State Atomic Energy Corporation ROSATOM

Joint Stock Company

NIZHNY NOVGOROD ENGINEERING COMPANY «ATOMENERGOPROEKT»

Annual report 2009

ANNUAL REPORT 2008

JSC NIAEP

BRINGING ENERGY TO life

2008

CONTENTS

2008

ADDRESS OF THE

CHAIRMAN OF JSC NIAEP'S BOARD OF DIRECTORS

The year of 2009 turned out to be a year of proving the declared possibilities for JSC NIAEP as an engineering company.

The staff passed the first exam successfully and the physical start-up of Rostov NPP Unit 2 was made within the specified term. JSC NIAEP proved its image as a dynamically developing company that does not rest on laurels.

The Company started serial construction of power units simultaneously with the construction of Rostov NPP Unit 2. In 2009, JSC NIAEP obtained a permission for finishing the construction of Rostov NPP Unit 3 and construction of Unit 4 as well as a Rostekhnadzor license for the constructing. The construction of Kalinin NPP Unit 4 is in progress.

In the preceding year, JSC NIAEP established two subsidiary companies in construction and erection and heat and erection works to speed up the construction. These are own forces of JSC NIAEP with total strength of more than one thousand people with modern equipment and machines. These companies are capable of solving any problems related to nuclear plants construction.

The Company pays much attention to technological development and continues successful implementation of 6D based designing.

At the moment, the Board of Directors of JSC NIAEP has made great work in forming management bodies to achieve the posed objectives and this work will be carried out in the future.

Innovation strategy, stability and safety are the main characteristic features of JSC NIAEP, which are proved by growth rates and construction schedules of objects maneged by JSC NIAEP.

We are sure that together we will realize the objectives set by State Corporation ROSATOM in constructing new NPPs both in Russia and abroad.

Chairman
of JSC NIAEP's Board of Directors
Director
of JSC ATOMENERGOPROM

V.V. TRAVIN

2008

ADDRESS
OF THE DIRECTOR
OF JSC NIAEP

In 2009, JSC NIAEP proved its competence as engineering company. According to the construction schedule, the physical start-up of Rostov NPP Unit 2 - the first object of the Program of Activities of State Corporation ROSATOM, was made in December, 19. We proved that we are capable of constructing our objects on time and at a price below the one stipulated by the contract. We managed to collect specialists that gained experience while constructing NPPs in Russia and abroad.

We have three teams of professionals capable to provide constructing three objects simultaneously.

JSC NIAEP develops as a modern engineering EPCM company. Modern technologies in all lines of engineering activity were introduced on the sites of Rostov NPP Unit 2 and Kalinin NPP Unit 4, namely: engineering, procurement, construction and management of objects of the nuclear power engineering. Moreover, we closely collaborated with enterprises of construction and engineering sectors of the nuclear industry. The gained experience is now used in constructing Rostov NPP Units 3 and 4 and completing construction of Kalinin NPP Unit 4. JSC NIAEP is ready for absolute fulfillment of new objectives in constructing NPP in Russia and abroad.

Contribution to development of competition in the field of equipment manufacturing and supplying for NPPs under construction is one of the achievements of JSC NIAEP. Thanks to our Company, fairs of the nuclear power engineering, where open tenders and auctions for equipment supplying are conducted, have become traditional; and in fact they are arising more and more interest.

JSC NIAEP develops its own construction forces. Nowadays, there two subsidiary construction companies with the staff of more than one and a half thousand people.

The operating efficiency of JSC NIAEP has been proved by indices of financial and economic activity. As compared with the business of 2008, net profit of the Company has increased by 1.5 times and sales proceeds have increased by 2 times. Despite the crisis, the salary of employees has not decreased and expenses on social programs have increased.

These are main achievements of JSC NIAEP over the past period. The parties concerned may seriously study our Company's public annual report and learn the operating results of our Company in details.

Director
of JSC NIAEP

V.I. Limarenko

SCHEDULE
of Key Events

18 June

Rostekhnadzor confirmed the high quality of construction and erection works produced in Kalinin NPP Unit 4.

2 June

JSC NIAEP won the tender of JSC CONCERN ENERGOATOM for choosing the General contractor for executing works related to construction of Rostov NPP Units 3&4.

20 May

Memorandum "On Uniform Approaches to Designing and Construction Control Systems in JSC ATOMENERGOPROM" was signed.

