that is verified by having no penalties for environmental damage.

In 2011, implementation of the latest resource saving and low-waste technologies by all participants of the production process will be continued.

Constant actualization of permits, licenses, approvals of the Company and contracting entities (permissible limits with regard to pollutants emissions and collection as well as wastes formation and disposal) will

provide rigid observance of up-to-date environmental requirements.

For minimizing the negative effect upon environment each subject of production activities will be supplied with annually updated plans of arrangements on decrease of environmental contamination.

It is planned also to improve the system of object monitoring and industrial environmental control due to usage of modern toxic pollutants detection instrumentation and techniques.

Transparency and Accountability

Within the primary activities JSC NIAEP reports to the shareholder for investment commitments discharge. Besides, various requirements are claimed to JSC NIAEP by the key parties of concern including regional authorities, municipal government institutions, business partners and local communities. Effective cooperation with the parties of concern includes detecting their expectations, definition of the Company's response stance, and if reasonable, incorporating their expectations in corporate policies, strategies of development and operating performance.

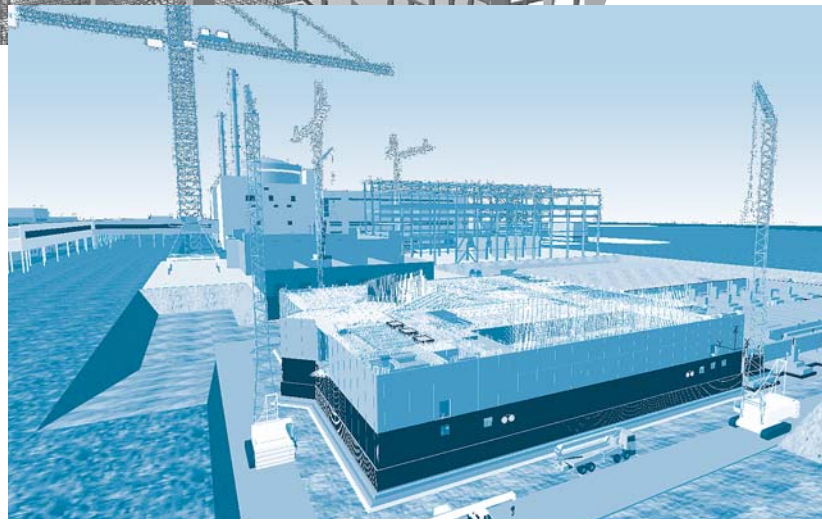
The Company aspires for establishing long-term and mutually advantageous relations with the parties concerned, has respect for their opinions, ensures observance of all commitments undertaken and, in turn, enforces commitments undertaken by the parties of concern.

The Company undertakes the in time informing the parties of concern on significant aspects of its activities, including the usage of public reporting means.

In 2011, JSC NIAEP is going to develop and implement a public reporting system.

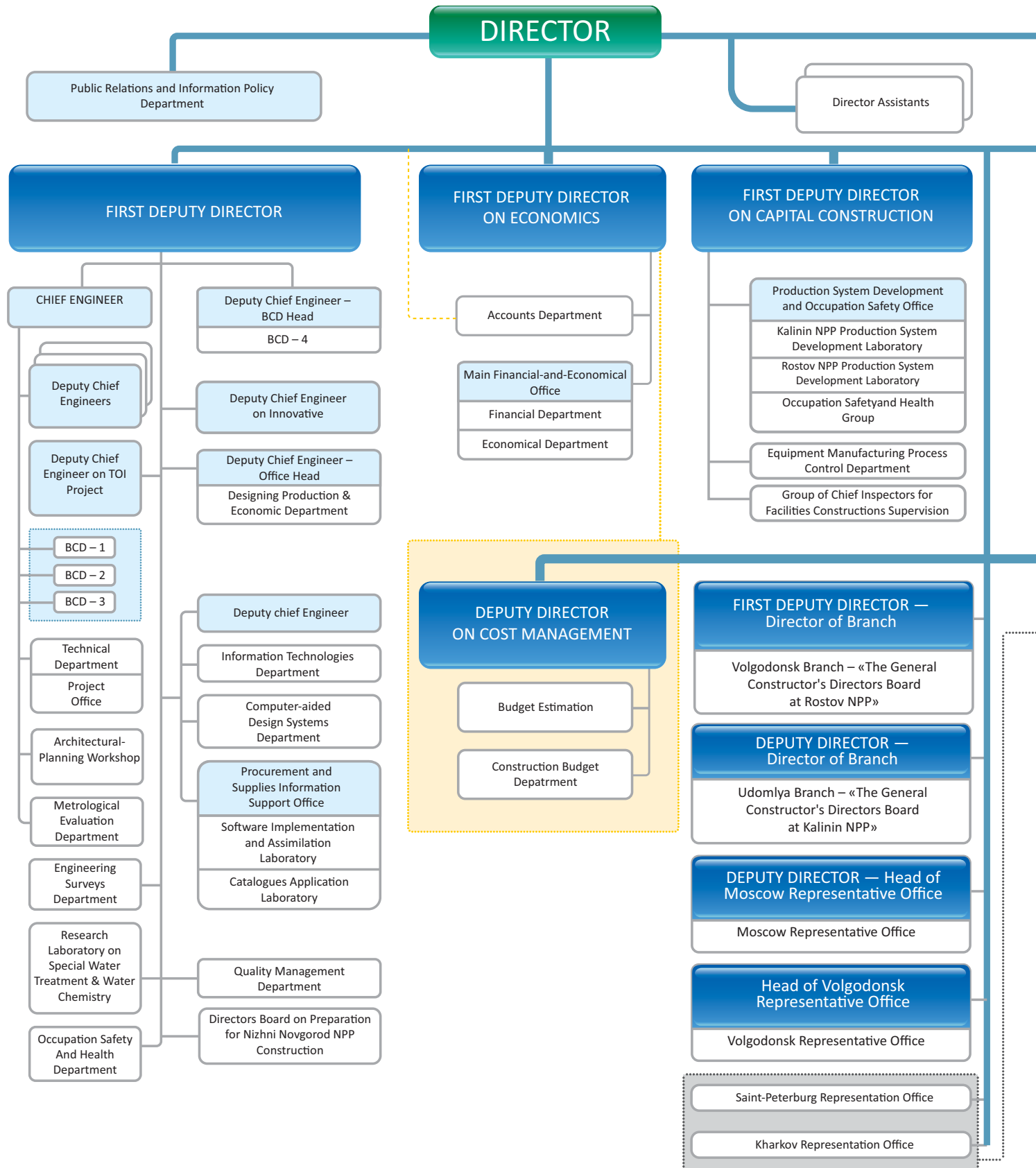
Within the work the following is planned to be done:

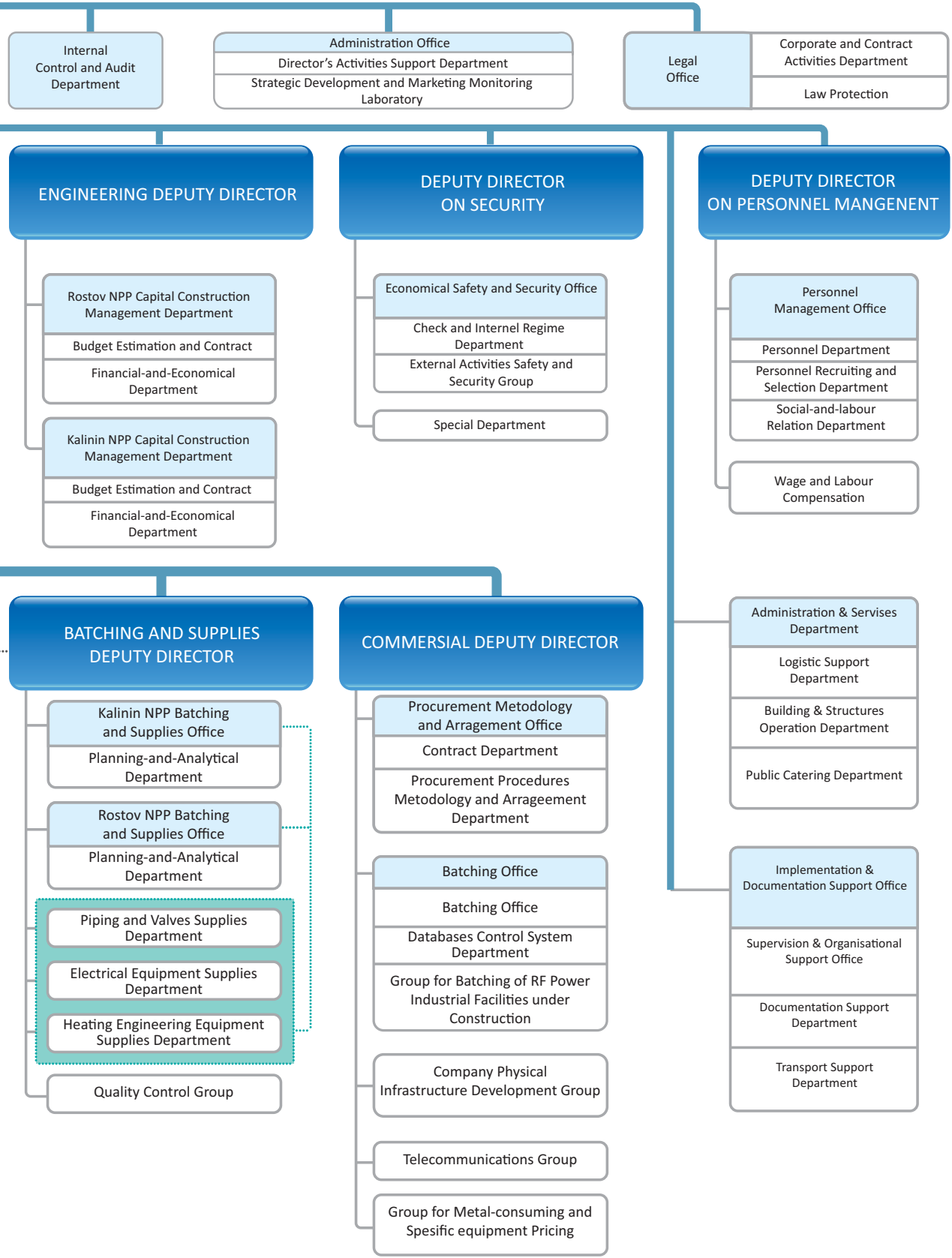
- formation of stakeholders board and conducting of regular arrangement to provide reporting to the parties concerned;
- developing a system of public reporting indices;
- generation of regulatory environment for JSC NIAEP public reporting.





1.6. Corporate Structure of JSC NIAEP





1.7. JSC NIAEP Management



**VALERY I.
LIMARENKO**

Director



**YURY A.
IVANOV**

First Deputy Director



**VLADIMIR L.
KATZ**

*First Deputy Director
on Economics*



**VLADIMIR S.
BELOV**

*Deputy Director on Capital
Construction*



**VYACHESLAV M.
MAKHONIN**

*First Deputy Director,
Director of Volgodonsk
Branch*



**IGOR V.
KRUUZ**

*Deputy Director, Director
of Udomlya Branch*



**LEONID S.
VAGANOV**

*Deputy Director
on Procurement
and Supplies*



**OLEG V.
RYMAR**

*Deputy Director
on Cost Management*



**MIKHAIL Y.
SCHERBAK**

*Deputy Director
on Engineering*



**ANDREY A.
MEDVEDEV**

*Commercial
Deputy Director*



**NIKOLAY P.
SHESHOKIN**

*Deputy Director
on Personnel Management*



**VLADIMIR G.
YARYGIN**

*Deputy Director
on Security*



**SERGEY A.
STRELTSOV**

*Deputy Director, Head
of Moscow
Representative Office*

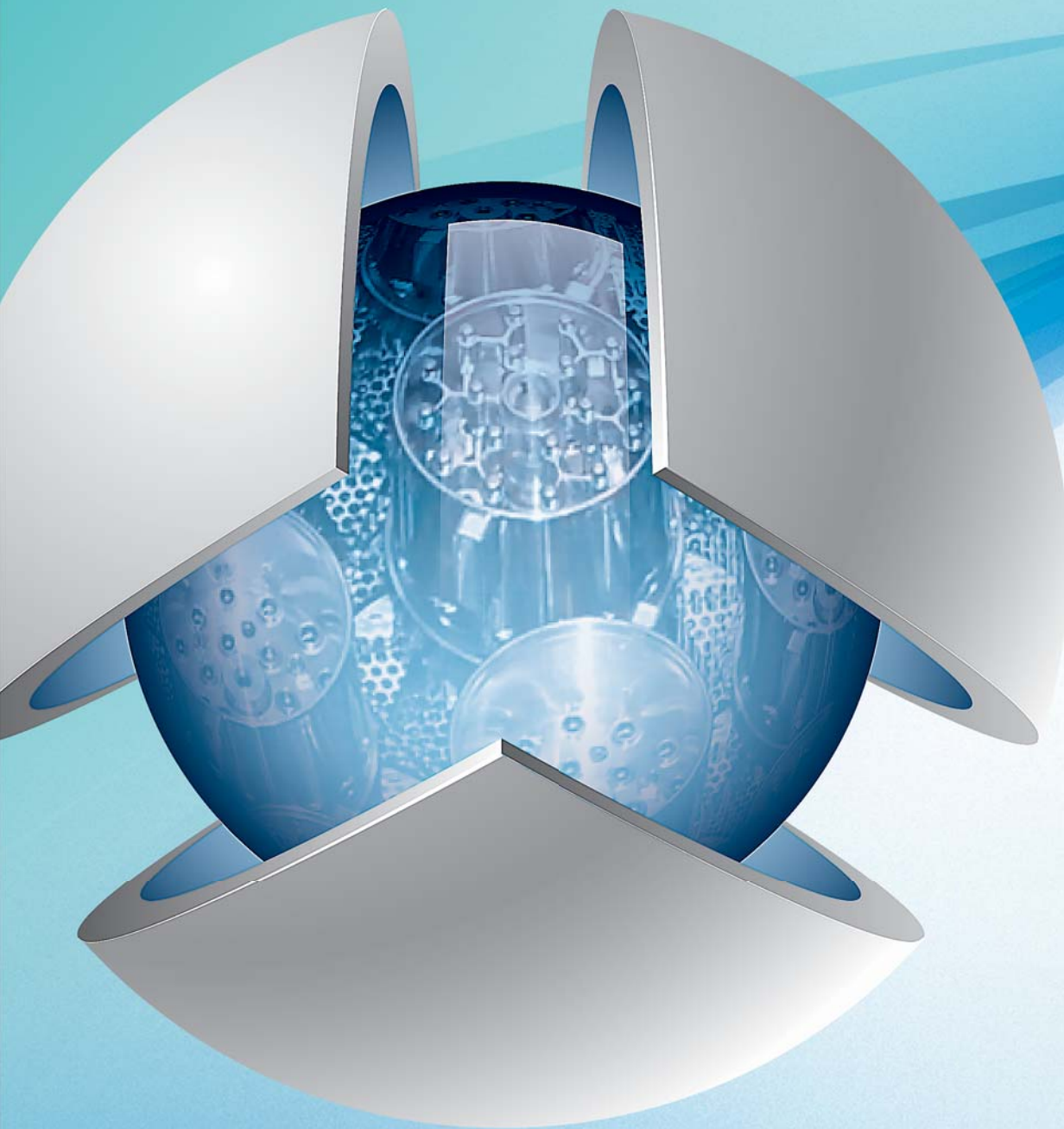


**DMITRY V.
SHKITILEV**

Chief Engineer

Annual Report | 2010 | JSC NIAEP

Turn ideas **into action**



The background features a series of overlapping, wavy, translucent blue lines that create a sense of motion and depth. The lines vary in opacity and color, ranging from light sky blue to a deeper cerulean. They flow across the page, with some lines curving upwards and others downwards, creating a dynamic, fluid visual effect.

2. Operating Activities

2.1. Basic Financial Statement

Table 11. JSC NIAEP Financial Performance in 2008–2010

Financial Measure	2008	2009	2010	Difference 2010 against 2009	
				+/-	%
Sales proceeds, RUR mln.	17 992	35 228	41 081	5 853	+17%
Cost of Sales, RUR mln.	16 308	32 690	37 623	4 933	+15%
Production costs, RUR mln.	16 295	32 615	37 464	4 849	+15%
Depreciation, RUR mln.	13	75	159	84	+112%
Gross profit, RUR mln.	1 683	2 538	3 458	920	+36%
% to proceeds	9,4	7,2	8,4	1	+17%
Operating profit, RUR mln.	1 648	2 237	1 757	-480	-21%
% to proceeds	9,2	6,4	4,3	-2	-33%
Before-tax profit, RUR mln.	1 558	1 965	1 186	-779	-40%
% to proceeds	8,7	5,6	2,9	-3	-48%
Net profit, RUR mln.	1 105	1 554	776	-778	-50%
% to proceeds	6,1	4,4	1,9	-3	-57%

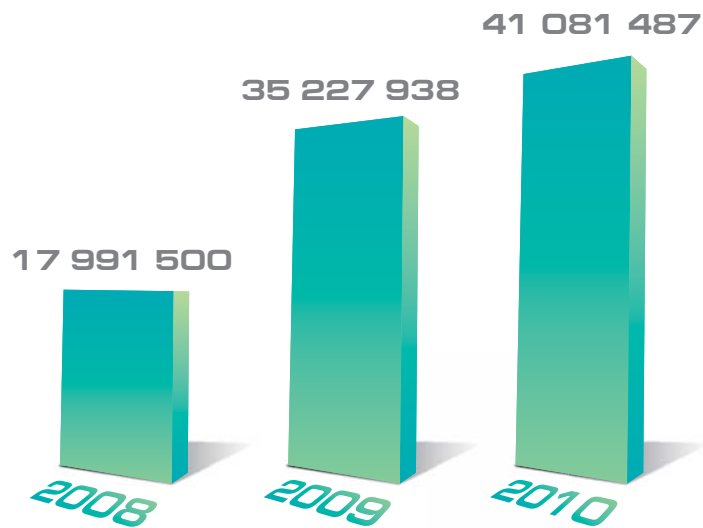


Figure 12. Sales Proceeds Dynamics, RUR ths.

● In 2010, the sales proceeds amounted to RUR 41 081 mln. which exceeded the year 2009 figure by RUR 5 853 mln. or by 16,6%.

● Expansion of erection works at Kalinin NPP Unit 4 accounts for this growth; these works are coming to their final stage.

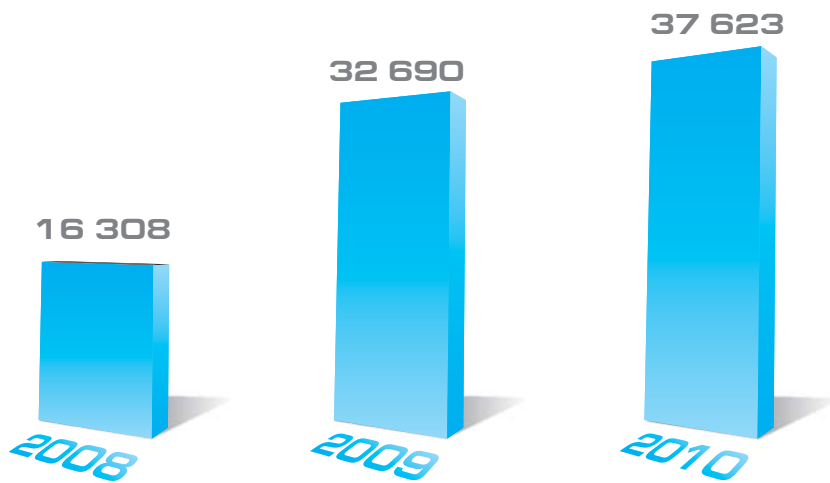


Figure 13. Production Costs Dynamics, RUR mln.

Production costs rose in 2010 by RUR 4 933 mln. as compared to 2009 or by 15% which brought about higher gross profit than in 2009. Gross profit rise was brought about by increase in gross profit margins from the year 2009 7,2% to the 2010 8,4%. The main

growth factor is difference between growth rates of proceeds (by 17% as against 2009) and production costs (by 15% as against 2009). In 2009 the Company included management (administrative) expenses in the total production costs of rendered services,

performed works, sold products without doing separate accounting for them. In 2010, management expenses were under a separate line and amounted to RUR 1 299 mln.

In 2010, the before-tax profit amounted to RUR 1 186 mln., which is less than in 2009 by RUR 779 mln. or by 34%. The profit margins amounted to 1,9%, which is 2,3 times less than the year before. Decrease in the profit margins was caused by the specific character of engineering activities that include several activity areas (design, survey, construction and erection and equipment delivery etc.) with different profit rate regulated by the construction regulatory documents. For their most part (over 85 %) the production costs consist of works of subcontractors and expenditures on equipment supplied.

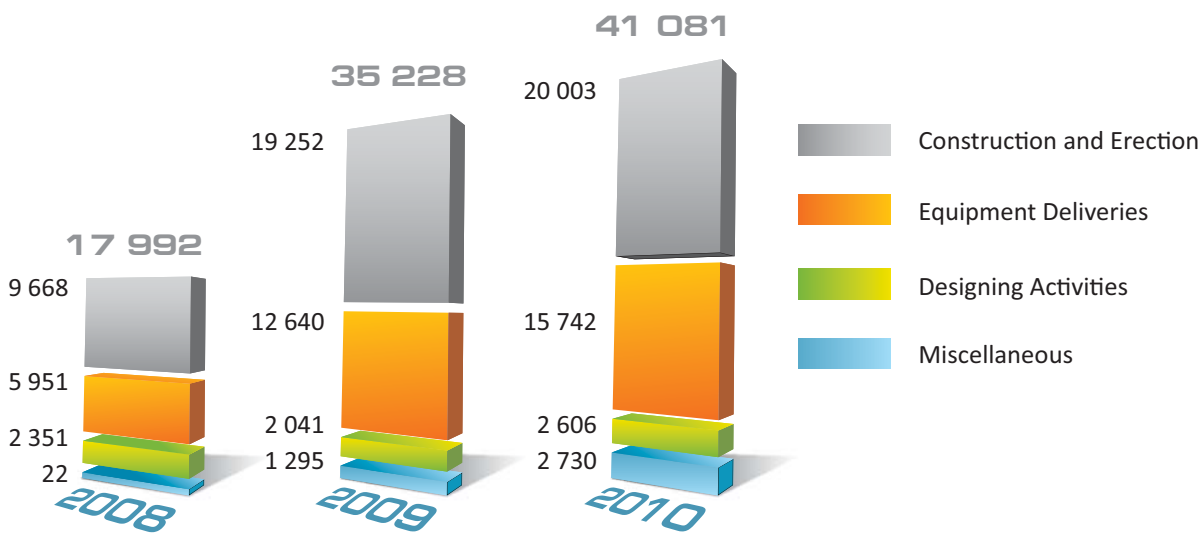


Figure 14. Proceeds Structure, RUR mln.

In the overall proceeds structure for the year 2010 as compared to that in 2008 the share of design and survey

works having a higher profitability level in comparison with other types of activities dropped by half. But the

volume of construction and erection works and equipment deliveries increased twice.

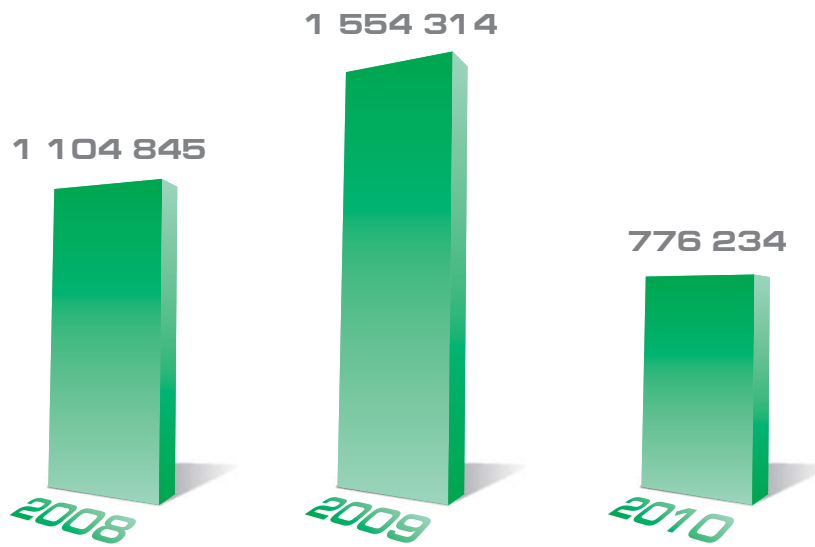


Figure 15. Net Profit Dynamics, RUR ths.

Based on the results of the activities in the year 2010, the net profit of the Company amounted to RUR 776 mln. The net profit amount was twice higher in 2009 than in 2010. It is related to the completion of construction works at Rostov NPP Unit 2 site and commencement of the final construction stage at Kalinin NPP Unit 4 while works at Rostov NPP Unit 3 construction site are picking up pace and works at the Rostov NPP Unit 4 site have been just started on a large scale.

Tax Burden

In compliance with the accounting policy for taxation purposes the Company determines income and expenses on the accrual basis. The Company determines in whole for the legal entity a tax base for the value-added tax and for the income tax and pays the stated taxes to the federal budget. As for any other taxes and duties as well as for the income tax (in

the part to be paid to the budgets of the Russian Federation constituents) the branches and other separate subdivisions of the Company fulfill the taxpayer's obligations in payment of taxes and duties to regional and local budgets under established procedure. In 2010 the tax revenues to the Russian Federation budget system amounted to RUR 1 930 mln.

including RUR 1 077 mln. paid to the federal budget.

The tax amount due to payment in 2010 decreased by RUR 234 mln. as compared to the tax payments made in 2009. The tax amount to be paid to the federal budget decreased by RUR 579 mln. as compared to the year 2009 level.

Income Tax

In 2010, the income tax amounted to RUR 452 mln. In 2009 the income tax was less by RUR 34 mln. while the net profit was higher than in 2010. The reason was that some costs and revenues were not taken into tax accounting (see table 12).

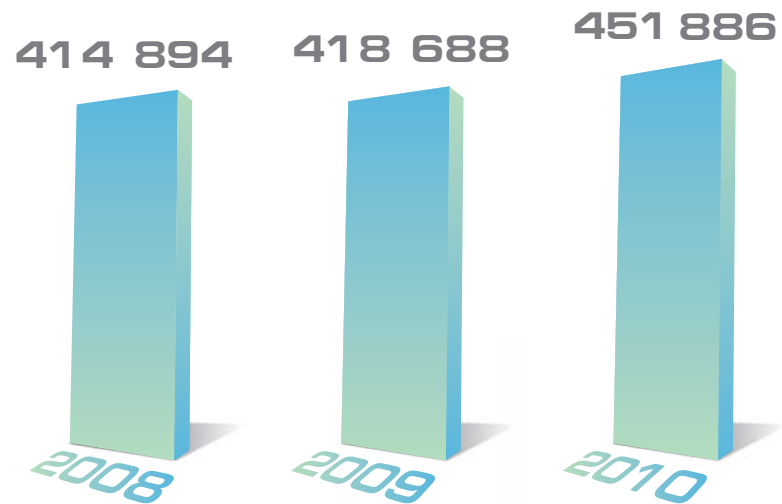


Figure 16. Income Tax Charge

In 2010 JSC NIAEP had a reduced income tax rate in tax payment to the Nizhny Novgorod Regional budget as the Company makes financial donations to the regional sport teams. The donation sum amounted to RUR 30 000 ths. The rate of the income tax to be paid to the Nizhny Novgorod Regional budget was reduced by 1,88% and amounted to 16,2% (Nizhny Novgorod Regional Law N 22-3 dated 02.03.2010).

Table 12. Costs and Revenues Unaccepted in Tax Accounting

Revenue/Cost	Quantity
Material aid to employees and other social transfers	RUR 73 mln.
Losses in service sector	RUR 40 mln.
Charity	RUR 125 mln.
Prior year cost adjustment	RUR 629 mln.
Prior year revenue adjustment	RUR 133 mln.
Exchange difference in income accounting	RUR 3 mln.
Revenue from shares in other organizations	RUR 17 mln.

FINANCIAL CHARACTERISTICS OF THE COMPANY

The current financial standing of the Company is characterized by the following dynamics of the basic financial measures.

Based on the year 2010 results the Company balance currency has increased by RUR 439 mln. or by 101% because of the increase in the following values:

- fixed assets and incomplete construction by RUR 342 mln. or by 137%;
- short-term accounts receivable by RUR 2 424 mln. or by 116%.

The following dropped down:

- inventories by RUR 684 mln. or by 114%;
- long-term accounts receivable by RUR 5 665 mln. or by 442%;
- cash by RUR 6 595 mln. or by 292%.

Sources of assets formation decreased:

- undistributed profit by RUR 168 mln. or by 7 %;
- accounts payable by RUR 454 mln. or by 1%.

The considerable values of accounts receivable and payable in the balance currency reflect the specific character of the economic activity of the Company where the main constituent of a long-term and short-term account receivable is advance payment given to equipment suppliers and subcontractors and that of an account payable are advances granted by the Customer JSC Concern Rosenergoatom to effect payments for products of equipment suppliers and subcontractors' services.

In view of the approved State Corporation Rosatom financial policy in the 4th quarter of the year 2010 JSC NIAEP started using actively a cash pooling system for temporarily idle cash. The borrower – JSC Atomenergoprom – offers rates higher than interests cast on the balance of the account (used for planned revenue calculation)..

Earnings per Share

Basic earnings (loss) per share are determined as the ratio of basic earnings (loss) per annum distributed to ordinary shares holders to a weighted average number of ordinary shares outstanding during the reporting period. Earnings per share amounted to RUR 1.55 in 2010, to RUR 3.3 in 2009 and to RUR 2.7 in 2008.

2.2. Operating Activity Results

2.2.1. DESIGNING



Table 13. Design and Survey Works Scope Dynamic

Index	2007	2008	2009	2010
Amount of work, RUR mln., including:	969,5	2 051	2 020,6	2 746,37
Design and survey works, including:	969,5	2 051	2 020,6	2 740,84
Rostov NPP, Unit N 2 (detailed design)	329,8	309,1	250,7	228,4
Kalinin NPP, Unit N 4 (detailed design)	101,8	497,5	731,2	1 049,9
Rostov NPP Unit N 3 (basic design)	-	710,8	-	-
Rostov NPP Unit N 3 (detailed design)	-	13,2	292,0	733,7
Rostov NPP Unit N 4 (detailed design)	-	-	-	88,35
Nizhny Novgorod NPP (Jol + Safety Analysis + Basic Design)	-	-	183	211,15
Tver NPP (Jol + Safety Analysis)	-	90	132	31,7
F-Design Project	-	-	-	5,53
VVER-TOI Project	-	-	-	-
Design Documentation Sheets (A1), N	42 190	47 090	56 740	66 487
Increase in Sheets Number (as against the previous year), %	-	11,6	20,5	17,2

In 2010 the total of design works performed by JSC NIAEP amounted to RUR 2746,37 mln. The revenue target of the design subdivision amounted to RUR 2697,5 mln. So the target was outstripped by 1,8%.

JSC Concern Rosenergoatom is the main Customer of design and survey works to be performed by JSC NIAEP. In 2010 the JSC NIAEP design subdivision issued documentation for construction of Rostov NPP Units 3 & 4 and also for Kalinin NPP Unit 4.

As for Nizhny Novgorod NPP and Tver NPP the initial project documentation (Justification of Investments, Environmental Impact Assessment) that was elaborated

in 2009 received a positive experts' report.

The services of the JSC NIAEP design subdivision are in demand in the market. In 2010 detailed designs for Novovoronezh NPP Units 1, 2 and Kudankulam NPP were elaborated under the order made by JSC Atomenergoproekt.

JSC NIAEP also partakes in design and survey for thermal power facilities (Kostromskaya State District Power Plant and Novogorkovskaya TPP) as well as for housing (residential) facilities.

In 2010 JSC NIAEP started actively working in the VVER TOI Project. Today the Company is a full-scale

developer of this Project doing activities in its own discipline. In this area the following works are planned for the year 2011: Multi-D design development (process engineering), turbine hall design development, fill-up of the Enovia V6-based materials and equipment database and creation of NPP life cycle management system. Taking into account the VVER TOI Project target namely development of a standard optimized VVER-technology based high capacity power unit design, implementation of these works will directly contribute to the growth of electric power generation at NPP.

Subcontracting Management

In 2010 subcontracting amounted to RUR 848,8 mln. that constitutes 30,9% share of the total annual amount of works. This is related to the fact that the designing technology requires involvement of specialized organizations such as JSC OKB Gidropress (main designer of a reactor plant), JSC VNIIAES (process control system designer), FSUE SNPO Eleron

(creation of the physical protection system) etc.

Research organizations with unique engineering expertise and competencies from the nuclear industry are engaged as subcontractors. There's a list of mandatory subcontractors to be employed for implementation of initial project and design activities.

JSC NIAEP subcontractors for performing design activities are determined through competitive bidding conducted in compliance with the Unified industry-wide procurement standard of the State Corporation Rosatom.

Plans for 2011

For the year 2011, within the effective agreement on Tver NPP with JSC Concern Rosenergoatom it is planned to do the site survey and ecological investigation as the initial project activities.

The following activities are to be carried out for Nizhny Novgorod NPP in 2011:

- NPP site engineering (topographic analysis, geological survey operations) including exploration along railway track;
- Development of research and survey program for the design documentation development stage;
- Kick-off of the basic design development.

In 2011 alongside with the traditional designing activities it is planned to master the Multi-D engineering market and to take part in the VVER-TOI Project.

2.2.2. CONSTRUCTION

The main result of the year 2010 in the power facilities construction area was power start-up of Rostov NPP Unit 2. On March 18th 2010 electric power generated by the Rostov NPP Unit 2 turbogenerator started coming into the country's power grid.

In 2010 flushing of reactor systems was carried out at Kalinin NPP Unit 4. This operation proves that Kalinin NPP Unit 4 is erected in accordance with the erection schedule and the power unit is at a certain stage of preparedness for the physical

criticality operation that is due to take place in September 2011.

The key events in NPP construction in 2010 are given in *Appendix 10*.

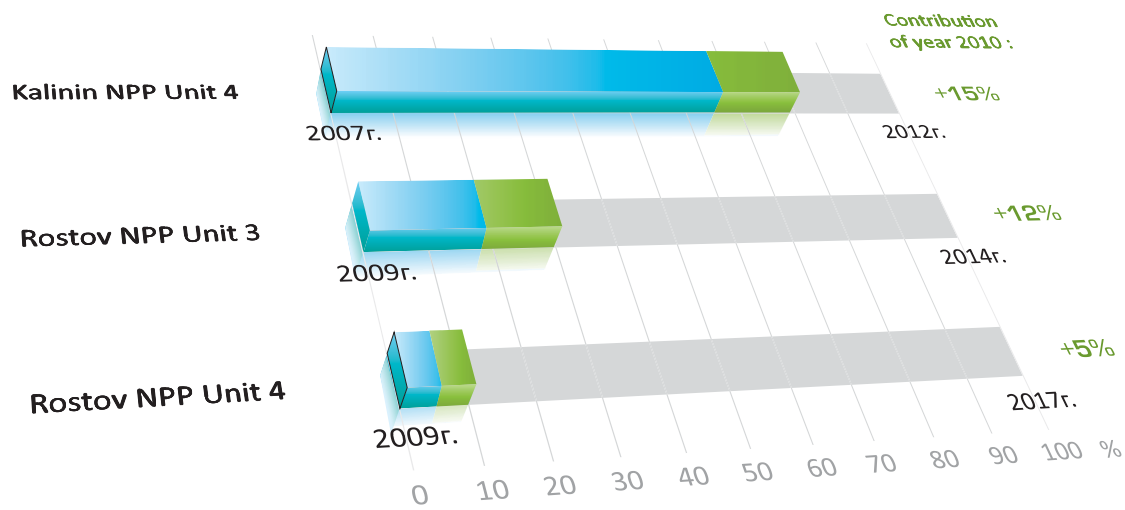


Figure 17. Preparedness of NPP Construction Projects in 2010

Table 14. Scope of Works Performed in NPP Construction Projects (Breakdown per Power Units)

Construction Project	Scope of Performed Works, RUR ths. VAT-free
Kalinin NPP Unit 4	9 430 015
Rostov NPP Unit 2	5 728 945
Rostov NPP Unit 3	4 369 411
Rostov NPP Unit 4	499 418





- In 2010, all works were performed according to the plan.
- For successful implementation of the year 2010 plan over 11 thousand people were employed at the construction sites and over 9 thousand skilled workers were among them.

Table 15. Manpower Employed for NPP Construction

	Rostov NPP Unit 2	Rostov NPP Units 3, 4	Kalinin NPP Unit 4	Total
Total manpower,	2 650	3 686	5 284	11 620
incl. workers	1 979	2 742	4 313	9 034

Over 120 contractors became JSC NIAEP partners in 2010. 33 contractors worked for Kalinin NPP and 89 contractors – for Rostov NPP.

Plans for 2011

Construction projects in 2011 are carried out in accordance with the construction schedule approved by the Customer. The scope of works planned for the year 2011 (% share of the total scope) is shown in figure 18. NPP construction plans for 2011 are given in Appendix 11.

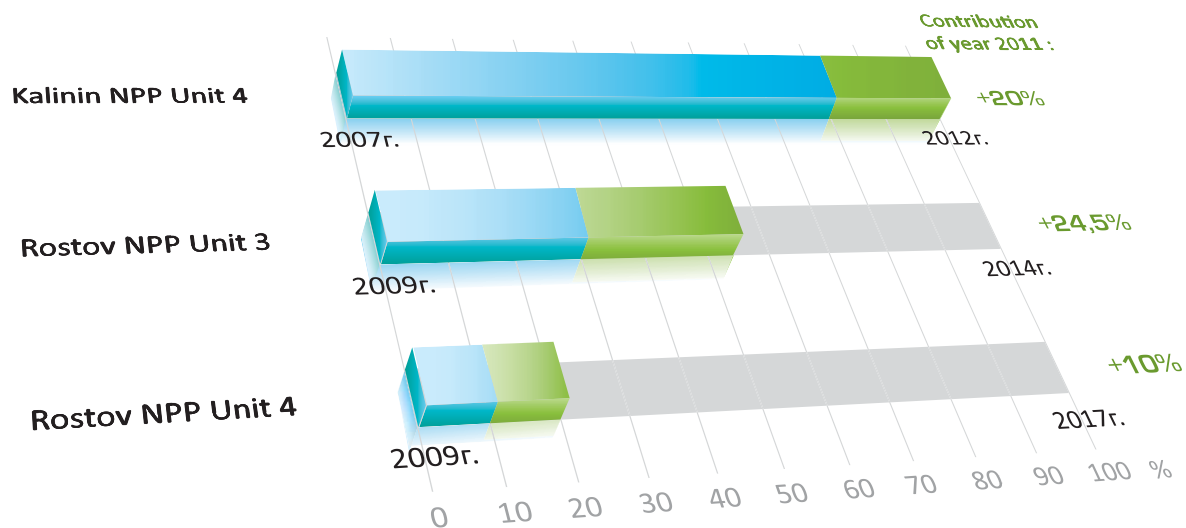


Figure 18. NPP Construction Projects Preparedness Forecast for 2011

2.2.3. EQUIPMENT AND MATERIALS DELIVERY

During 2010 equipment and materials were supplied in accordance with the NPP construction milestone schedule. 100% of the procurement tasks set for Kalinin NPP and 105,4 % for Rostov NPP were implemented.

Table 16. Equipment and Materials Deliver

Index	Total	Kalinin NPP	Rostov NPP		
		Unit 4	Unit 2	Unit 3	Unit 4
Number of suppliers	258	109	72	75	2
Nizhny Novgorod Region	32	10	11	11	-
Rostov Region	19	1	8	8	2
Tver Region	3	1	-	2	-
Other regions of Russian Federation	204	97	53	54	-
Sum of closed contracts (RUR,mln)	13 345,64	2 330,35	214,79	10 766,62	33,88
Nizhny Novgorod Region	1 814,82	56,18	23,24	1 735,40	-
Rostov Region	871,13	23,98	16,15	797,12	33,88
Tver Region	2,49	0,70	-	1,79	-
Other regions of Russian Federation	10 657,20	2 249,49	175,40	8 232,31	-
incl. long-term (over one year) (RUR,mln)	3 969,52	-	-	3 969,52	-
Sum of deliveries (RUR, mln)	18 912,63	17 436,57	616,25	859,81	-
Nizhny Novgorod Region	158,15	84,82	23,79	49,54	-
Rostov Region	356,55	143,20	20,89	192,46	-
Tver Region	5,05	2,04	-	3,01	-
Other regions of Russian Federation	18 392,88	17 206,51	571,57	614,80	-

Plans for 2011

In view of completion of works at Kalinin NPP Unit 4 site the amount of deliveries will drop as the main equipment has already been delivered.


Works at Rostov NPP Units 3 and 4 are expanding. For 2011 it is planned to reach the following indices:

- Rostov NPP Unit 3 – RUR 6 759 mln. incl. VAT;
- Rostov NPP Unit 4 – RUR 1 12 mln. incl. VAT.

2.3. Management of Operating Activities

To become a full-scale EPC/EPCM contractor in the nuclear industry is the priority in the management system development for JSC NIAEP. In order to resolve this task a number of initiatives aiming at the management system improvement and competitiveness enhancement were launched in the Company in 2008–2010.

Table 17. The Company's Initiatives to Improve the Management System

Initiative	Outcome
<p>Development of construction management competencies:</p> <ul style="list-style-type: none"> ● Multi-D engineering 	<ul style="list-style-type: none"> ● Multi-D technology is commissioned; ● 66 Multi-D projects planned for 2010 are developed for Rostov NPP Unit 3; ● Multi-D conceptual project is developed for the VVER-TOI Project.
<p>Projects on construction time and cost reduction:</p> <ul style="list-style-type: none"> ● Organization and deployment of erection simulation technology «Multi-D Project» ● Introduction of the Rosatom Production System (RPS) ● Creation of construction cost management techniques 	<ul style="list-style-type: none"> ● Pilot projects on the RPS introduction are implemented in Kalinin NPP Unit 4 construction project; ● Construction period is reduced due to the RPS and Multi-D Project deployment; ● Cost management technique is developed. JSC NIAEP constructs Rostov NPP Units 3, 4 in accordance with the cost management technique.
<p>Project on procurement optimization:</p> <ul style="list-style-type: none"> ● Development of the Company's own procurement division ● Procurement optimization as well as with help of Nuclear Engineering Fair ● Procurement assurance mechanisms 	<ul style="list-style-type: none"> ● Tender-based procurement helped to save 13,75%; ● Nuclear Engineering Fair helped to save 40%; ● The «Symbolic Team» Project permitted to define the limit cost of turbine hall equipment for «economical» (\$ 2,3 mln./MW) and «advanced» (\$2,7 mln./MW) VVER-TOI Project alternatives; ● To assure procurement Kharkov Representative Office of JSC NIAEP is established.

COMPETENCE DEVELOPMENT IN CONSTRUCTION MANAGEMENT

● Multi-D Engineering

Deployment of modern and innovative engineering experience and technologies is one of the conditions to enhance competitiveness. 3D-engineering has already been mastered in JSC NIAEP; Multi-D engineering technology has been developing since January 2009.

Multi-D model includes 3D product model (3D), calendar scheduling data

(4D), data on procurement (5D) and also data on labor, technical and other resources for NPP construction (6D).

Multi-D technology was put into commercial operation in January 2009.

During the reporting period the Company developed 66 Multi-D projects planned for the year 2010 for

Rostov NPP Unit 3 out of total amount of 254 projects. They help optimize erection of equipment and functional systems and reduce the construction period.

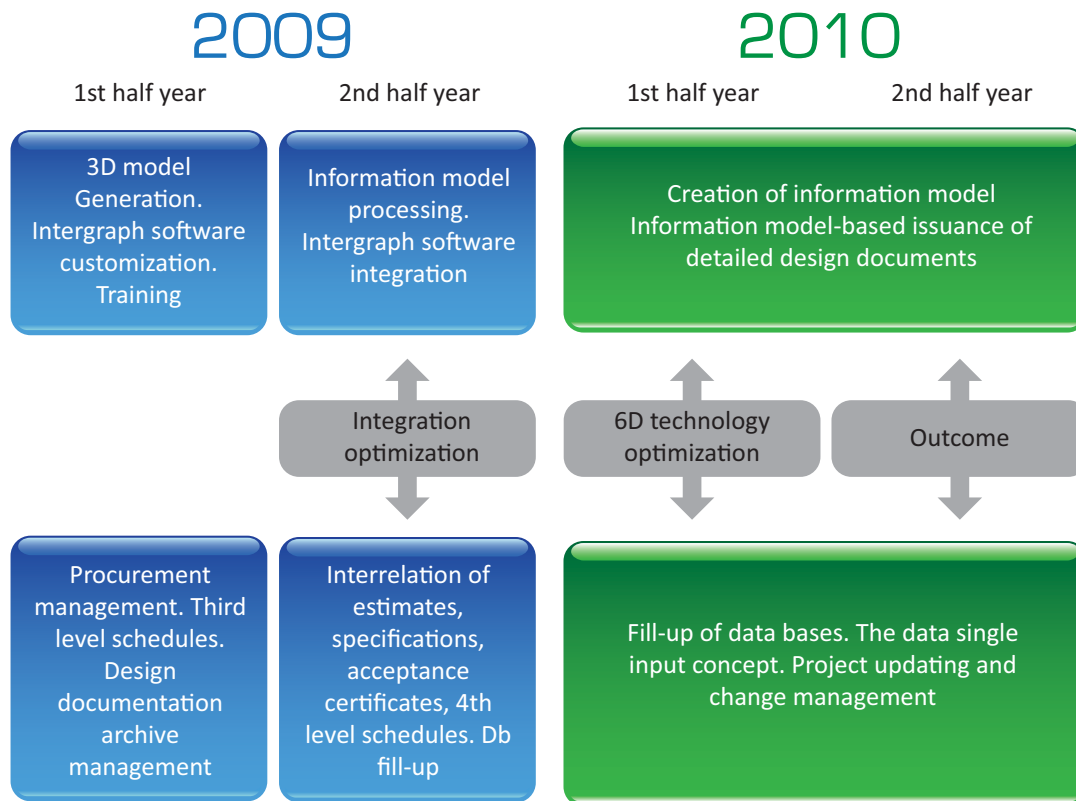


Figure 19. Multi-D Project Stages

For the VVER-TOI Concept-Project the Company developed a Multi-D conceptual project (erection simulation technology). The development of the concept provided necessary background to broaden the role of JSC NIAEP in the VVER TOI project which is one of the strategy lines in the nuclear industry development in the RF.