19 May

The 2nd International Scientific and Industrial Forum "The Nuclear Power Engineering Fair" was conducted.

13 May

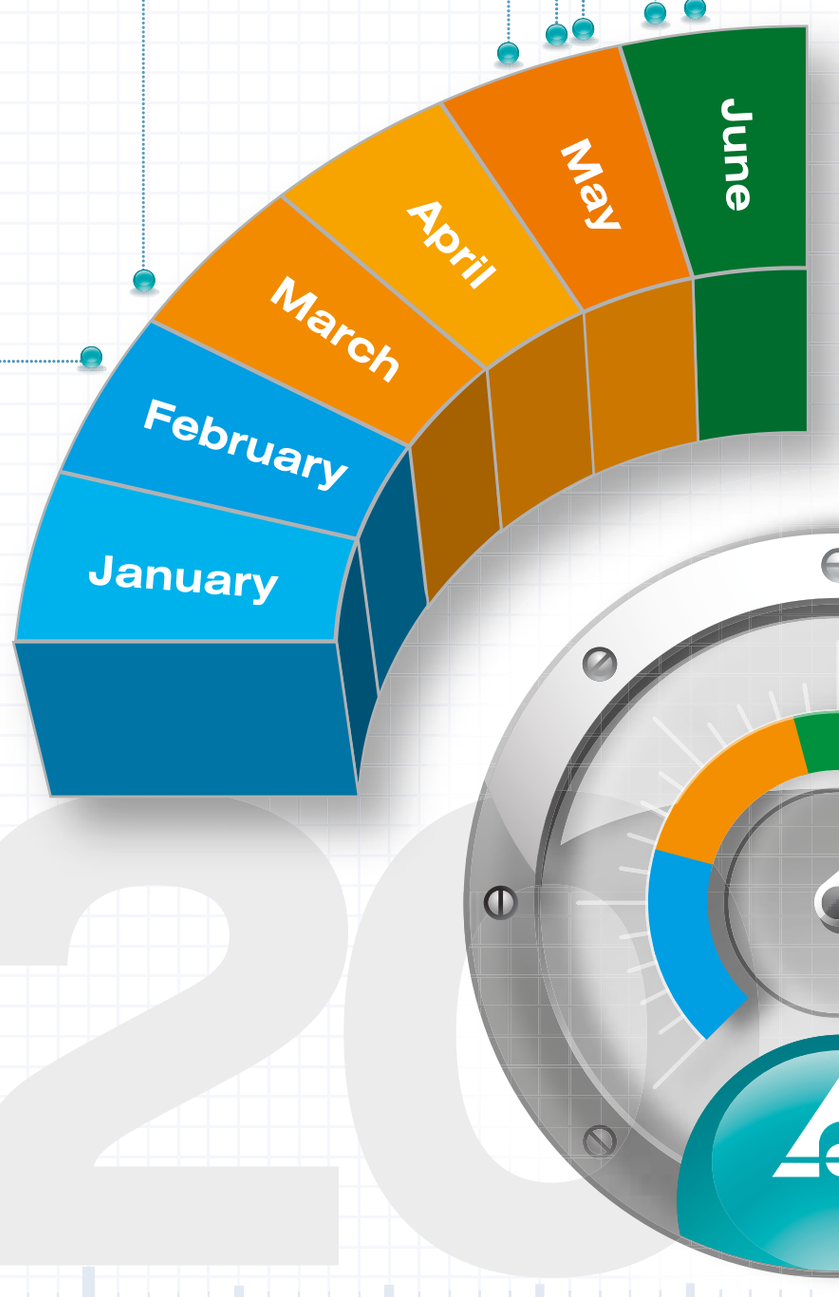
The first simulator of fuel assembly was loaded into the reactor of Rostov NPP Unit 2.