Construction Cost and Period Reduction

The use of tools of the Rosatom Production system helps reduction of NPP construction period and cost owing to more effective process management system.

Owing to the use of tools of the Rosatom Production System it took 127 days to complete welding of the main coolant pipeline at Kalinin NPP Unit 4 site. So the nuclear industry

record – 150 days set up at Zaporozhye NPP site in 1986 – was beaten.

● Introduction of the Rosatom Production System (RPS)

In 2009, basic pilot projects on the RPS introduction in JSC NIAEP were identified by joint efforts of JSC NIAEP and JSC Concern Rosenergoatom. In 2010 the following was achieved in implementing the pilot projects.

Assembly of main coolant pipeline blocks:

- Total period of works execution amounted to 127 days instead of 255 days;
- The obtained experience was systematized and generalized in Works Execution Project;
- The materials were forwarded to the central RPS deployment coordination work group in JSC Concern Rosenergoatom.

Preparation of systems and equipment for the operation «Water Pumping through the Open Reactor» at Kalinin NPP Unit 4:

- The operating cycle dropped down to 42 days.

Making reinforcement framework for reactor compartment hermetic containment:

- Lead time dropped down to 119 days.

Erection of nuclear reactor containment pre-stressing system:

- Erection time reduced from 333 days to 142 days.

Erection of turbine-generator set K-1000-60/3000at Kalinin NPP Unit 4:

- Erection time reduced by 67 days;
- Erection time reduced down to 450 days instead of 517 days.

JSC NIAEP is one of the leaders in implementing the RPS.

Sergey Obozov,
General Director of JSC Concern
Rosenergoatom, RPS deployment
project leader

● Rosatom Production System

Since 2009 the Rosatom Production System (RPS) has been deployed at the nuclear industry enterprises. The RPS is based on Toyota Company efficiency growth principles acknowledged as one of the most successful programs in this area. The RPS will help improve efficiency and quality, reduce cost and satisfy Customer's requirements to the full extent.

● Creation of Construction Cost Management Technique

In 2010 JSC NIAEP developed a NPP construction cost management technique trying to solve the task set by the State Corporation Rosatom and JSC Concern Rosenergoatom to manage fixed pricing in the NPP construction area.

Fixed price is established at contract closing and remains unchanged; all unplanned expenses occurring during works and materials and technical resources procurement are paid by the general contractor.

JSC NIAEP performs construction of Rostov NPP Units 3,4 in accordance with the cost management technique.

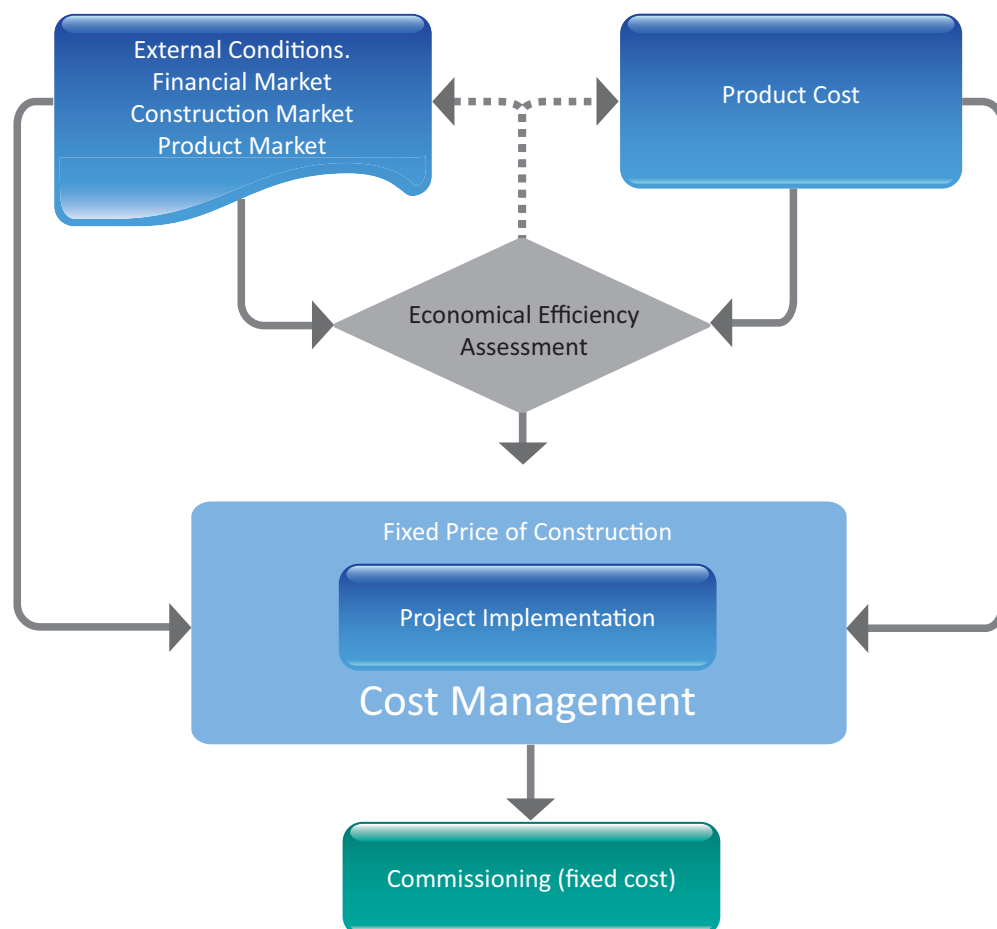


Figure 20. Cost Management System

For the year 2011, the following cost management measures are planned:

- Development of construction cost management model with fixing the limit cost;
- Computer-aided construction pricing and construction cost overrun control;
- Creation of resources model for NPP, generation of current resources costs databases and the resource method-based NPP construction cost estimation;
- VVER-TOI power plant construction cost estimation.

PROCUREMENT OPTIMIZATION PROJECTS

Development of the Company's Own Procurement Subdivision

JSC NIAEP has established a procurement subdivision; it gives the company a competitive advantage against other engineering companies that assign that function to an outside contractor.

In 2010, the Company carried out a number of measures to make procurement procedures uniform – procurement operations were carried out in accordance with the Unified Industry-wide standard of the State Corporation Rosatom. The Company increased open competitive tenders in procurement for power plant construction.

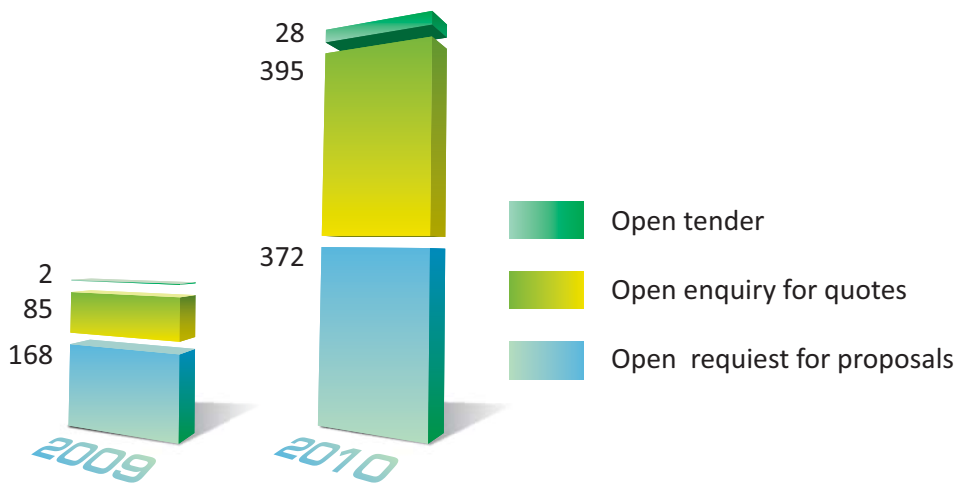
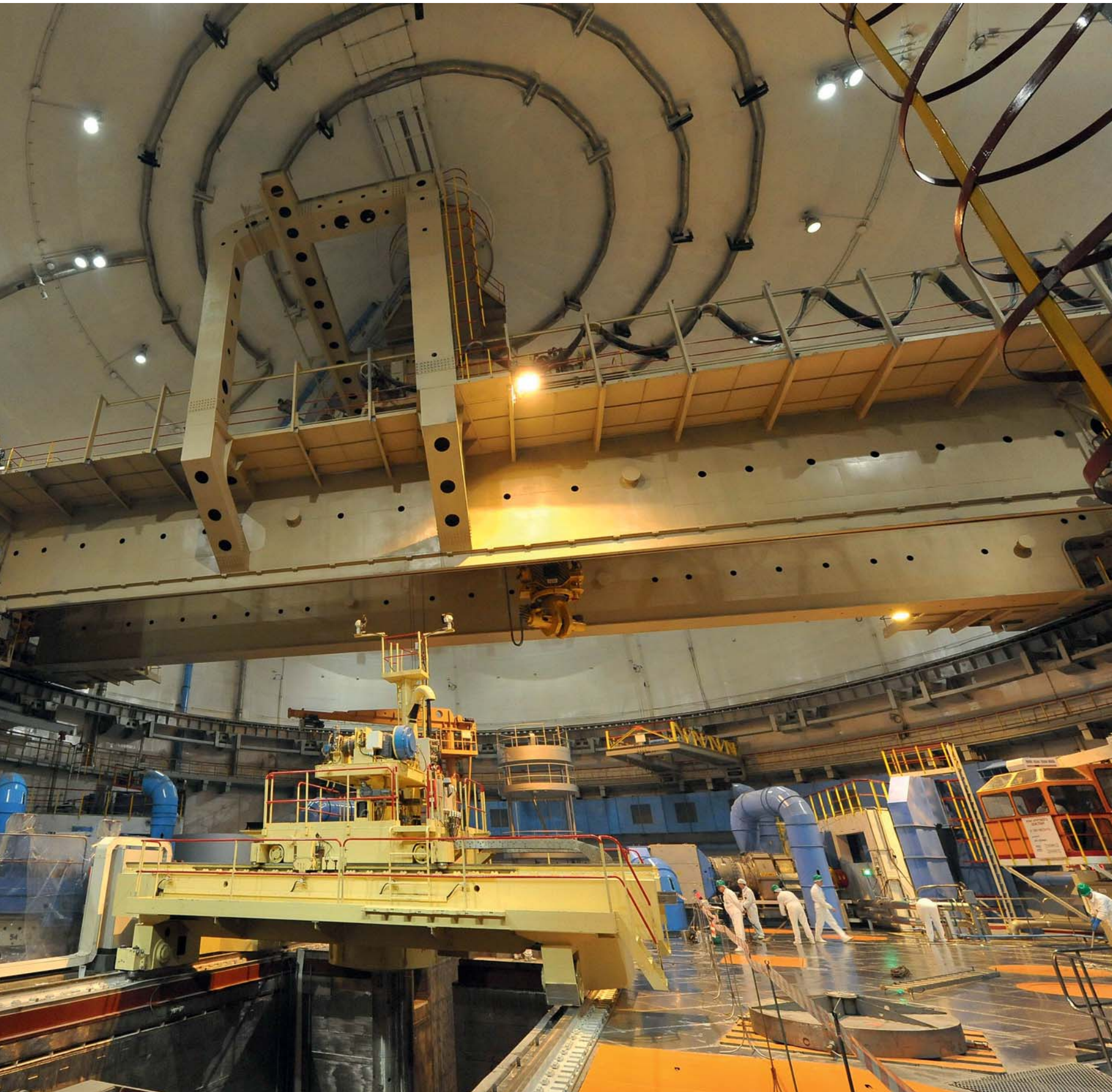


Figure 21. Open Competitive Tenders





Information on purchasing activities in progress, received offers, assessment of offers and decisions made is placed with free access at the Rosatom site <http://zakupki.rosatom.ru>. In total in 2010 the site provided information about 930 competitive tenders for NPP construction procurement.

Besides the Company adopted a new planning level implying making Annual Procurement Programs for the

current and coming years. Abstract from the year 2011 purchasing program is shown at the official site of the State Corporation Rosatom.

The Company also actively uses product price control mechanisms by holding re-tenders and pre-contract negotiations with participants according to the purchasing documents. In 2010 these mechanisms produced an economic effect that amounted to RUR 47 mln. in total.

Upon the whole owing to competitive tendering the savings amounted to 13,75 % of the starting maximal price of lots:

- For Kalinin NPP Unit 4 – 15,5% (saving RUR 244 mln., purchase amount in RUR 1570 mln.);
- For Rostov NPP Unit 3 – 12% (saving RUR 2,9 bn., purchase amount in RUR 24,2 bn.).

Procurement Optimization

Fairs of Nuclear Engineering have been held since 2008 and proved to be an effective mechanism to provide NPP construction projects with equipment and materials of required price and quality. In 2010 over 70 suppliers took part in the Fair.

Table 18. Outcomes of Nuclear Engineering Fairs in 2010

Index	2010
Number of lots	40
Number of participants	66
Total initial (max) equipment price, RUR mln.	2 460
Total sum of offers from companies, RUR mln.	1 626
Saving, RUR mln.	834
Saving, %	34

The nuclear engineering fairs are also designed to present and demonstrate products of enterprises, so it helps JSC NIAEP to learn more about equipment suppliers. Representatives of enterprises have an opportunity to learn about competitive tenders, the Unified industry-wide procurement standard and Multi-D engineering. Round-table talks are held at the nuclear engineering fair to discuss procurement of specific types of complex equipment. JSC NIAEP arranges meetings between suppliers and representatives of the design and

procurement subdivisions. It helps the companies better plan their activities and revise the production programs to fulfill their contractual obligations.

The nuclear engineering fairs have become a recognized brand of JSC NIAEP and one of the key mechanisms to create and maintain competition.

In July 2010, JSC NIAEP launched «Symbolic Picked Team» Project. The «Standard Project Symbolic Team» is formed following the results of the contest among equipment suppliers. This contest is held to encourage

professional activities in the nuclear engineering field, to boost competition, to improve effective cooperation between nuclear companies and to publicly distinguish and praise the best nuclear industry companies.

There are 10 nominations corresponding to the main equipment of a standard nuclear power plant. The selection criteria are price, quality and references. 38 companies from Russia, Germany, Czechia, the Ukraine, France and South Korea were nominated.

On October 28th, 2010 the contest committee consisting of experts in the nuclear engineering field and chaired by Valery Limarenko, Director of JSC NIAEP, summed up

the results of the first contest. At the awarding ceremony the laureates were awarded with diplomas and the winners – with memorable Minin and Pozharsky Award statuettes, symbols

of professional recognition. The list of winners and laureates is given in *Table 19*.

Table 19. Winners and Laureates

Nomination	Winner	Laureate
Main reactor equipment	JSC Izhorskiye Zavody (Russia)	JSC AEM-technologies (Russia)
Main turbine hall equipment	Alstom/Atomenergomash (Russia-France)	JSC Turboatom (Ukraine)
Main heat exchange equipment	JSC ZIO-Podolsk (Russia)	JSC Alfa Laval Flow (Russia -Sweden)
Main pump equipment	JSC GIDROMASHSERVICE (Russia – Ukraine)	Hoysung Good Spring Inc (South Korea)
Circulation pumps	GANS Zrt (Hungary)	Hyundai Heavy Industries Co, Ltd (South Korea)
Valves of main process systems	JSC Corporation SPLAV (Russia)	JSC Corporation SPLAV (Russia)
Safety systems valves	MSA a.s. (Czechia)	JSC Energomash – TchZEM (Russia)
Power transformers	Hyundai Heavy Industries Co, Ltd (South Korea)	JSC Electrozavod (Russia)
Electric boards and panels	JSC Elektroschit-TM Samara (Russia)	FSUE Uralsky Electrotechnical Plant (Russia)
Non-standard equipment	JSC Tyazhmash (Russia)	JSC Atommasheexport (Russia)

Within this project the Company received 250 commercial and technical offers and attracted over 30 new equipment suppliers and manufacturers.

The Company received confirmation that procurement for Rostov NPP Units 3,4 can be done

within the limit cost and identified the potential of enterprises in relation to production rationalization and product cost reduction.

The «Symbolic picked team» Project helped define the limit price of turbine hall equipment for

«economical» (\$ 2,3 mln./MW) and «advanced» (\$2,7 mln./MW) VVER-TOI Project alternatives. The results of this work were used in technical and economical comparative analysis of the TH equipment alternatives.



Supply Security Mechanisms

To prevent contractors from neglecting their contractual obligations JSC NIAEP has developed a network of specialized representative offices placed closer to manufacturers. They provide the possibility to resolve emerging problems directly on site of the enterprises where equipment is produced. Earlier a representative office was open in Moscow to deal with enterprises in the Moscow Region and one office was set up in

St. Petersburg to work with nuclear machine building companies in the west of the country. In 2010, an office was opened in Kharkov to work with the main nuclear manufacturers of the Ukraine. The employees of this office do work related to the contracts all over the Ukraine.

The main task of the representative offices is to control the equipment manufacturing dates and quality

at the plants following the «military acceptance» principle: representatives of three departments (process equipment delivery department, pipeline and valve delivery department and electrical equipment delivery department) take part in business trips to the plants. Their activity is coordinated and is managed by Deputy Director of Supplies.



2.4. Investment Projects

JSC NIAEP investment activities focus on achievement of strategic goals of the Company and the State Corporation Rosatom. Increase in market share by 15 % by 2015 is one

of the strategic goals of JSC NIAEP (see *Section 1.4 Mission and Strategy*).

To achieve this goal it is necessary to have additional

amount of work provided by the Concern Rosenergoatom and to increase operating potential of the Company through implementation of investment programs.

Investment Decision Making

Investment decisions are made on the ground of the Investment Memorandum that can be specified in accordance with the decision of the Sole stockholder on distribution of net profit according to the results of the reporting year. The

year 2010 Investment program was developed on the basis of Decision N 8 of the Company's Sole shareholder «Approval for Distribution of Net Profit According to the Results of 2009» dated June 29th 2010.

In 2010, actions are taken to join the Investment management hierarchic structure of the state corporation Rosatom, a project-based approach is deployed to manage investment projects

Progress of Investment Projects in 2010

The sources for investment projects include the Company's own means coming from its activities. JSC NIAEP also actively uses leasing mechanisms.

In 2009, the investment projects of the Company were developed up to 2015.

Table 20. Investment Projects Implemented by JSC NIAEP

Project	Investment (VAT free), RUR mln.			
	2009	2010	2011	Total (2009-2015)
Mechanization of construction sites for construction and erection works	117	241	11	719
Procurement of special equipment	29	36	7	136
IT-Projects	95	69	42	224
Infrastructure development	47	159	176	564

Mechanization of Construction Sites for Construction and Erection Works

A large number of construction equipment corresponding to the construction scale (max elevation, large lifting capacity and sizes, construction technologies, local conditions, construction period, rate of power facilities commissioning) is used for NPP construction. Such equipment sale market is limited, and it takes over 6 months to have it made to order and the price is very high. As a rule such equipment is owned by subcontractors. The rent price is often equal to the buying price. Besides there are some types of equipment that subcontractors don't have. In order to reduce the dependency from subcontractors and prevent them from dictating their renting terms it is assumed to purchase construction

equipment that will be used on construction sites including for new construction projects in future. Equipment may be obtained through leasing. For that the equipment should cost over RUR 1 mln. and have useful service life over 5 years.

Procurement of Special Equipment

This investment project implies purchasing instruments, geodetic and drilling equipment for survey works. This equipment will allow working in compliance with present day requirements set for design and survey works.

IT-Projects

This investment project implies purchasing main hardware (computers, office equipment, servers, and telecommunication equipment). Computers are necessary to carry on

the main activities and are purchased in accordance with the standard «Standardization of hardware and software provision for users and servers in the State Corporation Rosatom». In accordance with this document machines of a certain configuration are purchased, approval is required if other configuration omitted in the Standard is bought.

Infrastructure Development

Development of the Company's activities implies improvement of labor conditions, renovation of buildings and development of the infrastructure at Rostov NPP Units 3, 4 construction sites. This is dictated by labor law that regulates labor conditions.

Plans for 2011

- In 2011, it is planned to actively purchase modern equipment and machinery through leasing mechanisms. Leasing will speed up renewal of main funds and will help hold the leading position at the engineering services market.
- In 2011, it is planned to further regulate JSC NIAEP investment activities by introducing an internal investment management standard.

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Cooperation **synergy**



3. Sustainable

Development Activities

3.1. Personnel

3.1.1. PERSONNEL DESCRIPTION

The Company sustainable development and the Strategy implementation depend much on well-coordinated and responsible activities of all the Company staff members. Thus, JSC NIAEP places

special emphasis on forming of a high-competent and result-motivated team of employees.

The scope and significance of the tasks the JSC NIAEP team have

to tackle with have caused serious changes regarding the corporate structure and the considerable increase of personnel number.

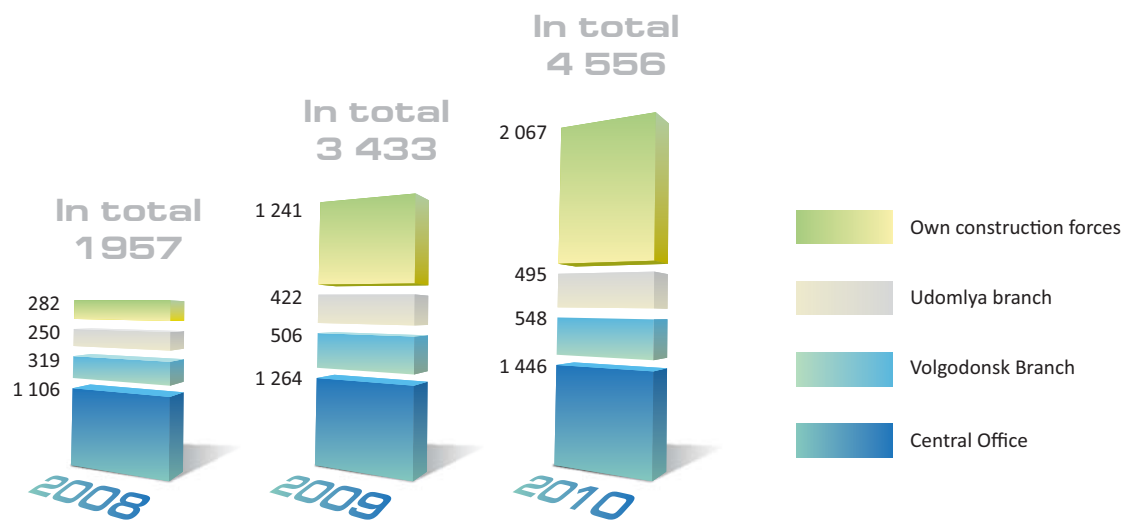


Figure 22. The Personnel Number Growth Behavior per Subdivisions

In 2010, the Central Office personnel number grew by 189 people due to the creation of departments with the new competences. 139 people thereof were hired for the design subdivision. The increase of design subdivision production capacities is related to the transition to 3D designing and is aimed at further Multi-D project implementation.

The Company in-house human resources number 2067 people, that is 826 workers more as compared to the year 2009.

In 2010, a representative office was established in Kharkov, with the authorized staff size of 4 employees as at January 1, 2011.

Over 11 thousand people were involved in accomplishment of the tasks at the construction sites, over 9 thousand thereof referred to qualified workers of contractors.

Table 21. The Total Number of Manpower¹ with a Breakdown by the Type of Employment, the Type of Employment Contract and the Territory

Territory	Contract of Employment:		%	Type of Employment:		In Total
	Permanent	Temporary		Full Time	Part Time	
Total Number	2 359	130	5,2	2 476	13	2 489
Nizhny Novgorod region	1 399	47	3,3	1 440	6	1 446
Tver region	489	59	10,8	545	3	548
Rostov region	471	24	4,8	491	4	495

The index «total number of manpower» includes the JSC NIAEP Central Office, the Udomlya branch and the Volgodonsk branch. For the affiliated companies' personnel number (own construction forces), please, refer to figure 22.

Low manpower turnover is a significant parameter representing the Company as a sound employer.

The difference in manpower turnover indices per different territories is caused by the fact that the Central Office refers to the territory of Nizhny Novgorod region, and the branches refer to the other territories. The Company personnel number fluctuation was related to Company reorganization (FSUE became JSC) in December 2007, sharp growth of Central Office personnel number and the establishment of branches in 2008.

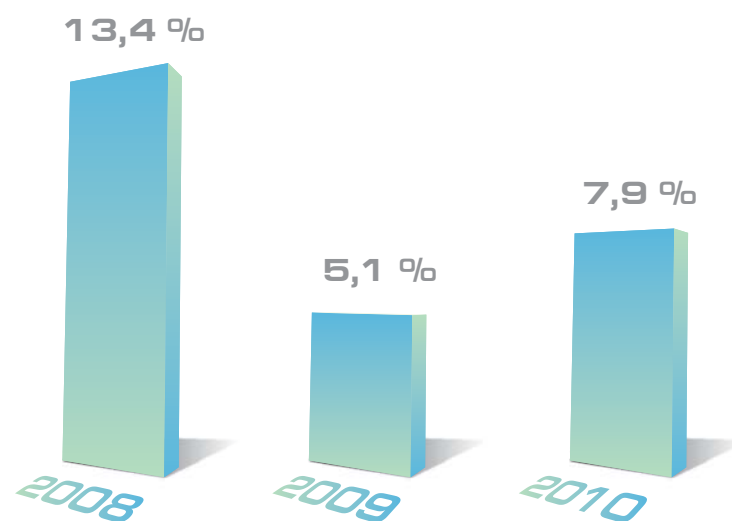


Figure 23. The Manpower Turnover Index

Table 22. The Manpower Turnover in 2010 with a Breakdown by Gender, %

Gender	Nizhny Novgorod Region	Rostov Region	Tver Region	In Total
Women	4,63	5,45	8,85	5,64
Men	6,52	9,45	10,41	8,15

Table 23. The Number of Employees Dismissed by their Own Request in 2010 with a Breakdown by Age

Age	Nizhny Novgorod Region	Rostov Region	Tver Region	In Total
Under 30 years	7	12	11	30
31–50 years	27	20	25	72
51 years and older	37	8	7	52
In total	71	40	43	154

Table 24. The Number of Employees Dismissed for Delinquency in 2010 with a Breakdown by Age

Age	Nizhny Novgorod Region	Rostov Region	Tver Region	In Total
Under 30 years	1	-	-	1
31–50 years	-	2	-	2
51 years and older	-	-	-	-
In total	1	2	-	3

One of the major principles of personnel policy is objective estimation of professional contribution of each employee: affording grounds for career development and ensuring of activity results dependant labor remuneration level.

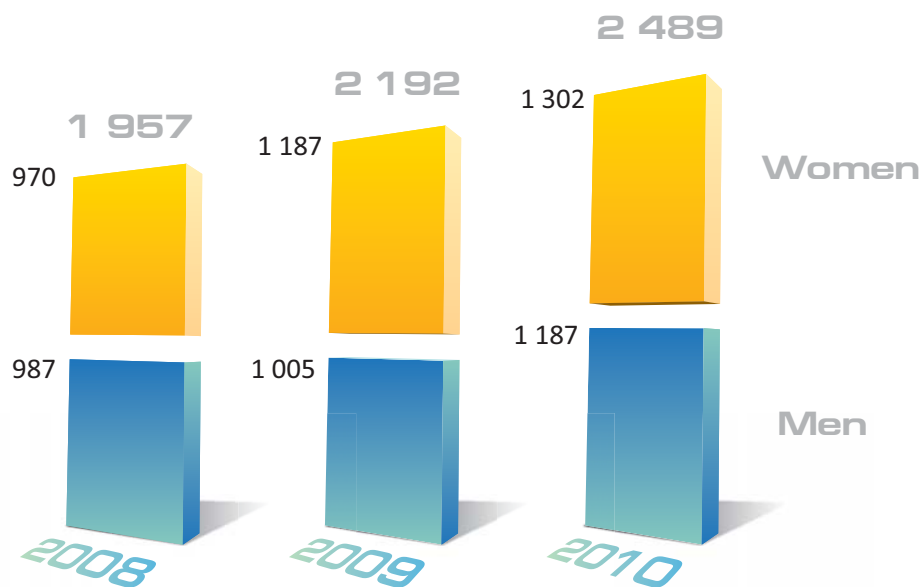


Figure 24. The Personnel Gender Structure Behavior, (Number, people)



The JSC NIAEP team annually replenishes with young staff increasing the share of under 35 years old employees. The company is concerned in intaking and keeping young specialists including graduates up.

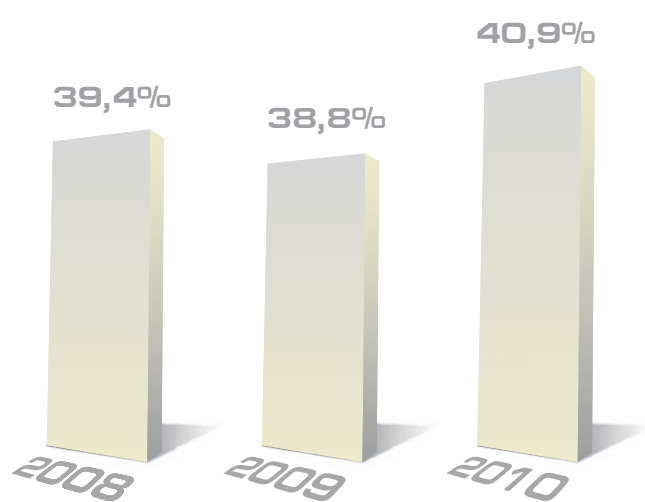


Figure 25. The Percentage of Employees under 35 Years Old

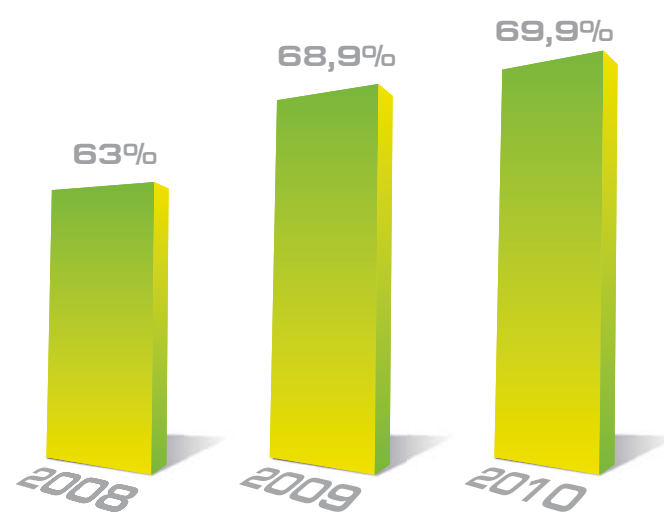


Figure 26. The Percentage of Employees with Higher Education

3.1.2. PERSONNEL MANAGEMENT

Labor Remuneration

JSC NIAEP has implemented an efficient system of labor remuneration and compensations ensuring a worthy level of wages and salaries and motivating the Company employees to achieve strategic and operating objectives of the Company.

The system of labor remuneration and motivation has been developed in compliance with the Unified system of labor remuneration adopted by the State Atomic Energy Corporation ROSATOM.

In 2010, average salaries and wages of JSC NIAEP personnel increased in all the Company host territories.

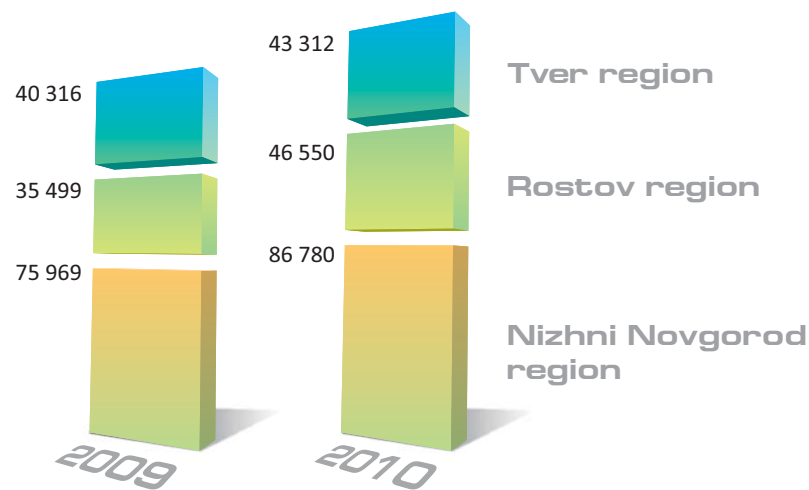


Figure 27. Average Wages of the JSC NIAEP Personnel with Breakdown by Host Territories, RUR.

The total amount of personnel remuneration depends on their grade.

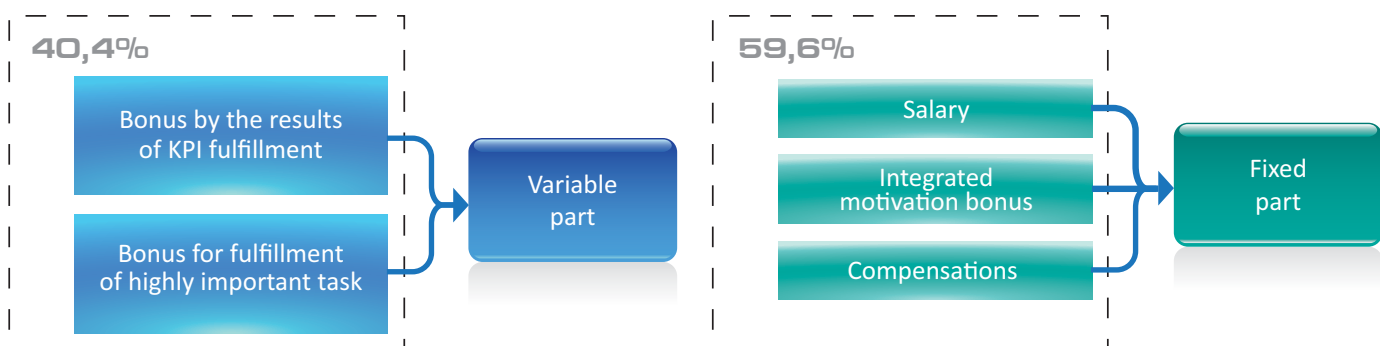


Figure 28. The Structure of the JSC NIAEP Personnel Compensatory Package

The salaries have been determined in compliance with the approved remuneration matrix.

Top management IMB has been determined according to the level of the professional status. Top managers' motivation is based on fulfillment of key performance indicators (KPI).

The nominal amount of the bonus is determined in the Regulations for JSC NIAEP personnel remuneration.

The Company KPI are formalized in the KPI Chart of the Company Director, then being decomposed

for subordinated employees and departments.

The key objectives and KPI per an employee or a department ensure fulfillment of objectives and KPI of the Company or a higher position. KPI are determined for a year subject to the key objectives of an employee or a department and functional obligations. The bonus by the results of KPI fulfillment promotes all the employees to achieve Company general objectives.

The application of the KPI system results in enhanced efficiency of Company strategic objectives achievement due to the setting of inter-consistent indicators for employees defining the achievement of the above-said objectives, as well as due to rewarding the employees for KPI fulfillment.

The ensuring of equal opportunities for different age groups is one of the top priorities of the JSC NIAEP labor remuneration system.

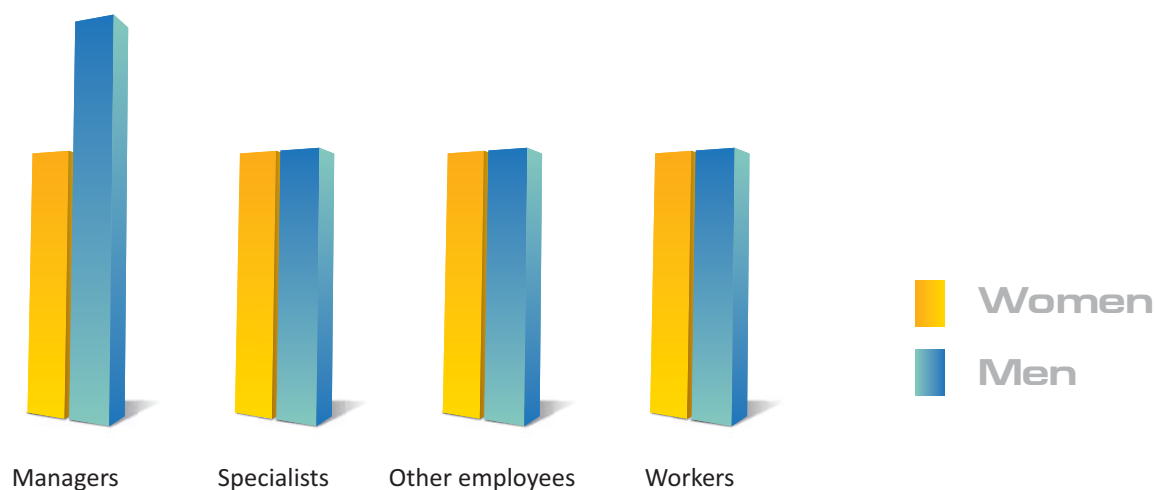


Figure 29. Men-Women Basic Salary Ratio with a Breakdown by Categories

The difference in basic salaries of managers was caused by the fact, that now the posts held by a he-manager and a she-manager refer to different grades.

The minimal salary of a she-manager corresponds to the 14th grade (the head of a warehouse, an assistant manager), the minimal salary of a he-manager corresponds to the 11th grade (a works manager, a foreman). Men do not hold the posts of the «head of a warehouse», «an assistant manager».

The salaries of men and women within one grade are equal.

Personnel Assessment

Since 2010, the Company has widely been used the personnel assessment. The assessment results are applied to make decisions in the course of personnel management.

The personnel assessment is the part of the model of nuclear sector personnel and the Company performance management. The specified system enables an employee to understand what results the Company expects, and how the achieved results will be assessed, as well as it provides an opportunity to meet the expectations referred to career development and rewarding for services. For the sequence of personnel assessment mechanisms implementation, please, refer to *Table 25*.

Table 25. Personnel Assessment Mechanisms Implementation

Deadlines	Events
December 2009	<ul style="list-style-type: none"> ● Regulations for annual personnel assessment were approved.
February-March 2010	<ul style="list-style-type: none"> ● The objectives were defined and set for the Company managers; ● The managers were assessed by the competence model; ● Feedback was available; the plan of development was made up.
March 2010	<ul style="list-style-type: none"> ● The assessment results were agreed with the State Corporation Rosatom.
June – July 2010	<ul style="list-style-type: none"> ● The order for individual objectives setting was signed; ● Specialists to be assessed in 2011 (83 people) were determined additionally; ● The managers defined the objectives for the subordinated employees for the year 2010 considering the Company Strategy development, fulfillment of individual KPI and Company KPI; ● The managers (75 people) participating in the annual efficiency assessment were trained.

By the results of performance efficiency assessment, the system of individual motivating remuneration of an employee may be revised; a decision may be made regarding transfer of an employee to other work or including him into the reserve for a higher post.

In 2010, the specialists of the Company HR department trained 75

managers participating in the annual efficiency assessment by the program «The technique of fulfillment of the annual personnel performance efficiency assessment» for the purpose of successful fulfillment of personnel performance efficiency assessment.

In 2010, subject to the Regulations for the annual personnel performance

efficiency assessment, 96 employees up to the level of the head of a department were assessed; 86 employees additionally were given individual objectives for 2011. The share of employees undergone efficiency and career development assessment in 2010 is 3,9%.

Personnel Development

Arising challenges make the Company personnel enhance competence. The personnel training system has become successfully applicable to all the personnel levels at JSC NIAEP; training efficiency is assessed.

The personnel training and professional development system is developed and revised considering the Company objectives due to the Company strategic priorities.

In 2010, 635 employees were covered by training and professional development programs, the training expenses increased by 12% as compared to 2009. In 2009–2010 academic year, training was organized for 789 employees of all main operating departments divided into 38 groups according to the «Plans of technical and economic training of engineers».

In 2010, subject to the strategic objectives of the Company referred

to implementation of the leading world technologies (3D/6D-design) for practical nuclear power plants designing, newly hired young engineers were trained to work with Intergraph and Dassault Systemes software. In general, about 170 specialists were trained. It will enable the Company to manage the deadlines, the cost, construction resources and to reduce significantly the term of nuclear power plant construction in future.

Table 26. Training and Professional Development

Обучение и повышение квалификации		2008	2009	2010	2011 (план)
External training	Centralized corporate training, people	241	363	635	750
	Including training within the framework of Soyuzatomstroy, Soyuzatomproekt, Soyuzatomgeo, people	-	-	35	40
	Personnel training expenditures, RUR ths.	1 600	5 500	6 140	7 928
	Including expenses per an employee, RUR ths.	0,8	2,5	2,72	3,5
In-house training	Technical training, people	615	745	789	820
	Including training in the new technologies, people	290	420	500	600
	Multi-D-design technology mastering, people		130	73	50
IN TOTAL (people)		856	1 238	1 497	1 620

The programs of personnel training and professional development enhance competitiveness of the employees in the employment market. In case of downsizing, the employer

will assist the discharged workers with retraining and employment in compliance with the collective agreement. The workers achieved the retirement age are rewarded with a

lump sum payment amounted up to two salaries. Company pensioners and veterans are provided with monthly social benefit amounted to 1150 RUR per month.

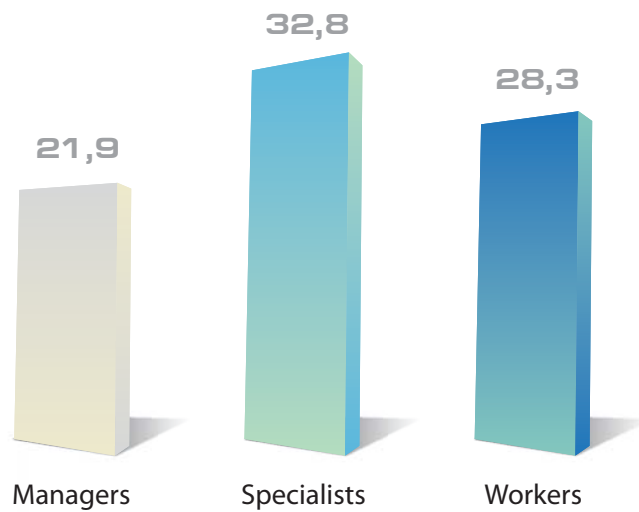


Figure 30. Average Number of Training Hours per an Employee in 2010

The average number of training hours per employees' categories was analyzed subject to the results of training in 2010. The average number

of training hours was 32,8 for the category «specialists», caused by the greatest density of professional development (refresher training),

that is 72 hours per person. Training reduced to short seminars and conferences was carried out for the category of «managers».

Youth Policy

The number of Company employees aged under 35 is 1018 at the present time, that is over 40,9% of the staff. Graduates of key profile higher educational establishments

form the main part of the young employees of the Company. In 2010, 62 graduates were employed by the Company. 49 young engineers got a promotion in 2010; hence, it proves

hopeful prospects of working for the Company. The program of professional orientation and adaptation is applicable to young engineers by the Company.

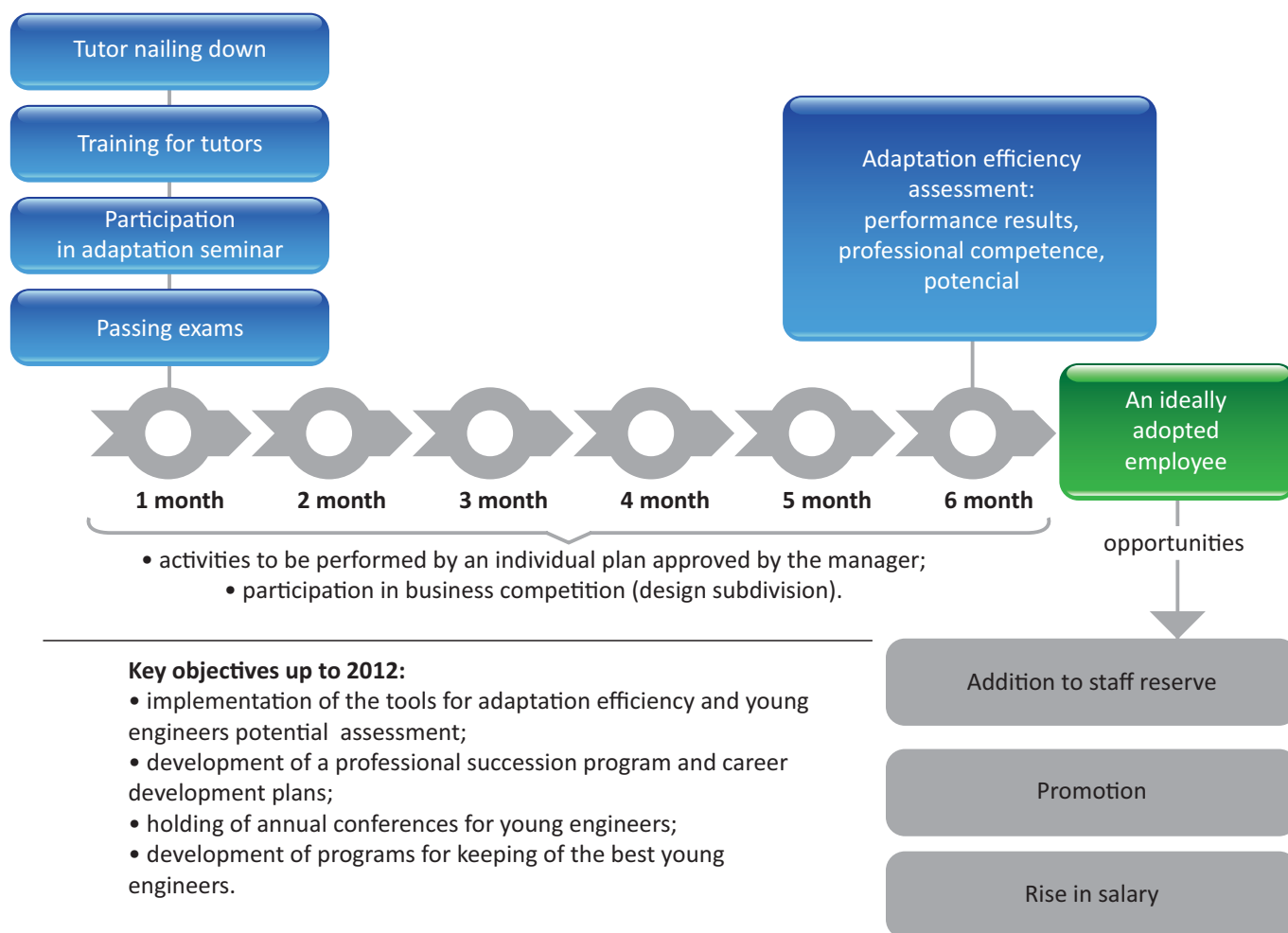


Figure 31. Professional Orientation and Adaptation of Young Engineers

The Board of Young Engineers operates in the Company, young employees are involved in participation in nuclear sector creative and sports festivals, scientific conferences and competitions.

Personnel Safety and Health

JSC NIAEP carries out a set of measures aimed at personnel health keeping.

They pay special attention to prevention and early detection of severe diseases, including cardiovascular diseases, influenza, oncologic and other diseases. The employer informs the employees on standard requirements for working conditions at the workstation, required and

obligatory means of individual and joint protection to prevent the diseases. The Company employees signed a contract of employment for the period of not less than a year, are insured by optional medical insurance programs and have an opportunity for medical checkup, duly disease detection and treatment. Considering a stable high level of the oncologic sick rate of population, JSC NIAEP envisages annual checkup of the

employees aged 45 years and older to detect early oncologic diseases. Employees undergo annual vaccination against influenza. An employee is entitled to accept financial aid for the purpose of fee-based treatment of severe diseases under the terms and conditions of the Collective agreement.

Table 27. The Set of Measures Aimed at Personnel Health Keeping

Measures	Participants Number		
	2009	2010	2011 (plan)
Optional medical insurance	1 582	2 153	2 200
Annual vaccination against influenza	192	635	700
Target examination (oncologic diseases)	160	260	360
Scheduled annual checkup and treatment courses	60	85	100
Sanatorium treatment and health improvement at recreation camps	714	555	820
Field Health Days, going in for sports (sports clubs)	500	600	700
Financial aid rendered to pregnant employees for the purpose of vitamins purchase	-	39	50
Financial aid rendered to employees needed for fee-based treatment of severe diseases	5	6	7

Reduction of the personnel sick rate figures may prove the efficiency of the measures taken. The figures of temporary disability of Company personnel per 2009-2010 compared to the respective average figures per Nizhny Novgorod in 2009 are presented in the charts below.





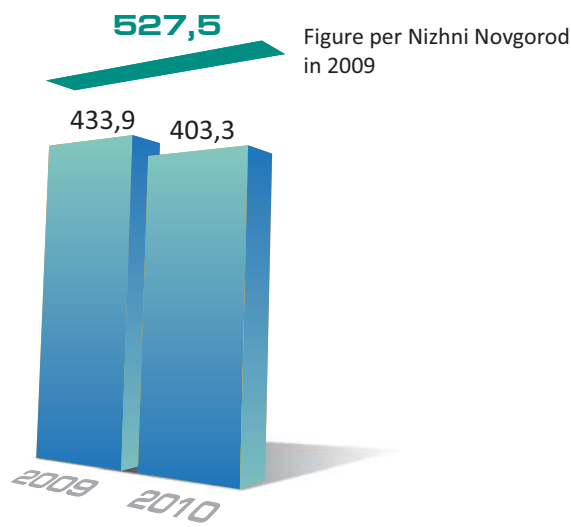


Figure 32. The Number of Cases of Personnel Temporary Disability, per 100 Employees

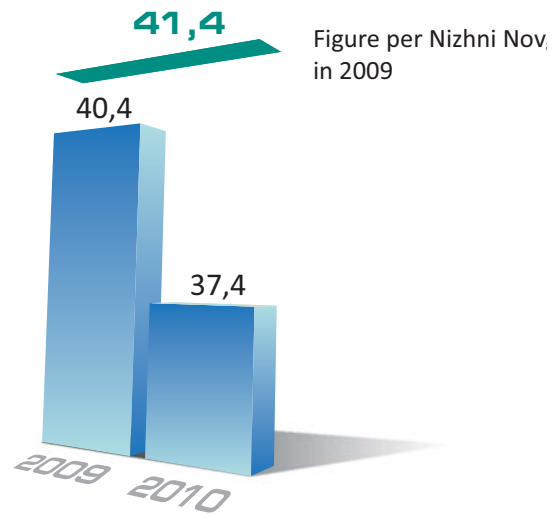


Figure 33. The Number of Days of Personnel Temporary Disability, per 100 Employees

Occupational safety is one of the Company priorities. According to the System of Labor Protection Management (SUOT) adopted by the State Corporation ROSATOM, the in-house Management System is applicable to all the departments of JSC NIAEP. The specified System focuses on the prevention of occupational injuries and occupational diseases, the creation of better working conditions and occupational safety. For the tasks enabling to ensure the objectives achievement, please, refer to *Figure 34*.

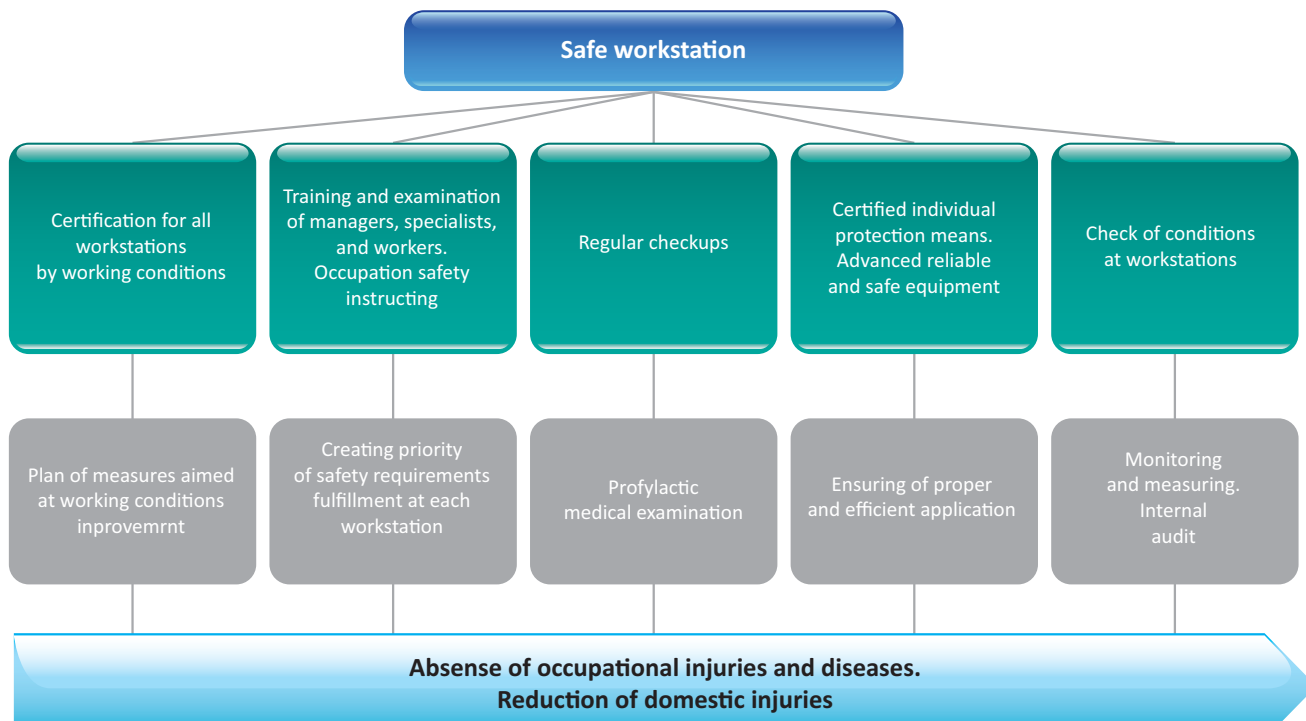


Figure 34. SUOT Tasks Aimed at Occupational Safety Ensuring

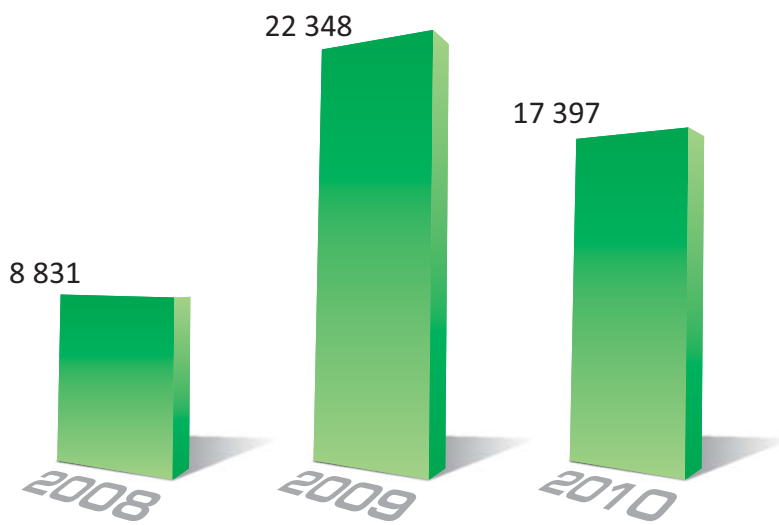


Figure 35. The Scope of Funds Disbursed for the Implementation of Occupational Safety Programs, RUR ths.

Notwithstanding the reduced scope of funds to be disbursed for the implementation of the programs in

the field of occupational safety in 2010 caused by branches re-structuring, the efficiency of the occupational

safety system is still high in terms of absent occupational injuries (OII = 0) and occupational diseases (ODI = 0).

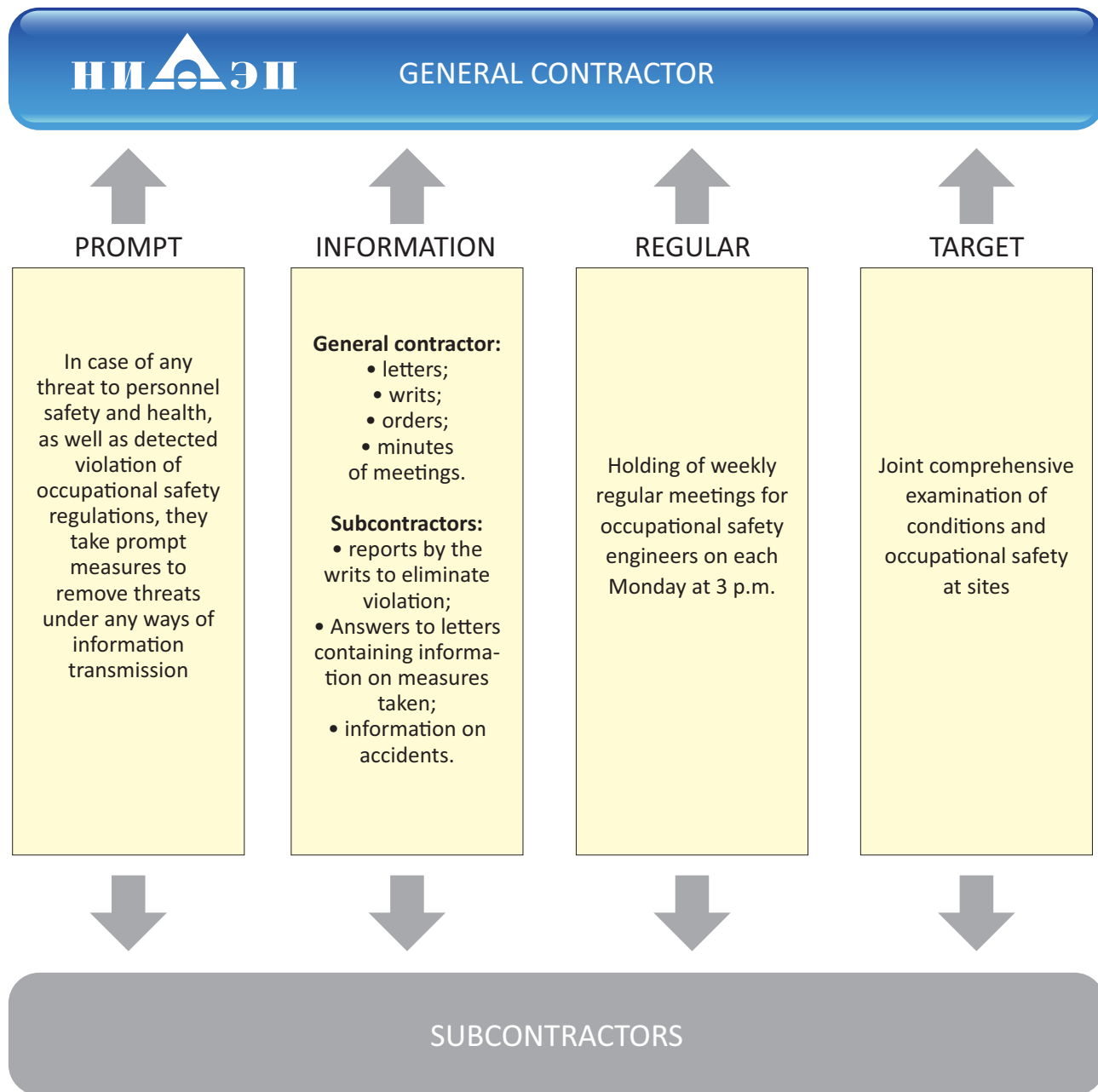


Figure 36. Types of Cooperation with Contractors in the Field of Occupational Safety

Safety requirements and penal sanctions caused by the revealed violation of the occupational safety requirements are included in the contracts executed with the contractors. Holding of weekly field meetings focused on safe work production, as well as daily attendance of facilities by contractors'

occupational safety employees have been put into force by the joint order binding upon the subcontractors.

The aspects of situation monitoring related to personnel occupational safety and health and implementation of the programs aimed at keeping safety and health at workstations

are studied at the meetings of the Trade Union Committee, the Board of Veterans, Labor Disputes and Social Issues Commissions. The total number of employees involved in activities of the specified public entities is 1,2% of the Company staff.

3.2. Quality Management



The Company always strives for ensuring high level of quality, reliability and safety of released products and rendered services, for complete satisfaction of all the needs and expectations of the consumer (customer) and the

During 2010, 50 documents of the Quality management system were developed and updated in the Company for the purpose of adjustment of the requirements provided in the documents of the Quality management system to the processes of activity, as well as for the purpose of conformity between the processes and standard ISO 9001:2008.

For the Diagram of JSC NIAEP's Operation Processes, please, refer to Fig. 38. Documented results of process activities are designated as digital codes at inputs and outputs of the processes.

requirements determined by Russian and international norms referred to nuclear facilities safety, as well as for Company development considering the world market trends and conditions.

JSC NIAEP bases the quality management on the principles of the General quality management set forth in international standards ISO of series 9000. The quality management system certified on the basis of ISO 9001:2008 by an international center TUV SERT – the certifying authority TUV SUD Management Service GmbH (the certificate registration number 12 100 19917TMS as of 29.07.2009) – has been implemented and is valid in the Company.

The certificate is effective with respect to all the core activities of the Company – general contractor's NPP construction activities, research-and-development, design and survey

activities regarding nuclear and other energy facilities and construction projects.

The JSC NIAEP quality management system is always kept available and reviewed, thus, being developed and enhanced. It may be proved by annual audits executed by the international certifying authority: re-certification audits arranged once per three years, inspection audits arranged annually. In June 2010, the certifying authority TUV SUD Management Service GmbH carried out an inspection audit of JSC NIAEP and didn't reveal any violation of the JSC NIAEP quality management system operation.

Ensuring of nuclear and radiation safety of designed and constructed energy facilities are the key priority of the Company in the field of quality. In 2010, the Company revised, updated and brought to the notice of each employee the JSC NIAEP Quality Policy.



Figure 37. The Quality Policy

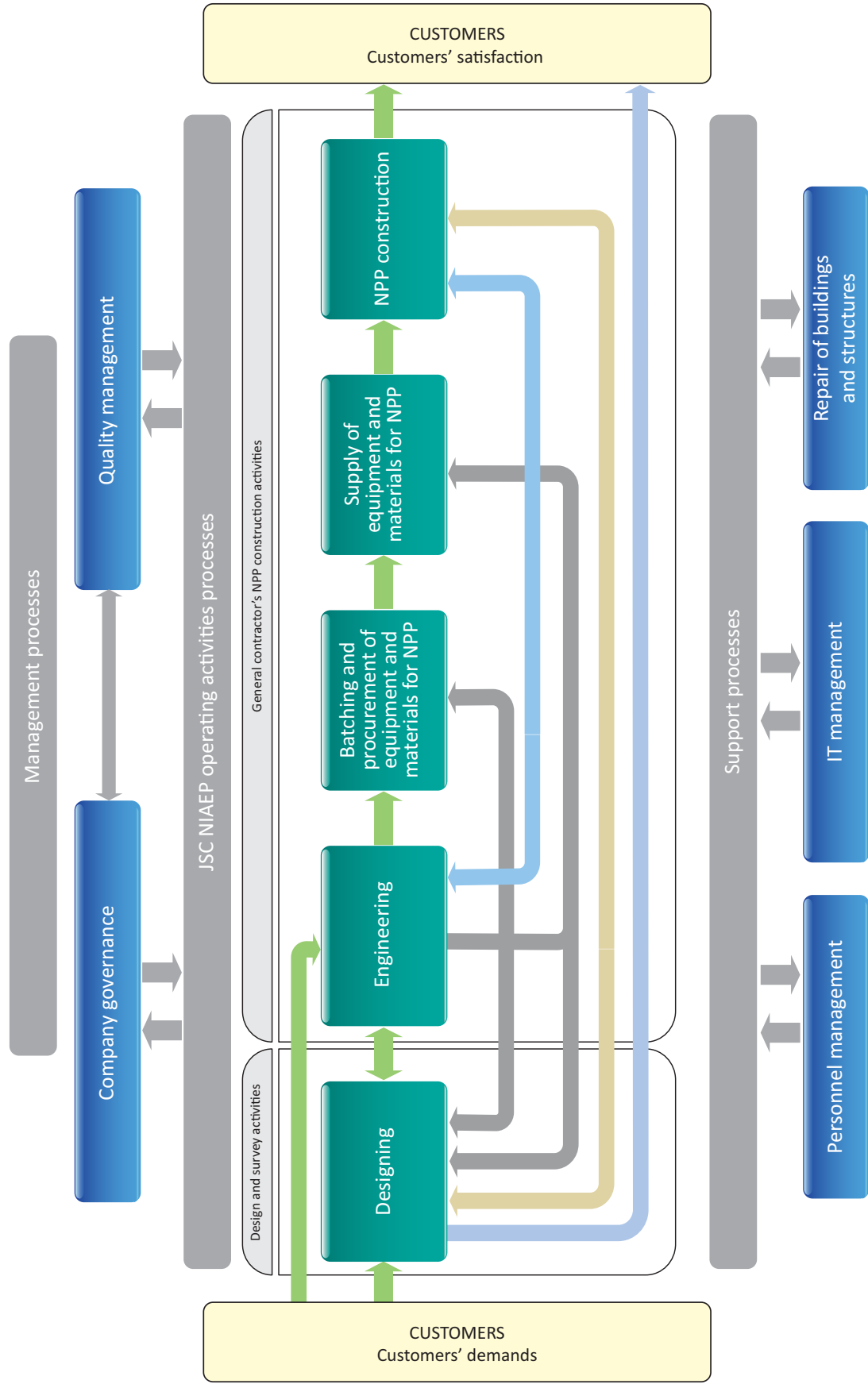


Figure. 38. Diagram of JSC NIAEP's Operation Processes

As ensuring of quality, safety and reliability of a designed and constructed NPP unit is the main requirement for Company operating activities, they envisage the development and fulfillment of the quality assurance programs (QAP), in addition to the toolkit of the Quality management system, by all the organizations participating in works related to nuclear power facilities. In particular, in 2010, they developed, agreed and put into force six quality assurance programs for designed and constructed NPP units. During the year, JSC NIAEP supervised the

fulfillment of QAP of contractors and suppliers.

The review of the Quality management system operation and the efficiency assessment in relation to QAP NPP (Quality Assurance Program for Nuclear Power Plant) fulfillment are carried out in the course of internal and external audits.

In 2010, 30 internal audits in JSC NIAEP departments (including branches and representative offices) took place to verify the conformity to the requirements set forth in the documents of the Quality

management system and quality assurance programs.

Besides, JSC NIAEP arranged 29 external audits of the contractors, whether the specified contractors met the requirements of particular quality assurance programs.

JSC Concern Rosenergoatom and JSC Atomenergoproekt held external audits of the JSC NIAEP Quality management system and verification of QAP NPP requirements fulfillment.

Table 28. Audits and Verifications Performed by Third Parties in 2010

Terms	Event
March 15th – April 8th	The scheduled comprehensive verification of the quality of works related to designing and construction of units of Kalinin NPP and Rostov NPP under construction was held by JSC Concern Rosenergoatom.
November 16th–18th	Audit of QAP NPP requirements fulfillment was held by JSC Atomenergoproekt.
December 13th–17th	Verification of the QAP NPP requirements fulfillment quality was held by the Design branch of JSC Concern Rosenergoatom.

Internal and external audits enabled to reveal a number of discrepancies of processes in the Quality management system and to find the ways of correction. 215 of 220 measures have been implemented, 5 measures are under implementation as at the period of the Annual report preparation. The Company carries on regular monitoring and measuring of the processes so that to assess the ability to achieve the defined objectives and planned results. The monitoring enables to estimate the efficiency of cooperation of particular processes

and controllability thereof, as well as to reveal possible opportunities for permanent improvement of processes parameters.

By the results of performance in 2010, the questionnaires for assessment of customer's satisfaction with the quality of works were forwarded to the main customers of the Company. The questioning procedure envisaged data collection referred to any available remarks of the customers on works performed (significant/insignificant),

determination of the quality level for the past period (improvement/deterioration), as well as information on the meeting of deadlines of work production (delayed/advanced).

Subject to the processing of the data contained in questionnaires filled in by the customers, they analyzed and revealed that, in 2010, the quality level improved, the meeting of deadlines left at the optimum level. For the questioning results, please, refer to the histograms below (Fig. 39).

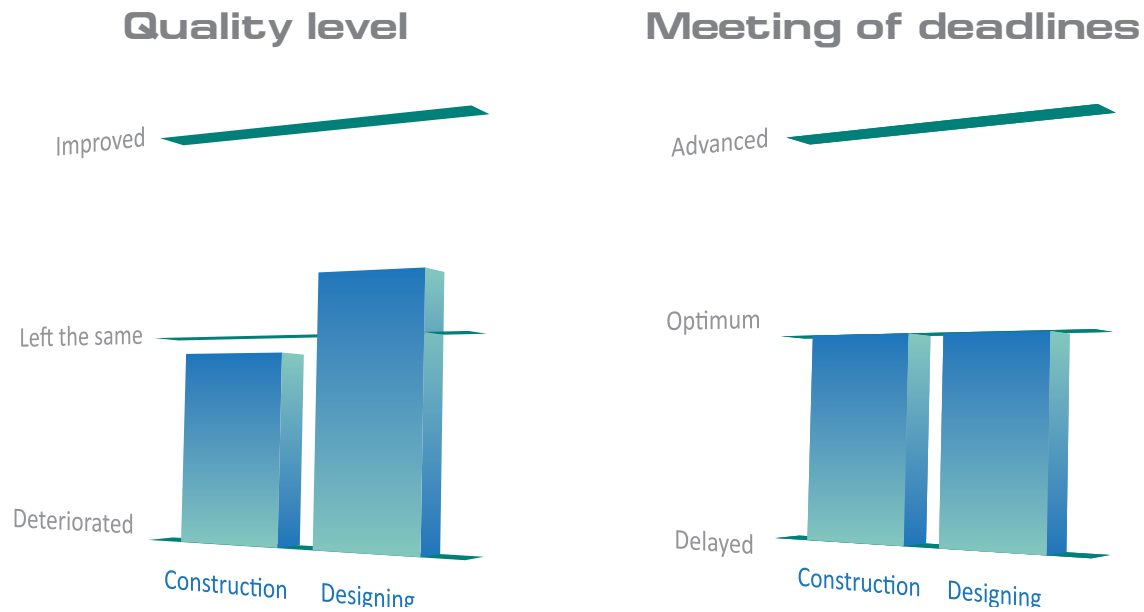


Figure 39. Assessment of the Customer Satisfaction

In 2010, within the bounds of the program of adaptation and competition of young engineers, they have organized specialized presentation training in quality management and testing of 67 newly employed specialists, as the knowledge of the Quality Policy and the quality management procedures is the integral part of professional adaptation of JSC NIAEP personnel. For the testing results, please, refer to Fig. 40.

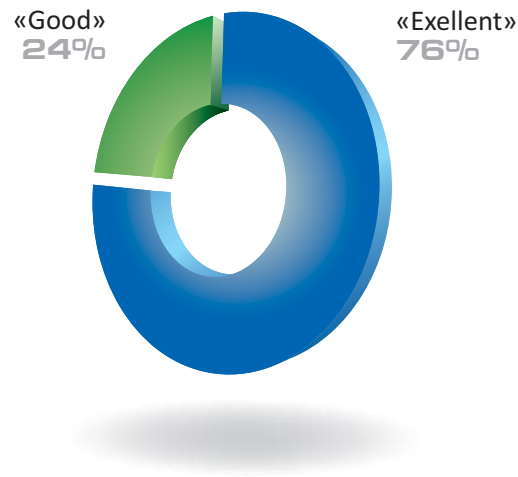


Figure 40. New Employees Testing Results

The documented procedures of the Quality management system developed within the framework of the innovation projects Multi-D and PIMS being implemented in the Company, are the basis for processes simulation and are provided with methodological support by specialists of the quality management department.

Plans for 2011

- In 2011, they plan to implement the programs of process optimization at different stages of NPP life cycle considering the requirements of ISO standards, series 9000 and the experience of the implementation of the Production System of ROSATOM (PSR), as well as to create the system of legally valid technical electronic data interchange with application of digital signature at submission of the design and estimation documentation to the customer in 3D and Multi-D formats.

3.3. Innovation Activities

● The key task to be tackled with within the bounds of JSC NIAEP innovation activities is the creation of the system of life cycle management for complicated engineering facilities.

● The Company innovation projects, on the one hand, are aimed at optimization of the main business processes, and, on the other hand, shall ensure solving the key problem that is the creation of the system of life cycle management for complicated engineering facilities.

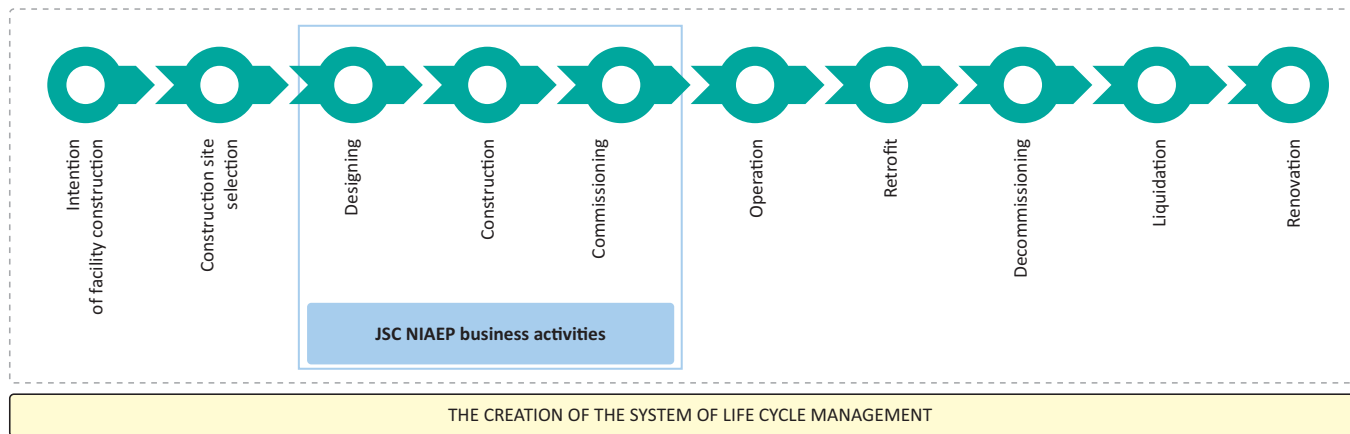


Figure 41. Stages of NPP Life Cycle and the Scope of JSC NIAEP Responsibility

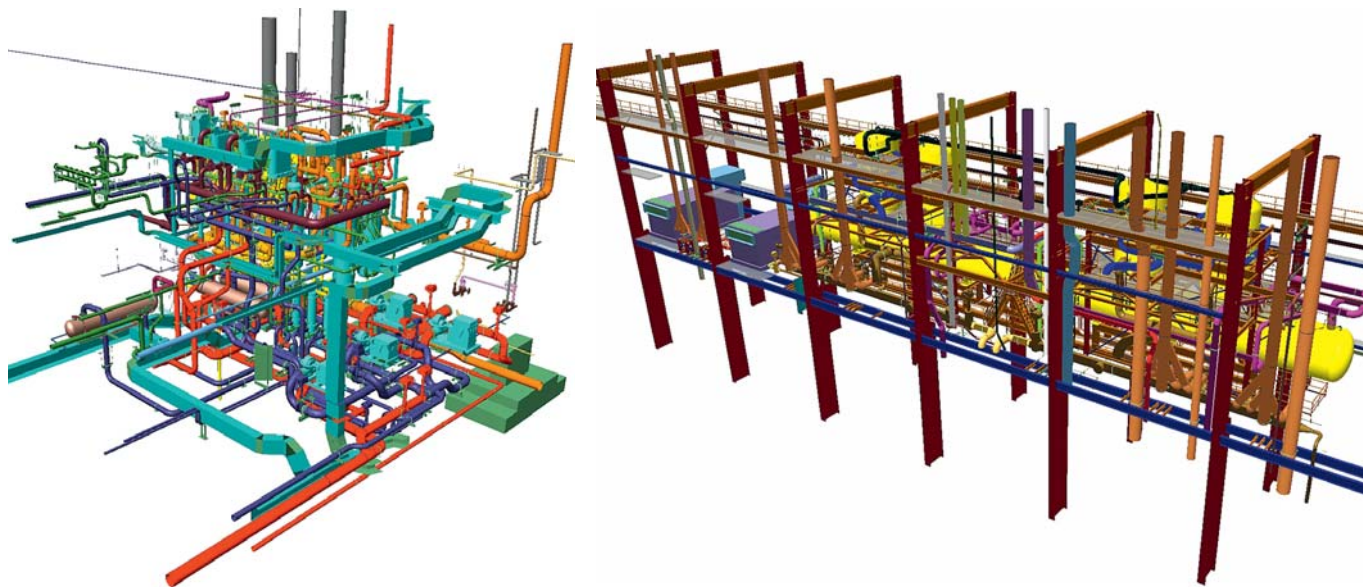


Table 29. Innovations Implementation in JSC NIAEP

Term	Projects	Current Status and Plans
2002–2010	NPP Common Information Model.	Was put into operation in 2010.
2008–2010	Comprehensive Capital Construction Management System «NIAEP PIMS».	Was put into operation in 2010.
2009–2010	JSC NIAEP Common Information Space.	Was put into operation in 2010.
2009–2011	Multi-D-technique for Construction and Erection Works Optimization.	Was put into operation in 2010. The specified technique will be developed further in 2011.
2010–2011	Common Information Space «NIAEP – Equipment Suppliers».	In 2010, they signed a Memorandum about the creation of the Common information space for JSC NIAEP and possible NPP equipment suppliers. The Unified Industry-Wide Database of Material and Technical Resources for NPP were created. They will start to fill in the Database in 2011.
2011	Electronic technical legally valid data interchange with application of an electronic digital signature.	In 2011, they will carry out a pilot project at Rostov NPP Unit 3. The reference solution will be applied in relation to the other facilities and organizations of the sector as soon as the pilot project is finished successfully.
2011	Procurement and supplies management system.	The creation and commissioning of the system are planned for 2011.
2011–2012	Corporate information systems for Company governance and production management.	Implementation of the information management systems will be finished in 2012.
2011–2012	The NPP life cycle management system within the framework of VVER-TOI project.	The creation of the NPP life cycle management system within the framework of VVER-TOI project will be finished in 2012.

NPP's Common Information Model

The NPP Information Model is the cumulative data on NPP unit kept electronically under the set rules.

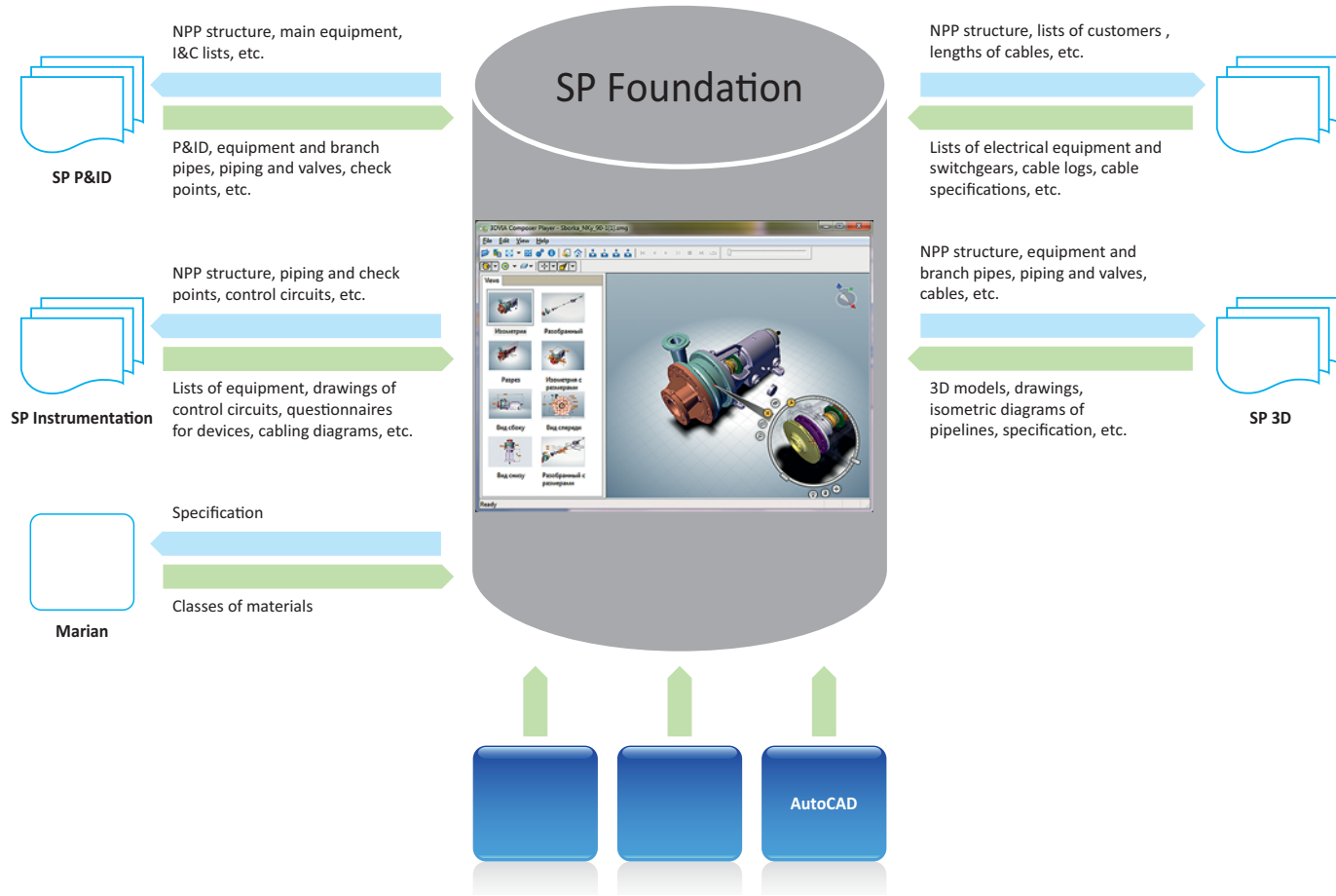


Figure 42. Common Information Model

In 2010, they created the designing technology based on 3D-modelling and development of the common information model of the facility.

The creation of the common information model influences directly the safety of the constructed facility, as all the information is kept in

one space, thus, the human error probability is minimized. All the process participants are authorized to access to the actual information.

Comprehensive Capital Construction Management System «NIAEP PIMS»

In 2010, the comprehensive capital construction management system was put into commercial operation; the system includes automated capital construction systems, contract administration, and equipment batching and data integration.

JSC NIAEP Common Information Space

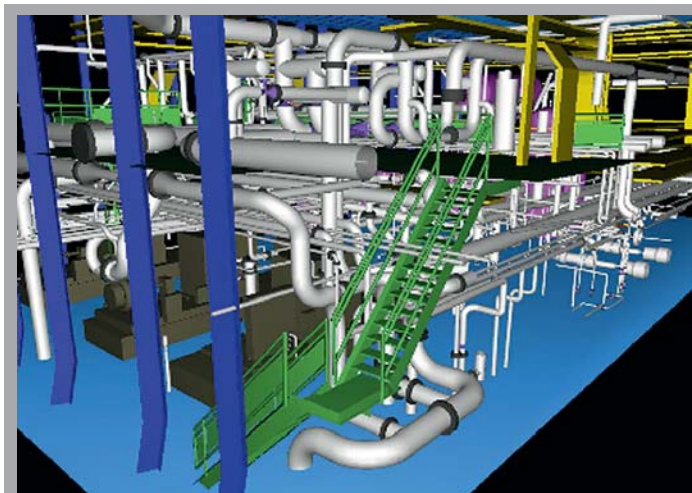
Since January 2009, the Company started works dedicated to the creation of the JSC NIAEP Common Information Space (CIS NIAEP) on the basis of the project information management system (PIMS) at NPP designing and construction. The creation of the common information space for NPP designing and

construction solves the problems of information and different systems' data integration, thus, facilitating significantly the control of planning, financial and economic, accounting and reporting and design and estimation discipline observation at NPP units construction, and resulting

in reduction of construction terms and construction cost.

In 2010, the Common Information Space was created. The CIS of NIAEP covers not only the Company central office departments, but the branches located at the sites of the units under construction.

Multi-D-technique for Construction and Erection Works Optimization



3D Project

4D Equipment and materials

5D Schedule

6D Resources

Multi-D-technique was mastered and implemented in the reporting year; the specified technique is aimed at optimization of construction and erection works for the purpose of reduction of NPP construction terms and expenses. The technique based on a 3D-model of a facility enables to simulate the processes of construction and erection works execution per each premise considering the optimum use of the resources required for execution of CEW.

The implementation of the technique enables to reduce the construction terms as the whole construction procedure is elaborated from beginning to end on a computer before any works started.

JSC NIAEP, together with the leading world IT-companies Intergraph and Dassault Systemes, is developing an industrial version of the technique that may become a commercial product and be implemented in other companies.

Figure 43. CEW Optimization Technique

Common Information Space «NIAEP – Equipment Suppliers»

In 2010, they created the Unified Industry-Wide Database of Material and Technical Resources and signed a memorandum about the creation of the Common information space between JSC NIAEP and equipment suppliers.

All the information on equipment such as key features, information on manufacturers, regulatory documents, and a three-dimensional model will be kept in CIS.

The Unified Industry-Wide Database of Material and Technical Resources for NPP will be filled in 2011.

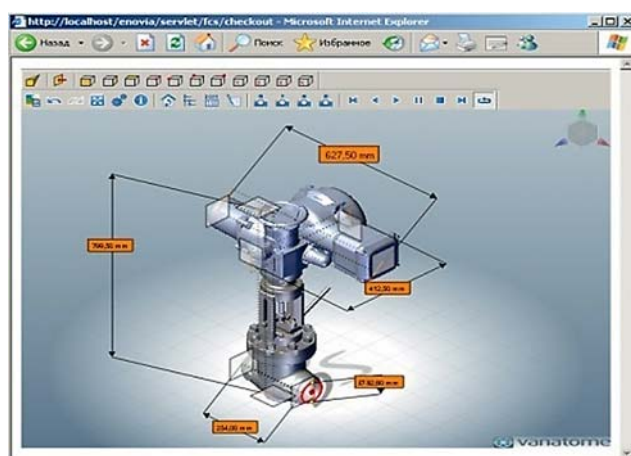


Figure 44. Object Card

Creation of Life Cycle Management System in the VVER-TOI Project

The serious experience in the field of information systems integration, as well as well-arranged cooperation with main CAD systems developers enabled JSC NIAEP to assume the development of one of the most significant elements of VVER-TOI project – the NPP unit life cycle management system.

The VVER-TOI project is dedicated to the development on the basis of VVER technology of a standard optimized high-capacity unit project, so that the developed standard optimized high-capacity unit met the set of target parameters. The NPP unit life cycle management system is intended for granting to the VVER-TOI project participants of the access to the actual information on NPP unit at all the stages of the life cycle thereof

in compliance with the scope of tasks to be tackled.

The system shall ensure information cooperation both between the participants of one stage of NPP unit life cycle, and between the participants of different stages.

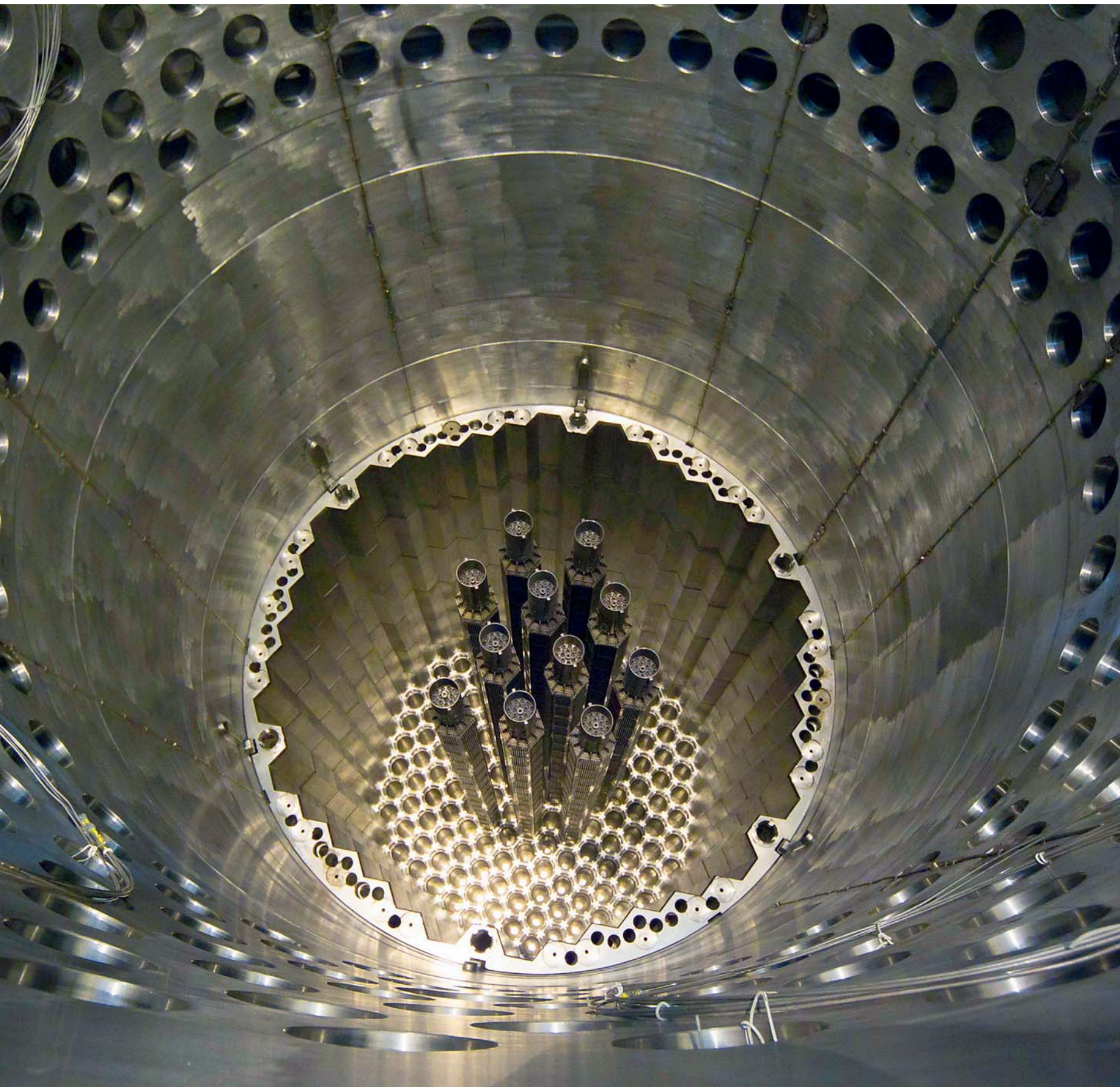
JSC NIAEP shall develop an information model of NPP, create the common information space of the organizations for all the stages of the life cycle and the technology of application of the plant information model in the common information space of all the participants of the plant life cycle within the bounds of the life cycle management system creation.

In the course of the life cycle management system creation, JSC

NIAEP is going to involve in activities the most competent organizations that accumulated the certain experience in relation to the specified objective and manifested stable business relations with JSC NIAEP: Dassault Systemes, Intergraph PP&M, IBS, Techninvestlab, and NEOLANT.

The creation of the NPP unit life cycle management system will become a serious step to the enhancement of competitiveness of the Russian nuclear industry in the global market.

In 2011–2012, the Company is going to create the life cycle management system for the stages of designing, construction, commissioning and forwarding of information to the following stages of NPP life cycle.



3.4. Risk Management

The risk management system is integrated into the general management system and is under control of the Company top management. JSC NIAEP uses the approach when the risk management function refers as much as possible to the functions of the operating departments and subdivisions, and was not made into a separate risk management department in 2010.

One of the key elements of the Company risk management system is revealing of the risks arising in the course of operating and current activities. Thus, JSC NIAEP analyzes the risk factors on the basis of any failures of the core activities.

The risk management system envisages prompt risk management and strategic management.

The system of field meetings at NPPs under construction and weekly on-line meetings of the Company top managers with

the participation of the branches and representative offices held as a videoconference is used for the purpose of prompt risk identification, analysis and management. With respect to the start up facilities (in 2010 – Rostov NPP Unit 2, in 2011 – Kalinin NPP Unit 4), weekly field meetings take place, so that one could monitor the situation efficiently, and, hence, avoid risks.