5 March

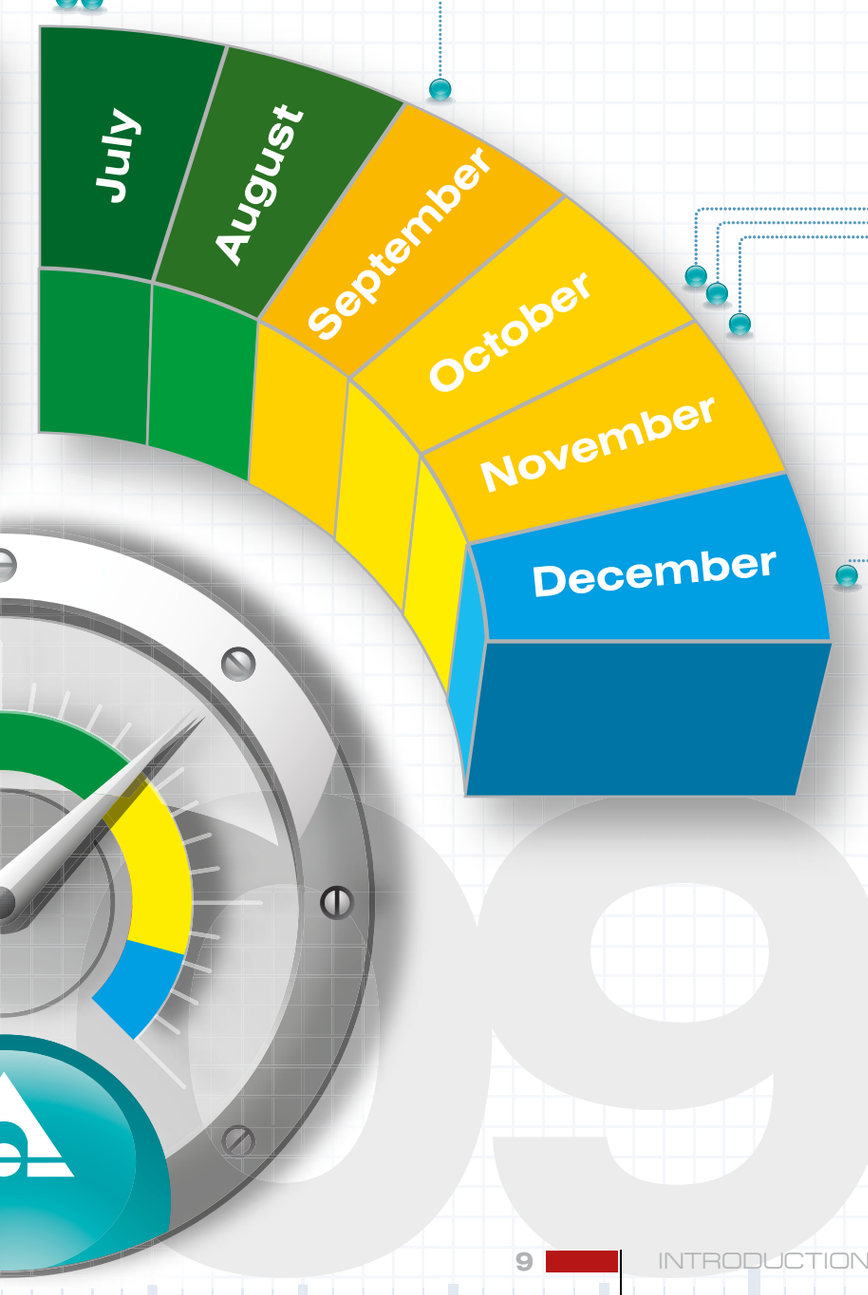
The second circle of the containment of Kalinin NPP Unit 4 reactor compartment was mounted.

17 February

Public consultations on the environmental impacts of Rostov NPP Units 3 & 4 were conducted; more than 1700 people took part in them. The minutes of the consultations and package of public proposals were sent to the authorities of state ecological expertise for entering them in the final version of the Environmental Impact Assessment Study (OVOS).



SCHEDULE 2009



1 July

The construction of Rostov NPP Units 3 & 4 began.

8 July

Public consultations on the preliminary version of the Environmental Impact Assessment Study (OVOS) regarding construction and operation of Tver NPP Units 1 & 2 were held in Udomlya.

4 September

Public consultations on the preliminary version of the Environmental Impact Assessment Study (OVOS) regarding construction and operation of Nizhny Novgorod NPP Units 1 & 2 were held in Navashino (Nizhny Novgorod Region).

28 October

The 3rd International Scientific and Industrial Forum "The Nuclear Power Engineering Fair" was conducted.

30 October

Cold and hot operational testing of the reactor installation of Rostov NPP Unit 2 was finished.

5 November

Testing of containment of Rostov NPP Unit 2 was finished.

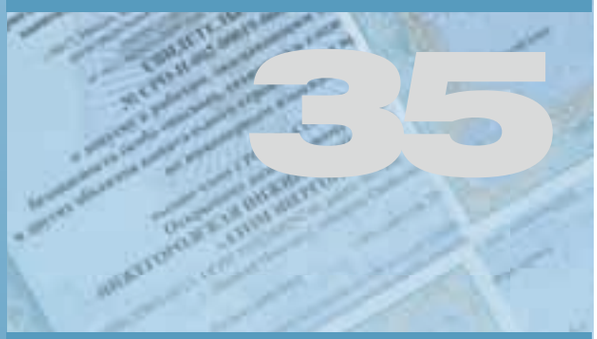
19 December

The physical start-up of Rostov NPP Unit 2 was made.

MAIN PERFORMANCE INDICES
OF JSC NIAEP

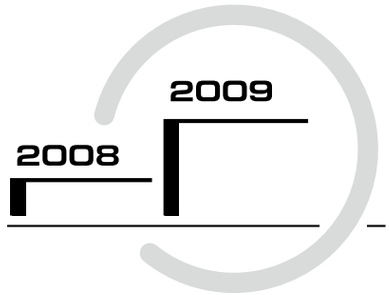
39 855 326 RUR thousand — Assets

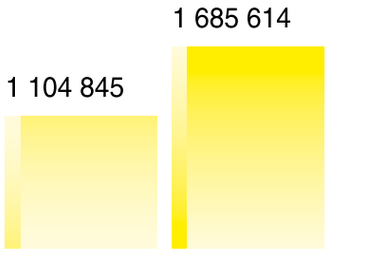
35 227 938 RUR thousand — Sales proceeds



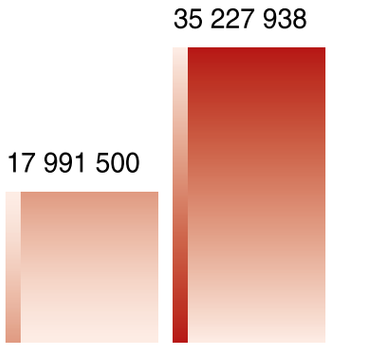
1 685 614 RUR thousand — Net profit

Variability of 2008–2009 indices of JSC NIAEP

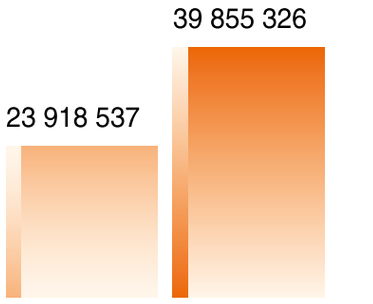




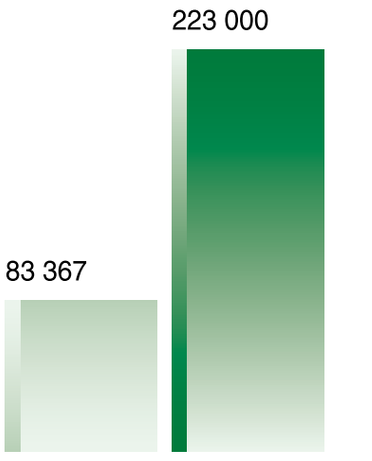
Net profit
(RUR thousand)



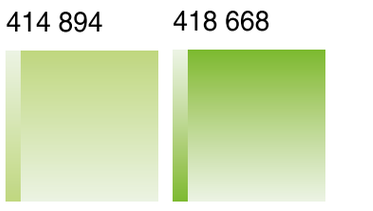
Sales proceeds
(RUR thousand)



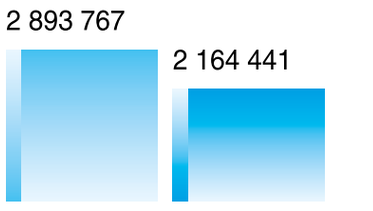
Assets
(RUR thousand)



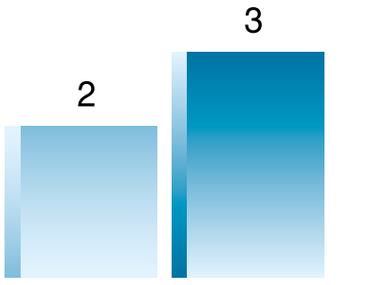
Social expenses
(including charity, RUR thousand)