The expressed results of such the approach to risk management are:

- Duly commissioning of Rostov NPP Unit 2;
- Actual absence of financial and reputation losses exceeding the permitted levels.

In the course of risk management, the Company applies different methods of risk regulation aimed at risk reduction, elimination, submission or acceptance depending

on possible degree of risk parameters value reduction and the cost of the measures to be taken. The regular risk management is carried out in a centralized way being represented as making respective decisions, orders and administration thereof.

Moreover, the JSC NIAEP Internal Control and Auditing Department performs scheduled and extraordinary audits of the Company departments for the purpose of duly independent identification of risks. In some cases, external auditors and consulting entities are involved to obtain an objective assessment.

A number of regulatory documents has been developed in JSC NIAEP; the specified documents enable the Company to assess possible process, financial and reputation risks and to minimize them even at the stage of contractors and suppliers selection.

For the description of the JSC NIAEP key risks, the measures of risk reduction and regulatory documents, please, refer to *Table 30*.

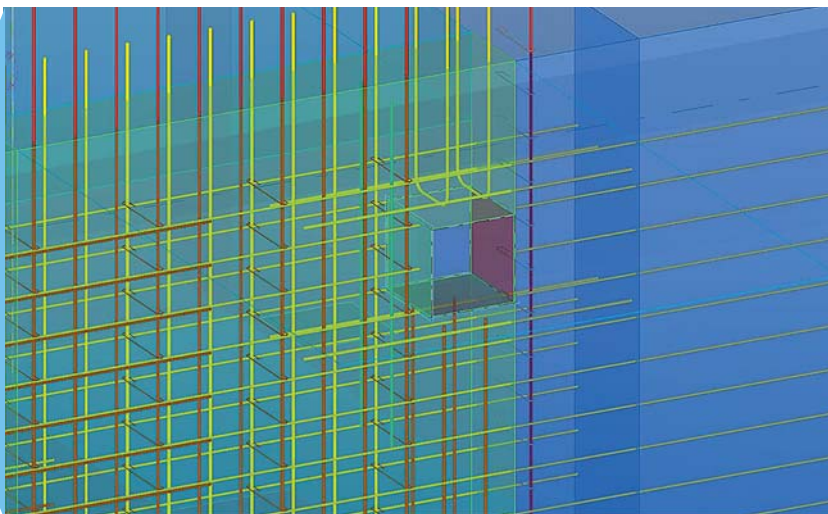


Table 30. JSC NIAEP Operation Key Risks and Risks Decrease Measures

Types of Risks	Measures of Risk Reduction	Regulatory Documents
<p>Risks of Construction Terms Violation</p>	<p>JSC NIAEP takes guidance from schedules of the 3rd level when performs the activities dedicated to reduction of terms violation risks. Compensating measures are taken within the bounds of meeting the terms of NPP units construction to eliminate any delay: the increase of construction rate, the reduction of works duration, the change of work sequence. The Production System of ROSATOM is applied to achieve the compensating measures objectives, thus, enabling to optimize the terms of work production.</p> <p>Prompt identification of risk events takes place at weekly on-line meetings of the Company top managers. Moreover, field meetings with involvement of the executives of the State Corporation ROSATOM, representatives of the customer, contractors and equipment suppliers are conducted several times per month to reveal external risks.</p> <p>In 2010, 2 licenses of the Risk Analysis module for Primavera software were purchased for the scheduling department to enhance risk management.</p> <p>Main monthly check events have been determined in the contract with the customer, several tens of additional check events (topic tasks) are always made up (planned) to fulfill the main check events. Actual implementation of the check event shall be weekly presented in the report of the Company branch director. In case of any risk of check events failure arisen, corrective measures shall be promptly elaborated under participation of the customer, suppliers and contractors.</p>	<ul style="list-style-type: none"> ● Schedules of the 3rd level; Topic plans; ● Decisions of field meetings held at NPP construction sites; ● Decisions of on-line meetings of the Company top managers; ● Orders and instructions of the Company Director.
<p>Risks of Supplies Terms and Quality Violation</p>	<p>The system of constant control of quality and terms of NPP equipment manufacturing is implemented in JSC NIAEP to reduce process risks. JSC representative offices were established in the largest regional centers where equipment for nuclear sector is manufactured; the Company representatives are always present at the manufacturing enterprises. The expert group was formed in the Company to assess key parameters of the equipment offered by the suppliers; they pay special attention to actual experience in supply of the respective equipment.</p> <p>In addition to representative offices in Moscow and Saint Petersburg, a representative office in Kharkov (the Ukraine) was opened in 2010. The representative offices monitor the schedules of equipment manufacturing and supplies at manufacturing enterprises.</p>	<ul style="list-style-type: none"> ● Regulations for cooperation with equipment suppliers at the stage of contract execution; ● Regulations for cooperation between the design subdivision and the batching office in relation to procurement schedules fulfillment; ● Regulations for the order of certification of possible suppliers (manufacturers) of equipment and materials for NPP construction; ● Regulations for the order of selection of contractors for construction and erection, repair and maintenance and design and survey works required for NPP construction;

Types of Risks	Measures of Risk Reduction	Regulatory Documents
		<ul style="list-style-type: none"> ● Temporary instructions regulating cooperation of the departments of JSC NIAEP Volgodonsk branch, main batching and supplies office, main procurement office in the course of incoming inspection and elimination of any remarks made in the course of incoming inspection; ● Temporary regulations for exchange of information on the incoming inspection procedure between the production-and-technical batching department of JSC NIAEP's Volgodonsk branch and main batching and supplies office.
Risks of Suppliers' Insolvency	<p>An expert group for assessment of the financial position of equipment suppliers and subcontractors has been formed in JSC NIAEP to assess financial risks. A quarterly financial monitoring of counterparties-borrowers is fulfilled in relation to the advances provided.</p> <p>A solvency report is prepared during tender procedures for each possible supplier of equipment, services, design and survey works.</p>	<ul style="list-style-type: none"> ● The methods of assessment of procurement procedures participants solvency and counterparties' financial position by JSC NIAEP approved by Director of JSC NIAEP; ● Regulations for counterparties' financial monitoring; ● The order of assessment of tender participants' financial resources adequacy.
Risk of Money Loss	<p>Posting a banker's bond is envisaged at execution of contracts for equipment supply implying advances. A banker's bond minimizes process risks as well, as it supports obligations of the supplier with respect to equipment guarantee maintenance along with advance payback.</p>	<ul style="list-style-type: none"> ● Unified Industry-Wide Procurement Standard.
Financial and Economic Risks	<p>A monthly plan/actual analysis of execution of the Company budget, each business-process, as well as execution of NPP construction budgets within the framework of the NPP cost management system is performed in JSC NIAEP.</p>	<ul style="list-style-type: none"> ● Analytical reports.
Risks of Movement of Prices for Raw Materials, Equipment and Services	<p>The Company carries on procurement procedures on the competitive basis, monitors regularly manufacturers' prices behavior and construction resources in the free market. The budget estimation department under construction cost management office fulfills the specified activities.</p>	<ul style="list-style-type: none"> ● Unified Industry-Wide Procurement Standard.

The tools below are used in JSC NIAEP to minimize the consequences of risk events arisen:

- Making a decision on refusal of particular transactions (types of transactions) execution;
- Initiation of restrictions (limits) on execution of particular business areas and types of transactions;
- Insurance of large-size cranes, other large-size and expensive equipment in case of the specified equipment breakdown;
- Risk acceptance with simultaneous preparation of the plan for ensuring of business continuity.

Strategic Risks and Measures for Risk Minimization

In 2010, a workshop «Development of the concept of JSC NIAEP development strategy up to 2020» was held to assess strategic risks of the Company. The key possible intermediate-term risks the Company could be faced with were outlined within the bounds of the «brainstorm» under participation of the executives

of the State Corporation ROSATOM, partners, suppliers and contractors. Besides, they determined principal decisions that will enable JSC NIAEP to avoid the specified risks.

The list of Company strategic risks was updated in the course of development of JSC NIAEP Strategy up to 2020 by results of the SWOT-

analysis. They made a conclusion that the main risks refer to the category of industry risks and are related to the threat of the order book reduction in nuclear industry (both designing and construction) exceeding the level providing the optimal load of the Company.

Strategic risks minimization measures are envisaged in the Plan of implementation of JSC NIAEP Strategy up to 2020. In general, risk minimization may be achieved through the enhancement of Company competitiveness by development of its key competences in the field of designing, provision of supplies and NPP construction (*see Section 2.3. Management of Operating Activities*).

Moreover, JSC NIAEP Strategy envisages Company business diversification to minimize consequences in case of possible reduction of the order book in the field of NPP designing and construction:

- Appearance in the NPP services market (extension of NPP operation, retrofit of units with capacity increase, NPP decommissioning);
- Participation in NPP designing and construction abroad;
- Network construction (connection of NPP to the network);
- Implementation of heat generation projects;
- Implementation of oil-and-gas industry projects;
- Implementation of the State Corporation ROSATOM solar power projects.

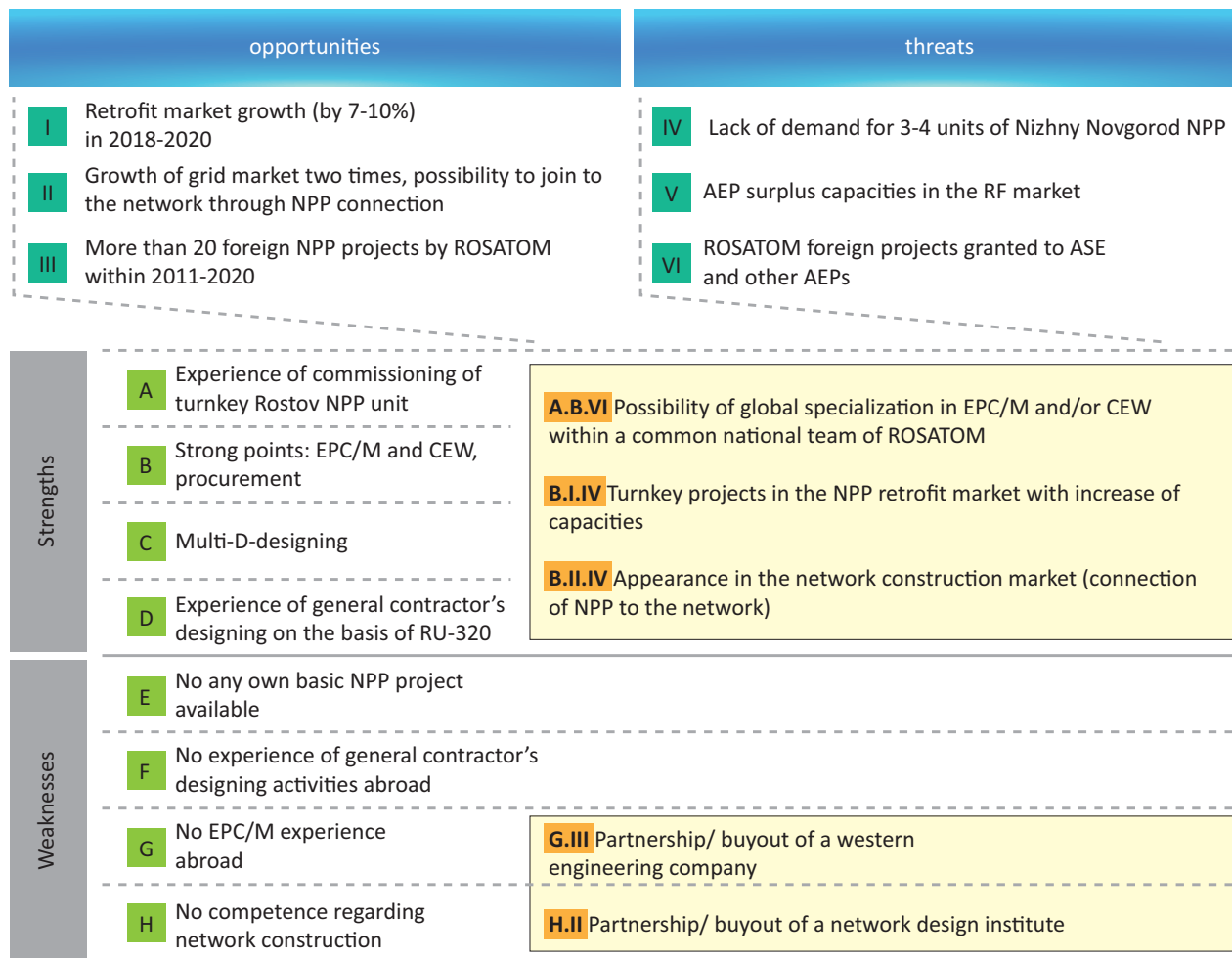


Figure 45. SWOT-Analysis

Plans for 2011

- In 2011, they plan to put into service the module Risk Analysis for Primavera software, thus, it will enable to manage the risks of construction terms violation more efficiently. JSC NIAEP was chosen as a partner of the State Corporation ROSATOM to implement the project «Investment project risk management system implementation». The specified project shall result in the implementation of the risk management system ensuring risk identification, assessment, observation and counteraction and to be integrated in the process of investment project management (the project of nuclear power plant construction starting from the construction planning till the facility commissioning).
- In 2011, for the purposes of the corporate risk management system improvement, JSC NIAEP is going to implement the Risk Management Policy of the State Corporation ROSATOM and to continue the development of the existing risk management system increasing the degree and intensity of process formalization and passing to particular risks «digitization».

3.5. Economic Impact

3.5.1. ECONOMIC IMPACT ASSESSMENT

From the point of view of the sustainable development of the Company and the environment wherein the Company carries on its activities, it is very important to realize, how and between which related parties the Company distributes the value created in the course of business running. The Company influences the development of economic and social systems by value distribution.

Table 31. Created and Distributed Direct Economic Value*, RUR mln.

Components	2009	2010
Income	35 589	41 496
Distributed Economic Value	34 146	41 375
Operational costs (payments to suppliers and contractors, material purchase costs)	29 146	36 400
Wages, salaries and other personnel benefits	1 575	1 980
Payments to creditors (dividend payment)	367	940
Payments to the state	2 164	1 930
Investment in associations, including donation	155	125
Undistributed economic value	1 443	121

* Calculation of creation and distribution of direct economic value is made in compliance with GRI Guidelines on the basis of RAS (Russian Accounting Standards) data (please, refer to Appendix 9, EC1 Created and Distributed Direct Economic Value, including incomes, operational costs, personnel benefits, donation and other investments in associations, undistributed profit, payments to creditors and the states).

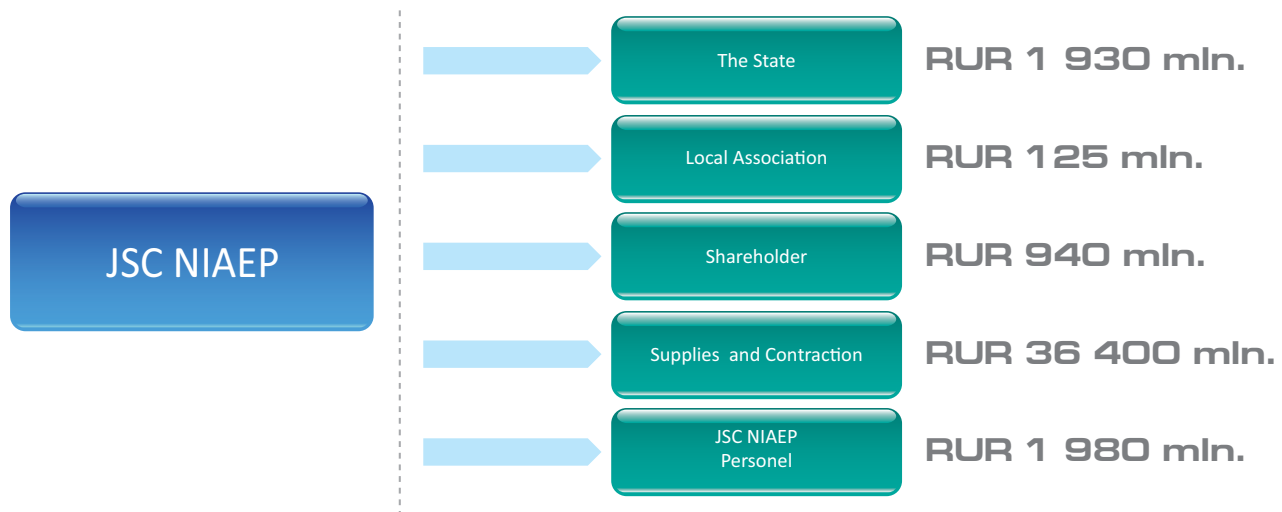


Figure 46. Distribution of JSC NIAEP Economic Value

Economic Influence on Suppliers and Contractors

The greater part of the Company distributed economic value refers to operational costs. The operational

costs are formed due to payments to counterparties for purchased materials, product components, equipment and

services. The specified amount is distributed between suppliers and contractors of JSC NIAEP.

Table 32. Suppliers

Parameter	2009			2010		
	In Total	Kalinin NPP	Rostov NPP	In Total	Kalinin NPP	Rostov NPP
Total number of suppliers	260	191	69	258	109	149
Amount of executed contractual obligations, RUR mln.	21 550	4 570	16 980	13 346	2 330	11 015
Amount of supplies, RUR mln.	17 310	10 067	7 243	18 913	17 437	1 476

In 2010, the number of suppliers decreased, as the works at Kalinin NPP are close to end, and the works at Rostov NPP have not achieved the stage of main equipment supply yet.

JSC NIAEP carries on procurement activities in compliance with the Unified Industry-Wide Database of Material

and Technical Resources of the State Corporation ROSATOM prohibiting to prefer somehow any suppliers, including local ones (in the territory of construction). Nevertheless, in spite of no preferences granted, local suppliers take a significant part of JSC NIAEP procurement. More than a

quarter of NPP equipment suppliers are the residents of the Company host territories (Nizhny Novgorod, Rostov and Tver regions).

The other suppliers are located in other territories of the RF. There are no any foreign suppliers.

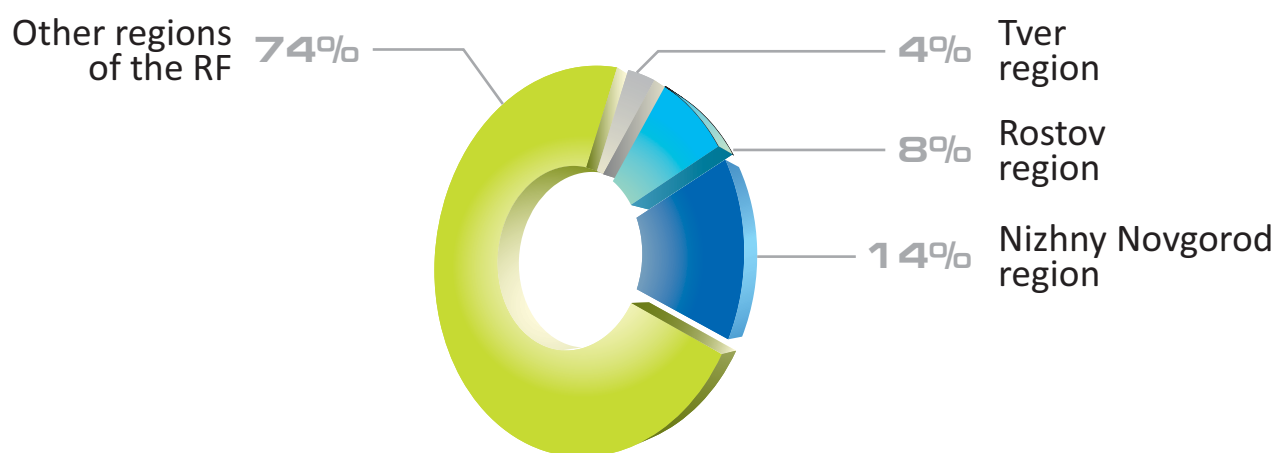


Figure 47. Distribution of NPP Equipment Suppliers by Host Territories

Nizhny Novgorod region takes greater part of the suppliers as compared to the other host territories; it is caused by the creation of the nuclear power cluster in Nizhny Novgorod region (for detailed information, please, refer to section 3.5.2. Economic Impact Management).

Table 33. Contractors

Parameter	2009			2010		
	In Total	Kalinin NPP	Rostov NPP	In Total	Kalinin NPP	Rostov NPP
Total number of contractors	70	30	40	122	33	89
Amount of disbursement, RUR mln.	18 927	8 930	9 997	21 267	10 911	10 356

The increase of the number of subcontractors is caused by the tempos of NPP construction works deployment.

Economic Impact on the JSC NIAEP Personnel

The Company development resulted in the growth of the personnel number and, thus, the increase of the wage fund and social benefits.

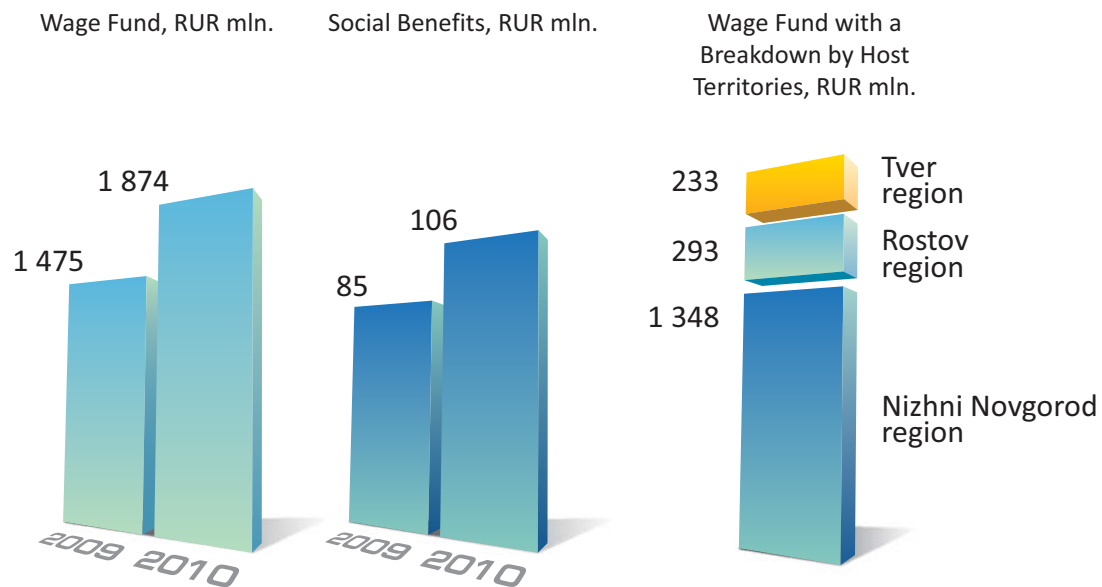


Figure 48. Labor Remuneration and Social Benefits

The significant difference in the values of wage funds in different regions is caused by the fact that the central office of the Company is located in Nizhny Novgorod region.

The design subdivision, that numbers over 60% of the Company personnel, refers to the central office of the Company.

The wage fund increases not only due to personnel growth: the Company aspires to keep high values of labor remuneration and increases annually wages and salaries.

Table 34. Average Wages and Salaries, RUR

Region	2009	2010
Nizhny Novgorod region	75 969	86 780
Rostov region	35 499	46 550
Tver region	40 316	43 312

Creation of Jobs in Host Territories

Over 11 thousand people were involved in accomplishment of the stated tasks at construction sites, over 9 thousand thereof referred to qualified workers.

Table 35. Creation of Jobs

Parameter	Rostov NPP, Unit 2	Rostov NPP, Units 3,4	Kalinin NPP, Unit 4	In Total
In total involved in construction, people*	2 650	3 686	5 284	11 620
Including workers*	1 979	2 742	4 313	9 034

* Average value during 2010.

Over 97% of contractors labor forces involved in activities at sites are the RF citizens.

Таблица 36. Количество иностранных рабочих

Parameter	Rostov NPP, Unit 2	Rostov NPP, Units 3,4	Kalinin NPP, Unit 4	In Total
Qualified workers – citizens of the Ukraine and Belorussia – involved, people	-	102	183	285
% of the total number of manpower involved in activities at sites	0%	2,76%	3,46%	2,45%

The Company business influences positively the employment behavior in the related industries. Statistics proves that a job created at JSC NIAEP provides ten jobs in the related industries.

Public reception offices have been established in Volgodonsk and Udomlya since 2008 to assist with recruiting for the created construction-

and-erection administration offices (SMU), contractors and subcontractors involved in activities at sites.

A public reception office is a functional structure aimed at consolidated engagement of technical personnel, creation of common manpower database in the territories of NPP construction.

HR employees of contractors carry on selective interviews and recruit the required personnel on the base of the public reception offices.

18 254 people have applied to the public reception offices for 2,5 years; 3 102 qualified workers were employed for the Company facilities.

Table 37. Employment through Public Reception Offices

Period	Volgodonsk branch		Udomlya branch	
	Applied (people)	Employed (people)	Applied (people)	Employed (people)
2008	3 760	605	723	36
2009	6 890	609	1 948	996
2010	3 982	351	951	505
In total	14 632	1 565	3 622	1 537

All the specialists employed through the public reception offices are the RF citizens; 95% thereof live in cities and rural settlements located within the radius of 100 km from the territories of NPP construction.

100% of the Company personnel have wages and salaries exceeding the minimal wage value determined in the respective host territories.

Table 38. Minimal Wage Value in the Company to Minimal Wage Value in the Host Territories Ratio

Regions	Minimal wage value per regions, RUR	Minimal wage value in the Company, RUR	Ratio to minimal wage value in the region
Nizhny Novgorod region	4 330	7 200	166%
Rostov region	4 330	7 200	166%
Tver region	5 700	7 200	126%

85% of the Company top managers are employed from the local population living in the significant regions of the Company business.

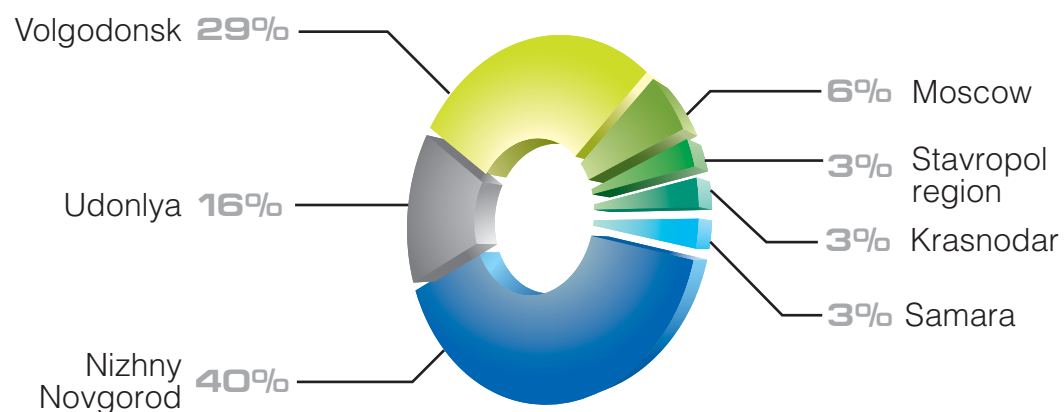


Figure 49. Share of Top Managers Employed From the Local Population in the Significant Regions of the Company Business

Tax Payments

Table 39. Distribution of Tax Payments in the Budgets of Different Levels, RUR mln.

Budgets of different levels	2009	2010
Federal	1 459	1 077
Regional	644	775
Local	61	77
In total	2 164	1 929

The growth of payments to regional and local budgets is caused by the increased wage fund, and, thus, the increased value of individual income tax and social taxes due.

3.5.2. ECONOMIC IMPACT MANAGEMENT

The management of JSC NIAEP economic influence is based on the principles below.

Making up of the conditions for the creation of new jobs, both in the host territories and at the offices of the equipment and materials suppliers and manufacturers.

In 2010, not less than 80% of funds passed through the Company accounts were received by the JSC NIAEP counterparties that created new jobs to carry on their business activities.

As a rule, a job created at JSC NIAEP provides ten new jobs in the related industries.

The priority of local population employment to work at sites. The term «local population» means the inhabitants living in the region of construction (within the radius of 100 km from NPP construction). Subject to the actual activities performed by the public reception offices in Udomlya and Volgodonsk, all the specialists hired to work at the sites are the RF citizens; 95% thereof live in cities and rural settlements located within the radius of 100 km from the areas of construction of our NPPs. The main internal standard regulating personnel selection from local inhabitants is a Managing Procedure document.

Development of industry in the host territories. Nizhny Novgorod region is the base for the creation of the Nuclear power cluster. On the one hand, there are the leading enterprises of the nuclear industry in the region (OKBM, NIIS, Sarov Nuclear center), on the other hand – there is an expanded network of educational establishments available, including the Nizhny Novgorod State Technical University – the base for training of specialists that will be involved in the Cluster activities. Considering the geographical position and the transport lines, Nizhny Novgorod region is a perfect area to create the Nuclear power cluster.

The Company supposes it to be reasonable to build a nuclear power plant, thus, promoting the simultaneous development of the local industries. The cost of four-unit NPP construction is amounted to approximately RUR 400 bn.; about 20% of the specified funds could be assimilated by Nizhny Novgorod enterprises as the products for NPP. Moreover, working for Nizhny Novgorod NPP, the Cluster may deploy up to the level necessary for the participation in the construction of other nuclear power plants. There have already been established some enterprises manufacturing equipment for wiring and mounting of main process heat and mechanical equipment. The specified enterprises participate in tenders for equipment supply at Rostov NPP and Kalinin NPP.

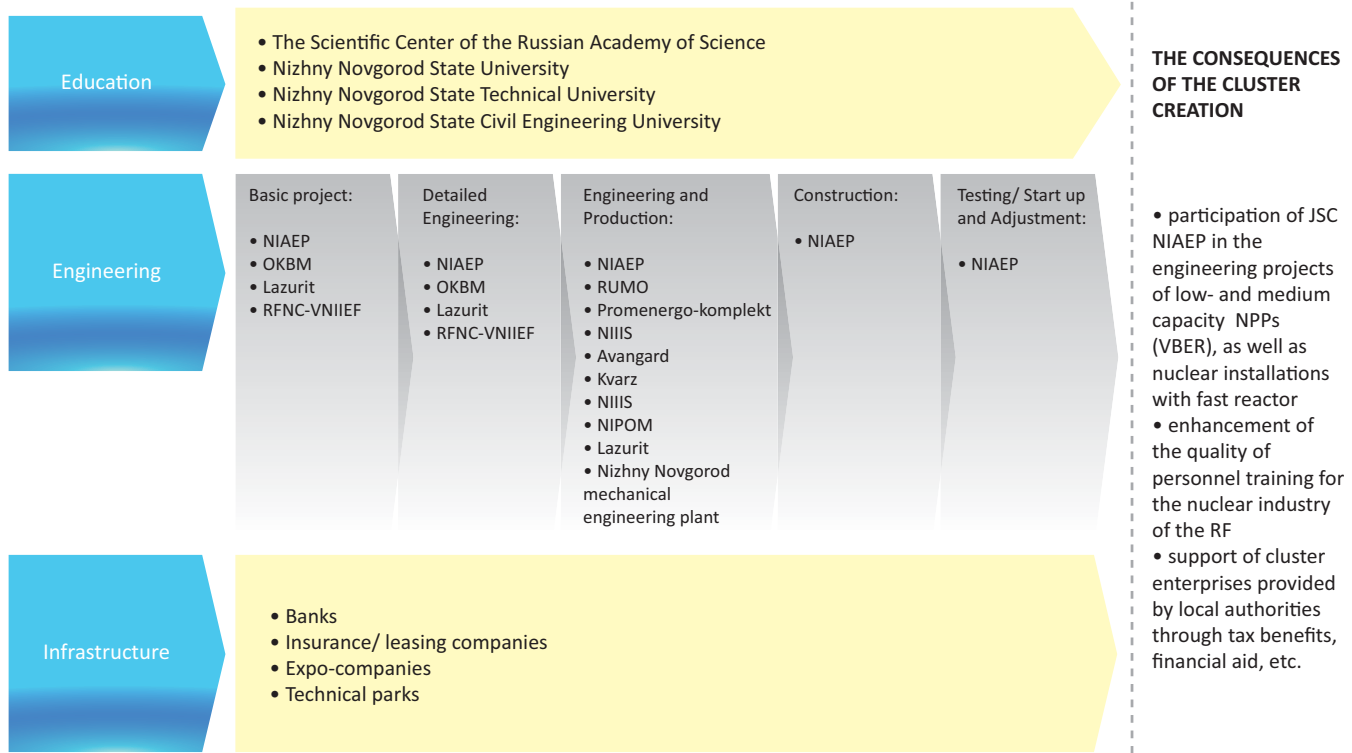


Fig. 50. The Cluster Structure and Clustering Effects

The abilities of industries in Volga Federal District are rather vast, besides, in case of the available Program of nuclear industry development to be made up and approved by the RF Government, a major regular customer appears that will finance and accomplish a number of certain tasks. The enterprises are interested in participation in such the programs as they may plan investment programs, carry out regular technical retrofit and carry on activities aimed at the creation of new innovation projects.

V.V. Klochai,
Chairman of the Coordination Council of Industrialists and Entrepreneurs of Volga Federal District

Reliable power supply will provide an opportunity for the development of metallurgical production in the south of Nizhny Novgorod region. Moreover, they will provide favorable conditions for economic development and encouraging of possible investors of Nizhny Novgorod region and neighboring areas: Vladimir and Ryazan regions, the Republic of Mordovia».

V.N. Tsibanev,
Director General of the Nizhny Novgorod Union of Industrialists and Entrepreneurs

Construction and forthcoming commissioning of Rostov NPP units 3&4 will solve not only the problem of energy deficit in Rostov region and the south of Russia, but will tackle with the federal strategic tasks. I'm sure that arising of such powerful energy facilities shall bring certain dividends both to the RF constituent and to the municipal entities.

V.Yu. Golubev,
Governor of Rostov region

3.6. Social Impact

3.6.1. SOCIAL IMPACT ASSESSMENT

The social component of sustainable development refers to influence of the Company on social systems within the limits of which it functions. Social impact of JSC NIAEP has two directions. The first

vector of social impact leads inside the Company: JSC NIAEP supports various social programs focused on rendering employees, their families and veterans of the Company support and assistance. The other vector of JSC

NIAEP social investments is directed outside: the Company is engaged in charity and investment into public infrastructure at the Company host territories.

Social Programs

All social privileges and guarantees of the Company employees are covered by the collective bargaining agreement for 2010-2012 and implemented according to the uniform social policy of the State Corporation «Rosatom» within the limits of current social programs.

In 2008, the total cost of social programs amounted to over RUR 52 mln., in 2009 – over RUR 84 mln. In 2010, the cost of socially-focused activity exceeded RUR 106 mln.

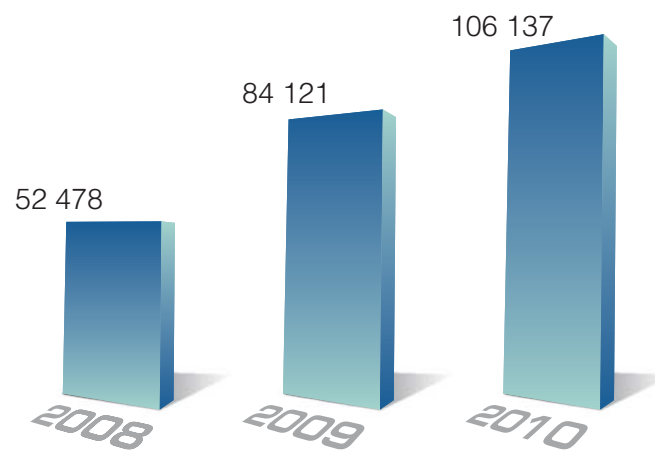


Figure 15. Social Investments, RUR ths.

Social programs realized by the Company in 2010:

- Health care of employees and their families;
- Cultural and sports events (organization and conducting of corporate, cultural and sports events);
- Maintenance of social infrastructure objects;
- Social support of employees (pecuniary aid, anniversary payments and payments to professional celebratory dates, payments in connection with state, governmental or departmental awards, granting of short-term holidays with preservation of payment at a rate of average earnings);
- Housing program (including subvention of interest rate under the housing credit, rent of habitation for the Company employees).



Figure 52. Financing of Social Programs in 2010, RUR ths.

According to the Provision of rendering the Company employees a pecuniary aid in 2010 it was paid RUR 15,8 mln. (14,9% of general structure of social payments) including about RUR 1,2 mln. that was paid to large families.

Annually the cost of employees' health care increases, including optional medical insurance of employees, sanatorium treatment and resort therapy. In 2010, these expenses amounted to RUR 15,44 mln. (in 2008 – RUR 4,8 mln., in 2009 – RUR 10,9 mln.)

The responsible attitude of the Company to its history is proved by attitude to pensioners – the former employees of JSC NIAEP. According to the collective bargaining agreement the retired employees are paid a lump sum benefit at a rate of single or double salaries. Non-working

retirees with the experience of work in nuclear engineering not less than 10 years which have worked in the Company not less than two years, are paid a monthly grant at a rate of up to 1150 RUR. The retirement program is financed at the expense of the Company independent means. In 2010 the retirement program investments amounted to RUR 1 685 ths.

JSC NIAEP shrines the memory of the Great Patriotic War. Annually on the threshold of the Victory Day the Company management meets with front-line veterans. In connection with the 65th Victory celebration, payments to veterans of the Great Patriotic war were increased in 5

times and amounted to RUR 50 ths. to each veteran.

Organization of health recreation and rest of employees and their families is realized substantially together with the trade-union committee. Corporate Days of health out of city, including family Days of health timed to the Child Protection Day have become traditional.

Meetings of the Company management with children of the employees – first-graders and school graduates, and veterans were held in 2010. A number of competitions of children's creativity took place. Festively-entertaining programs timed to nation-wide and professional holidays have been

organized together with the trade-union committee. There is a regularly updated exhibition of Nizhny Novgorod artists and photographers in foyer of the Company office. In connection with the Victory Day celebration the thematic photo-exhibition was organized.

More than 600 employees of the Company actively go in for sports. Sports clubs and pools, gym-halls for training mini-football, volleyball and other kinds of sports are rented for all interested employees. In 2010 the JSC NIAEP team won the first place in the annual Games of the Commercial and Industrial Chamber in the Nizhny Novgorod region «Healthy Way of Life – Health of the Nation»

Investments into Public Infrastructure and Charity

In 2010, the Company invested in charity RUR 124,7 mln.

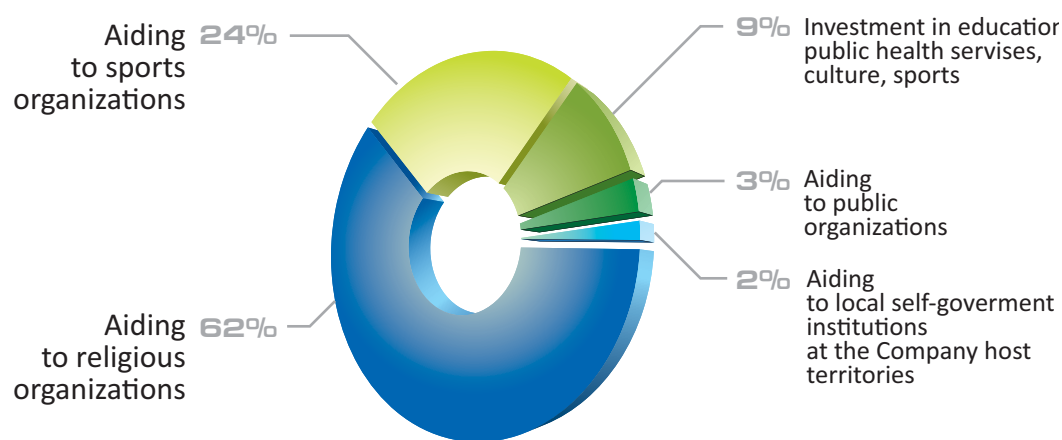


Figure 17. Major charitable investments of JSC NIAEP





In 2010, the Company invested substantial funds into social orthodox organizations for construction and restoration of churches at the JSC NIAEP host territories (Rostov Diocese, Nizhny Novgorod Diocese). Charitable investments were also aimed at municipal formations, institutions and organizations in Nizhny Novgorod, Volgodonsk and Udomlya for arrangements connected with the 65th Victory celebration. In particular, RUR 2,5 mln. were transferred to the Udomlya authority for construction of the fraternal common grave.

The Company has allocated funds for implementation of cultural events and improvement

of territories in Nizhny Novgorod (New Year's decoration of the Nizhegorodsky district streets) and in Volgodonsk (celebration of the 65th anniversary from the date of foundation).

Children's charitable projects – «Child's Voice», «In the Name of Kindness» – have not been set aside. In 2010 the Company invested in children's charities more than RUR 1 mln.

In the summer of 2010 the Nizhny Novgorod region was exposed to the destructive forest fires. Ten large families (families of dependent children) in the Vyksa district of the Nizhny Novgorod region, suffered from the forest fires, have received from the Company the charitable aid amounted to RUR 1,375 mln.

The charitable aid at a rate of RUR 30 mln. has been rendered to football club «Volga» (Nizhny Novgorod) within the limits of the tripartite agreement between JSC NIAEP, the Government of the Nizhny Novgorod region and NPC «Football club «Volga». FC «Volga» won the second place in the First league by results of the Russian football championship, 2010 and in the following season is going to play in the Russian Premier League.

As per results of 2010, JSC NIAEP became winner of the XII regional voluntariness and charity competition «Nizhny Novgorod Charity Season – 2010».

3.6.2. SOCIAL IMPACT MANAGEMENT

Taking up a position of the leading engineering company of the RF nuclear industry, JSC NIAEP pays significant attention to social stability and considers social responsibility to be one of the key principles of its activity.

Management of social influence of the Company covers both JSC NIAEP staff and the Company host territories.

The trade union is a staff representative in JSC NIAEP social partnership. The primary trade-union organization of nuclear engineering and industry employees is legally registered in the Company; number of trade-union members is 55% of the personnel (1336 persons). The Company management observes the terms of trade-union activity, considers the trade-union opinion on all statutory questions. The board of Young Engineers and

the Board of Veterans have been established in JSC NIAEP.

The work collective conference held on March 29, 2010, recognized the complete fulfillment of the Management's obligations in 2008–2009 and the Collective Agreement for years 2010-2012 was accepted. The obligations of JSC NIAEP as the employer in the sphere of social guarantees and benefits to employees are fixed with stating specific amounts and payment mechanisms in the text of the said Collective Agreement and Appendices thereto. The Collective Agreement applies to all the employees of the Company irrespective of their membership in the trade union. Thus, the share of employees covered by social programs is 100%

All social benefits and guarantees earlier in force are continued in the new Agreement, including pecuniary aiding to employees and veterans, partial payment of leisure time activities and recreation of employees and their

families, payments to anniversary and celebratory dates, payments in connection with state, governmental or departmental awards, voluntary medical insurance, cultural and sports events, maintenance of social infrastructure objects.

The significant part of social guarantees is expanded (for example, aiding to veterans and families having children), some social guarantees are introduced for the first time (sanatorium and resort therapy, aiding in housing acquisition). Obligations of the employer and trade union under the Collective Agreement in 2010 were considered to be fulfilled at the joint meeting of the Trade-union Committee and the Company Management on March 30, 2011.

The Collective Agreement of JSC NIAEP for 2010-2012 provides that the Agreement and all changes and additions to it should be brought to notice of the employees within a month starting from the date of

signing (i.9.4). Informing is carried out by accommodation of the full document body in the Company internal computer network.

In addition, local normative documents of the Company contained all significant changes in JSC NIAEP activity are also accommodated in the internal computer network in the day of signing.

Owing to specificity of the Company activity and also to observance of the Russian legislation,

JSC NIAEP considers the risks of violation of rights to freedom of establishing organizations and signing Collective Bargaining Agreements to be minimal.

The following principles may be used at social impact management on the Company host territories. All direct investments of JSC NIAEP in social infrastructure represent charitable projects. Initiatives focused on reaching significant social changes on the Company host territories

are preferred. Thus amount of costs should be reasonable and commensurable with the expected result. The Company encourages target character of the charitable projects oriented to improvement of the quality of life among any enterprises of the State Corporation ROSATOM and also personal charity, volunteering activity, corporate and sponsor assistance. JSC NIAEP implements social projects not being an alternate budget and encourages competitive charity.

Initiatives in the following fields are preferred:

- providing of public and ecological suitability of nuclear engineering technologies and projects based on their application;
- diffusion of unique knowledge (scientific discovery and research-and-development activities) and useful achievements (innovations);
- support of education and creating conditions for the younger generation of engineers and technicians;
- forming and supporting of the high social and culture standards in regions of placement of any objects of nuclear industry;
- assistance at forming any traditions of coordinated and professional management of development in regions of placement of any objects of nuclear industry.

Since 2009, the Company has been systematically accumulating the information about any needs of communities on the JSC NIAEP host territories (Nizhny Novgorod region, Volgodonsk city, Udomlya city). In accordance with needs of local communities the Program of charity arrangements of JSC NIAEP is developed.

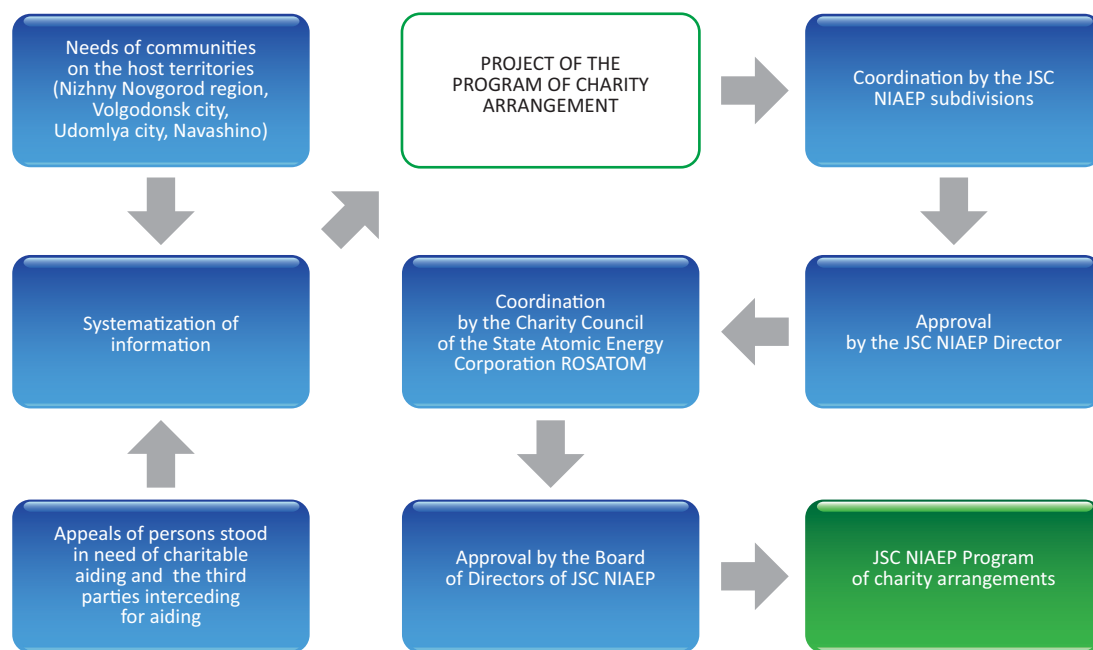
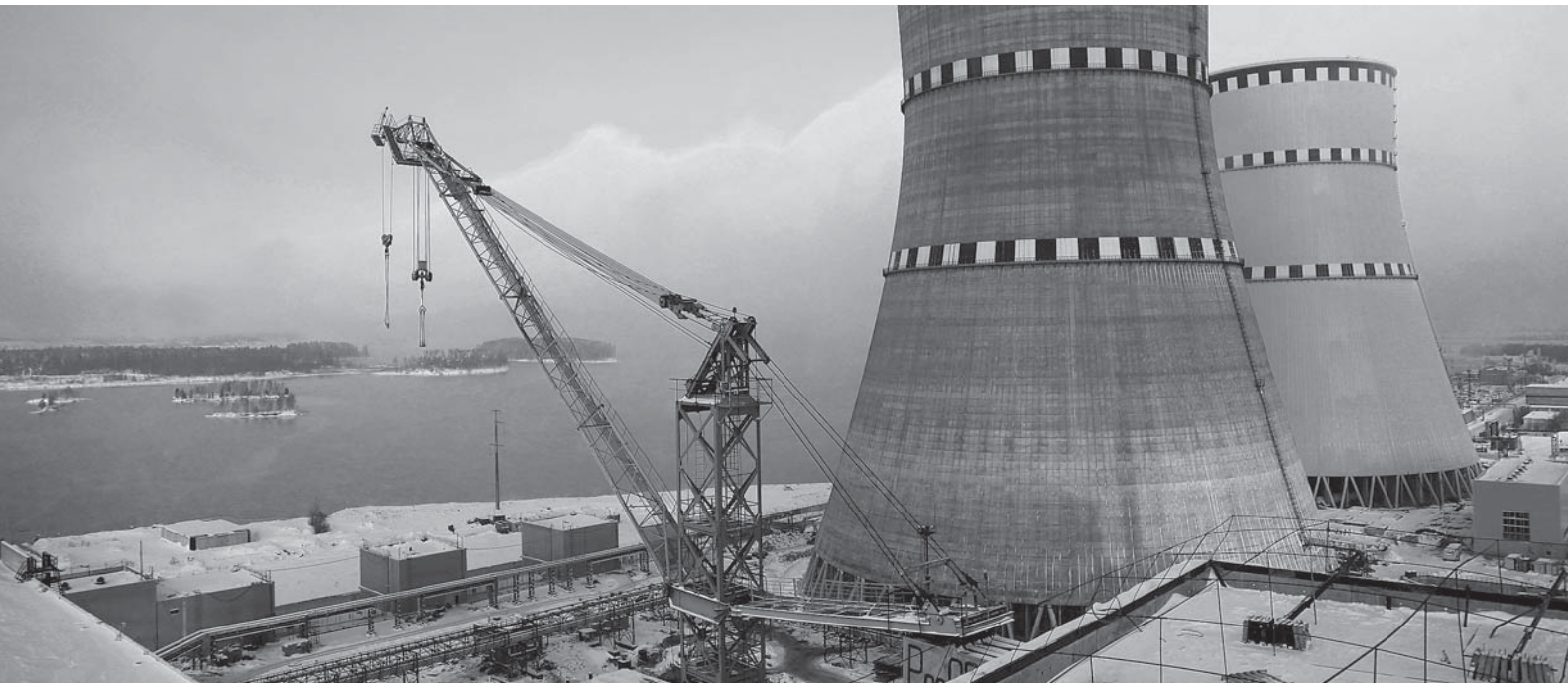


Figure 54. Development and Approval of the Program of charity arrangement

3.7. Environmental Impact

3.7.1 ENVIRONMENTAL IMPACT ASSESSMENT

Construction of power units to a great extent affects the environment. At the year-end 2010 the environmental impact of JSC NIAEP does not exceed maximum permissible values.

Waste Products

During construction of nuclear power facilities industrial wastes are generated similar to those generated during construction of heat power plants (State District Power Plant

(SDPP) and TPP) of the comparable capacity. Thus NPPs do not require fuel handling facilities typical for coal- and oil-fired plants.

Wastes are transferred as per agreements to organizations having the Waste Management Licenses.

Table 40. Characteristics of Waste Products in the Udomlya Branch

Waste class	Weight, t		
	2008	2009	2010
1 class – extra-hazardous	0,253	0,08	0,07
2 class – high-hazardous	-	6,58	32,318
3 class – moderate-hazardous	0,161	0,52	1,235
4 class – low-hazardous	144,825	8 092,5	474,817
5 class – practically nonhazardous	5 928,104	81 032,6	195,6

Table 41. Characteristics of Waste Products in the Volgodonsk Branch

Waste class	Weight, t		
	2008	2009	2010
1 class – extra-hazardous	0,026	0,059	0,052
2 class – high-hazardous	-	0,04	0,06
3 class – moderate-hazardous	-	0,052	0,0466
4 class – low-hazardous	64,268	3 592,555	256,312
5 class – practically nonhazardous	-	-	60,53

The volume of wastes of hazardous classes 4 and 5 in the Udomlya Branch of JSC NIAEP in 2009 significantly increased due to waste produced from demolishing buildings and structures, repair of temporary buildings and structures, the performance of RRW on construction facilities of Kalinin NPP Unit 4.

The volume of 2 class wastes in 2010 is shown taking into account waste produced from servicing of bio-toilets located on construction facilities of Kalinin NPP Unit 4.

The volume of hazardous class 4 in the Volgodonsk Branch of JSC NIAEP in 2009 significantly increased due to completion of Rostov NPP Unit 2 construction.

Industrial wastes in course of power units' construction cannot be reused except for dredged soil for the subsequent planning and recultivating works.

Though the central office of the Company is under federal ecological control, according to the order of

the Federal Supervisory Natural Resources Management Service Department (Far East Federal District) №837 dated 22.12.2010 JSC NIAEP is not in list of enterprises of the Nizhny Novgorod region submitting reports in №2-ТП form (Data on formation, use, neutralization, transportation and disposal of industrial and consumption wastes), that is its wastes «actually» are not hazardous.

Water Utilization

JSC NIAEP follows the policy of the rational utilization of natural resources and in its activity it strives for the maximum efficient use of water, which intake is carried out for the production and economic use of the Company and its branches. For performing construction and erection works, manufacturing ready-mixed

concrete and cement mortar, making building structures on subcontractors' bases and for economic use of branches and subcontractors the water intake is made from public water supply networks of Kalinin NPP and Rostov NPP.

The water supply source for the Central Office is the municipal water

supply system of Nizhny Novgorod. Water intake from the natural sources (ground and underground, including potable water) during construction of Kalinin NPP and Rostov NPP facilities is not performed.

Circulating water in course of construction is not used.

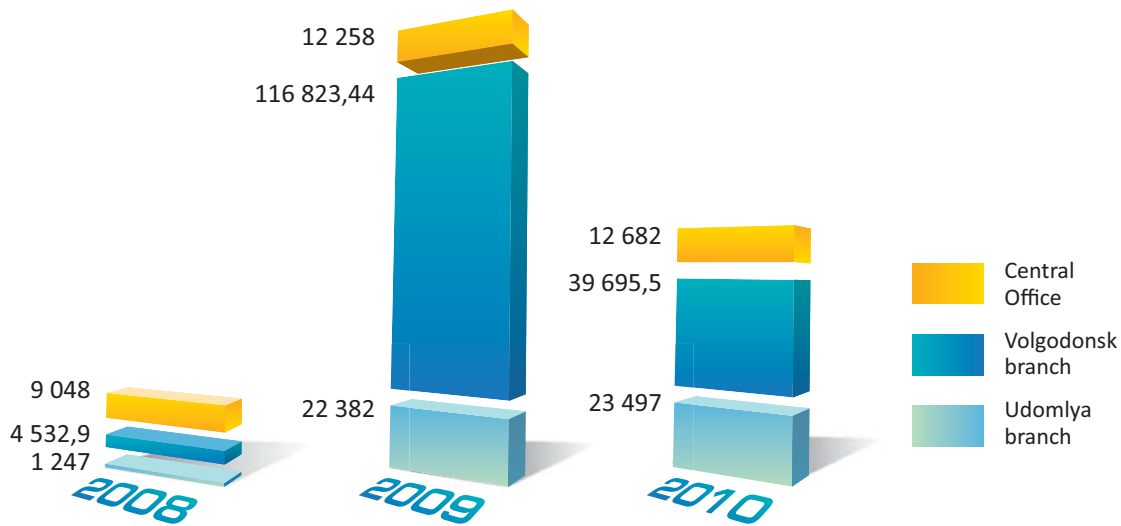


Figure 55. Water Utilization, m³/year

Significant growth of water intake by the Udomlya Branch for the current two years is connected with the increase in the scope of construction works at power unit № 4 of KaNPP.

Repeated growth of water consumption by the Volgodonsk Branch in 2009 and the subsequent

sudden reduction of water intake in 2010 were caused by the necessary process washing-down of equipment prior the physical start-up of Unit 2 of Rostov NPP. The water consumption growth was connected with the increase in the number of employees in 2009, 2010, the increase in the

scope of repair and construction works. The water supply sources of the Central Office and NPP facilities under construction are not located on protected areas and constitute no hazard from the point of view of the conservation of biological diversity.

Sewage Discharge

Sewage discharge on production sites of JSC NIAEP is within norms established by the RF legislation.

Sewage from the construction site of power unit № 4 of KaNPP is supplied from service and production premises of the Branch and subcontractors to the NPP sewerage nets and further to treatment facilities of Udomlya.

Rain water from the construction site flows to Udomlya lake via the storm-water inlets system equipped with local sewage treatment facilities. Sewage composition control is carried out by KaNPP as the land and water user within the framework of the industrial environmental monitoring program.

The situation is similar with sewage nets on RoNPP with further sewage supply to the treatment facilities of Volgodonsk.

After treatment rain water is supplied from the construction site into cooling pond of the Tzimlyansk water basin.

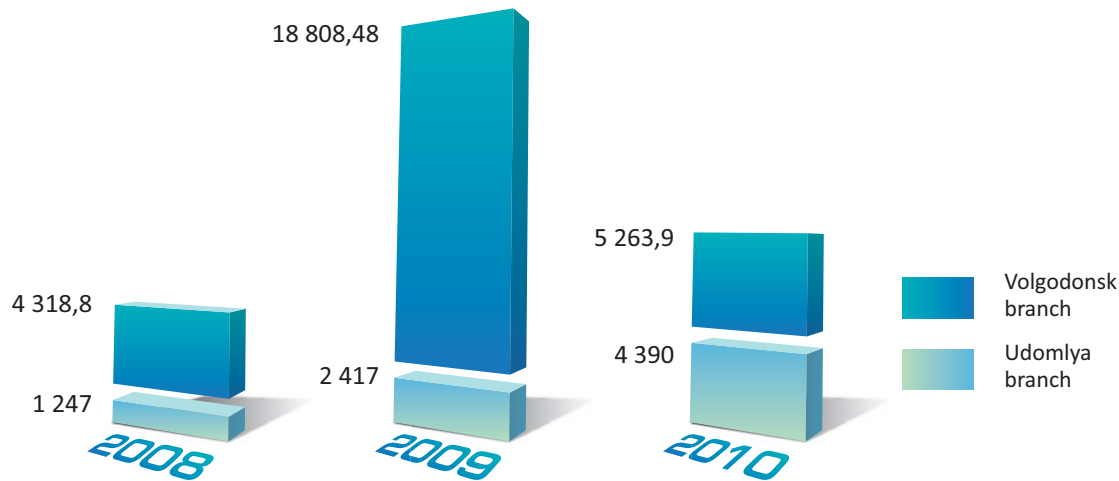


Figure 56. Sewage Discharge, m³/year





Significant difference of the indices in various years is connected with specific activity of JSC NIAEP. Various environmental impacts are exercised at various stages of power units' construction.

Significant increase in water consumption, sewage discharge and

quantity of waste products in 2009 was connected with commissioning of new production facilities (in particular, concrete plant), demolition of buildings and structures of the building base at Kalinin NPP and the considerable extension of scopes of construction and erection works and starting-up and adjustment

works (equipment washing-down prior start-up) at the final stage of the construction of power unit 2 of Rostov NPP. Such similar multiple environmental impact increase is considered admissible. It is stipulated by norms and limits agreed with environmental structures.

Harmful Agents Discharge into Atmosphere

Information on the harmful agents discharge into atmosphere on the NPP power unit construction sites in 2010 is presented based on averaged data of subcontractors and branches. As the basis projects of maximum permissible emissions are taken here; as well as instrumental reading data carried out by specialized

organizations in the real-time mode; fuel balance calculations for enterprises; calculation of charges to enterprises for negative environmental impact.

On the NPP construction sites there are organized and non-organized emission sources. Organized emission sources are exhaust ventilation

pipes, discharge nozzle of cyclones, deflectors and roof ventilators. Non-organized emission sources include open storages of inert materials (sand and crushed stone), places of their pouring, welding sets operated on open sites, motor transport.

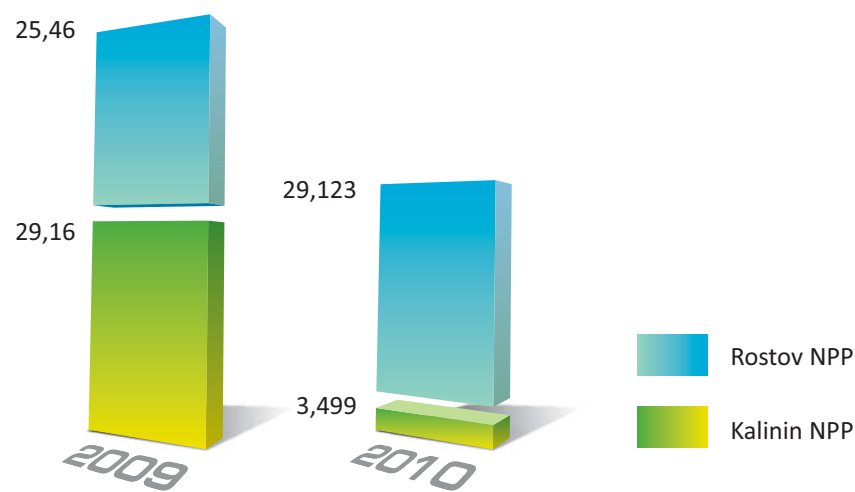


Figure 57. Harmful Agents Discharge into Atmosphere, t

The Central Office of the Company does not have stationary sources of environmental pollution and according to requirements of the Rosstat order №166 dated 10.08.2009 does not run reporting in 2-ТП form (air).

Soil Impact

When constructing a NPP, which consists of a great number of facilities of different functional purpose and deepening, diverse construction works depending on the composition, structure and other characteristics of soils are performed: fertile soil layer removal, territory planning, excavation, water drawdown, recultivation of territories free from

building development etc. These works make a considerable impact on soil. However, such impact does not contradict requirements of constructions norms and regulations and any other licensing documents.

Note that construction of Kalinin NPP Unit 4 and Rostov NPP Units 3,4 has been carried out at the sites

developed and prepared in course of construction of the previous units, therefore the problem of biodiversity preservation during the given time period is not considered.

Recultivation of lands at the JSC NIAEP objects was not conducted in 2010.

Total Direct and Indirect Greenhouse Gas Emissions

In course of NPPs construction modern technologies are used actually bringing to naught greenhouse gas emissions. Motor transport is the single source of sulphur, nitrogen and carbon oxides, however these emissions are rather dispersed in space and time.

At the same time during NPP operation greenhouse effect might be rather significant. Water heating

in NPP cooling ponds breaks existing biological processes in natural water bodies. The use of evaporative cooling towers enables to reduce these thermal loads. However, the emission of considerable quantity of water vapour into atmosphere (greenhouse effect is currently preconditioned on average by 78% of water vapour and only by 22% of carbon dioxide) causes the greenhouse effect growth. A way

out of this situation might be the use of «dry» cooling towers which exclude the water vapour emission into atmosphere. Unfortunately, the use of such equipment for power units of the one megawatt capacity or more is currently just under projecting and has serious technical and economical restrictions.

Expenses for Environmental Protection

Table 42. Expenses for Environmental Protection and Ecological Payments of the Central Office in 2010

Payment type	RUR.ths.
Current expenses for environmental protection, including:	991,8
protection of water resources	988,9
protection of the atmosphere	-
wastes processing	2,9
Payment for negative influence	1 883,9
Total	2 875,7

Table 43. Expenses for Environmental Protection and Ecological Payments of the Udomlya Branch in 2010

Payment type	RUR.ths.
Current expenses for environmental protection, including:	2 621,4
protection of water resources	-
protection of the atmosphere	25,6
wastes processing	2 595,8
Payment for negative influence	224,2
Total	2 845,6

Table 44. Expenses for Environmental Protection and Ecological Payments of the Volgodonsk Branch in 2010

Payment type	RUR.ths.
Current expenses for environmental protection, including:	353
protection of water resources	-
protection of the atmosphere	-
wastes processing	353
Payment for negative influence	512
Total	865

Penal actions for violation of the ecological legislation were not applied to JSC NIAEP and its branches in 2010.

3.7.2. ENVIRONMENTAL IMPACT MANAGEMENT

The following principles are put in the basis of ecological impact management of the Company:

- PRINCIPLE OF CONFORMITY – correspondence to the requirements of environmental legislative and other regulative requirements;

- PRINCIPLE OF STEP-BY-STEP IMPROVEMENT – system of actions focused on reaching and keeping the high level of ecological safety;

- PRINCIPLE OF PREVENTION – system of priority actions focused on prevention of hazardous influence on environment and population;

- PRINCIPLE OF READINESS – constant readiness of management and staff to prevention and post-accident recovery operations;

- PRINCIPLE OF SYSTEMIC APPROACH – systemic and complex ecological safety assurance and environmental protection activity of the Company and its branches;

- PRINCIPLE OF AVAILABILITY – availability of ecological information, effective information work of the Company specialists and management with population.

These principles are the heart of the ecological policy of JSC NIAEP approved by the State Corporation Rosatom and implemented by the order of the Company's Director.

Ecological policy of the Company together with industrial ecological control system in branches and annual environment protection programs are the elements of ecological

management promoting minimization of negative environmental influence during construction of nuclear power facilities.

JSC NIAEP defines the priority trends of Ecological policy implementation and promoting minimization of negative environmental influence:

- Implementation of modern technologies (6D) in design process; implementation of alternative technologies of power facilities construction and methods of the given processes' management;
- Provision of meeting the environmental legislation requirements;
- Timely monitoring of the Company environmental influence due to its activity, accurate processing of the received data and using of these data in further operation;
- Arrangement of the personnel training, improvement of their skills, assisting them in taking the initiative in environmental protection;
- Development of the economic management system of environmental protection activity and ecological safety.

The Company's activity in the part of environmental impact management might be evaluated in two ways: from the point of view of the Company's activity (as an economical unit) and its environmental influence and from the point of view of the Company's responsibility for ecological safety of the "turn-key" NPP power units at all stages of their life-cycle.

The Company has no its own production connected with using of radioactive materials and requiring nuclear and radioactive safety.

Maximum environmental impact is performed at construction of power units and for monitoring of environmental impact the branches and representative offices of the Company develop «Regulations for Production Ecological Monitoring», «Regulations for Environmental Safety, Environmental Protection at Construction of Any Objects of the Start-up Complex», «Program of Production Ecological Monitoring», a plan of measures for quantity

reduction of waste generation and disposal. Together with entitling provisions these documents determine the questions of responsibility allocation between a construction parties, the plan of cooperation with environmental bodies, the questions for planning of ecological activity and production ecological monitoring, etc.

The main production activity connected with generation of hazardous waste and emissions is performed by subcontractors carrying out a construction, erection and adjustment works according to the contracts concluded with the Company. The obligatory requirements for concluding of any contracts with such companies are availability of the licenses for a hazardous waste management, limits obtaining for waste disposal coordinated with the territorial authorities, receiving of waste certificate, development of maximum permissible emissions draft, payment for negative environmental

impact, meeting the requirements of directive documents of General Contractor

Ecological monitoring of the subcontractors' environmental influence including requirements to environment protection documentation is performed by inspectors of the federal environment protection structures and by the employees of the Udomlya and Volgodonsk branches responsible for industrial ecological monitoring.

Ecological policy of JSC NIAEP covers the field of intelligent use of natural resources. In May 2010 the power-supply alternative program of the Central Office for 2010-2014 was implemented. This program assumes electric power consumptions to be reduced by 17% to 2015. Similar programs are implemented in the Company branches.

Besides, JSC NIAEP keeps strict record of all power consumers.

Table 45. Power Consumption, kW/h

Consumer	2008	2009	2010*
Central office	1 445 000	2 132 252	2 316 145
Udomlya branch	14 055 456	25 409 184	26 403 494
Volgodonsk branch	-	9 346 693	12 530 498

* Data on 2010 is given considering CEO-1 and 2 in Volgodonsk and Udomlya.

Table 46. Heat/water consumption, Gcal

Consumer	2008	2009	2010
Central office	2 496	2 706	2 494
Udomlya branch	23 985	39 741	67 112
Volgodonsk branch	8 284	6 147	7 299

Table 47. Heat/steam consumption, Gcal

Consumer	2008	2009	2010
Central office	-	-	-
Udomlya branch	15 454	19 524	18 223
Volgodonsk branch	-	-	-

Table 48. Petrol consumption, t

Consumer	2008	2009	2010
Central office	386,8	382,6	300,9
Udomlya branch	42,8	82,0	99,6
Volgodonsk branch	-	211	745

Table 49. Diesel Fuel Consumption, t

Consumer	2008	2009	2010
Central office	24,6	49,4	49,3
Udomlya branch	1,9	140,4	200,1
Volgodonsk branch	-	39,5	1 022,9

Significant growth of motor petrol in the Volgodonsk branch is connected with construction works at Rostov NPP Units 3&4.

Nuclear and Radiation Safety of the Facilities under Construction

In course of construction of NPP power units the Company implements NPP projects meeting all safety norms and standards of the Russian Federation. The given requirements are schematically given in *Figure 58*.

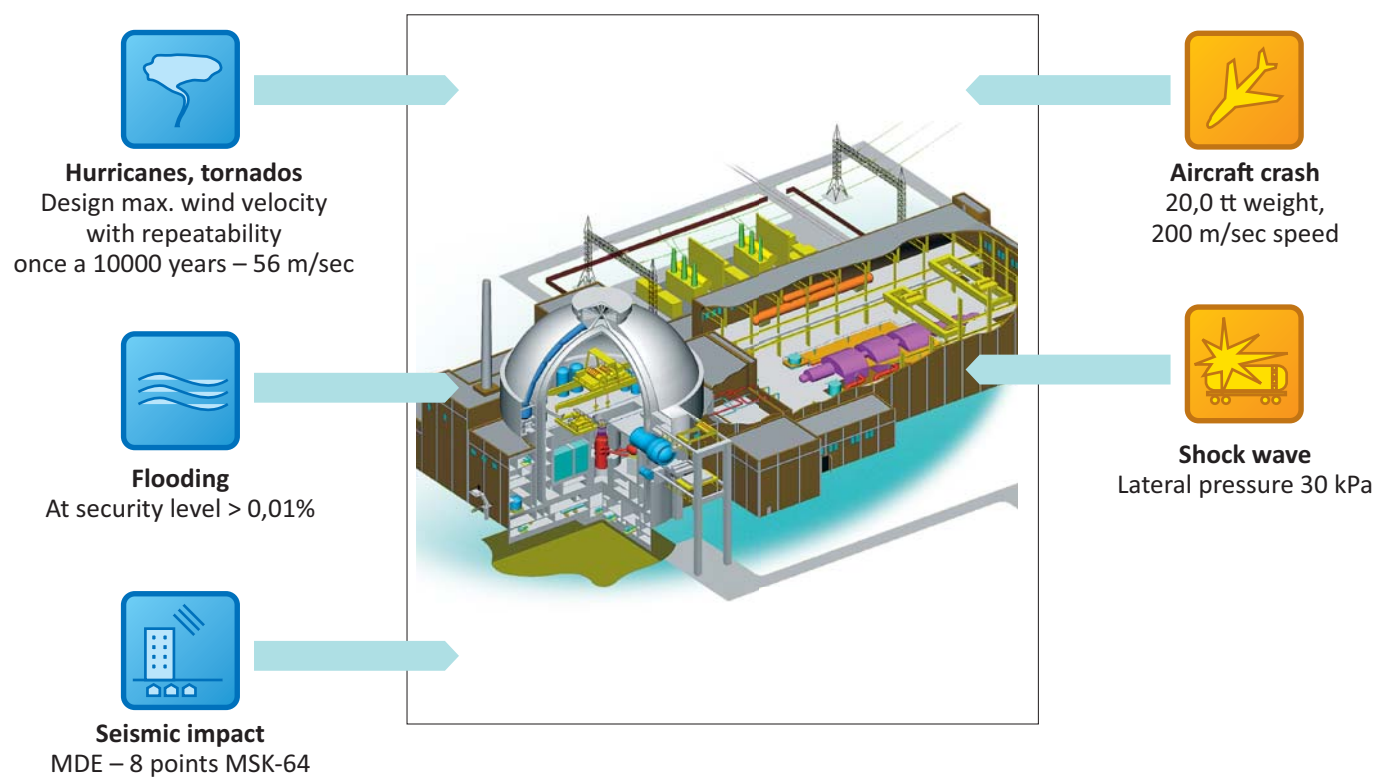


Figure 58. Safety Level of the Designed NPP

Minimization of negative ecological impact in the field of nuclear and radiation safety on all objects where nuclear technologies are used is provided by qualified development of design documentation and meeting its norms and standards in course of construction.

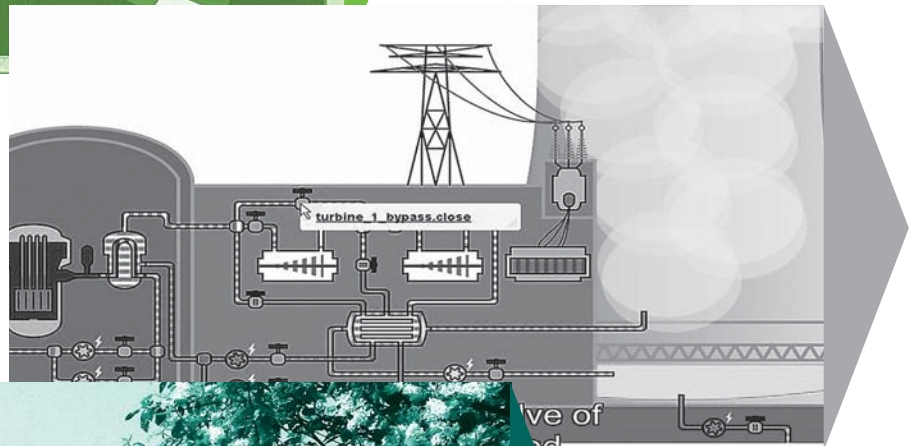
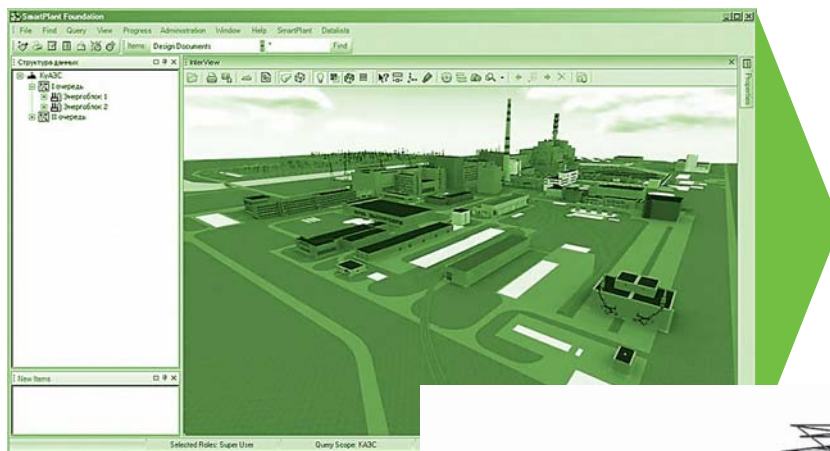
The main priority of JSC NIAEP is to provide ecological safety of nuclear power facilities under construction at all stages of their life-cycle considering

NPP service life not less than 50 years.

The fact that environmental impact at NPP operation is minimal has not been already questioned for many years. At the same time ecological impact during construction, as it's mentioned above, is rather significant and characterized by the existing waste processing technologies, pollution of soil, water, and atmosphere and by intelligent use of natural resources.

Population does not accept any negative consequences caused by the constructed objects. That's why the general safety issues (nuclear, radiation, ecological, fire safety and etc.) at all stages of NPP life-cycle starting from designing and up to decommissioning are considered to be priority targets.

Safety control is performed at all stages of NPP life-cycle and graphically represented in Figure 59.



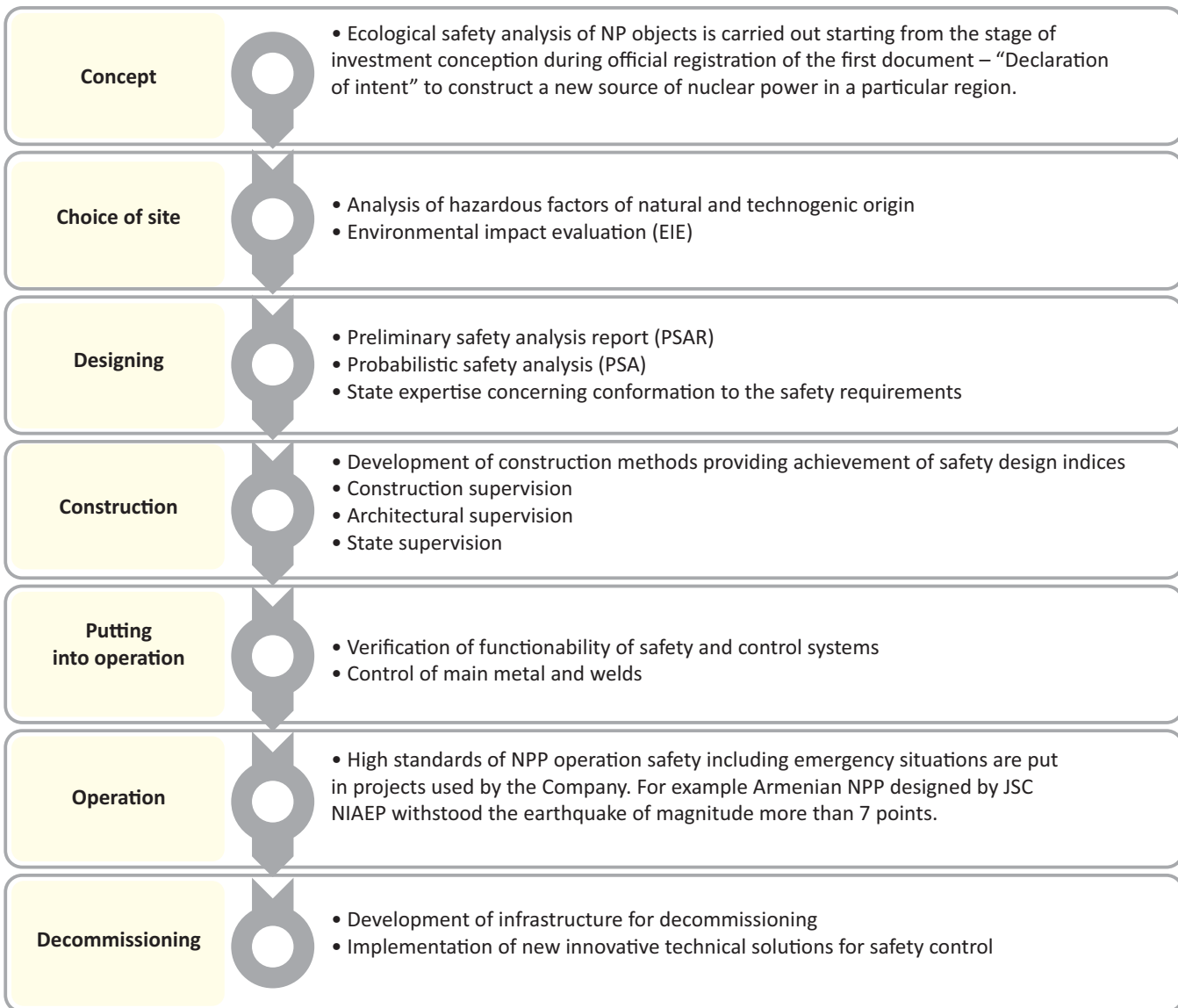


Figure 59. Safety Control at All Stages of NPP Life Cycle

Ecological safety analysis of nuclear power facilities starts from the stage of investment conception during official registration of the first document – – «Declaration of Intent» to construct a new source of nuclear power in a particular region.

The main targets on environmental impact evaluation are solved at the design stage. Ecological safety of the NPP designed to be constructed in

Russia is proved by comparison of design values and values achieved in course of operation of similar power units with allowable indices on current norms.

Thus, according to the current standard «Sanitary Rules of NPP Designing and Operation» (SP AS-03) the general limit of exposure dose for population under conditions of

normal operation is on the average 1 mSv/year for the period of 70 years.

In the project of Rostov NPP Units 3&4 this index is 10 MSv/year (i.e. 0,01mSv/year), that is 100 times lower than it’s put in the current norms.

Considering the fact that the actual radiation level from power unit №1 RoNPP is about 100 times lower than design values, then it makes a

hardly noticeable for radiation meters increase of the natural radiation background in the Volgodonsk region amounting to 1 mSv/year.

At NPP operation radioactive substances are not dumped into water sources. Radiation level of water supplied from the surface water sources for turbine condensers cooling does not actually change even in case of hypothetical beyond design-basis accident. Design indices do not reach the values allowable in norms and standards and amount to 4-14% of exposure dose limit during a very short period with subsequent quick water renovation.

Set of design and construction documents compiled as per special requirements passes social and state ecological expertise.

Availability of substantiated materials for the purpose to inform all interested persons, social and scientific organizations is the obligatory requirement. After preliminary familiarization public consultations on results of environmental impact evaluation of the designed object (a power unit or a construction phase of several power units) are held in the

region of the expected construction. Public consultations demonstrate advantages and deficiencies of nuclear engineering from the point of view of social classes at present.

After an obligatory procedure of public consultations a state ecological expertise is conducted according to the Federal Law «On Ecological Expertise» Conclusion of the Commission of Specialists of the state ecological expertise is approved by order of Rosprirodnadzor and considered to be final.

Documentation on Kalinin NPP Unit 4, Rostov NPP Units 3&4 and Tver NPP Units 1&2 received positive conclusions of the state ecological expertise.

NPP documentation also passes additional special-purpose expertise performed by the scientific and technical center on nuclear and radiation safety, i.e. a nuclear and radiation safety expertise but with consideration of all other factors including ecological, fire ones and etc.

Only after receiving a positive conclusion STC NRS Rostehnadzor grants a license for the certain stage of NPP

life-cycle: arrangement, construction, operation, decommissioning. At present JSC NIAEP has prepared materials for licensing justification, and JSC Concern Rosenergoatom has obtained licenses for arrangement of Nizhny Novgorod NPP Units 1,2 and Tver NPP Units 1, 2.

The main target during development of NPP documentation is safety assurance due to step-by-step implementation of the concept of defense-in-depth protection based on application of physical barriers system on the way of ionizing radiation and radioactive substances into environment and the system of technical arrangements on barriers protection.

Thus, implementation of JSC NIAEP projects provides minimal ecological and impact on environment from the part of nuclear power plants.

In 2011, JSC NIAEP will continue to improve environmental impact management considering its own experience and requirements of the environmental legislation.

3.8. Cooperation with the Parties Concerned

SC NIAEP aspires to establish a partnership and mutually beneficial relations with any interested parties. For creation of the effective system of cooperation with interested parties the main groups of interested parties were determined on the basis of a significance evaluation of their influence on day-to-day operation of JSC NIAEP and the Company influence on the interested parties.

Cooperation with interested parties is performed according to the following principles:

- Respect to views of interested parties;
- Timely informing interested parties;
- Cooperation on a regular basis;
- Meeting commitments;
- Requirement of commitments fulfillment by interested parties.

Cooperation is established on the basis of wishes of each of interested parties. The Company uses different mechanisms and instruments for cooperation (see Table 50).

Table 50. Cooperation of JSC NIAEP with the Parties Concerned

Parties Concerned	Expectation	Cooperation Method	Activity and Results in 2010
SHAREHOLDER State Corporation Rosatom, JSC Atomenergoproekt	Performance of the Company's activity in accordance with the shareholder's strategy in the frameworks of the corporative procedures.	Active participation in solving of strategic tasks of the shareholder, improvement of the corporative management system.	On December 13, 2010 «Strategy of JSC NIAEP» was coordinated at the SC Rosatom Strategic Committee session, and on December 23, 2010 was approved by the order of the JSC NIAEP Director. Plan of arrangements on Strategy implementation was approved by the same order (see Section 1. Mission and Strategy).
CUSTOMER JSC Concern Rosenergoatom	Execution of the subject plans and observance of construction time, reduction of construction cost, increasing of works quality.	Improvement of management system, participation in headquarters of Rosenergoatom Concern JSCC, development of high engineering technologies.	In course of the financial year field meetings with the Customer were being regularly held at Rostov NPP and Kalinin NPP (see Section 2.2. Operating Activity Results).

Parties Concerned	Expectation	Cooperation Method	Activity and Results in 2010
<p style="text-align: center;">PARTNERS Suppliers, Subcontractors</p>	<p>Receiving of new orders according to the prospects of the Company's development, construction objects, procedures of suppliers selection, financial standing of the Company.</p>	<p>Holding of any open tenders, nuclear engineering fairs, conclusion of any long-term contracts with transparent rules for price setting, development of nuclear power engineering cluster in Nizhny Novgorod region.</p>	<p>Two Nuclear Engineering Fairs were held. Key Suppliers formed a «Symbolic picked team» (see Section 2.3. Management of Operating Activities). Memorandum on creation of the Innovative Design Association was signed.</p> <p>In the context of creation of the Nizhny Novgorod nuclear power engineering cluster a Cooperation Agreement between JSC NIAEP and Coordination Council of Manufactures and Businessmen Associations of the Volga Federal Region was signed. Joint cooperation will provide favorable conditions for improving scientific, technical and production potential of enterprises, development of competitiveness, innovative development of processing manufactures and sectors of economic activity connected with them. A meeting between JSC NIAEP and JSC Afrikantov OKBM management and leading specialists was held within the limits of development of the Nizhny Novgorod nuclear power engineering cluster. Strategy of enterprise development, prospects of cooperation in designing and construction of NP facilities of medium and low capacity, computer simulation and innovative design technologies were discussed at the meeting. Following the results of the workshop certain proposals on general trends of cooperation between JSC NIAEP and JSC Afrikantov OKBM were made. Representatives of the Non-Commercial Partnership «Nizhny Novgorod Business Center for Nuclear Power Engineering», P.E. Alekseev NSTU pro-rector S.M. Dmitriev, Deputy Director of International Nuclear Training and Education Center Y.L.Trykov also participated in the meeting.</p>
<p>INTERNATIONAL PARTNERS ALSTOM, BouyguesTravaux Publics, Alstom, Areva, Lione, VSL LTD, Fressine, ToshibaCorporation, Mitsubishi, China Nuclear Energy Industry Corporation (CNEIC), NuclearTechnologies, Siemens, Intergraph, Dassault Systemes.</p>	<p>Innovative development of JSC NIAEP, prospects of international cooperation.</p>	<p>Participation in exhibitions, double-sided visits, meetings, formation of strategic partnerships.</p>	<p>In context of preparation to forming «national team» of SC Rosatom in 2010 the Company ran activity in the following directions:</p> <p>Analysis of overseas experience of NPP construction and NPP equipment manufacturing:</p> <ul style="list-style-type: none"> ● May 11–16, Republic of Korea. JSC NIAEP delegation conducted technical audit of the prospective equipment Suppliers for NPP construction in Russia;

Parties Concerned	Expectation	Cooperation Method	Activity and Results in 2010
			<ul style="list-style-type: none"> ● June 10–16, France. JSC NIAEP was represented on the Russian National Exhibition in Paris on the united stand of SC Rosatom. JSC NIAEP delegation visited turbine and generator manufacture of ALSTOM company (Belfort), held meetings with representatives of Bouygues Travaux Publics, ALSTOM, Areva, Lione, VSL LTD, Fressine. In course of negotiations a set of agreements planning general trends of cooperation between JSC NIAEP and ALSTOM was signed. Firstly it concerned the aspects of implementation of the French turbine in VVER-TOI project; ● October 30 – November 6, Japan. Delegation of JSC NIAEP visited Oma NPP (Toshiba Corporation) and familiarized with advanced experience of NPP construction (Mitsubishi); ● December 21–24. JSC NIAEP received delegation of the China Nuclear Energy Industry Corporation (CNEIC). Following the results of the visit Memorandum on cooperation between JSC NIAEP and CNEIC was signed. This agreement provided development of long-term and mutually advantageous cooperation in NPP designing and construction in the interests of each party. <p>Settlement of cooperation with the leading international companies on implementation of modern information systems (3D/6D-designing):</p> <ul style="list-style-type: none"> ● July 27–31, Germany. JSC NIAEP delegation hold several meetings with representatives of Nuclear Technologies and Siemens for the purpose of technical audit and evaluated the possibility to engage the companies in consulting and design works; ● October 30 – November 6, Japan. During the visit of JSC NIAEP delegation in Japan a workshop of «NPP construction» workgroup was held within implementation of the Framework cooperation agreement between JSC Atomenergoproekt and Toshiba Corporation on application of special-purpose software Primavera in development of NPP construction diagrams;

Parties Concerned	Expectation	Cooperation Method	Activity and Results in 2010
			<p>● November 16–19, Germany. JSC NIAEP management and specialists meet with Intergraph representatives. Goal of the visit was expand cooperation, experience exchange, familiarization with the latest software solutions in 3D-designing and creation of the common information space;</p> <p>● A series of workshops with representatives of Intergraph and Toshiba Corporation on implementation of software products Primavera and SmartPlan was conducted in 2010 in JSC NIAEP. Works on these directions are covered by the long-term agreements with the mentioned above companies.</p> <p>Development of NPP life-cycle management system on the basis of Product Lifecycle Management (PLM):</p> <p>During 2010 a series of workshops between JSC NIAEP management and specialists with Dassault Systems representatives was held. These meetings were devoted to implementation of ENOVIA V6 Project and mastering Dassault Systems software solutions (CATIA, DELMIA, DELMIA PROCESS ENGINEER). Conceptual approach on strategic partnership and ENOVIA V6 implementation as a platform for NPP life-cycle management system at design and construction stages was developed.</p>
STAFF Personnel of JSC NIAEP, trade union, Board of Young Engineers and Board of Veterans	Stable remuneration of labor, development prospects, financial standing of the Company, social protection.	Social partnership, social and charity programs, programs of training and skill improvement, creation of personnel reserve.	In 2010 Collective agreement for the period 2010-2012 was signed in between JSC NIAEP and employees. Top management of the Company regularly holds meetings with representatives of the trade union and the Board of Young Engineers.
EDUCATIONAL INSTITUTIONS	Information on development prospects of the Company provision of employment for graduates.	Joint development of educational programs, arrangement of students practice, address and target training.	Cooperation agreement with Nizhny Novgorod State Technical University named after P.E. Alekseev (NSTU) was signed.

Parties Concerned	Expectation	Cooperation Method	Activity and Results in 2010
PUBLIC ORGANIZATIONS	Information on development prospects of the Company, ecological and radiation safety.	Social and charity programs, social partnership, public consultations, public reporting.	Three dialogues and public consultations were conducted with the assistance of social organizations in the context of Report-2010 preparation (<i>see Section 4. Cooperation between the Parties Concerned for Drafting the Report</i>).
LOCAL AUTHORITIES Authorities of Nizhny Novgorod, Nizhny Novgorod region, Vladimir region, local authorities of Navashino, Udomlya and Muromsk regions.	Information on development prospects of the Company, development of infrastructure, tax payments, employment, and execution of any social programs.	Cooperation agreement, social and charity programs, public consultations, public reporting.	Round table on Nizhny Novgorod NPP – solution of power safety in the Vladimir and Nizhny Novgorod regions was conducted.
LOCAL POPULATION Population of the host territories, potential employees	Availability of working places, positive influence of the Company on their life.	Community offices, social and charity programs, public consultations.	Public reception offices were arranged owing to which more than 800 inhabitants of the Company host territories could be employed.
MASS MEDIA	Information on development prospects of the Company, ecological safety, key events.	Press conferences, public reporting.	Nuclear Information Center was opened in Nizhny Novgorod. Directors of enterprises of the region nuclear branch – JSC NIAEP, FSUE «RFYC-VNIIIEF», JSC Afrikantov OKBM, scientists, representatives of social organizations, journalists were present at the opening ceremony.

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Bringing energy **to life**



4. Cooperation

Between the Parties
Concerned for Drafting
the Report

4.1. Dialogues with the Parties Concerned

JSC NIAEP conducted three dialogues with representatives of interested parties within preparation of the Report for the year 2010. These dialogues were devoted to the aspects important for stakeholders of the Company.

Representatives of SC Rosatom, Innovative Engineering Design Association, and nuclear power engineering cluster in Nizhny Novgorod region, key suppliers, ecological, education and social organizations participated in the

dialogues. Members of government of the Nizhny Novgorod region and local authorities of the host territories also took part in the dialogues.