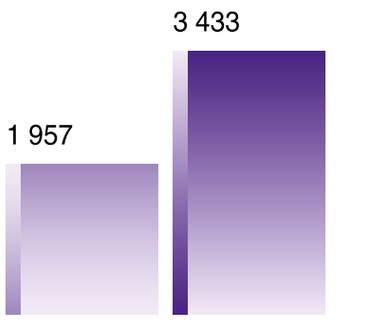
Income tax
(RUR thousand)



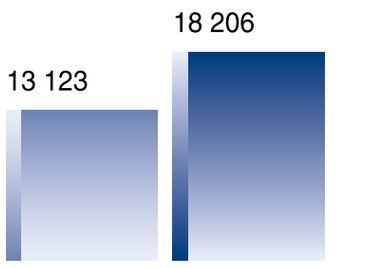
Tax payments to the federal, regional and local budgets
(RUR thousand)



Number of objects under construction during one reporting period (Pieces)

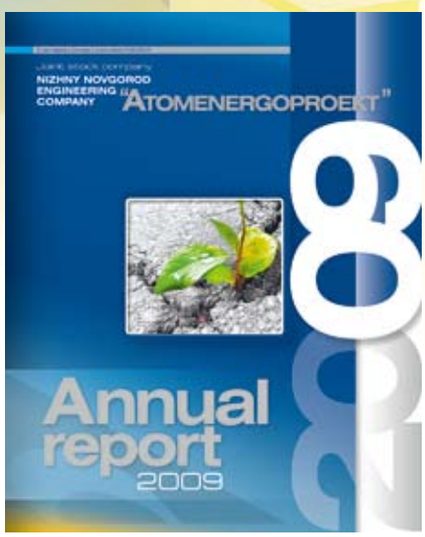


Number of employees
(taking subsidiary companies into account, persons)



Labour productivity
(RUR thousand/persons)

THE REPORT AND ITS DRAFTING INFORMATION



The Report characterizes the activity of JSC NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT (JSC NIAEP or the Company) during 2009. This is the second integrated report of the Company covering financial and non-financial aspects of its effectiveness during the reporting period.

While preparing the annual report, JSC NIAEP implemented the principle of interaction with the parties concerned specified by the Policy in Public Reporting of State Corporation ROSATOM. The target audience of the report is the parties concerned such as shareholders, customers, suppliers, subcontractors, staff, social organizations, local authorities, residential population and mass media. JSC NIAEP attracted representatives of the main parties concerned to a detailed estimation and improvement of their activity by participation in dialogues, public consultations and public assurance. Dialogues and public consultations with the parties concerned were held taking the requirements and recommendations of AA 1000 Stakeholder Engagement Standard into consideration. Moreover, some substantial issues were specified during the public consultations. The reporting materials on conducting these events are in Section 4. Besides, the proposed report is prepared according to the recommendations of Sustainability Reporting Guidelines, GRI: it includes the analysis of considerable impacts in the frame of sustainable development and uses the efficiency indices proposed by the Guidelines.

JSC NIAEP aims to include financial and non-financial aspects of effectiveness in the report that are of significant importance for the parties concerned. While preparing the report for 2009, we were governed by the fact that the results of the principal activity regarding program tasks set by the shareholder are substantial. The efficiency in the field of sustainable development is important for the staff, suppliers, state authorities and local communities.

The Reporting limits are defined by the fact that the Company holds 100% of share in authorized capital of the subsidiary companies, which enables it to control financial and operational policies of these enterprises. This Report represents performance results of both the Company and its subsidiaries. The list of subsidiary companies within this report is in Chapter 1.1 JSC NIAEP General Information. Financial statements are given for the parent company without consolidation with the subsidiary companies. We consider this is reasonable as taking intragroup turnovers into account financial indices of performance of the subsidiary companies do not result in substantial changes of final results according to financial indices of JSC NIAEP. Thus the Report for 2009 differs from

2002 in Accordance		C	C+	B	B+	A	A+
MANDATORY	SELF DECLARING						
OPTIONAL	THIRD PARTY CHECKING		Report Externally Assured		Report Externally Assured		Report Externally Assured
	GRI CHECKING						