Dialogue №1 «Discussion of JSC NIAEP annual report-2010 concept with the parties concerned»

On January 28, 2011 a dialogue about JSC NIAEP annual report-2010 concept was conducted in conference hall of the JSC NIAEP office in Nizhny Novgorod (Svobody sq., 3). In course of the dialogue a Report concept developed by JSC NIAEP was represented to the interested parties and after this the interested parties were suggested to express proposals and recommendations on Report themes, dialogues with interested parties and list of Report-2010 signers. This arrangement allowed to complete and update the report concept and to make Report-2010 be more aimed at stakeholders' interests. In particular, as per suggestion of the interested parties Strategy of the Company became one of the key themes of the Report and it was decided to devote one of the dialogues with the interested parties to this theme.

Dialogue №2 «Implementation of the strategy and influence of JSC NIAEP activity on social-economic development of the host territories»

On March 29, 2011 at 2 o'clock p.m. a dialogue about Strategy of the Company and its investments in social-economic development of the host territories was conducted in conference hall of the JSC NIAEP office (Svobody sq., 3). In context of the dialogue the Strategy of JSC NIAEP up to 2020 coordinated by SC Rosatom and approved by JSC NIAEP Director at the end of 2010 was represented to the interested parties. Innovative activity of JSC NIAEP and the Company contribution in economy of the host territories were discussed at the meeting. In course of the dialogue the participants expressed a series of valuable proposals and recommendations given in *Table 51*.

Dialogue №3 «Public position of JSC NIAEP in part of sustainable development»

On March 29, 2011 at 4 o'clock p.m. a dialogue about Public position of JSC NIAEP in part of stable development was conducted in conference hall of the JSC NIAEP office (Svobody sq., 3). During the dialogue the project of public position was represented and after this the Company representatives made specified reports on particular aspects of the public position. After reports there was a discussion: the participants expressed valuable proposals and recommendations given in Table 51. Expressed proposals allowed completing and updating the Public position of the Company in part of stable development.

Table 51. Inquiries and Offers Stated within Dialogues with the Parties Concerned

Questions / Recommendations of the Participants	Comments of JSC NIAEP Management
<p>To detail aspects of the Strategy important in view of safety improvement.</p>	<p>Ecological safety control for JSC NIAEP as an engineering company performing NPP designing and construction first of all means:</p> <ul style="list-style-type: none"> ● Development and implementation the most safety Project of a power unit. At present such a project even in view of international standards is VVER-TOI Project. JSC NIAEP is actively engaged in its development and implementing and this tendency is reflected in the JSC NIAEP Strategy up to 2020; ● Performance of high-qualified construction and erection works providing accident-free operation of a power unit during its service life. In 2011 it's already provided by the Strategy implementation of a series of perspective process projects such as large-module erection, system of continuous welding and welds' control, informatization of power unit construction regulating all stages of construction and actually expelled defects at the site; ● Objects under construction are equipped with high-quality materials and equipment. JSC NIAEP has already been conducting effective work in that direction providing conformity with brunch standards and «Rostehnadzor» requirements. Development of the common information space excluding application of non-licensed component parts is the further step of the given tendency enhancement in context of the Strategy.
<p>To engage High Educational Institutions (HEI) in implementation of the Strategy including specialists training for JSC NIAEP (sponsorship for students' training is possible), opening of faculties, aiding in special-purpose software procurement for students' training.</p>	<p>Development of the corresponding program of selection, training and retraining of staff is provided by the plan of Strategy implementation up to 2020 (item 5). In context of implementation of the given tendency active consulting work is held with building university graduates, detailed analysis of technical university potential was conducted. We consider joint work with region HEI in this direction to be expedient and is waiting for the concrete proposals that will be considered in course of selection program formation, training and retraining.</p>

Questions / Recommendations of the Participants	Comments of JSC NIAEP Management
<p>Correlation between social-economic parameters of the JSC NIAEP Strategy and social-economic development of the regions, including the Novashino and Muromsk districts. Besides parameters of influence on social-economic development of the regions should be put in description of the JSC NIAEP Strategy.</p> <p>To conduct consulting work with population, to recover the program implemented earlier together with the government of the Nizhny Novgorod region.</p> <p>To focus on interaction with industrial enterprises of those regions where NPPs are constructed: the nuclear power engineering cluster in Nizhny Novgorod might be taken region as an example.</p>	<p>Implementation of the complex scientific program «Development of the complex alternative program of social-economic development of the Navashino district of the Nizhny Novgorod region and Muromsk district of the Bladimir region considering construction of Nizhny Novgorod NPP» is planned for the period of 2011-2012. The first results are going to be received in the middle of 2011. Recommendations of the participants will be considered during implementation of the given program and included in the updating arrangements to the JSC NIAEP Strategy up to 2020.</p>
<p>To create an integrated system of registration and reporting of various data.</p>	<p>For purpose of implementation of the JSC NIAEP Strategy up to 2022 the Company is implementing project «Creation of NPP life-cycle management system». In context of this project a NPP unified information model and a common information space for interacting between all participated enterprises will be developed on the basis of Enovia PLM-system. Creation of this system provides integration of various systems of registration and data reporting not only in JSC NIAEP but in the whole branch.</p>
<p>To consider possibility of bringing JSC NIAEP public position to notice of the interested parties in municipal districts and city districts with engaging of internal policy ministries.</p>	<p>The Company is ready to declare its public position.</p>
<ul style="list-style-type: none"> ● To consider possibility to formulate public position in details. For instance, to indicate requirements to Suppliers. ● To expand matter of safety. It means a significant influence on Suppliers in part of safety assurance. ● To expand matter of innovations. JSC NIAEP develops not only its own innovation basis but attracts enterprises to meet new issued products. ● To expand matter of social impact. JSC NIAEP engaged enterprises in social development. 	<p><i>In Section «Management of Operating Activities» of the present Report we tried to give information about cooperation with Suppliers. JSC NIAEP Report-2010 demonstrates implementation of the Company public position.</i></p>
<p>To change structure of the public position, to indicate three aspects of public position: safety, quality and innovations, describe each aspect in view of stable development.</p>	<p>The Company looks forward to structure public position in course of cooperation with the interested parties.</p>

4.2. Public Consultation on the Report

Public consultations on the Public Annual Report of JSC NIAEP for 2010 were held in Nizhny Novgorod in the conference hall of JSC NIAEP office building (3, Svoboda sq.).

Representative of the key stakeholders participated in the public consultations on the Public Annual Report.

Representatives of the State Corporation Rosatom:

- **Roman Aleksandrovich Kastchavtsev**, *Head of Capital Investment Management Program Realization Monitoring Department, Capital Construction Directorate;*
- **Vyatcheslav Aleksandrovich Amosov**, *Head of Nuclear Industry Information Center (Nizhny Novgorod);*
- **Ekaterina Abrekovna Mamiy**, *Counselor of Internal Corporate Communication Department.*

Representatives of State Authorities:

- **Igor Gavrilovich Sazonov**, *First Deputy Minister of Industry and Innovations in the Nizhny Novgorod Region;*
- **Sergey Borisovich Protasov**, *Head of Power Industry and Energy Saving Department of the Ministry of Housing and Utilities and Fuel/energy Complex in the Nizhny Novgorod Region;*
- **Sergey Aleksandrovich Doronin**, *Head of Local Authority Development Department of the Internal Affairs Ministry in the Nizhny Novgorod Region;*
- **Vladimir Sergeevich Vyunov**, *Head of Volga and Oka Administration of Federal Service on Environment, Technological and Nuclear Control.*

Representatives of Local Authorities of the Company's Host Areas:

- **Aleksey Viktorovich Cherepakhin**, *Head of Navashino District Administration.*

Representative of JSC NIAEP Trade Union:

- **Elena Viktorovna Kochergina**, *Chairman of JSC NIAEP Trade Union.*

Representatives of Nuclear Industry Companies:

- **Alexander Lvovich Berenzon**, *Head of Press Service of JSC Afrikantov OKBM;*
- **Vyacheslav Aleksandrovich Koltsov**, *Federal State Unitary Company "Federal Scientific and Manufacturing Center Scientific and Research Institute of Measuring Systems named after Y.E. Sedakov;*
- **Anna Aleksandrovna Nikolaevskaya**, *Leader of Group for Social and Labor Relations Department of RFNC All-Russia Scientific and Research Institute of Experimental Physics.*

Representatives of Scientific-Higher Educational Institutions:

- **Boris Mikhailovich Titov**, *Director of Nizhny Novgorod Economical Development Institute;*
- **Alexander Evgenievich Khrobostov**, *Director of Nuclear Power Engineering and Applied Physics Institute of R.E. Alekseev Technical University of Nizhny Novgorod.*

Representatives of Business Associations:

- **Andrey Vladimirovich Komarov**, *Executive Director of Non-Commercial Partnership «Nizhny Novgorod Business Center for Nuclear Power Engineering»;*
- **Valery Nikolaevich Tsybanev**, *General Director of Nizhny Novgorod Manufacturers and Businessmen Association;*
- **Alexander Vitalyevich Anosov**, *Director of Project Planning and Analysis of Commerce and Industry Chamber of Nizhny Novgorod Region;*
- **Vitaly Evstafievich Antonevich**, *Executive Secretary of Coordination Council of manufacturers and Businessmen Associations of the VFR.*

Representatives of public organizations:

- **Evgenya Karlovna Verba**, *Director of Association «Sluzhenye».*

Representatives of financial organizations:

- **Svetlana Anatolievna Agafintseva**, *Key Client Manager of Volgo-Vyatsky Bank of Russia Sberbank;*
- **Vsevolod Vladimirovich Evstigneev**, *Director, Corporate Client and Small Business Sales Division of Volgo-Vyatsky Bank of Russia Sberbank;*
- **Alexander Evgenievich Karmanov**, *First Vice-President of JSC AKB Sarovbusinessbank.*

Media:

- **Tatyana Vyacheslavovna Metelkina**, *Chief Editor of Newspaper «Nizhegorodskaya Pravda».*

Representatives of consulting and audit companies in relation to non-financial accounting and corporate management (independent observers):

- **Stepan Vladimirovich Galushkin**, *Director of Corporate Development Agency «Da-Strategy»;*
- **Georgy Erastovich Klenov**, *Leading Auditor, Verifier of JSC «Bureau Veritas Certification Rus».*

Representatives of JSC NIAEP:

- **Vladimir Lazarevich Kats**, *First Deputy Director on Economy of JSC NIAEP;*
- **Igor Vladimirovich Bronnikov**, *Deputy Chief Engineer;*
- **Vyacheslav Valentinovich Evstifeev**, *Head of Personnel Department;*
- **Nikolay Grigorievich Podorov**, *Head of Chief Finance Department;*
- **Nikolay Yakovlevich Leontiev**, *Head of Strategic Development and Market Monitoring Laboratory;*
- **Irina Olegovna Panchenko**, *Head of Public Relations and Information Policy Department;*
- **Alexander Vladimirovich Yashkin**, *Head of BCD-1;*
- **Valery Borisovich Minkovsky**, *Chief Specialist of Planning and Economic Department;*
- **Nikolay Georgievich Sokolov**, *Chief Specialist of Technical Department.*

Opinions of the Public Consultation Participants

«I think that JSC NIAEP annual reporting and public consultations are the most advanced for today in Nizhny Novgorod Region».

Valery Nikolaevich Tsybanev, *General Director of Nizhny Novgorod Manufacturers and Businessmen Association.*

«I would to confirm the transparency and reliability of the Report, transparency and reliability of the Company's position in relationship with suppliers».

Andrey Vladimirovich Komarov, *Executive Director of Non-Commercial Partnership «Nizhny Novgorod Business Center of Nuclear Power Engineering».*

«I clearly understand that to have such kind of a public report for any of our companies means to get a plan of actions for the next year for all activity areas, a plan how to develop the company. That is why from the bank's perspective we evaluate highly this document. It is most likely that JSC NIAEP from many enterprises raises the cheapest resources in the financial market. And it seems to me that one of the reasons is the public consultations on the report. It is because everything is known about the Company and everyone is sure of it. And as a result – it is one of the cleverest financial investments that we have among our enterprises in Nizhny Novgorod».

Vsevolod Vladimorovich Evstigneev, *Director, Corporate Client and Small Business Sales Division of Volgo-Vyatsky Bank of Russia Sberbank.*

«All reporting complies with financial, statistical and tax accounting. It is true to life and is approved upon the whole by the trade union».

Elena Viktorovna Kochergina, *Chairman of JSC NIAEP Trade Union.*

«I would like to express gratitude for the present event as I have had a very informative material that can and needs be used in the activities of our center».

Vyatcheslav Aleksandrovich Amosov, *Head of Nuclear Industry Information Center (Nizhny Novgorod).*

4.3. Plans and Liabilities to the Parties Concerned

In the process of public report drafting JSC NIAEP jointly with the parties concerned develops plans and liabilities both for improving the public reporting and development of the activities in whole. Coordination of plans and liabilities of the Company is accomplished during public consultations. Information on discharge of the Company's plans and liabilities which had been adopted to draft the previous Report is displayed in *Table 52*.

Table 52. Plans and Liabilities Discharge as of 2010

Issues/Recommendations of the Parties Concerned	Plans and Liabilities of the Company for 2010	Liabilities Discharge
On the part of Governmental Authorities		
To headline wider the Company's activities related to the nuclear engineering clustering in the Nizhny Novgorod region (A.I.Tsapin).	As for reporting in the future the Nizhny Novgorod nuclear engineering cluster information is planned to be published in separate sections of reports.	The Nizhny Novgorod nuclear engineering cluster information is displayed in <i>Subsection 3.5.2</i> .
To work out a plan of system activity arrangements on complete inspection of materials delivered on sites (V.S.Vyunov).	In 2010 the incoming control of equipment and materials (incl.equipment and materials delivered by subcontractors) regulatory documents operational in the Udomlia branch and the Volgodonsk representative office will be corrected.	In 2010 activities on the internal equipment and materials incoming control regulatory documents update were accomplished
On the Part of the Customer		
To use in future more analytical materials regarding the report section covering procurement activities (A.V.Baitov)	The recommendation will be taken into account during 2010 Report drafting.	Information is presented in <i>Subsections 2.1. and 2.2.</i>
On the Part of Equipment Manufacturers and Suppliers		
To coordinate with the SC Rosatom the matter on engaging the Nuclear Engineering Fair into the list of exhibition arrangements recommended to companies by Rosatom to take part in (N.Y.Leontyev).	In the 3-rd quarter of 2010 a letter to the SC Rosatom with the proposal to include the Fair into the list will be sent.	No letter was sent because the Fair has become not only the competitive tendering venue but a site for promoting innovational projects of JSC NIAEP as well.

Issues/Recommendations of the Parties Concerned	Plans and Liabilities of the Company for 2010	Liabilities Discharge
From the Company Staff		
To make better displaying of joint activities of the trade union committee and the Company when reporting (E.V.Kochergina).	The recommendation will be taken into account during 2010 Report drafting.	In <i>Section 3.6</i> information on social programs in which the Company's trade-union organization has participated is disclosed.
On the Part of Business Communities		
To include into reporting a more detailed description of the procurement management procedure (V.N.Tsybanev).	A detailed description of the procurement management procedure will be set forth on the web-site of the Company.	Procurement activity procedures are described in <i>Section 2.3</i> .

During the 2010 Report public consultations, the Company's plans and liabilities for 2011 coordinated with the parties concerned were represented (see *Tab. 53*).

Table 53. Plans and Liabilities for 2011

Issues/Recommendations of the Parties Concerned	Plans and Liabilities of the Company for 2011
On the part of Governmental Authorities	
<ul style="list-style-type: none"> ● To optimize information activities with the host territories population. ● To promote creation of a union or an association of former NPP and nuclear plants operators to join in activities to shed light on the nuclear engineering safety to the population. ● To lay the NIAEP's Report upon the tapis by the Nizhny Novgorod Region Governor's Science and Innovational Policy Council (I.G. Sazonov). 	<ul style="list-style-type: none"> ● It is planned for 2011 to conduct educational activities on the nuclear engineering safety on the base of the nuclear engineering industry information centers with the NIAEP employees engaged and to hold meeting with the population jointly with municipal government bodies. For example, after the known events in Japan the Information Center of Nuclear Engineering Industry (Nizhny Novgorod) hosted an educative seminar for journalists where an official of the Company made a report. ● The Company's representatives are ready for taking part all through 2011 in the matter discussion to form such union jointly with other parties of concern including the Nizhny Novgorod Nuclear Engineering Industry Information Center. ● Representatives of the Company are ready for giving a report of appropriate kind.
On the Part of Business Communities	
To develop a system of innovations implementation to facilitate for suppliers the creation of innovational equipment (A.V. Komarov).	Within the uniform industry-wide database of material and technical resources it is planned to submit 3D format-based equipment simplified data. The company is directly interested in innovational technologies implementation but not to lower the level of safety and to obtain appropriate licenses should with the cost reduced. Information on the unified industry-wide database on materials and technical resource for NPPs is displayed in the Report.

Issues/Recommendations of the Parties Concerned	Plans and Liabilities of the Company for 2011
<p>In the strategy for 2011 it is necessary to pay notice to development of the Nuclear engineering industry cluster, to appoint responsible officers, initiators and terms. To conduct arrangements to form understanding of the idea of the Nizhny Novgorod Nuclear Engineering Cluster (V.N.Tsybanev).</p> <hr/> <p>To arrange works on the Nuclear Engineering Industry Cluster elaboration (I.G.Sazonov).</p>	<p>Information on the Nuclear Engineering Industry Cluster is displayed in the Report. We are ready for taking an active for developing the Cluster. And first of all, we are ready for submitting all necessary information on the equipment which will be needed for our nearest projects implementation.</p> <p>The Company is ready to take share in the Cluster elaboration detail arrangements plan development.</p>
<p>To arrange activities on discussion of virtues and drawbacks of the Unified industry-wide procurement database of the SC Rosatom (A.V. Komarov).</p>	<p>The SC Rosatom proceeds on updating the Unified industry-wide standard. JSC NIAEP actively shares in the process. We form inquiries with proposals on updating the standard and are ready to review proposals of suppliers to submit them into the SC Rosatom.</p>
<p>From Financial Entities</p>	
<p>To carry on works to form positive public opinion about nuclear engineering (V.V. Evstigneev).</p>	<p>It is planned for 2011 to conduct educational activities on the nuclear engineering safety on the base of the nuclear engineering industry information centers with the NIAEP employees engaged and to hold meeting with the population jointly with municipal government bodies. For example, after the known events in Japan the Information Center of Nuclear Engineering Industry (Nizhny Novgorod) hosted an educative seminar for the union of journalists where an official of the Company made a report.</p>

4.4. Conclusion on the JSC NIAEP Annual Report Public Assurance

Preamble

Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY «ATOMENERGOPROEKT» (hereinafter referred to as JSC NIAEP or the Company) asked us to assess its 2010 Annual Report (hereinafter referred to as the Report), together with the completeness and relevance of the disclosed information and the Company's response to the suggestions made by stakeholders. To facilitate our task we and our representatives were invited to participate in public hearings on the draft Report that were held on April 25, 2011, and in a number of topical discussions with stakeholders (January 28, 2011 – «Discussion of

the concept of 2010 Annual Report of JSC NIAEP with stakeholders», March 29, 2011 – «The implementation of the strategy and JSC NIAEP business influence on the social and economic development of the host territories» and «The public position of JSC «NIAEP» in the field of the sustainable development»).

Our conclusion is based on the results of the comparative analysis of the two Report versions (the draft Report submitted for public hearings and the final Report version) and the provided materials resulting from the discussions and hearings (such as

minutes and the Table of stakeholders' suggestions), as well as the comments made by JSC NIAEP executives and employees during the public assurance of the Report.

Public assurance of the Report did not presuppose any checks of the information collection and processing system in the Company; the adequacy of the actual data set forth in the Report has never been an object of public verification as well.

Our work related to the Report public assurance procedure was not compensated by the Company and no fees were paid.

Assessments, Comments and Recommendations

We are all satisfied with the Report format and the scope of the presented information. Exceptionally important is the fact that this Report is JSC NIAEP's free-will initiative, which proves that the Company has become more open and transparent.

In the process of Report drafting the Company has demonstrated a strong tendency to increase public and environmental acceptance of nuclear industry development. It has also shown its willingness to have an open dialogue with the stakeholders in different business activity areas. We can see that the management of the Company is conscious that interaction

with stakeholders has constructive character with good outlooks.

An absolutely positive feature of the Report is that it has been made in accordance with international standards (The Guidelines on reporting in the field of the sustainable development «Global Reporting Initiative» (GRI, version G3), a series of standards AA1000 of the Institute of Social and Ethical Accountability), and the integrated Report presentation which enabled to disclose the information on the Company core activity and its efficiency in the field of the sustainable development in the comprehensive manner.

We do not have any facts that might prejudice the truthfulness of the Report data.

We assess the disclosed information as sufficient both in terms of public reporting international standards application and the response to the stakeholders suggestions made within Report drafting process.

In our view, it is a comprehensive Report that should present the Company management's official position in every key issue of public importance and in all business activity areas of the Company.

Information Relevance

In our opinion, JSC NIAEP has covered all the topics significant for the stakeholders. The Report presents the Company viewpoints on strategic development, financial and economic results of business activities, and the consequences of social, ecological and economic influence on the external environment.

The top priority issues of the Report are the **JSC NIAEP Strategy up**

to 2020 and Sustainable development activities. All the significant information related to the disclosure of the priority issues is presented in the Report. In particular, we suppose it is important to specify the completeness disclosure of the information on the strategy implementation in the reporting year and the Company public position on the sustainable development aspects brought up in the Report. The JSC

NIAEP public position represents all the significant matters in terms of the sustainable development, such as: safety and quality, personnel training and development, innovation activities, contribution to economic development of the regions, social responsibility, environmental protection, transparency and accountability.

Information Completeness

We do not believe it is reasonable to increase the Report in size, even though it has not answered all the questions asked by the stakeholders' representatives during open discussions and consultations.

We would like to recommend that the Company should pay special attention in the next Reports to the necessity of more detailed disclosure of the information on the Nuclear power cluster in Nizhny Novgorod

region, as well as the partners of the Company and innovation activities.

In our view, the information on the sustainable development activities should be accompanied by the description of clear and measurable targets.

Company's Response to Suggestions and Wishes Made by the Stakeholders

We suppose that the Company has made a big step forward in its cooperation with stakeholders and developing public reporting practices in its business. Four events under participation of the stakeholders were held during the Report drafting, as compared to the three events held last year. We should emphasize that the very cooperation started prior to the Report drafting, and namely at the stage of the concept making up.

The stakeholders got an opportunity to make their comments and recommendations concerning the disclosure of the information in the Report, and the development of the reporting system in general. The response of JSC NIAEP to the comments of the stakeholders was

manifested with the fact that amendments and additional information were adopted in the final version of the Report. In particular, they revised and completed with the required information the following sections: «Mission and Strategy», «Values and Public Position», «Management of Operating Activities», «Personnel Management», «Innovation Activities», «Social Impact», etc. Considering some suggestions, the Company either undertook to disclose information in the next Reports, or gave reasoned explanations why it was impossible to do.

Moreover, the Company undertook to improve furthermore the public reporting system.

The Company corrected technical errors and misprints in the final version of the Report that had drawn reviewers' attention.

Thus, the Company has demonstrated its willingness to respond to stakeholders' requests and recommendations in a constructive way during the Report drafting.

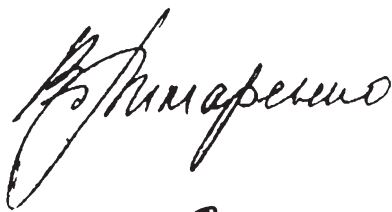
We expect that the Company will continue to introduce persistently the principles of responsible corporate behavior into its business activities by developing the public reporting system and interaction with stakeholders.

- S.V. Budylin**  Deputy General Director – Director of the Capital Construction Directors’ Board of the State Corporation Rosatom»
- V.V. Nefedov**  Minister of Industry and Innovations in the Nizhny Novgorod Region
- V.S. Viyunov**  Head of Volzhsko-Oksky Board of Federal Service for Environmental, Process and Nuclear Control
- S.M. Dmitriev**  Rector of Nizhny Novgorod State Technical University named after Alekseev
- V.N. Drobinin**  President of Non-Profit Partnership «Nizhny Novgorod Business Center for Nuclear Engineering»
- V.E. Antonevich**  Responsible secretary of the Coordination Council of the Branches of the Russian Union of Industrialists and Entrepreneurs in the Privolzhsky Federal District
- E.V. Kochergina**  Chairman of the JSC NIAEP Trade Union Committee
- D.G. Krasnov**  General Director of the Chamber of Commerce and Industry in the Nizhny Novgorod Region
- V.N. Tsibanev**  General Director of the Nizhny Novgorod Union of Industrialists and Entrepreneurs

Approved by Resolution of the Sole shareholder
as of June 30, 2011 №13

Preliminary Approved by Resolution of the Board
of Directors (as of May 30, 2011, Protocol №8)

Director



Valery I.Limarenko

Chief Accountant



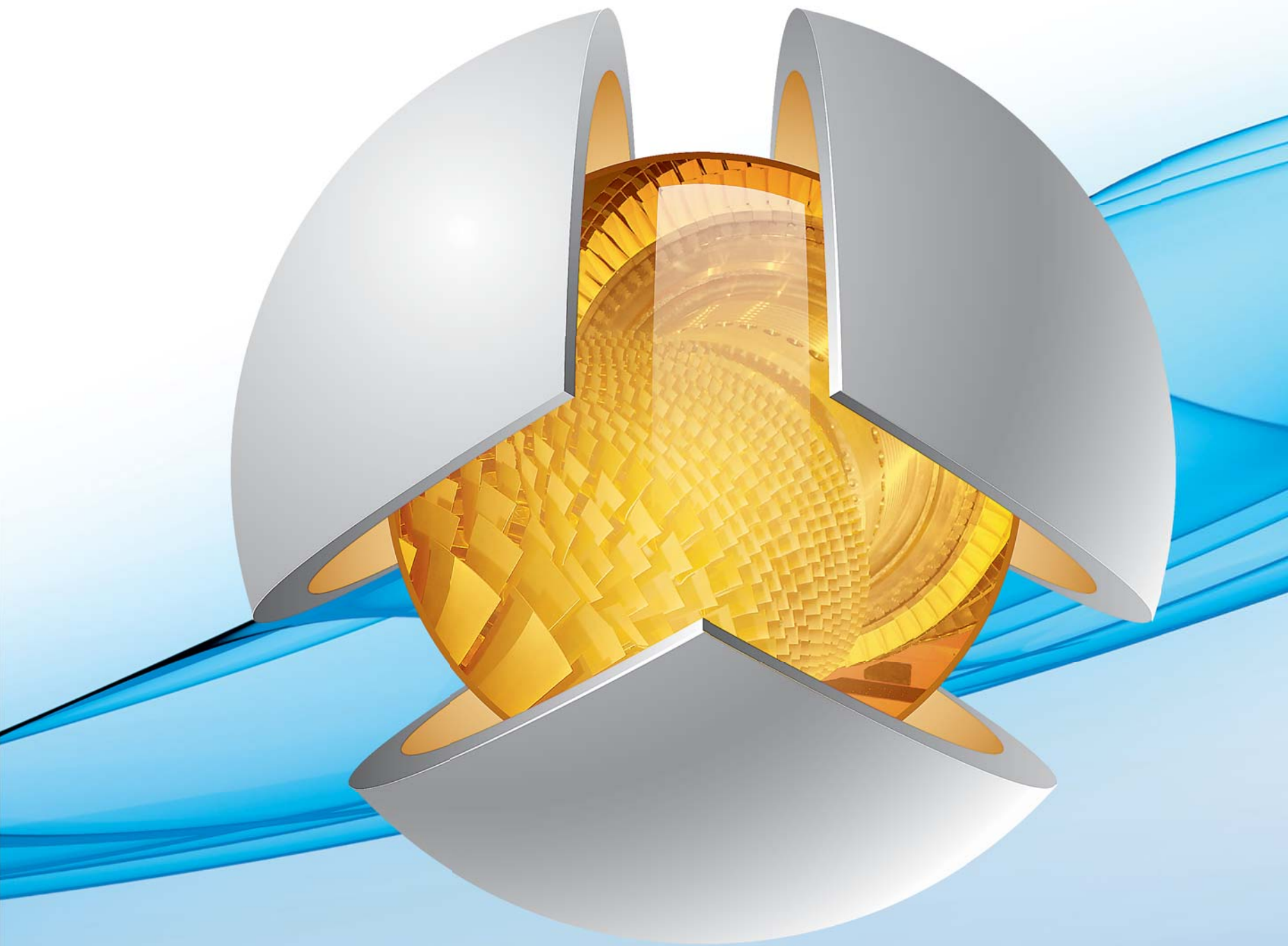
Elena V.Samogorodskaya





Annual Report | 2010 | JSC NIAEP

Providing the experience
of the future



The background features a gradient from light blue at the bottom to bright orange at the top. Overlaid on this are several translucent, wavy blue lines that create a sense of motion and depth, flowing from the top right towards the bottom left.

5. Appendices

Appendix 1

REPORT OF THE BOARD OF DIRECTORS ON JSC NIAEP ACTIVITIES RESULTS IN PRIORITY ACTIVITY AREAS

26 meetings of the Board of Directors were held in 2010. The list of the meetings and adopted resolutions is described in the table below.

No	Date of meeting	Minutes number	Agenda
1	25.01.2010	1	<p>Adoption of resolutions on the issues related to competence of members' (sole member's) general meeting of the companies 100 (hundred) % capital of which is owned by JSC NIAEP.</p> <p>Change of the budget and planned figures of JSC NIAEP financial and economic activities of the year 2009.</p> <p>Approval of target efficiency indices (KEI) of JSC NIAEP activities for the year 2009.</p> <p>Approval of the transactions that cover property, works and services of cost amounting to more than 500 (five hundred) million roubles closed between JSC NIAEP and JSC Atomenergoproekt.</p>
2	11.02.2010	2	<p>Approval of the transaction closed between JSC NIAEP and JSC Energo-Komplekt the subject of which includes property, works and services with cost over RUR 500 (five hundred) mln.</p>
3	24.02.2010	3	<p>Election of the Chairman presiding at meetings of the JSC NIAEP Board of Directors.</p> <p>Approval of the transactions between JSC NIAEP and JSC Concern Rosenergoatom the subject of which includes property, works and services with cost over RUR 500 (five hundred) mln.</p> <p>Approval of the transactions between JSC NIAEP and JSC Atomenergoprom the subject of which includes property, works and services with cost over RUR 500 (five hundred) mln.</p>
4	02.03.2010	4	<p>Approval of the transactions between JSC NIAEP and JSC Concern Rosenergoatom the subject of which includes property, works and services with cost over RUR 500 (five hundred) mln.</p>
5	17.05.2010	5	<p>Approval of the JSC NIAEP collective bargaining agreement for 2010–2012.</p>
6	23.05.2010	6	<p>Approval of the transaction between JSC NIAEP and JSC PROMENERGOKOMPLEKT the subject of which includes property, works and services with cost over RUR 500 (five hundred) mln.</p> <p>Approval of the Charity Program of JSC NIAEP for 2010.</p>
7	16.04.2010	7	<p>Election of the Chairman of the JSC NIAEP Board of Directors.</p> <p>Adoption of resolutions on the issues related to competence of members' (sole member's) general meeting of the companies 100 (hundred) % capital of which is owned by JSC NIAEP.</p>

No	Date of meeting	Minutes number	Agenda
8	30.04.2010	8	Approval of the transaction between JSC NIAEP and JSC DEZ the subject of which includes property, works and services with cost over RUR 500 (five hundred) mln. Approval of the revisions and amendments to the JSC NIAEP collective bargaining agreement for 2010–2012.
9	17.05.2010	9	Bonus payment to JSC NIAEP Director based on the results of the Company's activities in the year 2009.
10	28.05.2010	10	Adoption of resolutions on the issues related to competence of members' (sole member's) general meeting of the companies 100 (one hundred) % capital of which is owned by JSC NIAEP.
11	28.05.2010	11	Preliminary approval of the JSC NIAEP year 2009 annual report. Preliminary approval of the Annual Financial Statements including the Income Statement (profit and loss accounts) of JSC NIAEP according to year 2009 end.
12	09.07.2010	12	Election of the Chairman of the JSC NIAEP Board of Directors.
13	12.07.2010	13	Opening of the Kharkov representative office of the JSC Nizhny Novgorod Engineering Company Atomenergoproekt. Proposal to the sole shareholder of JSC NIAEP – JSC Nuclear Power Industrial Complex to adopt the decision on making amendments to the Articles of JSC NIAEP. Approval of the Regulation of the Kharkov representative office of the JSC Nizhny Novgorod Engineering Company Atomenergoproekt.
14	14.07.2010	14	Adoption of resolutions on the issues related to competence of members' (sole member's) general meeting of the companies 100 (one hundred) % capital of which is owned by JSC NIAEP.
15	29.07.2010	15	Adoption of resolutions on the issues related to competence of members' (sole member's) general meeting of the companies 100 (one hundred) % capital of which is owned by JSC NIAEP.
16	05.08.2010	16	Approval of the amendments to the JSC NIAEP 2010–2012 collective bargaining agreement.
17	09.08.2010	17	Adoption of the decision on JSC NIAEP effecting the transaction to enter into the general loan agreement with JSC Atomenergoprom. Election of the Chairman of the JSC NIAEP Board of Directors.
18	27.09.2010	18	Approval of the transaction between JSC NIAEP and Non-Profit Partnership Nizhny Novgorod Nuclear Engineering Business Center related to transfer of rights to use real property.
19	20.10.2010	19	Changes in the terms and conditions of the JSC NIAEP Director employment agreement defined by the Parties. Approval of the transaction between JSC NIAEP and JSC DEZ the subject of which includes property, works and services with cost over RUR 500 (five hundred) mln.

№	Date of meeting	Minutes number	Agenda
20	19.10.2010	20	Election of the Chairman of the JSC NIAEP Board of Directors.
21	07.12.2010	21	Changes in the terms and conditions of the JSC NIAEP Director employment agreement defined by the Parties.
22	13.12.2010	22	Adoption of resolutions on the issues related to competence of members' (sole member's) general meeting of the companies 100 (one hundred) % capital of which is owned by JSC NIAEP.
23	15.12.2010	23	Adoption of resolutions on the issues related to competence of members' (sole member's) general meeting of the companies 100 (one hundred) % capital of which is owned by JSC NIAEP.
24	16.12.2010	24	Approval of the budget and planned figures of JSC NIAEP financial and economic activities for the year 2010.
25	28.12.2010	25	Bonus payment to JSC Director for timely Rostov NPP Unit 2 commissioning.
26	29.12.2010	26	Adoption of the decision on JSC NIAEP effecting the transaction to enter into a supplementary agreement of the general loan agreement with JSC Atomenergoprom.

Appendix 2

INFORMATION ON OBSERVANCE OF THE JSC NIAEP'S CORPORATE BEHAVIOUR CODE

No	Corporate Behaviour Code Provision	Observed or non-observed	Note
Shareholders' General Meeting			
1	Notification of shareholders on holding the Shareholders' General meeting at least 30 days before its holding irrespective of items included in the agenda unless longer time is stipulated by the legislation.	Non-applicable.	The Sole shareholder accounts for the peculiarity of decision-making.
2	The possibility for shareholders to familiarize themselves with the list of persons entitled to participate in the Shareholders' General meeting beginning from the date of such notice on holding the Shareholders' General meeting till the closing of ordinary Shareholders' General meeting and in case of an absentee Shareholders' General meeting – till the expiry date for the acceptance of voting ballots.	Non-applicable.	The Sole shareholder accounts for the peculiarity of decision-making.
3	The possibility for shareholders to familiarize themselves with information (materials) subject to the presentation during the preparation of the Shareholders' General meeting by means of electronic communications including Internet.	Observed.	
4	The possibility for a shareholder to introduce an item to the agenda of the Shareholders' General meeting or to request convening of the Shareholders' General meeting without presenting a statement from the shareholders' register if the registration of such shareholder's rights to shares is carried out through the shareholders' register keeping system and in case of such shareholder's rights to shares are recorded on a custody account – a statement of such custody account shall be enough for exercising the said rights.	Observed.	
5	Stated in the Articles or internal documents of this Joint-Stock Company the requirement of the compulsory attendance of the General Director, Members of the Management, Members of the Board of Directors, Members of the Control Commission and the Auditor of the joint stock company at the Shareholders' General meeting.	Non-applicable.	The Sole shareholder accounts for the peculiarity of decision-making.
6	The compulsory attendance of candidates at the Shareholders' General meeting when considering the matters of the election of Members of the Board of Directors, the General Director, Members of the Management, Members of the Control Commission and the approval of the Auditor of the Joint-Stock Company.	Non-applicable.	The Sole shareholder accounts for the peculiarity of decision-making.
7	The availability of the registration procedure for participants of the Shareholders' General meeting in internal documents of the Joint-Stock Company.	Non-applicable.	The Sole shareholder accounts for the peculiarity of decision-making.

№	Corporate Behaviour Code Provision	Observed or non-observed	Note
The Board of Directors			
8	The power of the Board of Directors stated in the Company Articles to annually approve the financial and economic plan of the Joint-Stock Company.	Observed.	it. 13.2 (33) of the Company Articles.
9	The risk management procedure in the Joint-Stock Company approved by the Board of Directors.	Non-observed.	
10	The right of the Board of Directors stated in the Company Articles to make the decision to suspend the powers of the General Director appointed by the Shareholders' General meeting.	Observed.	it. 13.2 (28) of the Company Articles.
11	The right of the Board of Directors stated in the Company Articles to establish requirements to qualification and remuneration amount of the General Director, Members of the management, managers of the main structural subdivisions of the Joint-Stock Company.	Observed.	it. 14.7 of the Company Articles.
12	The right of the Board of Directors stated in the Company Articles to approve the terms of contracts with the General Director and Members of the management.	Observed.	it. 14.7 of the Company Articles.
13	The requirement stated in the Company Articles not to count votes of Members of the Board of Directors acting as the General Director and Members of the Management during the approval of the conditions of contracts with the General Director (managing company, the manager) and Members of the Management.	Non-observed.	
14	The presence of at least three independent Directors in the Board of Directors who will meet the requirements of the Corporate Behavior Code.	Non-observed.	The membership in the Board of Directors is determined on the basis of the sole shareholder's decision.
15	No persons among the Members of the Board of Directors of the Joint- Stock Company who have been convicted for committing crimes in the sphere of economic activities or crimes against public authorities, interests of public service and local administration service or who have been punished for administrative offences in business activities or financial affairs, in the sphere of taxes and duties or securities market.	Observed.	Executed in practice.
16	No persons among the Members of the Board of Directors of the Joint-Stock Company being members, the General Director (the Manager), a member of administrative authority or an employee of any entity competing with the Joint-Stock Company.	Observed.	Executed in practice.
17	The requirement stated in the Company Articles to elect the Board of Directors by cumulative voting.	Non-applicable.	In view of the sole shareholder.

No	Corporate Behaviour Code Provision	Observed or non-observed	Note
18	The obligation stated in the internal documents of the Joint-Stock Company for the Members of the Board of Directors to refrain from any actions which may result in and potentially cause conflicts between their interests and interests of the Joint-Stock Company and to disclose to the Board of Directors the information in case of any such conflict arising.	Observed.	it.3.5 Regulations of the Board of Directors.
19	The obligation stated in the internal documents of the Joint-Stock Company for the Members of the Board of Directors to notify the Board of Directors in writing on their intention to effect any transaction with securities of the Joint-Stock Company where they are the Members of the Board of Directors or with securities of its affiliates (subsidiaries) and to disclose information on any transactions effected with the said securities.	Non-applicable.	The Members of the Board of Directors hold no shares of the Company.
20	The requirement stated in the internal documents of the Joint-Stock Company to hold the meeting of the Board of Directors at least once every six weeks.	Observed.	it.5.1 Regulations of the Board of Directors.
21	The regular holding of the meetings of the Board of Directors of the Joint-Stock Company within the year for which an Annual Report of the Joint-Stock Company is drawn up at least once every six weeks.	Observed.	Executed in practice.
22	The procedure for holding the meetings of the Board of Directors stated in the internal documents of the Joint-Stock Company.	Observed.	it. 13.4, 13.5 of the Company; Section 7 of the Regulations of the Board of Directors.
23	Stated in the internal documents of the Joint-Stock Company the provision on the need of the approval by the Board of Directors of any transactions of the Joint-Stock Company for the amount of 10 and more per cent of the Company's assets value, except for transactions effected in the normal course of business.	Observed.	it. 13.2 (18) of the Company Articles.
24	The right of the members of the Board of Directors, stated in the internal document of the Joint-Stock Company, to obtain from executive bodies or managers of the main structural subdivisions of the Joint-Stock Company any information necessary to fulfill their duties as well as the responsibility for failing to provide such information.	Observed.	it.3.1 (1) Regulations of the Board of Directors.
25	Establishing a committee of the Board of Directors for strategic planning or entrusting the functions of the said Committee to any other Committee (except for the Auditing Committee and the Personnel and Remuneration Committee).	Non-observed.	By this date no committees of the Board of Directors have been established yet.
26	Establishing a committee of the Board of Directors (the Auditing Committee) which recommends to the Board of Directors and interacts with it and the Control Commission of the Joint-Stock Company.	Non-observed.	By this date no committees of the Board of Directors have been established yet.
27	Presence of only independent and non-executive directors in the Auditing Committee.	Non-applicable.	No auditing committee has been established yet by this date.

№	Corporate Behaviour Code Provision	Observed or non-observed	Note
28.	The management of the Auditing Committee by an independent director.	Non-applicable.	No auditing committee has been established yet by this date.
29.	The right of the members of the Auditing Committee stated in the internal documents of the Joint-Stock Company to access to any documents and information of the Joint-Stock Company subject to non-disclosure of confidential information by them.	Non-applicable.	No auditing committee has been established yet by this date.
30.	Establishing a committee of the Board of Directors (the Personnel and Remuneration Committee) which duty is to determine criteria for selection of candidates to members of the Board of Directors and elaboration of the Company policy in remuneration.	Non-observed.	By this date no committees of the Board of Directors have been established yet.
31.	The management of the Personnel and Remuneration Committee by an independent director.	Non-applicable.	No Personnel and remuneration committee has been established yet by this date.
32.	No officials of the Joint-Stock Company among the members of the Personnel and Remuneration Committee.	Non-applicable.	No Personnel and remuneration committee has been established yet by this date.
33.	Establishing a Risk Committee of the Board of Directors or entrusting the functions of the said Committee to any other committee (except for the Auditing Committee and the Personnel and Remuneration Committee).	Non-observed.	By this date no committees of the Board of Directors have been established yet.
34.	Establishing a Committee of the Board of Directors for corporate conflict settlement or entrusting the functions of the said Committee to any other committee (except for the Auditing Committee and the Personnel and Remuneration Committee).	Non-observed.	By this date no committees of the Board of Directors have been established yet.
35.	No officials of the Joint-Stock Company among the members of the Corporate Conflict Settlement Committee.	Non-applicable.	No Corporate Conflict Settlement Committee has been established yet by this date.
36.	The management of the Corporate Conflict Settlement Committee by an independent director.	Non-applicable.	No Corporate Conflict Settlement Committee has been established yet by this date.
37.	Availability of internal documents of the Joint-Stock Company approved by the Board of Directors which state the procedure of the formation and activity of committees of the Board of Directors.	Non-observed.	By this date no committees of the Board of Directors have been established yet.
38.	Availability of the procedure stated in the Company Articles for determination of the quorum of the Board of Directors that enables to ensure the mandatory participation of independent directors in meetings of the Board of Directors.	Non-observed.	There are no independent directors among the members of the Board of Directors.
Executive Bodies			
39.	A collegial executive body (the Management) of the Joint-Stock Company.	Non-observed.	it. 11 of the Company Articles provides only for the sole executive body – the Director.

№	Corporate Behaviour Code Provision	Observed or non-observed	Note
40.	The provision stated in the Articles or internal documents of the Joint-Stock Company on the need of approval by the Management of any real estate transactions, loans obtained by the Joint-Stock Company if the said transactions are not big deals and their effecting is not related to the normal course of business of the Joint-Stock Company.	Non-applicable.	The Company Articles does not provide for a collegial executive body.
41.	Availability of the procedure stated in the internal documents of the Joint-Stock Company on approval of the operations that go beyond the scope of the financial and economic plan of the Joint-Stock Company.	Non-observed.	
42.	No persons among the members of the executive bodies being a member, the General Director (the Manager), a member of administrative authority or an employee of any entity competing with the Joint-Stock Company.	Observed.	Executed in practice.
43.	No persons among the members of the executive bodies of the Joint- Stock Company who have been convicted for committing crimes in the sphere of economic activities or crimes against public authorities, interests of public service and local administration service or who have been punished for administrative offences in business activities or financial affairs, in the sphere of taxes and duties or securities market. If the functions of the sole executive body are performed by a managing company or by the Manager, the General Director and the Members of the Management of such a managing company or the Manager should meet the requirements specified for the General Director and the members of the Management of the Joint-Stock Company.	Observed.	Executed in practice.
44.	Prohibition for the managing company (the Manager) stated in the Articles or internal documents of the Joint –Stock Company to fulfill similar duties in a competing company and to be in any property relations with the Joint –Stock Company except for rendering services as the managing company (the Manager).	Non-observed.	
45.	The obligation stated in the internal documents of the Joint-Stock Company for the executive bodies to refrain from any actions which may result in and potentially cause conflicts between their interests and interests of the Joint-Stock Company and to disclose to the Board of Directors the information in case of any such conflict arising.	Observed.	it. 14.8 of the Company Articles.
46.	Provision in the Articles and internal documents of the Joint-Stock Company for criteria for selection of the managing company (the Manager)	Не соблюдается.	
47.	Submission of monthly reports by the executive bodies of the Joint-Stock Company to the Board of Directors on their work.	Observed.	The executive body reports to the Board of Directors when necessary and at the request of the Board of Directors.

№	Corporate Behaviour Code Provision	Observed or non-observed	Note
48.	Establishment of the responsibility in contracts concluded by the Joint-Stock Company with the General Director (the managing company, the Manager) and the Members of the Management for violation of the confidential and private information use provisions.	Observed.	
The Company Secretary			
49.	Appointment of a special official (the Company Secretary) in the Joint-Stock Company whose task is to ensure the observance of procedural requirements by the bodies and officials of the Joint-Stock Company which guarantee the realization of rights and legal interests by the Company shareholders.	Observed.	The Secretary of the Board of Directors is available in the Company.
50.	Provision in the Articles or in the internal documents of the Joint-Stock Company for the procedure of appointment (election) of the Company Secretary and the Company Secretary's duties.	Observed.	it.4.2 of the Regulations of the Board of Directors.
51.	Requirements to a candidate for the post of the Company Secretary stated in the Articles of the Joint-Stock Company.	Observed.	it.4.7 of the Regulations of the Board of Directors.
Essential Corporate Actions			
52.	Provision in the Articles or in the internal documents of the Joint-Stock Company for the requirement to approve a large deal before its effecting.	Observed.	it. 12.1 (15), 13.2 (15) of the Company Articles.
53.	Obligatory engagement of an independent appraiser to evaluate the market value of property being the subject of a large deal.	Non-observed.	Evaluation shall be carried out pursuant to Art. 77–78 of the Federal Law On Joint-Stock Companies.
54.	Provision in the Articles of the Joint-Stock Company for prohibition to take any actions in the course of acquisition of large share packages of the Joint-Stock Company (take-over) aimed at the protection of interests of executive bodies (members of such bodies) and the Members of the Board of Directors and deteriorating the shareholders' position as compared to their current position (in particular, prohibition for the Board of Directors to adopt the resolution (before the completion of the expected time of acquiring shares) to issue additional shares, to issue securities convertible into shares or securities which give the right to acquire the Company shares even if the right for taking such a decision is provided to the Board of Directors by the Article).	Non-applicable.	In view of the sole shareholder.
55.	Provision for the requirement in the Articles of the Joint-Stock Company on the obligatory engagement of an independent appraiser to evaluate the current market value of shares and possible changes in their market value resulting from takeover.	Observed.	it. 13.2 (5) of the Company Articles.

No	Corporate Behaviour Code Provision	Observed or non-observed	Note
56.	No release for the purchaser in the Articles of the Joint-Stock Company from the obligation to offer shareholders to sell the Company ordinary shares owned by them (issue securities convertible into ordinary shares) during takeover.	Non-applicable.	
57.	Provision for the requirement in the Articles or in the internal documents of the Joint-Stock Company on the obligatory engagement of an independent appraiser to determine the share conversion relationship during reorganization.	Non-observed.	
Information Disclosure			
58.	Availability of an internal document approved by the Board of Directors which determines rules and approaches of the Joint-Stock Company to the information disclosure (Regulations on Information Policy).	Non-observed.	The Company discloses information in compliance with the current legislation on joint-stock companies.
59.	Provision for the requirement in the internal documents of the Joint-Stock Company on the disclosure of information on purposes of placing shares, on persons who intend to purchase such placed shares, including a large share package as well as on the fact whether the officials of the Joint-Stock Company will participate in the purchase of such placed shares of the Company.	Non-applicable.	100% of the Company's shares belong to the sole shareholder.
60.	Provision for the list of information, documents and materials in the internal documents of the Joint-Stock Company which should be submitted to the shareholders to settle any matters raised at the Shareholders' General meeting.	Non-applicable.	In view of the sole shareholder.
61.	Availability of the Company's site in Internet and regular disclosure of information on the Joint-Stock Company thereon.	Observed.	http://www.niaep.ru
62.	Provision for the requirement in the internal documents of the Joint-Stock Company on disclosure of information on transactions of the Joint-Stock Company with persons included pursuant to the Articles in the top-officials of the Joint-Stock Company as well as on transactions of the Joint-Stock Company with entities where top-officials own directly or indirectly 20 or more per cent of the Authorized capital of the Joint-Stock Company or on whom such persons may exert otherwise a considerable influence.	Non-observed.	
63.	Provision for the requirement in the internal documents of the Joint-Stock Company on disclosure of information on all transactions which may exert impact on the market value of the Joint-Stock Company shares.	Non-applicable.	100% of the Company's shares belong to the sole shareholder.

№	Corporate Behaviour Code Provision	Observed or non-observed	Note
64.	Availability of an internal document approved by the Board of Directors for using essential information on the Joint-Stock Company activity, shares and other securities of the Company and on transactions therewith which is not a public information and which disclosure may exert a serious impact on the market value of the Joint-Stock Company shares and other securities.	Non-applicable.	
Control of Financial and Economic Activity			
65.	Procedures approved by the Board of Directors for the internal control of the Company financial and economic activity.	Non-observed.	
66.	Establishing a special unit of the Joint-Stock Company which ensures the adherence to the internal control procedures (control-auditing service).	Observed.	A special subdivision titled The Internal Control and Auditing Department has been established in the Company.
67.	Provision for the requirement in the internal documents of the Joint-Stock Company for the Board of Directors to determine the structure and membership of the control-auditing service of the Joint-Stock Company.	Observed.	Regulations on the Internal Control and Auditing Department.
68.	No persons among the members of the control-auditing service of the Joint-Stock Company who have been convicted for committing crimes in the sphere of economic activities or crimes against public authorities, interests of public service and local administration service or who have been punished for administrative offences in business activities or financial affairs, in the sphere of taxes and duties or securities market.	Observed.	Executed in practice.
69.	No persons among the members of the control-auditing service of the Joint-Stock Company being the members of executive bodies of the Joint-Stock Company or members, the General Director (the Manager), a member of administrative authority or an employee of any entity competing with the Joint-Stock Company.	Observed.	Executed in practice.
70.	Specified in the internal documents of the Joint-Stock Company time for submission of documents and materials to the Control and Auditing Service for the appraisal of an executed financial and economic operation carried out as well as the responsibility of officials and employees for failing to submit them within the specified time.	Observed.	Executed in practice.
71.	Provision in the internal documents of the Joint-Stock Company for the obligation of the Control and Auditing Service to report to the Auditing Committee on any violations revealed and in case of its absence to report to the Board of Directors of the Joint-Stock Company.	Non-observed.	

No	Corporate Behaviour Code Provision	Observed or non-observed	Note
72.	Provision for the requirement in the Articles of the Joint-Stock Company for the Control and Auditing Service to do preliminary evaluation of the expediency of operations that are not included in the financial and economic plan of the Joint-Stock Company (non-standard operations).	Non-observed.	
73.	Provision for the procedure in the internal documents of the Joint-Stock Company for approval of non-standard operations by the Board of Directors	Non-observed.	
74.	An internal document approved by the Board of Directors which determines the procedure for inspecting the financial and economic activity of the Joint-Stock Company to be carried out by the Control Commission	Observed.	Section 7 of the Regulation on the Control Commission of the Company.
75.	Appraisal of the Audit Report by the Auditing Committee prior to its submission to shareholders on the Shareholders' General meeting.	Non-applicable.	No committees of the Board of Directors have been established.
Dividends			
76.	An internal document approved by the Board of Directors that the Board of Directors follows when accepting recommendations on the rate of dividends (Dividend Policy Regulations)	Non-applicable.	
77.	Provision for the procedure in the Dividend Policy Regulations for determination of a minimal share of net profit of the Joint-Stock Company to be assigned for dividend payment and conditions under which dividends are not paid in full or partially on preference shares which dividend rate is specified by the Company Articles	Non-applicable.	The Company has no approved dividend policy.
78.	Publishing of information on the dividend policy of the Joint-Stock Company and any amendments made therein in a periodical specified by the Articles of the Joint-Stock Company for publishing announcements on holding the Shareholders' General meetings as well as placement of the said information on the Internet site of the Joint-Stock Company.	Non-applicable.	The Company has no approved dividend policy.

Appendix 3

FINANCIAL STATEMENTS FOR 2010

BALANCE SHEET as of December 31, 2010

Form N 1 acc. to GCAD
Date (year, month, day) **2010 12 31**

Entity: **Joint-Stock Company
NIZHNY NOVGOROD ENGINEERING COMPANY
ATOMENERGOPROEKT** accord. to the GCEO

Taxpayer identification number **08841271** TIN **5260214123**

Field of Activity: **Architectural Activity, Engineering
Design in Industry and Construction** accord. to the GCFEA

Legal-Organizational Form/Property form **74.20.1**

Joint-Stock Company / **Federal Property** accord. to the GCLOF/GCPF

Unit of measurement: **RUR ths.** accord. to the GCMU

Location (address): **3, Svobody Sq., Nizyny Novgorod city, Nizyny Novgorod region, 603006**

CODES		
0710001		
2010	12	31
08841271		
5260214123		
74.20.1		
47	12	
384		

Date of approval **-**

Date of submission /acceptance **-**

Form 0710001 p 1

ASSET	Index code	By the beginning of the reporting year	By the end of the reporting year
1	2	3	4
I. Non-Current Assets			
Intangible assets	110	103	77
Fixed assets	120	697 748	813 258
Incomplete construction	130	210 984	245 706
Income-bearing investments in material valuables	135	17 974	209 855
Long-term financial investments	140	12 355	8 802
Deferred tax assets	145	3 289	47 818
Other non-current assets	150	257 525	381 597
Total for Section I	190	1 199 978	1 707 113
II. Current Assets			
Stocks, including:	210	5 472 855	4 788 469
raw materials, stuff or any other similar values	211	1 240 727	1 068 601
expenses in incomplete production	213	272 789	206 917
finished products and goods for resale	214	3 890 790	3 491 152
deferred expenses	216	68 549	21 799
Value-added tax on purchased valuables	220	947 887	522 346
Debts receivable (discharge of these debts is expected in over 12 months after the reporting date) including:	230	7 319 782	1 655 191
buyers and customers	231	7 679	7 738
Debts receivable (discharge of these debts is expected within 12 months after the reporting date) including:	240	14 869 302	17 292 842
buyers and customers	241	1 637 837	1 660 214
Short-term financial investments	250	682	10 000 000
Cash	260	10 034 251	3 439 526
Other current assets	270	44	355
Total for Section II	290	38 644 803	37 698 729
BALANCE (the sum of lines 190 + 290)	300	39 844 781	39 405 842

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LIABILITIES	Index code	By the beginning of the reporting year	By the end of the reporting year
1	2	3	4
III. Capital and Reserves			
Authorized capital	410	500 002	500 002
Reserve capital	430	20 833	25 000
including: provisions formed acc. to the foundation documents	432	20 833	25 000
Undistributed profit (uncovered loss)	470	2 455 225	2 286 831
Total for Section III	490	2 976 060	2 811 833
IV. Long-Term Liabilities			
Other long-term liabilities	520	20 000	-
Total for Section IV	590	20 000	-
V. Short-Term Liabilities			
Accounts payable	620	36 686 342	36 232 611
including: suppliers and contractors	621	3 336 630	3 146 710
debts to the Company's personnel	622	1 550	3 033
debt to the state off-budget funds	623	10 346	250
tax and duty arrears	624	598 042	633 812
other creditors	625	32 739 774	32 448 806
Accrued expenses	650	162 379	361 398
Total for Section V	690	36 848 721	36 594 009
BALANCE (the sum of lines 490+590+690)	700	39 844 781	39 405 842

CERTIFICATE on Availability of Valuables Recorded on Off-Balance Sheet Accounts			
Leased fixed assets	910	373 297	722 388
Materials assets taken for safe custody	920	5 226	182 588
Written-off debt of insolvent debtors	940	1 328	1 798
Security for debts and payments received	950	1 601 902	4 314 279
Housing stock wear	970	8	8
Wear of external amenity units and other similar objects	980	541	541
Asset depreciation	991	-	-
Materials accepted for handling	992	3 253 776	226 006
Equipment accepted for installation	993	4 053 338	910 159
Registered high-security forms	994	1	-
Materials transferred for handling	995	3 084 476	148 734
Equipment transferred for installation	996	2 849 834	799 543
Others	997	55 274	94 373



Manager

(signature)

Valery Igorevich
Limarenko
(name)

Chief Accountant

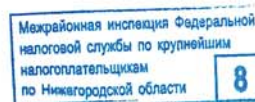
(signature)

Elena Vladimirovna
Samogorskaya
(name)

**INCOME STATEMENT
for January–December, 2010**

		Form N 1 acc. to GCAD	CODES		
		Date (year, month, day)	0710002		
			2010	12	31
Entity:	Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT	accord. to the GCEO	08841271		
Taxpayer identification number		TIN	5260214123		
Field of Activity:	Architectural Activity, Engineering Design in Industry and Construction	accord. to the GCFEA	74.20.1		
Legal-Organizational Form/Property form			47	12	
	Joint-Stock Company / Federal Property	accord. to the GCLOF/GCPF			
Unit of measurement:	RUR ths.	accord. to the GCMU	384		

Index		For the reporting period	For the same period of the previous year
Description	code		
1	2	3	4
Income and expenses on ordinary activities			
Net proceeds from sales of goods, products, works, services (less value added tax, excises or any other compulsory payments)	010	41 081 487	35 227 938
Cost of goods sold, products, works, services	020	(37 623 409)	(32 690 016)
Gross profit	029	3 458 078	2 537 922
Business expenses	030	(401 832)	(300 635)
Administrative expenses	040	(1 299 450)	-
Profit (loss) from sales	050	1 756 796	2 237 287
Other income and expenses			
Interest receivable	060	143 130	48 670
Income from participating in other organization	080	17 450	-
Other income	090	254 266	311 549
Other expenses	100	(985 591)	(632 666)
Before-tax profit (loss)	140	1 186 051	1 964 840
Other Deferred tax assets	141	35 926	44 225
Deferred tax liabilities	142	8 603	(35 869)
Current income tax	150	(451 886)	(418 688)
Income tax and any other similar obligatory payments	180	(2 460)	(194)
Net profit (loss) of the accounting period	190	776 234	1 554 314
AS REFERENCE:			
Recurrent tax liabilities (assets)	200	194 728	87 364
Basic earnings (loss) per share	201	2	3



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INTERPRETATION OF SINGLE PROFITS AND LOSSES					
Index		For the reporting period		For the similar period of the previous year	
Description	code	profit	loss	profit	loss
1	2	3	4	5	6
Fines, penalties, forfeits acknowledged or chargeable under court (arbitration court) decision	210	2 899	1 208	780	688
Profit (income) of the past years	220	132 919	628 573	99 779	239 070
Payment of damages resulted from non-execution or improper execution of obligations	230	436	26 005	68 757	46 049
Exchange rate difference	240	3 247	3 092	6 213	6 523
Writing-off of receivables and payables upon expiry of their limitation periodrate difference	260	394	490	153	42



Manager

(signature)

Valery Igorevich
Limarenko

(name)

Chief Accountant

(signature)

Elena Vladimirovna
Samogorodskaya

(name)

**STATEMENT OF CHANGES IN FINANCIAL POSITION
for January–December, 2010**

Form N 3 acc. to GCAD		CODES		
Date (year, month, day)		0710003		
Entity: Joint-Stock Company NIZHNY NOVGOROD		2010	12	31
ENGINEERING COMPANY "ATOMENERGOPROEKT"		08841271		
Taxpayer identification number		5260214123		
Field of Activity: Architectural Activity, Engineering Design		74.20.1		
in Industry and Construction				
Legal-Organizational Form/Property form:		47	12	
Unit of measurement: RUR ths.		384		

I. Changes of Financial Position

INDEX		Authorized capital	Added capital	Reserve capital	Undistributed profit	Total
Description	Code					
1	2	3	4	5	6	7
Account balance by the end of December 31 of the year prior the previous year	010	416 662	-	-	1 287 781	1 704 443
2009						
previous year						
Changes in accounting policy	011	X	X	X	1 013	1 013
Account balance by January 1 of the previous year	030	416 662	-	-	1 288 794	1 705 456
After-tax profit	032	X	X	X	1 685 614	1 685 614
Dividends	033	X	X	X	(367 050)	(367 050)
Additions to surplus	040	X	X	20 833	(20 833)	-
Account balance by December 31 of the previous year	070	500 002	-	20 833	2 586 525	3 107 360
2010						
reporting year						
Changes in accounting policy	071	X	X	X	(131 300)	(131 300)
Account balance by January 1 of the reporting year	100	500 002	-	20 833	2 455 225	2 976 060
After-tax profit	102	X	X	X	776 234	776 234
Dividends	103	X	X	X	(940 461)	(940 461)
Additions to surplus	110	X	X	4 167	(4 167)	-
Account balance by December 31 of the reporting year	140	500 002	-	25 000	2 286 831	2 811 833

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II. Inventories

INDEX		Account	Reserved	Retired	Account
Description	Code	balance			balance
1	2	3	4	5	6
Inventories formed according to the founding documents:					
Inventories formed according to the founding documents					
(description)					
Data of the previous year	161	-	20 833	-	20 833
Data of the reporting year	162	20 833	4 167	-	25 000
Allowances:					
Allowance for doubtful accounts					
(description)					
Data of the previous year	171	-	9 767	-	9 767
Data of the reporting year	172	9 767	25 909	(5 481)	30 195
Allowance for liabilities and charges					
Allowance for liabilities and charges					
(description)					
Data of the previous year	181	-	-	-	-
Data of the reporting year	182	162 379	390 975	(191 956)	361 398
Leave allowance					
(description)					
Data of the previous year	181	-	-	-	-
Data of the reporting year	182	112 452	176 585	(144 954)	144 083
Annual bonus allowance					
(description)					
Data of the previous year	181	-	-	-	-
Data of the reporting year	182	49 927	214 390	(47 002)	217 315

REFERENCES

INDEX		Account balance by the	Account balance by the
Description	Code	beginning of the reporting year	end of the reporting year
1	2	3	5
Net assets	200	2 976 060	2 811 833



Manager

(signature)

Valery Igorevich
Limarenko
(name)

Chief Accountant

(signature)

Elena Vladimirovna
Samogorodskaya
(name)

**CASH FLOW STATEMENT
for January–December, 2010**

		Form N 4 acc. to GCAD	CODES		
		Date (year, month, day)	0710004		
			2010	12	31
Entity:	Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT	accord. to the GCEO	08841271		
Taxpayer identification number		TIN	5260214123		
Field of Activity:	Architectural Activity, Engineering Design in Industry and Construction	accord. to the GCFEA	74.20.1		
Legal-Organizational Form/Property form		accord. to the GCLOF/GCPF	47	12	
	Joint-Stock Company / Federal Property	accord. to the GCMU	384		
Unit of measurement:	RUR ths.				

INDEX		For the reporting year	For the same period of the previous year
Description	Code		
1	2	3	4
Account balance by the beginning of the reporting year	010	10 034 250	3 306 887
Cash movement – operating activity			
cash received from customers and clients	020	47 196 017	54 352 945
Other incomes	110	2 653 992	459 005
Total cash used for:	120	(46 175 606)	(47 486 340)
Payments for purchased goods, work, services, raw materials and other current assets	150	(39 508 161)	(42 103 285)
Wages and salaries payments	160	(1 710 299)	(1 321 531)
Dividend paid, interest paid	170	(940 461)	(334 015)
Settlements of taxes and duties	180	(2 164 278)	(2 437 359)
Other payments	190	(1 852 407)	(1 290 150)
Net cash from operating activity	200	3 674 403	7 325 610
Cash movement – investing activity			
Sales of fixed assets and other non-current assts	210	1 624	870
Sales of securities and other financial investments	220	-	500
Dividend received	230	15 880	-
Interest received	240	133 084	21 461
Redemption of loans provided to other entities	250	1 370 000	11 836
Subsidiaries acquisition	280	-	(8 602)
Acquisition of fixed assets, income-bearing investments in tangible and intangible assets	290	(400 844)	(593 172)
Acquisition of securities and other financial investments	300	-	(109 979)
Loans granted to other entities	310	(11 370 000)	(4 500)
Net cash from investing activity	340	(10 250 256)	(681 586)

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1	2	3	4
Cash movement – financing activity			
Proceeds from issue of shares and other equity instruments	350	-	83 340
Loans and credits received	360	-	3 800 000
Repayment of loans and credits (without interest)	390	-	(3 800 000)
Repayment of financial lease obligations	410	(18 880)	-
Net cash from financing activity	430	(18 880)	83 340
Net increase (decrease) in cash and cash equivalents	440	(6 594 733)	6 727 364
Cash at the end of the reporting year	450	3 439 517	10 034 251
Ruble exchange rate difference	460	9	(1)



Manager

(signature)

February 15, 2011

Valery Igorevich
Limarenko

(name)

Chief Accountant

Elena
(signature)

Elena Vladimirovna
Samogorodskaya

(name)

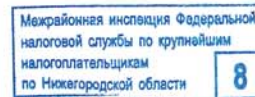
**APPENDIX
TO BALANCE SHEET
for January–December, 2010**

	Form N 5 acc. to GCAD	CODES		
	Date (year, month, day)	0710005		
Entity: Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT	accord. to the GCEO	2010	12	31
Taxpayer identification number	TIN	08841271		
Field of Activity: Architectural Activity, Engineering Design in Industry and Construction	accord. to the GCFEA	5260214123		
Legal-Organizational Form/Property form:	accord. to the GCLOF/GCPF	74.20.1		
Joint-Stock Company / Federal Property	accord. to the GCMU	47	12	
Unit of measurement: RUR ths.		384		

Intangible assets

INDEX		By the beginning of the reporting year	Reserved	Retired	By the end of the reporting year
Description	Code				
1	2	3	4	5	6
Objects of intellectual property (exclusive rights to results of intellectual property)	010	116	-	-	116
including the right of: a patent holder to an invention, industrial design, utility model	012	62	-	-	62
an owner to a trademark and a service mark, the name of the place of origin of goods	014	54	-	-	54
Other	040	48	-	-	48

INDEX		By the beginning of the reporting year	By the end of the reporting year
Description	Code		
1	2	3	4
Intangible assets amortization – total	050	61	87
Including: Software programs, databases	051	8	11
The right of an owner to a trademark	052	25	32
Other	053	28	44



30.03.2011 75

Capital Assets

INDEX		By the beginning of the reporting year	Reserved	Retired	By the end of the reporting year
Description	Code				
1	2	3	4	5	6
Buildings	070	185 510	51 162	-	236 672
Constructions and transfer devices	075	10 501	393	-	10 894
Machines and equipment	080	343 778	119 635	(9 139)	454 274
Transport	085	148 784	62 592	(2 926)	208 450
Production and organizational stock	090	33 913	32 918	(74)	66 757
Other kinds of capital assets	110	98	-	-	98
Lands and nature management	115	129 817	-	-	129 817
Total	130	852 401	266 700	(12 139)	1 106 962

INDEX		By the beginning of the reporting year	By the end of the reporting year
Description	Code		
1	2	3	4
Intangible assets amortization – total	140	154 653	293 704
Including:			
Buildings and constructions	141	16 181	21 628
Devices, equipment, transport	142	124 032	250 451
Other	143	14 440	21 625
Fixed assets leased out – total	150	71 292	87 717
Including:			
Buildings	151	6 846	8 007
Other	153	64 446	79 710
Rented fixed assets – total	160	373 297	722 388
Including:			
Buidings and constructions	161	360 448	676 163
	Code	By the beginning of the reporting year	By the end of the reporting year
	2	3	4
Change I cash value of the capital assests due to completion, additional equipment, reconstruction, partial dissolution	180	140 753	218 013

Income-bearing Investments in Tangible Assets

INDEX		Account balance	Reserved	Retired	Account balance
Description	Code				
1	2	3	4	5	6
Others	240	18 410	204 890	-	223 300
Total	250	18 410	204 890	-	223 300
	Code	By the beginning of the reporting year	By the end of the reporting year		
1	2	3	4		
Amortization of the income-bearing investments in tangible assets	260	436	13 445		

Financial Investments

INDEX		Long-term		Short-term	
Description	Code	By the beginning of the reporting year	By the end of the reporting period	By the beginning of the reporting year	By the end of the reporting period
1	2	3	4	5	6
Contributions to charter (pooled) capital of other entities – total	510	8 802	8 802	-	-
including subsidiaries and associates	511	8 802	8 802	-	-
Granted loans	525	3 553	-	682	10 000 000
Total	540	12 355	8 802	682	10 000 000

Accounts Receivable and Payable

INDEX		By the beginning of the reporting year	By the end of the reporting year
Description	Code		
1	2	3	4
Accounts receivable:			
short-term – total	610	14 869 302	17 292 842
including: settlements with buyers and customersshort-term - total	611	1 637 837	1 660 214
advances made	612	8 457 423	9 672 930
Other	613	4 774 042	5 959 698
Accounts receivable: long-term – total	620	7 319 782	1 655 191
including: settlements with buyers and customers	621	7 679	7 738
advances received	622	-	1 644 582
Others	623	7 312 103	2 871
Total	630	22 189 084	18 948 033
Accounts payable:			
short-term – total	640	36 686 342	36 232 611
including: settlements with suppliers and contractors	641	3 336 630	3 146 710
advances received	642	30 794 697	29 887 545
tax and duty settlements	643	598 042	633 812
Others	646	1 956 973	2 564 544
Accounts receivable: long-term – total:	650	20 000	-
including: Others	653	20 000	-
Total	660	36 706 342	36 232 611

Expenses from ordinary activities (classified by type of expenses)

INDEX		By the beginning of the reporting year	By the end of the reporting year
Description	Code		
1	2	3	4
Material costs	710	36 022 055	28 842 445
Labor costs	720	2 052 678	1 477 750
Deductions to meet social needs	730	259 320	201 858
Amortization	740	130 897	81 371
Other expenses	750	859 741	2 223 101
Total by type of expenses	760	39 324 691	32 826 525
Changes in balances (increase, decrease): expenses of future periods	765	(65 861)	134 049
Deferred expenses	766	(46 750)	81 093
Accrued expenses	767	199 019	-

Securities

INDEX		By the beginning of the reporting year	By the end of the reporting year
Description	Code		
1	2	3	4
Issued – total	810	1 601 902	4 314 279
Including: bills	811	5 189	-



Manager

(signature)

**Valery Igorevich
Limarenko**
(name)

Chief Accountant

Elena
(signature)

**Elena Vladimirovna
Samogorodskaya**
(name)

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS 2010

Extract from the Explanatory Note to the Financial Statements of JSC NIAEP for 2010

These Financial Statements of the Company has been prepared based on the following accounting policy.

1. The basis of the Preparation

The accounting statements are formed on the basis of the following current accounting and reporting principles of the Russian Federation established by the Federal Law On Accounting and by the Accounting Regulations approved by the Ministry of Finance of the Russian Federation.

The Financial Statements of the Company are prepared under a procedure and at a time stipulated by Federal Law On Accounting № 129-FZ dated November 21, 1996 and by other statutory acts of the Russian Federation regulating the accounting and bookkeeping.

The Financial Statements of the Company are formed by the Accounting Department of the Central Office of the Company based on the generalized information on the Company property, liabilities and operating results taking into account data provided by accounting departments of regional affiliates.

In the reporting year the Company has not departed from the general accounting rules valid in the Russian Federation.

2. Essential Accounting Methods Approved by the Company Accounting Policy

Foreign Currency Assets and Liabilities

Cash assets and liabilities (except for advances received), which value is expressed in foreign currency, are

reported in the Financial Statements through amounts calculated based on the official exchange rate of Rouble valid on December 31, 2010 and coming to RUR 30.4770 per USD 1. The re-calculation of advances received was performed at the RUR rate valid as of December 31, 2007 and coming to RUR 24.5462 per USD 1. Advances received in foreign currency were reported in the Financial Statements through amounts calculated on the date of effecting an operation and were not recalculated as of December 31, 2009.

Foreign exchange differences resulting during the year from transactions with assets and liabilities and from their recalculation as of the reporting date are charged to the profit and loss account.

Short-Term and Long-Term Assets and Liabilities

In the Financial Statements assets (liabilities) are reported as short-term ones if their maturity time does not exceed 12 months after the reporting date. All the rest assets and liabilities are reported in the Financial Statements as long-term ones.

Intangible Assets

In the set of the Company intangible assets the exclusive rights to objects of intellectual property (exclusive copyright to computers and trade mark) are reported.

Intangible assets are accepted to accounting at original cost.

In 2010 there were no intangible assets acquired in exchange of goods (valuables) other than cash assets.

An expected time of the beneficial use of intangible assets is determined at their registration by a specially established expert commission.

The time of the beneficial use of intangible assets is determined based on an expected usable life of a facility within which the Company may gain an economic profit (income) or within the period of 20 years (but not longer than the Company activity duration) for those IA, which beneficial use time may not be determined.

The time of the trade mark use is 9 years, that of the exclusive right to intellectual property object is 3 years and to a software product created by one's own efforts is 20 years.

The redemption of the intangible assets value is carried out by accumulating amounts of accrued amortization on account 05 « Amortization of intangible assets».

An amount of amortization deductions on intangible assets is determined monthly by norms calculated by the linear method based on their original cost and the time of their beneficial use.

The expected time of the beneficial use and the method of intangible assets amortization determination have been checked by a specially established commission. According to the results of the Commission work the time of use and the method of intangible assets amortization determination have not been changed.

The Company does not perform the revaluation of intangible assets. In the Financial Statements intangible assets are reported at original cost less amounts of amortization accrued during the time of their use.

Fixed Assets

In the set of the fixed assets there are reported buildings, premises, equipment, means of transport, computer engineering, office equipment, plots of land, machinery and other facilities with service life of over 12 months, to be used for rendering services and manufacturing products or for managerial needs of the Company which are capable of providing economic benefits.

Units of fixed assets are taken for accounting as per actual costs for their purchase (construction).

In 2010 there were no fixed assets acquired in exchange of goods (valuables) other than cash assets.

The Company does not revalue the fixed assets cost.

In the Financial Statements the fixed assets are reported at original cost less amounts of amortization accrued during the time of their use.

The fixed assets amortization is charged by the linear method based on the original cost of a fixed assets unit and an amortization norm calculated based on the time of the beneficial use of such a unit.

Real estate units which lack documents proving their state registration in cases established by laws are depreciated since the first day of a month following the month of their actual use.

Within the reporting period no amortization was charged on balance sheet accounts for plots of land and external improvement units purchased before January 1, 2006.

Assets which may be related to fixed assets but with their value not exceeding RUR 20 000 per unit, as well as books, brochures and any other publications purchased since December 18, 2007 are reported in accounting as inventories and written off as production expenses according

to their giving to production and operation. To ensure the safety and integrity of such units in production and operation, a proper control for their flow is exercised in the Company on account MLQ.04.

For fixed assets purchased before January 1, 2003 norms of amortization deductions were established based on the Uniform Norms of amortization deductions approved by Resolution № 1072 of the Soviet of Ministers of the USSR dated October 22, 1990.

Expenditures for all types of repair are included in expenses for ordinary business of the reporting period. No reserve (provisions) for future expenses to repair of fixed asset was created.

Financial Investment

Financial investment for which the current market value is not determined is reported in the balance sheet at their original cost.

The original cost of financial investment:

- purchased for a fee is determined as an amount of the Company actual costs for its purchasing,
- purchased under contracts stipulating the execution of liabilities by non-cash fee is determined as an amount of assets transferred by the Company,
- in the form of investment into capitals of affiliates..

The financial investment of the Company has not depreciated by the end of 2010 and no reserves for the depreciation of financial investment have been created.

In 2010 there was no financial investment which the current market value was determined by.

In case of sale and other retirement of securities, for which the current market value is not determined,

the assessment of any retiring issue securities was carried out by the original cost of each unit of financial investment accounting.

Inventories

The accounting of inventories (INV) shall be carried out at book prices under which there are understood:

- the supplier's price under a delivery (purchase-and-sale) contract when acquiring INV at a charge;
- an amount of actual costs related to their manufacture when producing INV by the entity itself;
- a money value agreed by founders taking into account the requirements of the Federal Law On Joint-Stock Companies when using INV as a contribution to the Authorized capital of the Company;
- a current market value as of the date of acceptance to accounting when receiving INV under a donation agreement (free of charge) as well as INV remained after the retirement of fixed assets and other property.

The cost of assets transferred or being subject to transfer by the Company when receiving INV under agreements stipulating the execution of liabilities (payments) by non-cash.

Goods that are sold via retail trade are reported in accounting at sale prices.

Finished products are accounted at their actual manufacturing costs without usage of account 40 «Products output (work, service rendering)».

The evaluation of retiring goods subject to sales to a customer as equipment and of precious metals shall be carried out at cost price of a unit of inventory.

For the rest retiring inventories the evaluation is performed at moving average cost price.

Pledged inventories shall be evaluated at cost applied in accounting.

Deferred Expenses

Expenses made by the Company in the reporting year but related to next reporting periods are reported as deferred expenses. Such expenses are written off uniformly within periods which they relate to.

In the Financial Statements assets deferred expenses maturity time of which exceed 12 months after the reporting date are reported in set of fixed assets as long-term ones. All the rest assets and liabilities are reported in the Financial Statements as short-term ones.

Debts Receivable

Debts receivable are reported in the Financial Statements inclusive of VAT to be paid into budget after the goods shipment, work execution, service rendering and it is determined based on prices fixed by contracts concluded by the Company and buyers (customers) taking into account all discounts (additions) made by the Company.

An irreal debt receivable was determined in the course of the inventory auditing and written off in December 2010 by the special commission decision.

A debt unsettled within time specified by agreements and unsecured by appropriate guarantees is shown less reserves for dubious debts.

The amount of such a reserve is determined separately per each debt depending on the debtor's solvency and debt recovery probability.

A reserve for dubious debts was created within the reporting period at the rate of 100 per cent of a debt amount for all outstanding debts which payment was overdue on the date of the said reserve creation by 90 days or more. For debts which payment was overdue by over 45 days but less than by 90 days such reserve for dubious debts was created at the rate of 50 per cent of the debt amount. The total amount of the reserves formed for dubious debts was RUR 30195 ths.

The amount of the reserves for dubious debts is included in the increase of other expenses.

Revaluation Surplus and Surplus Reserve

In compliance with Order № 114/347 of the Federal Agency for Federal Property Management and Federal Nuclear Power Agency dated June 29, 2007 and Resolution № 3947-p of the Federal Agency for Federal Property Management dated December 14, 2007 the net asset value of the FSUE NIAEP was subject to privatization. The revaluation surplus resulted from the fixed asset value increase determined by revaluation was included in the Authorized capital. Due to the fact that the Company makes no revaluation of its fixed assets, no revaluation surplus was created in 2010.

The Company creates a reserve capital intended to cover any losses, to retire its bonds and to redeem the Company shares. Such reserve surplus is created from the Company net profit under the decision of the Board of Directors. In the reporting year the surplus reserve was formed in the amount of RUR 4 167 ths. The amount of the surplus reserve has reached by December 31, 2010 its maximum value of RUR 25 000 ths. specified in the Articles.

Credits and Loans Received

The Company transfers a long-term indebtedness under loans and credits received to a short-term one at the time when 365 days are left till the repayment of the principal amount under conditions of a loan and (or) credit agreement.

Extra expenditures incurred in relation to credits and loans obtaining include costs associated with:

- the provision of legal and advisory services to the Company;
- the performance of examinations;
- the use of communication services;
- any other costs related directly to obtaining cash loans.

The inclusion of such extra charges related to obtaining loans and credits, placement of borrowed liabilities shall be carried out in the reporting period when the said charges were paid.

Interest accrual on credits (loans) obtained is carried out monthly under procedure established by a relevant agreement.

For loans granted in cash and attracted by means of issue of the Company bills an amount of discount due to a bill holder is included in other expenses.

For loans granted in cash and attracted by means of issue of the Company bonds an amount of return due to a lender is reported among other expenses in those reporting periods to which such accruals are referred to under conditions of an agreement (of issue).

In 2010 the Company didn't obtain credits and loans.

Income Tax Calculations

Deferred tax assets and income tax liabilities subject to settlement in the next reporting periods are

calculated and reported in accounting and financial statements in 2010.

As a current income tax such a tax is acknowledged for taxation purposes which is calculated in compliance with the requirements of Chapter 25 of the RF Tax Code and determined in accounting based on the value of a conditional income tax adjusted to amounts of permanent tax assets and liabilities of the reporting period.

Such a current income tax is recognized in the Financial Statements as a budget liability equal to an unpaid value of the income tax.

Conditional expenses (returns) on income tax are calculated as the product of accounting profit (loss) and an income tax rate established by the RF legislation.

Income tax overpayments to budgets of constituents of the Russian Federation are reflected as accounts receivable.

Recognition of Income

The Company income is subdivided into income on ordinary activities and other income.

Proceeds from products sales and service rendering are recognized on accrual basis, i.e. as soon as services are rendered, and are reported in the Financial Statements less value-added tax, customs duties and discounts granted to buyers.

Receipts from construction contracts are determined in compliance with the requirements of Statements on Accounting 2/2008 «Construction Contracts Accounting» by the so-called «as soon as ready» method. In accounting receipts from a contract recognized by the «as soon as ready» method shall be accounted till the total completion of works (stage) as a separate asset – «accrued but not called for payment revenue»

on account 46 «Performed stages of incomplete works».

Proceeds from products sales under conditions of goods turnover (barter) is determined according to the cost of valuables received or receivable by the Company calculated based on prices to be used by the Company for the determination of costs of similar valuables under comparable conditions.

Proceeds from letting the Company assets on lease are included in income on ordinary activities.

Dividends among other expenses are recognized as declared.

Recognition of Expenses

Expenses are subdivided depending on their nature and business lines into expenses for ordinary activities and other expenses.

The Company calculates the full production costs of rendered services, performed works, sold products without separating managerial expenses. Commercial expenses are not distributed between sold and unsold products, except for ordering costs.

Government Assistance

In 2010 the Company received no budgetary funds as government assistance (subventions, subsidies) as well as no budgetary credits.

Special-Purpose Financing

In 2010 no special-purpose financing was granted to the Company.

Expenses for Pension Provision

In 2010 The Company did not participate in the pension program of non-state pension insurance.

The inventory of property and the examination of liabilities are carried out as follows:

- fixed assets are checked annually as of November 1 of a reporting year;
- intangible assets are checked annually as of December 31 of a reporting year;
- incomplete capital construction and other capital investment are examined annually as of December 31 of a reporting year;
- raw materials, stock, equipment for installation, semi-finished products, goods, finished products in stock are inspected annually as of November 1 of a reporting year;
- incomplete production is checked quarterly as of the end of a quarter;
- deferred income and expenses are checked annually as of December 31 of a reporting year;
- funds on accounts with banking institutions are verified annually as of December 31 of a reporting year;
- long-term financial investments are checked annually as of December 31 of a reporting year;
- short-term financial investments, financial instruments are verified quarterly as of the end of a quarter;
- settlements with debtors and reserve for dubious debts are checked quarterly as of the end of a reporting year;
- settlements with creditors are checked twice a year as of June 30 and December 31 of a reporting year;
- tax payments and obligatory assessments to budget and deductions to off-budgetary funds are verified annually as of December 31 of a reporting year;

- settlements for special-purpose financing are checked annually as of December 31 of a reporting year;
- internal settlements are verified at least once a year;
- settlements with personnel, with advance holders are checked quarterly as of the end of a quarter;
- contingent liability reserves, reserves for depreciation of financial investment are verified annually as of December 31 of a reporting year.
- Reserves for coming leave allowance of employees and reserves for annual bonuses payment are checked quarterly as of the end of a quarter.

4. Comparative Data

Comparative data of the Company Financial Statements for year 2010 are formed by updating the Final statements data for year 2009 for purpose of their conformity with changed made in the Financial Statements for year 2010.

Revision of Opening Balance as of January 01 of the Reporting Year

Balance as of December 31, 2009		Balance as of January 1, 2010		Deviations	Comments
Line code	Value	Line code	Value		
145	12 088	145	3 289	- 8 799	Change of deferred tax assets (DTA) due to change of income tax.
150	5 365	150	257 525	+ 252 160	Change of accounting policy regarding the long-term charges of the future periods.
216	322 466	216	68 549	-253 907	Change of accounting policy regarding: 1.The long-term charges of the future periods – 252 160; 2.Unexpired leaves expenses – 1 747.
300	39 855 327	300	39 844 781	- 10 546	Currency of balance is changed.
470	2 586 525	470	2 976 000	- 131 300	Change of after-tax profit due to change of accounting policy regarding: 1.Charge on coming leaves and annual bonuses – 162 379; 2.Unexpired leaves expenses – 1 747; 3.DTA charge on reserves amount + 32 826.
515	41 625	515	0	- 41 625	Change of accounting policy regarding DTA and DTL in form №1 – folded.
650	0	650	162 379	+ 162 379	Change of accounting policy regarding charge of reserves on coming leaves and annual bonuses.
700	39 855 327	700	39 844 781	- 10 546	Currency of balance is changed.
Итого				0	

The change of the opening balance is connected with change of the Company accounting policy starting from January 1, 2010:

1.1.Charge on coming leaves and annual bonuses

The given recalculation has led to reduction of line code 470 «Undistributed profit (non-covered loss)» by RUR 131 300 ths.

2.Change of order of the deferred charges reflection due to their division on long-term and short-term ones.

The given change has led to redistribution of fixed and current assets of the Company by 252 160 RUR ths.

3.1.Change of order of the DTA and DTL reflection in financial statements (in form № 1 – folded).

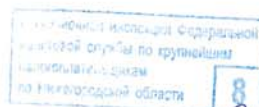
he given change has led to redistribution of the currency of balance by RUR 10 546 ths.

Appendix 4

AUDIT REPORT CONFIRMING THE RELIABILITY OF THE ANNUAL FINANCIAL STATEMENTS

**AUDIT REPORT
on Accounting (Financial) Statements
of Joint Stock Company
NIZHNY NOVGOROD ENGINEERING
COMPANY ATOMENERGOPROEKT**

Audit Period 01.01.2010 – 31.12.2010



30.03.2011? *Топух*



КРИТЕРИУМ
КОНСАЛТИНГОВАЯ ГРУППА

JSC Audit Firm "Kriteriy-Audit"

1, 10, Nizhny Mezhdunarodny per.
Moscow, 109544

Tel./fax +7-495-589-3680
<http://www.k-a.ru>
info@k-a.ru

To JSC NIAEP Shareholders
To JSC NIAEP Executive body

AUDIT REPORT
on Accounting (Financial) Statements of
Joint Stock Company
NIZHNY NOVGOROD ENGINEERING
COMPANY ATOMENERGOPROEKT

Audit Period 01.01.2010 – 31.12.2010

The Auditee:

Name: Joint Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT.

Official abbreviation: JSC NIAEP.

Location: 3, Svobody Sq., Nizhny Novgorod, 603006

State Registration Number: 1075260029240 (Certificate of State Registration series 52 № 003548218 dated December 18, 2007 issued by the Russian Federal Tax Service Inspection in and for Nizhegorodsky district, Nizhny Novgorod).

The Auditor:

Name: Joint Stock Company Audit Firm «Kriteriy-Audit».

State Registration Number: 1027700463340 (Certificate of State Registration series 77 № 009301016 dated November 27, N 46 issued by the Interdistrict Inspection of the Russian Federal Tax Service in Moscow).

Location: 3, Novosushevskaya St. Moscow, 103030.

Name of the Self-Regulated Auditors Organization: Non-commercial Partnership «Moscow Audit Chamber». Included in the Register of Auditors and Auditing Agencies under Main Registration Number: 10203000557.

We have carried out the auditing of the attached Accounting (Financial) Statements of JSC NIAEP consisting of the following documents:

- Accounting Balance-Sheet as of December 31, 2010;
- Income Statement for year 2010;
- Equity Change Statement for year 2010;
- Cash Flow Statement for year 2010;
- Supplements to Balance-Sheet and Income Statement;
- Explanatory Note.

The audit report is drawn up by the auditing organization under the following circumstances:

the auditing concerned the complete set of accounting (financial) statements the lists of which is established by the Federal Law in respect of preparation of the Accounting (Financial) Statements;

accounting (financial) statements are drawn up by the Management of the Auditee in compliance with the established rules for accounting (financial) statements;

conditions of the engagement in part of the auditee management's liability for accounting (financial) statements comply with the requirements of the accounting rules;

apart from auditing of accounting (financial) statements the regulatory legal acts do not stipulate for the auditor the obligation to conduct additional procedures in respect to the statements.

The Auditee's Responsibility for Financial Statements

The Auditee's Management bears the responsibility for drawing up truthful financial statements in accordance with the established rules of preparation of financial statements and for the internal control system necessary for drafting financial statements without essential distortions caused by unfair actions or errors.

The manager during the audit period was Valery Igorevich Limarenko, Director, appointed by the Order of the Federal Atomic Energy Agency N 134 dated 14.03.2008 and exercising the powers of JSC NIAEP shareholders' general meeting 100% shares of which are owned by the Russian Federation.

The person in charge of preparation of the financial statements for the reported period was the chief accountant Elena Vladimirovna Samogorodskaya (by the order of JSC NIAEP Director N 141-лс dated 17.04.2008).

The Auditor's Responsibility

Our responsibility consists in expressing our opinion regarding the reliability of the financial statements on the basis of the audit conducted by us. We conducted the audit in compliance with the Federal Auditing Standards. These standards require to observe the applicable ethical norms as well as to plan and carry out auditing in such away as to obtain the reasonable confidence that the Accounting (Financial) statements do not contain any essential distortions.

The audit included the auditing procedures aimed at obtaining audit evidences that proved the indices of the Accounting (Financial) statements and the disclosure of information in them. We selected the auditing procedures according to our judgement based on risk assessment of essential distortions suffered as a consequence of unfair actions or errors. During the risk assessment we studied the internal control system that ensures drawing up truthful financial statements with the aim to select appropriate auditing procedures and not with the aim to express our opinion on the effectiveness of the internal control system.

The audit also included assessment of the proper character of the accounting policy and justification of the estimated figures obtained by the Auditee's Management as well as assessment of the financial statements presentation on the whole.

We believe that the audit evidences obtained in the course of the audit provide sufficient grounds to express our opinion on the reliability and faithfulness of the Accounting (Financial) statements.

Conclusion

In our opinion the Accounting (Financial) statements reflect reliably and faithfully in all essential aspects the financial standing of JSC NIAEP as of December 31, 2010 and the results of its financial and economic activities and cash flows for the year 2010 period in compliance with the established rules for preparation of Accounting (Financial) statements.

General Director
JSC Auditing Firm «Критерий-Аудит»



R.L. Ozhiganov

February 14, 2011



Appendix 5

THE AUDITING COMMISSION REPORT

**Joint-Stock Company
NIZHNY NOVGOROD ENGINEERING COMPANY
“ATOMENERGOPROEKT”**

**The Auditing Commission Report
on 2010 Financial and Economic Activity Inspection Results**

Moscow

April 29, 2011

In accordance with the Federal Law «On Joint Stock Companies», the Articles of JSC NIAEP (hereinafter – the Company), Control Commission of the Company for the period from April 11, 2011 up to April 29, 2011 Inspection of Financial and Economic Activity of the Company for year 2010 was conducted.

The Auditing Commission was elected by Resolution of the Sole Shareholder of the Company, protocol № 12 as of February 28, 2011, consisting of the following members:

Kaschavtsev Roman	– Head of Department of Capital Investment Program Control at the State Corporation ROSATOM
Zabelina Evgenia	– Chief Specialist of Economic and Control Office of the Capital Construction Department at the State Corporation ROSATOM;
Ryzhkov Ilya	– Chief Specialist of Monitoring and Financial Office of the Capital Construction Department at the State Corporation ROSATOM.

Unscheduled inspections and audits were not required during the reporting year by the stakeholders and the Board of Directors.

In course of inspection documents on the financial and economic activity were examined on a selective basis by the Auditing Commission.

The Auditing Commission during inspection takes into consideration the conclusion of the Company Auditor: conclusion of «Auditing firm «Kriteriy-Audit» as of February 14, 2011.

By results of the inspection the Auditing Commission has made the following final provisions:

1. Data contained in the Financial (Accounting) Statements of the Company should be considered to be reliable.

2. Violations of the accounting run order, set by legal acts of the Russian Federation, and submission of the financial statements and legal acts of the Russian Federation, in course of financial and economic activity, that could significantly influence on reliability of the Company settlements, have not been revealed.

Chairman of the Auditing Commission

R.A. Kaschavtsev

Member of the Auditing Commission

E.A. Zabelina

Member of the Auditing Commission

I.D. Ryzhkov

Appendix 6

REPORT ON LARGE DEALS AND INTEREST-BEARING TRANSACTIONS

In 2010, neither large deals nor interest-bearing transactions were effected by JSC NIAEP.

Appendix 7

CONCLUSION OF THE INTERNAL CONTROL AND AUDITING DEPARTMENT ON THE RELIABILITY OF THE DATA CONTAINED IN THE REPORT

CONCLUSION

Conclusion of the Internal Control and Auditing Department on the Reliability of Data Contained in the Report

The internal audit of the public annual report was carried out in compliance with the Provisional Regulations on Internal Auditing of Nonfinancial Data in Public Statements of JSC NIAEP approved by Order № 285 of the Director of JSC NIAEP dated May 05, 2010 with due regard to requirements of the Generic Standard of Public Statements of Joint-Stock Companies approved by Order № 922 of the General Director of the State Corporation ROSATOM dated December 25, 2010 and the basic provisions of the International Accounts Verification Standard AA1000AS.

For the purpose of the given Report preparation the Standard of the Enterprise STP 10.01-0 «Procedure for Drafting Public Annual Reports for Accounting Periods» was developed.

The responsibility for the preparation and submission of information for the public annual report in accordance with Order № 112 of the Director of JSC NIAEP dated February 09, 2011 is charged to managers of structural subdivisions included in a working group (the Chairman of the working group is the first Deputy Director in Economics V.K.Kats).

In course of audit assessment of the general non-commercial values of productivity for their conformity to the standards of public annual settlements, information completeness, argumentation, dynamic reflecting in changing of the previous year indices in comparison with the submitted values of the reporting year was conducted.

Both productivity indices of the Company, industrial indices, and GRI indices demonstrated economic, ecological, social impact, productivity in personnel management and in the field of cooperation with interested parties are used in the Report. In comparison with the Report - 2009 more GRI indices are disclosed in the Report for year 2010 (30 versus 21). More dialogues with interested parties were conducted (3 versus 2).

The audit results demonstrate conformity of the Report to general requirements of the current legislation, branch Standard of public settlements and local normative documents accepted in the Company.

Given in the Report quantitative and qualitative information about level and changes of indices reflects the actual activity of the Company in a rather full scope, and that provides a possibility of reliable and reasonable attitude of interested parties concerning the main aspects of the Company activity for the reporting period.

Chief of the Internal Control
and Audit Department



V.S. Petrovsky

Appendix 8

THE INDEPENDENT AUDITOR'S CONCLUSION ON NON-FINANCIAL DATA ASSURANCE

Introduction

The present independent auditor's assurance relates to the JSC NIAEP public annual report for the year 2010 (hereinafter referred to as the Report). The report is drawn up by JSC NIAEP responsible for collecting and presenting all the data in this Report. «Bureau Veritas Certification Rus» is answerable for assurance of the Report only to JSC NIAEP and does not assume any responsibility for the decisions made or delayed on the basis of this assurance to any party.

Assurance Volume and Criteria

1. To assess the character and level of observance of inclusivity, materiality, responsiveness principles of AA1000 Accountability Principles Standard (APS) 2008.
2. To assess the quality of information disclosure in the Company's sustainability (based on AA1000 Assurance Standard 2008).
3. To assess the quality of stakeholders' engagement in the reporting process in accordance with AA1000 Stakeholder Engagement Standard (SES) 2011.
4. To assess level of conformance with the requirements to the reporting process and the Report stated in the Public Annual Reporting Standard of the State Corporation Rosatom.
5. To assess conformance of the Report to level B+ (the Company's self-assessment) in accordance with Global Reporting Initiative Sustainability Reporting Guidelines, version G3 2006.
6. To apply "reasonable" assurance level provided by the AA1000 Assurance Standard (AS) 2008 and International Standard on Assurance Engagement ISAE-3000.
7. To give recommendations on corporate management development in social reporting. For the Report assurance the following was considered: information published at the corporate site www.niaep.ru, materials of different advertising publications, «Strana Rosatom» newspaper, TV shows and also the «Public Reporting Policy of the State Atomic Agency Corporation Rosatom», the Company's standard «Procedure for the Preparation of Public Annual Report for the Reporting Period», the Provisional Regulations on Internal Auditing of non-financial data in JSC NIAEP public statements, JSC NIAEP collective bargaining agreement for the year 2010-2012 period.

Methodology

- Interview of top management of JSC NIAEP concerning economic, social and ecological aspects of the Company's activity, intentions, obligations, priority and purposes in the field of stable development and means to approach these targets.
- Analysis of JSC NIAEP approach to engaging and considering opinions of the interested parties by interviewing persons responsible for communication with these parties, conducting meetings with representatives of the interested parties and analyzing the respective documentation confirming such cooperation for the years 2010-2011.
- Participation in dialogues with interested parties (Dialogues 2 and 3, March 29 2011); analysis of dialogues' reporting; interview of managers responsible for conducting dialogues.
- Participation in public hearings of the public annual report for the year 2010 (April 25, 2011).

- Verification of goals achievement in the field of stable development for the year 2010, set in the annual report for the year 2009.
- Verification of documents and data characterizing productivity of the control systems of social-economic, ecological and innovative aspects in JSC NIAEP.
- Verification of data accumulation, processing, documenting, submitting, analysis and consolidation, subject to be included in the Report.
- Assessment of internal audits used in JSC NIAEP of non-financial data of the public statements and analysis of the results of such an audit for the year 2010.
- Assessment of development and functioning of the quality management system in JSC NIAEP.
- Verification of adequacy of statements and data represented in the Report in course of the witness visit in April, 2011 in JSC NIAEP, Nizhny Novgorod.
- Analysis of mass-media data sampling and published applications of the interested parties concerning JSC NIAEP adherence to stable development as a reference for checking validity of the applications in the Report.
- Verification of the Report and the corporate site data conformity with standards AA1000AS, AA1000SES, the SC Rosatom Typical Standard and GRI recommendations
- Checking of productivity of the reporting feedback mechanism.

Assurance Limits

- Assurance was not conducted pertaining to productivity indices exceeding time limits of the current reporting cycle 2010.
- Assurance includes attendance of JSC NIAEP dialogues with interested parties.
- Applications introducing JSC NIAEP opinions and intentions to undertake some steps in future were not considered in the Assurance.
- At operating level the Assurance was limited by visiting various departments and subdivisions of the Company Central Office (March-April, 2011).
- Interviews of interested parties included the Company management responsible for various types of activity (in particular, innovative activity, economic, personnel training, environmental protection, occupational safety and health, provision of goods and services quality, industrial waste recycling and etc.) and also employees, trade union, participants of the dialogues and representatives of local population.

Assurance Level and Fundamentals of our Conclusion

Sampling verification of information contained in the Report was performed at the average level of assurance and that provides a lower level of guarantees for assurance, than total check of all data («maximal» level). Work on assurance was based on the confirming information given by the management of JSC NIAEP and its structural subdivisions, and also by representatives of interested parties and on data from available sources and on analytical methods of confirmation. Concerning the numerical information contained in the Report, the lead work could not be considered sufficient for revealing all probable inexact data. Nevertheless, the data collected during work, are considered to be a sufficient basis to form our conclusions with an «average» level of assurance concerning observance of principles of inclusiveness, importance and meeting standard AA1000 Accountability Principles Standard 2008.

Our Conclusion

1. The Report adequately reflects indices of JSC NIAEP activity from position of the corporate social reporting.
2. The report is exact, objective and informative and is stated in a clear form.
3. JSC NIAEP has approved management approaches allowing to identify significant social-economical, ecological and innovative aspects of activity, to plan, to control and to manage the respective processes, to define expectations of interested parties pertaining to these aspects and reply to them.
4. Control systems of social statements from the part of the Company management are supported by the Mission and by the Strategy of the Company, by its Policy and resources and by conformity of its activity with the principals of "Policy of SC Rosatom public reporting".

Coordination of the Report with Three Principles AA1000 APS

Principle 1. Inclusiveness

- The Company JSC NIAEP cooperates with a wide range of parties concerned. Stakeholders, customers, suppliers, subcontractors, employees, trade union, clients, governmental authorities, business partners, mass-media, social organizations, local population are the most significant interested parties.
- The submitted information and obtained direct and indirect evidences demonstrate that expectations and demands of the interested parties pertaining to the Company activity are considered at all stages of the social procedure.
- Opinions of stakeholders, concerns of future generations and environmental protection are clarified by way of organization and improvement of constructive dialogues.
- The main ways of informing and cooperation with stakeholders are dialogues, public consultations, press-releases, press-conferences, publications in mass-media, information distribution (letters, information booklets and brochures), organization and participation in annual nuclear engineering fairs, corporate internet-portal, consultations, negotiations, questioning and etc.
- The Company Standard "Procedure for Drafting of Public Annual Report of Reporting Period" was developed and implemented in 2010. The given Standard contains general principals and trends of social responsibility of JSC NIAEP and promotes improvement of the Company corporate management.
- In 2010, JSC NIAEP initiated establishment of Association of Innovative Engineering Design (Club 3D) uniting at present 30 Russian and foreign companies engaged in designing, construction. Association issues journal «Club 3D» in two languages.
- In 2010, JSC NIAEP initiated creation of the nuclear power engineering cluster in Nizhny Novgorod region on the basis of the leading enterprises in nuclear industry and developed network of educational institutions.

Principle 2. Relevance of Provided Information

- The Report envisages balanced and substantiated disclosure of significant social and economic, environmental and innovational aspects of activities defining the JSC NIAEP sustainable development indicators.
- According to the JSC NIAEP Information Disclosure Regulations, all the significant information including Reports of substantial facts, including Company assets transactions shall be duly presented at the official corporate portal in Internet.
- The Report discloses significant information on preservation of economic stability and development of the investment program, provides self-assessment of accomplishment of perspective targets of sustainable

development and accepted social commitments for the year 2010, presents the assessment of social and regional relevance of investment projects, sets the tasks of public reporting system optimization.

- The Report contains perspective targets of sustainable development for the year 2011 and for the period up to 2020.
- The set forth information on significant aspects of the Company sustainable development can be easily traced in the course of data collection, processing, submission and presentation.
- Proceeding from the Report data analysis and dialogues held, one can not specify any significant aspect of sustainable development identified by the Company that was missed by the Company management or excluded unreasonably from the reports. The Report covers a significant number of GRI performance indicators (over 50%) applicable to the Company. Actually, the Report does not contain detailed information on particular GRI performance indicators, as now the specified issues are not rather important for stakeholders or the contribution thereof may be neglected as compared to the core activities of the Company.
- Information presented in the Report and at the corporate site is rather substantial for the stakeholders as it may influence their future decisions and the attitude to the Company.
- The Report contains sufficient information on observation by the Company of Russian laws, regulations and sector-specific standards of nuclear industry, international standards and the Corporate behavior code approved by resolution of FKCB RF as of 04.04.2002.

Principle 3. Response to Stakeholders' Expectations

- At the present moment, we do not know about any fields, that could be but were not disclosed in the Report, with respect thereto the Company was not able to respond reasonable inquiries of stakeholders.
- The response to the needs of the region is carried on through financing and implementation of a number of social projects. JSC NIAEP performs sports, educational and cultural programs, contributes to the development of social infrastructure the quality of life both of the employees and their families and the population in the host territories in general depends on the state thereof.
- Interests and expectations of the employees are taken into account by approval of the collective agreement signed between JSC NIAEP and the trade union.
- The right of population of favourable environment is provided by regular environmental activities of the Company. The Company doesn't admit the excess of determined standard values of environmental impact through implementation of a set of measures.
- The opinions and expectations of the shareholder (JSC Atomenergoprom) are considered by implementation of the JSC NIAEP corporate governance principles including holding of general meetings with participation of the shareholder.
- The requirements of the customers (at present, JSC Concern Rosenergoatom is major customer) are met through regular high-quality fulfillment of design and construction works. Well-arranged system of product quality control, high level of designing, well-arranged cooperation with suppliers and subcontractors play an important role in Company competitiveness enhancement.
- Execution of social programs aimed at improvement of the quality of life of employees, their families and local population provides benefits for business sustainable development. The program implementation resulted in enhancement of personnel educational level, reduction of the sick rate and occupational injuries, improvement of social climate in the host territories.

Conformity of the Report to GRI Recommendations

The Report is made up in compliance with recommendations of the Global Reporting Initiative Sustainability Reporting Guidelines and contains information on the elements of reports and GRI performance indicators complying with the level of reports application B+.

The Quality of Cooperation with Stakeholders subject to AA1000SES (2011)

In general, the public reporting process corresponds to the AA1000SES (2011) recommendations. It concerns stakeholders identification, initial identification of important issues, determination of the strategy, targets and the scope of engagement, establishment of the plan, forms and schedule of structured engagement, engagement arrangement, response to engagement challenges.

Conformity with the Standard of the State Corporation Rosatom

The public reporting process and the Report structure comply with the Standard requirements.

Recommendations for Social Reports Corporate Governance Development

- Development of the list of performance indicators disclosing the specific nature of the nuclear industry under participation of the stakeholders.
- The enlargement of the stakeholder group.
- Quality assessment of stakeholders' engagement.
- Development of the criteria of the Company social programs and projects efficiency assessment.
- More detailed and balanced disclosure of both positive and negative trends in the reports, as well as more clear clarification of the boundaries between the facts and interpretation.
- Presentation in the following reports of stakeholders' comments upon the Report of the current reporting period.
- Development of the Public Reporting Process Management System Guidelines.
- Inclusion of public reports in the corporate quality, environment and occupational safety and health management system as the substantial part of the element «review by the management».
- More clear disclosure of the management system operation with respect to used approaches to making up policies, targets determination, planning, commitments and authority distribution, collection and analysis of information on different aspects of social reports.
- Consideration in the following reports of completed and enlarged recommendations for sustainable development reports (GRI Guidelines: version G3.1 dated March 23, 2011).
- Development and implementation of the social responsibility management system in compliance with international standard SA 8000 and Guidelines ISO 26000.

Statement by «Bureau Veritas Certification Rus» about Independence, Impartiality and Competence

JSC «Bureau Veritas Certification Rus» is an independent professional international company dealing with service rendering in the field of accredited certification of different management systems (in particular, management systems of quality, occupational safety and health, environmental activities, social responsibility, etc.).

«Bureau Veritas Certification Rus» assures officially that the Conclusion is a third-part auditor's independent review. «Bureau Veritas Certification Rus» has no commercial concern with respect to JSC NIAEP activities except for assurance services rendered.

CJSC «Bureau Veritas Certification Rus»

May 11, 2011.

Leading Auditor



Georgy Klenov

Appendix 9

TABLE OF STANDARD DISCLOSURES AND PERFORMANCE INDICATORS

Engineering Activities Indicators

Engineering Activities Indicators	Report Section
Terms of NPP construction by the projects.	2.2 Operating Activity Results.
The amount of supplies at the facility.	2.2 Operating Activity Results.
Equipment price reduction due to held tenders and alternative supplies.	2.3 Management of Operating Activities.
Procurement scope.	2.2 Operating Activity Results.
Amount of funds disbursed for the implementation of the programs in the field of occupational safety and health.	3.1.2. Personnel Management.

Indicators of the State Corporation Rosatom and its Organizations

Performance Indicator	Report Section
I. Operational Performance	
1.3.1. Construction and commissioning of power generating units in the RF.	JSC NIAEP key performance indices. 2.2.2 Construction. 2.3 Management of Operating Activities.
2.1.1. Financial performance.	2.1 Basic Financial Statements.
2.1.2. Productivity.	JSC NIAEP key performance indices. 2.1 Basic Financial Statements.
2.1.3. Solvency.	2.1 Basic Financial Statements.
2.2.1. Position of Russian engineering in the world market of NPP construction.	JSC NIAEP key performance indices. 1.2 General Description of Activities. 2.2.2 Construction.
2.2.7. Long-term contracts signed with suppliers and contractors (the book of orders to suppliers and contractors).	2.2.3 Equipment and Materials Delivery.
2.3.1. Capital investments for the reporting period.	2.4 Investment Projects.
5.1.1. Invention activity in the field of nuclear power use.	Patents for design features of the equipment were used in NPP projects. Equipment manufacturers are legal owners of the patents. There were no applications for the reserved results of intellectual activity forwarded in the reporting year.

Performance Indicator	Report Section
5.1.2. Performance of contribution to R&D.	There were no R&D carried out by the Company within the reporting period, as standard approved technical solutions are used in NPP projects.
5.3.1. VVER-TOI.	2.2.1 Designing. 3.3. Innovation Activities.
6.1.2. Implementation of the project «The Production System of ROSATOM».	2.3 Management of Operating Activities.
6.1.5. Procurement activities management.	2.3 Management of Operating Activities.
6.1.8. Risk management.	3.4. Risk Management.
6.1.9. Management informatization.	3.4. Risk Management.
6.1.10. Introduction of the quality management system (a series of standards ISO 9000).	3.2. Quality Management.
7.1.1. Public reports of the Corporation and its organizations	Information on the Report and Report drafting. 4. Cooperation between the Parties Concerned for Drafting the Report. Appendix 9. Table of Standard Disclosures and Performance Indicators.
7.2.1. Fulfillment of environmental analyses provided by the laws of the RF	2.2.1 Designing.
9.1.2. Personnel training	3.1.2. Personnel Management.
II. Performance in the Field of Sustainable Development	
10.1.1. Created and distributed direct economic value, including incomes, operational costs, personnel benefits, donation and other investments in associations, undistributed profit, payments to creditors and governments.	3.5. Economic Impact.
10.2.1. Policy, practical approaches to procurement from local suppliers and the share of such procurement in the significant territories of organization business.	3.5. Economic Impact.
10.3.1. Development and influence of investments in infrastructure and services rendered first of all for public benefits through commercial, natural or charitable participation.	3.6 Social Impact.
10.3.2. Perception and description of significant indirect economic impacts including the scope of influence	3.5. Economic Impact.
11.1.1. Energy saved due to measures dedicated to reduction of energy consumption and enhancement of energy efficiency.	3.7 Environmental Impact.
11.1.2. Initiatives regarding provision of products and services to be energy efficient or based on renewable energy use, and reduction of energy demand due to the initiatives.	3.7 Environmental Impact.
11.1.10. Total environmental protection expenditures and investment with a breakdown by types.	3.7 Environmental Impact.
11.2.2. Direct use of energy with the primary sources to be specified.	3.7 Environmental Impact.

Performance Indicator	Report Section
11.2.3. Indirect use of energy with the primary sources to be specified.	3.7 Environmental Impact.
11.2.4. Total water withdrawal with a breakdown by sources.	3.7 Environmental Impact.
11.3.1. Water sources suffering from organization water intake.	3.7 Environmental Impact.
11.3.5. Complete direct and indirect emissions of greenhouse gases with the emissions load specified.	3.7 Environmental Impact.
11.3.9. Total disposals.	3.7 Environmental Impact.
11.3.10. Total number of wastes with a breakdown by types and ways of handling.	3.7 Environmental Impact.
11.3.14. The significant environmental impact caused by transportation of products and other goods and materials used for company business running, and manpower transportation.	3.7 Environmental Impact.
11.4.1. Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	3.7 Environmental Impact.
12.1.1. Total workforce with a breakdown by employment type, employment contract and region.	3.1.2. Personnel Management.
12.1.2. Total number and rate of employee turnover with a breakdown by age, gender and region.	3.1.2. Personnel Management.
12.1.3. Company top management and personnel composition with a breakdown by gender and age, with the share of minorities and other diversification parameters to be specified.	3.1.2. Personnel Management.
12.1.6. Men-women basic salary ratio with a breakdown by categories of employees.	3.1.2. Personnel Management.
12.1.7. The range of standard initial salary-determined minimal salary ratios in the significant territories of business of the organization.	3.5. Economic Impact.
12.2.1. The share of employees covered with collective agreements.	3.1.2. Personnel Management.
12.2.2. Minimal period(s) of notification in relation to significant changes of activities of the organization, as well as whether it is determined in the collective agreement.	3.1.2. Personnel Management.
12.3.1. Payments and benefits full-time employees are provided with, that are not granted to temporary and part-time employees, with a breakdown by core activities.	3.1.2. Personnel Management.
12.3.2. Ensuring of company commitments related to the retirement plan with benefits determined.	3.1.2. Personnel Management.
12.4.1. The share of the whole personnel presented in official joint safety and health committees, under participation of executives representatives and employees participating in monitoring and making up recommendations in relation to occupational safety and health programs.	3.1.2. Personnel Management.

Performance Indicator	Report Section
12.4.2. Occupational injuries level, occupational diseases level, lost days index and absence index, as well as total number of work-related fatal accidents, with a breakdown by regions.	3.1.2. Personnel Management.
12.4.3. Existing programs of education, training, consulting, avoidance and control of risk, to assist employees, the members of the family thereof and representatives of population in relation to severe diseases.	3.1.2. Personnel Management.
12.4.4. Representation of safety and health issues in official agreements with trade unions.	3.1.2. Personnel Management.
12.5.1. Programs of competence development and education during life aimed at keeping of personnel employment ability, as well as assistance to employees when they cap the career.	3.1.2. Personnel Management.
13.1.2. Procedures of local population recruiting and the share of top managers hired from the local population in the significant territories of business of the organization.	3.5. Economic Impact.
14.1.3. Measures taken in response to the incidents of corruption.	There were no any cases of corruption in JSC NIAEP within the reporting period.
14.2.2. Monetary value of significant penalties and total number of non-monetary sanctions imposed for violation of laws and regulations.	There were no penalties and sanctions imposed on the Company within the reporting period.
14.3.1. Life cycle stages whereat influence on safety and health caused by products and services are estimated to reveal any opportunities for enhancement, and the share of significant products and services being subject to such the procedures.	3.7.2 Environmental Impact Management.
14.3.2. Total number of cases of nonconformity to regulations and voluntary codes referred to influence on safety and health caused by products and services, with a breakdown by types of consequences.	There were no cases of nonconformity to regulations and voluntary codes referred to influence on safety and health caused by products and services within the reporting period.
14.3.5. Practices referred to satisfaction of the consumer including the results of research regarding the assessment of the degree of satisfaction of the consumer	3.2. Quality Management.
14.4.8. Total number of cases of discrimination and measures taken.	There were no cases of discrimination in JSC NIAEP within the reporting period.
14.4.9. Activities within the bounds thereof the right of freedom of association and liberty to negotiate may be exposed to significant risks, and measures taken to protect the specified rights.	3.1.2. Personnel Management.

Показатели и индикаторы GRI

Performance Indicator	Report Section
EC1 Created and distributed direct economic value, including incomes, operational costs, personnel benefits, donation and other investments in associations, undistributed profit, payments to creditors and governments	3.5. Economic Impact.
EC3 Ensuring of company commitments related to the retirement plan with benefits determined.	3.1.2 Personnel Management.
EC5 The range of standard initial salary-determined minimal salary ratios in the significant territories of business of the organization.	3.5. Economic Impact.
EC6 Policy, practical approaches to procurement from local suppliers and the share of such procurement in the significant territories of organization business.	3.5. Economic Impact.
EC7 Procedures of local population recruiting and the share of top managers hired from the local population in the significant territories of business of the organization.	3.5. Economic Impact.
EC8 Development and influence of investments in infrastructure and services rendered first of all for public benefits through commercial, natural or charitable participation.	3.6 Social Impact.
EC9 Perception and description of significant indirect economic impacts including the scope of influence.	3.5. Economic Impact.
EN3 Direct use of energy with the primary sources to be specified.	3.7 Environmental Impact.
EN4 Indirect use of energy with the primary sources to be specified.	3.7 Environmental Impact.
EN5 Energy saved due to measures dedicated to reduction of energy consumption and enhancement of energy efficiency.	3.7 Environmental Impact.
EN6 Initiatives regarding provision of products and services to be energy efficient or based on renewable energy use, and reduction of energy demand due to the initiatives.	3.7 Environmental Impact.
EN8 Total water withdrawal with a breakdown by sources.	3.7 Environmental Impact.
EN9 Water sources suffering from organization water intake.	3.7 Environmental Impact.
EN16 Complete direct and indirect emissions of greenhouse gases with the emissions load specified.	3.7 Environmental Impact.
EN21 Total disposals.	3.7 Environmental Impact.
EN22 Total number of wastes with a breakdown by types and ways of handling.	3.7 Environmental Impact.
EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	3.7 Environmental Impact.

Performance Indicator	Report Section
EN29 The significant environmental impact caused by transportation of products and other goods and materials used for company business running, and manpower transportation.	3.7 Environmental Impact.
EN30 Total environmental protection expenditures and investment with a breakdown by types.	3.7 Environmental Impact.
LA1 Total workforce with a breakdown by employment type, employment contract and region.	3.1.2. Personnel Management.
LA2 Total number and rate of employee turnover with a breakdown by age, gender and region.	3.1.2. Personnel Management.
LA3 Payments and benefits full-time employees are provided with, that are not granted to temporary and part-time employees, with a breakdown by core activities.	3.1.2 Personnel Management.
LA4 The share of employees covered with collective agreements.	3.1.2 Personnel Management.
LA5 Minimal period(s) of notification in relation to significant changes of activities of the organization, as well as whether it is determined in the collective agreement.	3.1.2 Personnel Management.
LA6 The share of the whole personnel presented in official joint safety and health committees, under participation of executives representatives and employees participating in monitoring and making up recommendations in relation to occupational safety and health programs.	3.1.2 Personnel Management.
LA7 Occupational injuries level, occupational diseases level, lost days index and absence index, as well as total number of work-related fatal accidents, with a breakdown by regions.	3.1.2 Personnel Management.
LA8 Existing programs of education, training, consulting, avoidance and control of risk, to assist employees, the members of the family thereof and representatives of population in relation to severe diseases.	3.1.2 Personnel Management.
LA9 Representation of safety and health issues in official agreements with trade unions.	3.1.2 Personnel Management.
LA10 Average number of training hours per an employee per year, with a breakdown by categories of employees.	3.1.2 Personnel Management.
LA11 Programs of competence development and education during life aimed at keeping of personnel employment ability, as well as assistance to employees when they cap the career.	3.1.2 Personnel Management.
LA12 The share of employees that are subject to regular performance and career development assessment.	3.1.2 Personnel Management.
LA13 Company top management and personnel composition with a breakdown by gender and age, with the share of minorities and other diversification parameters to be specified.	3.1.2 Personnel Management.
LA14 Men-women basic salary ratio with a breakdown by categories of employees.	3.1.2 Personnel Management.
SO4 Measures taken in response to the incidents of corruption.	There were no any cases of corruption in JSC NIAEP within the reporting period.

Performance Indicator	Report Section
SO8 Monetary value of significant penalties and total number of non-monetary sanctions imposed for violation of laws and regulations.	There were no penalties and sanctions imposed on the Company within the reporting period.
HR4 Total number of cases of discrimination and measures taken.	There were no cases of discrimination in JSC NIAEP within the reporting period.
HR5 Activities within the bounds thereof the right of freedom of association and liberty to negotiate may be exposed to significant risks, and measures taken to protect the specified rights.	3.1.2 Personnel Management.
PR1 Life cycle stages whereat influence on safety and health caused by products and services are estimated to reveal any opportunities for enhancement, and the share of significant products and services categories being subject to such the procedures.	3.7.2. Environmental Impact Management.
PR2 Total number of cases of nonconformity to regulations and voluntary codes referred to influence on safety and health caused by products and services, with a breakdown by types of consequences.	There were no cases of nonconformity to regulations and voluntary codes referred to influence on safety and health caused by products and services within the reporting period.
PR5 Practices referred to satisfaction of the consumer including the results of research regarding the assessment of the degree of satisfaction of the consumer.	3.2. Quality Management.

Standard Disclosures GRI

Standard reporting element	Report Section
1. Strategy and Analysis	
1.1. Statement by the most senior decision-maker of the organization (e.g., CEO, chairman of the board of directors, or equivalent senior position) publishing the Report about the relevance of sustainability to the organization and its strategy.	Address by the Director of JSC NIAEP.
1.2. Description of key impacts, risks and opportunities.	1.4. Mission and Strategy. 3.4. Risk Management. 3.5.1. Efficiency in the Field of Economic Influence. 3.6.1. Social Impact Assessment 3.7.1. Environmental Impact Assessment.
2. Organization Profile	
2.1. Name of organization.	1.1. General Information about JSC NIAEP
2.2. Primary brands, products, and/or services.	1.2. General Description of Activities

Standard reporting element	Report Section
2.3. Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	1.1. General Information about JSC NIAEP
2.4. Location of organization's headquarters.	1.1. General Information about JSC NIAEP
2.5. Number of countries where the organization operates, and names of countries wherein either core activities are carried on or that are specifically relevant to the sustainability issues covered in the Report.	1.2. General Description of Activities
2.6. Nature of ownership and form of incorporation.	1.1. General Information about JSC NIAEP
2.7. Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	1.2. General Description of Activities
2.8. Scale of the reporting organization.	JSC NIAEP key performance indices. 1.1. General Information about JSC NIAEP 1.2. General Description of Activities.
2.9. Significant changes during the reporting period regarding size, structure, or ownership.	Information on the Report and Report Drafting
2.10. Awards received in the reporting period.	1.1. General Information about JSC NIAEP
3. Report Parameters	
3.1. Reporting period (e.g., financial/natural year) thereto the provided information refers.	Information on the Report and Report drafting
3.2. Date of publication of the most recent previous Report.	Information on the Report and Report Drafting
3.3. Reporting cycle (annual, biennial, etc.).	Information on the Report and Report Drafting
3.4. Contact information for issues regarding the Report or its contents.	Back flyleaf of the Report.
3.5. Process for defining Report contents.	Information on the Report and Report Drafting
3.6. Scope of the Report (e.g., countries, divisions, subsidiaries and affiliates, leased capacities, joint ventures, suppliers).	Information on the Report and Report Drafting
3.7. State any specific limitations on the scope of the Report.	Information on the Report and Report Drafting
3.8. Grounds for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that may significantly affect comparability to previous Reports and/or other organizations.	Information on the Report and Report Drafting.
3.9. Methods of data measuring and calculations including suppositions and techniques used for preparation of parameters and other information included in the Report.	Information on the Report and Report Drafting.
3.10. Explanation of the effect of any re-statements of information provided in earlier Reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of reporting periods, nature of business, measurement methods).	Information on the Report and Report Drafting

Standard reporting element	Report Section
3.11. Significant changes from previous reporting periods in the scope, limits or methods of measurement applied in the Report.	Information on the Report and Report drafting.
3.12. Table identifying the location of the standard disclosures in the Report.	Appendix 9. Table of Standard Disclosures and Performance Indicators
3.13. Policy and current practical approaches with regard to external assurance for the Report. If there is no any Assurance report attached to the Report in the field of sustainable development, please, describe the subject matter and the grounds for any external assurance made. Clarify, please, the nature of relations between the reporting organization and the assurance executive(s).	Information on the Report and Report Drafting.
4. Governance, Commitments, and Stakeholders Engagement	
4.1. Governance structure of the organization, including primary committees in part of the Board of directors (senior governance body) that are responsible for particular tasks, e.g., strategy development or general supervision of organization's activities.	1.3. Corporate Management
4.2. Specify, whether the Chairman of the senior governance body is also the executive officer of the company (in case of the affirmative answer, what is the role of the officer with reference to the governance, and what are the reasons for such the state of things).	1.3. Corporate Management
4.3. For organizations that have a unitary board of directors, state the number of members of the senior governance body that are independent and/or non-executive members.	1.3. Corporate Management
4.4. Mechanisms for shareholders or employees to guide the activities carried on by senior governance body or to provide recommendations thereto.	1.3. Corporate Management 3.8. Cooperation with the Parties Concerned
4.5. Relation between compensations to the members of senior governance body, representatives of top executive management and senior managers (including dismissal compensation) and performance (including social and environmental results).	3.8. Cooperation with the Parties Concerned
4.6. Current processes in senior governance body aimed at avoidance of interests conflicts.	1.3. Corporate Management
4.7. Processes of determination of proficiency and competence of the members of senior governance body for determination of the strategy of organization with respect to economic, environmental and social aspects.	1.3. Corporate Management
4.8. The mission and values statements developed in the organization, corporate behaviour codes and principles relevant from the point of view of economic, environmental and social performance, as well as the degree of implementation thereof in practice.	1.4. Mission and Strategy 1.5. Values and the Public Stance on Sustainable Development Issues

Standard reporting element	Report Section
4.9. Procedures used by senior governance body to supervise how the organization assess and controls its economic, environmental and social performance, including risks and opportunities, as well as observation or conformity to international standards, corporate behaviour codes and principles.	1.3. Corporate Management. 3.5. Economic Impact. 3.6. Social Impact. 3.7. Environmental Impact.
4.10. Processes of assessment of its performance by senior governance body, namely, in relation to economic, environmental and social performance of the organization.	1.3 Corporate Management.
4.11. Clarification if the organization uses the precaution principle and in what way.	JSC NIAEP does not use the precaution principle directly. For risk management approach, please, refer to section 3.4. Risk Management. For measures to avoid negative environmental consequences, please, refer to chapter 3.7.2. Environmental Impact Management.
4.12. Economic, environmental and social charters, principles or other initiatives developed by third parties the organization acceded thereto or supports.	Information on the Report and Report drafting. 1.3. Corporate Management.
4.13. Membership in associations.	1.1. General Information about JSC NIAEP.
4.14. List of stakeholders engaged by the organization.	3.8. Cooperation with the Parties Concerned.
4.15. Grounds for identification and selection of stakeholders with whom to engage.	3.8. Cooperation with the Parties Concerned.
4.16. Approaches to cooperation with stakeholders including the intensity of cooperation by structure and type of stakeholder groups.	3.8. Cooperation with the Parties Concerned.
4.17. Key topics and interests discussed or revealed in the course of cooperation with stakeholders; how the organization specified the topics and interests in the Report.	4. Cooperation between the Parties Concerned for Drafting the Report.

Appendix 10

KEY EVENTS IN NPP CONSTRUCTION IN 2010

Kalinin NPP Unit 4

No	Event Description	Execution Date
1.	Erection of reactor vessel.	23.01.2010
2.	Erection of auxiliary standby transformers.	28.02.2010
3.	Foundation for turbine erection.	28.03.2010
4.	Erection of steam generators.	12.04.2010
5.	Tracks for unit transformers.	20.05.2010
6.	Completion of construction works of gallery between reactor compartment and special building.	23.07.2010
7.	Automatic process control system in part of auxiliary energization.	30.07.2010
8.	Auxiliary energization.	28.07.2010
9.	Erection of exhaust stack of cooling tower N 3 to elevation 150 m.	11.08.2010
10.	Completion of main coolant pipeline welding.	23.07.2010
11.	Turbogenerator shaft alignment.	27.11.2010
12.	Flushing of safety systems.	23.12.2010–30.12.2010

Rostov NPP Unit 2

No	Event Description	Execution Date
1.	Approval for operation «Power start-up and 35% of nominal power commissioning».	25.02.2010
2.	Generator synchronization and grid connection.	20.03.2010
3.	Pilot commissioning.	25.05.2010–09.10.2010
4.	Commissioning trials.	24.09.2010–09.10.2010
5.	Commercial operation.	10.12.2010

Rostov NPP Unit 3

No	Event Description	Execution Date
1.	Internal walls erection from -4,200 m to 0,000 m.	14.04.2010
2.	External walls from -4,200 m to 0,000 m.	15.04.2010
3.	External walls from 0,000 m to +6,600 m.	28.06.2010
4.	Floor at +6,600 m.	08.12.2010
5.	External walls from 6,600 m to 10,800 m.	08.12.2010
6.	Circulating water pipelines erection.	10.04.2010
7.	Turbine and generator foundation mat.	21.04.2010
8.	Foundations for electric equipment building in axes 1-3.	06.07.2010
9.	Basement slab at elevation -3,6 in axes 1–10.	25.09.2010
10.	Piping from reactor compartment to standby diesel power plant.	31.12.2010

Rostov NPP Unit 4

No п/п	Event Description	Execution Date
1.	Foundation slab under reactor compartment.	31.07.2010
2.	Foundation under turbine hall framework.	25.12.2010
3.	Foundation slab under standby diesel power plant at – 7,000 m.	22.12.2010

Appendix 11

PLANS FOR NPP CONSTRUCTION IN 2011

Kalinin NPP Unit 4

No n/n	Event Description	Execution Date
1.	Start of hermetic enclosure system testing.	22.01.2011
2.	Essential loads cooling system pumphouses. Handover to working acceptance commission.	20.02.2011
3.	Unit Pumphouse with intake channel. Handover to working acceptance commission.	29.03.2011
4.	Completion of main reactor pump motors assembly.	05.04.2011
5.	Pedestrian and transport overpass from reactor compartment to special building. Handover to working acceptance commission.	10.05.2011
6.	Dummy assembly loading and reactor erection (preparedness for hydraulic tests and circulation washing).	23.06.2011
7.	Start of hot operational reactor testing.	15.07.2011
8.	Standby diesel power plant with emergency core cooling system closed loop equipment. Handover to working acceptance commission.	27.08.2011
9.	Physical criticality.	16.09.2011
10.	Completion of turbine idle operation testing.	31.10.2011
11.	Main building. Reactor compartment. Handover to working acceptance commission.	25.11.2011
12.	40-apartment house in Udomlya. Handover for operation.	25.12.2011

Rostov NPP Unit 3

No n/n	Event Description	Execution Date
1.	Bottom supporting ring of cooling tower.	23.04.2011
2.	Walls of hermetic zone up to +19,300 m.	24.05.2011
3.	Turbine hall roofing at elevation 39 m.	22.07.2011
4.	Erection of ECCS hydraulic accumulators N 3 and N 4.	15.08.2011
5.	Pile foundation under open transformers.	25.09.2011
6.	Containment up to +55,600 m.	07.10.2011
7.	Supporting ring erection.	22.11.2011
8.	Polar crane load testing.	14.12.2011

Rostov NPP Unit 4

№ п/п	Event Description	Execution Date
1.	External walls of reactor compartment from -4,200 m to 0,000 m.	31.01.2011
2.	Drain system conduit erection at -4,200 m.	24.02.2011
3.	Pile foundation under electric equipment building.	25.03.2011
4.	Boron water tank erection.	25.04.2011
5.	Circulating water piping inside turbine hall.	09.05.2011
6.	Reactor compartment flooring at 0,000 m.	20.06.2011
7.	Standby diesel power plant walls up to 0,000 m.	20.07.2011
8.	Back fill-up of turbine hall up to 0,000 m.	27.08.2011
9.	Civil works of discharge channel pit.	30.09.2011
10.	External walls of reactor compartment from 0,000 m to +6,600 m.	15.10.2011
11.	Reactor compartment flooring at +3,600 m and +6,600 m.	24.11.2011
12.	Essential loads piping in reactor compartment area.	10.12.2011

Appendix 12

GLOSSARY

EPCM-companies – (EPCM – Engineering, Procurement, Construction, Management) are companies using the method and aids for turn-key project portfolio management. The composite function of EPCM-companies includes project engineering, procurement, construction and management.

GRI – Global Reporting Initiative – is an international non-governmental organization which has elaborated a Manual for preparation of consolidated reporting in the field of sustainable development.

SWOT-analysis is a strategic planning method that divides factors into four categories: Strengths, Weaknesses, Opportunities and Threats.

ISO is an international standard for the company management organization system intended to ensure the predictable and stable quality of services.

NPP-2006 is the most up-to-date typical project of a Russian nuclear power plant of the third generation «3+» with improved engineering-and-economical performances. The Project goal is to achieve up-to-date safety and reliability factors with optimized capital investment in the construction of a power plant. It is intended to use a VVER with generating capacity of not less than 1150 MW (and forcing capability up to 1200 MW). Under the approved technical assignment the projects of two nuclear power plants were developed: Novovoronezh NPP-2 (the General Designer was ATOMENERGOPROEKT JSC, Moscow) and Leningrad NPP-2 (the General Designer was Sain-Petersburg Scientific-Research and Design-Construction Institute ATOMENERGOPROEKT).

General contractor is a contracting party which assigns under contract the performance of single types and ranges of works to specialized contracting organizations — subcontractors. G.C. is fully responsible to the Customer for the fulfillment of a contractual works package and their proper quality, timely elimination of defects and faults etc.

Customer (Developer) is a legal entity or a natural person intending to carry out the construction, reconstruction or any other kind of building works requiring the permit for it.

Engineering (from ingenium of Latin, that means inventiveness; invention; knowledge) includes engineering-consulting services of research, design-construction, estimate-analytical nature, the preparation of technical and economic substantiation of projects, the elaboration of recommendations in the arrangement of the production and management, i.e. a package of commercial services for the preparation and supply of the products manufacture and sales, for the maintenance and operation of industrial, infrastructural and other facilities.

Design documentation is documentation containing materials as texts and charts (diagrams) and determining architectural, functional-process, design and engineering-technological decisions to provide for the construction, reconstruction of capital construction projects, their parts, major repair,

if in the course of its performance the constructive and other characteristics of reliability and safety of capital construction projects is effected.

Design and survey works mean the package of works in engineering survey, elaboration of technical and economic substantiation of the construction, preparation of projects, working documents, drawing up of estimates to perform the construction (a new construction, extension, reconstruction, engineering re-equipment) facilities, buildings, structures.

Working documentation is documentation elaborated on the basis of approved design documents and intended for the performance of construction works.

Radioactive materials are substances having radioactive nuclides in their composition.

Construction is a complete process of NPP construction beginning.

Power Unit is a power plant generator generating electric power.

Nuclear energy is internal energy of atomic nucleus which is released during nuclear fission or reactions.

Appendix 13

LIST OF ABBREVIATIONS

NPP	– Nuclear power plant
CDB	– Comprehensive Design Bureau
VVER	– Water-moderated water-cooled power reactor
SDPP	– State District Power Plant
MCP	– main coolant pipeline
S&A	– Subsidiaries and affiliates
VMI	– Voluntary medical insurance
CIS	– Common Information Space
PMIS	– Project Management Information System
ETW	– Engineers and technical workers
ODI	– Occupational Disease Index
OII	– Occupational Injury Index
KEI	– Key Efficiency Indices
IIT	– Individual Income Tax
STC NRS	– Scientific-Technical Center of Nuclear and Radiation Safety
EIA	– Environmental Impact Assessment
DSW	– Design and Survey Works
CS	– Computer Software
QAP	– NPP Quality Assurance Program
DED	– Design and estimate documentation
RPS	– Rosatom Production System
RAS	– Russian Accounting Standards
SUOT	– Labor Protection Management System
CEW	– Construction and Erection Works
SMU	– Construction and Erection Administrative Office
TPP	– Thermal Power Plant
FSUE	– Federal State Unitary Enterprise
LCF	– Labor Compensation Fund



Appendix 14

FEEDBACK QUESTIONNAIRE

Feedback: Your opinion on the annual report of JSC Nizhny Novgorod Engineering Company Atomenergoproekt

1. Specify, please, what group of stakeholders do you belong to:

Shareholders (JSC Atomenergoprom, SC Rosatom)

Customer (SC Rosatom)

partners (enterprises of SC Rosatom)

partners (other enterprises)

working collective

public organizations

local authorities

mass media

others _____

2. Have you found any information of interest in the Report:

yes

no

other (comment, please) _____

3. What section of the Report has the most informative value for you?

(Please, give comments) _____

4. Is JSC NIAEP a dynamically developing company in the nuclear industry:

yes

rather yes than no

no

5. How would you assess the reliability and objectivity of the Report:

high

satisfactory

low

no assessment

6. How do you assess the style of the Report:

high

satisfactory

low

no assessment

7. How do you assess the execution of the Report:

- high
 satisfactory
 low
 no assessment

8. What information should be added to the Report in your opinion?

9. Would you like to become the Company's employee having read the Report?

- yes
 no
 other variant (Please, give comments) _____
-

10. Would you like to become the Company's partner having read the Report?

- yes
 no
 other variant (Please, give comments) _____
-

11. How do you define the importance of the Report:

- this is an important document that may provide you with interesting information;
 the document is quite useless;
 other variant (Please, give comments) _____
-

12. Have you studied the Company Report for the previous year?

- yes
 no

13. If you have studied the Company Report for the previous year, please, assess the following parameters of the 2009 and 2010 Reports by the 5-point scale:

	2009	2010
understandability of the text	<input type="checkbox"/>	<input type="checkbox"/>
information sufficiency	<input type="checkbox"/>	<input type="checkbox"/>
design	<input type="checkbox"/>	<input type="checkbox"/>

Thank you for your attention!

You may send your completed questionnaire (marked with «Annual Report») to:

JSC NIAEP, 3, Svoboda sq., Nizhny Novgorod, 603006, Russia

or by fax to: (831) 421-06-04, 419-84-90, or by e-mail to: niaep@niaep





JSC NIAEP, 3, Svoboda sq., Nizhny Novgorod, 603006, Russia
Phone: +7-831-421-79-00 • Fax: +7-831-421-06-04
E-mail: niaep@niaep.ru • <http://www.niaep.ru>