Table 1.1. ***GRI APPLICATION LEVELS***

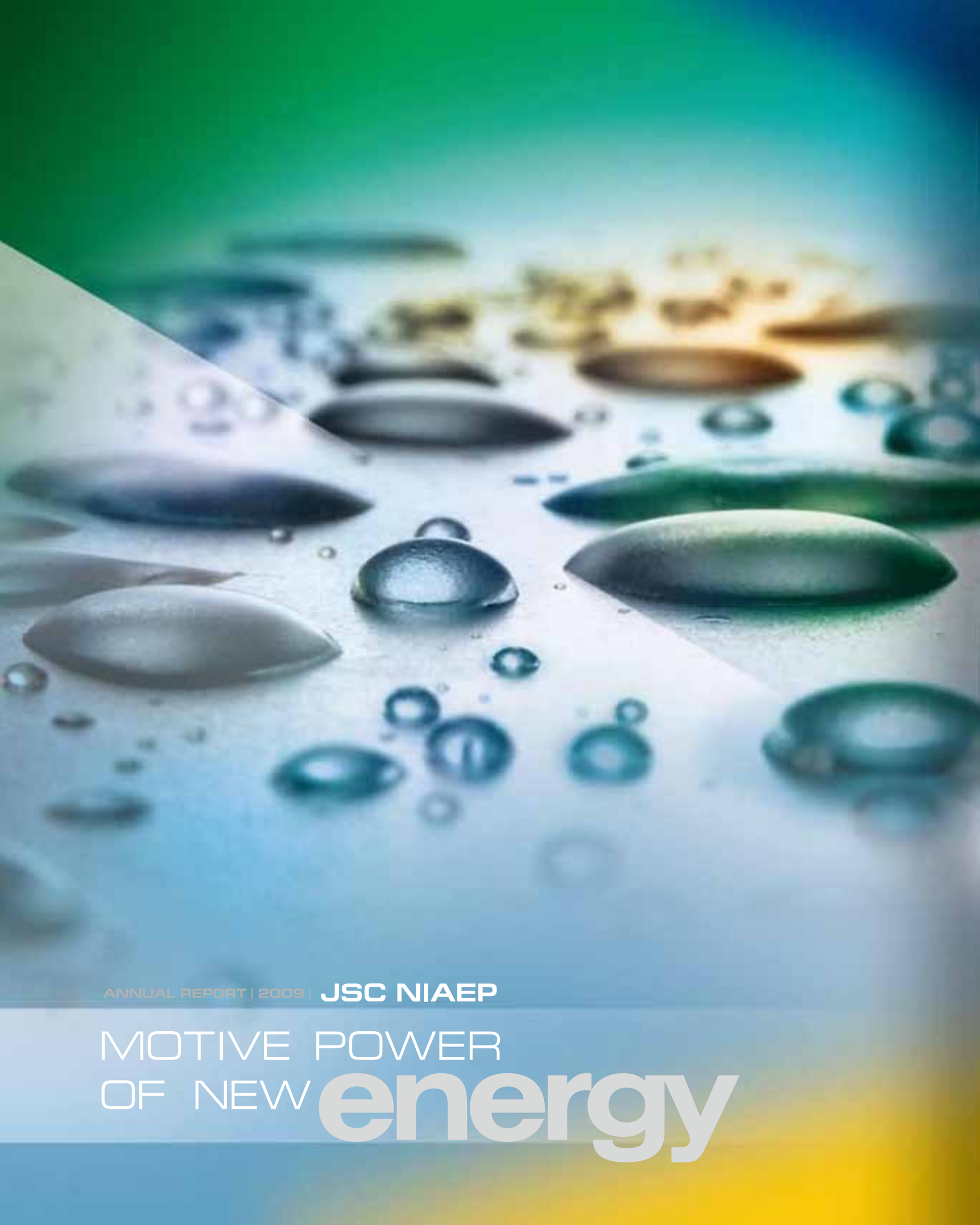
the one for 2008 by including the subsidiaries and associates of the company and specifying the scope of index indication.

In some sections of the Report, a part of indices is given with respect to the organizations that take part in a single production chain and considerably influence the performance of the Company. A special reference to the index is made in such cases. In particular, JSC NIAEP fulfils functions of the general contractor responsible for organizing works on building sites. Thus indices of the personnel number on building sites include the personnel of subcontractor organizations when there is a mark 'in total' or there is no reference to 'own forces' and the wording 'own forces' imply the personnel of the subsidiaries of JSC NIAEP only. Emission indices and other environmental impacts are given with respect to the total impact of performance of all subcontract organizations on the construction territories. The wording 'own forces' in the description of project activity involves the employees of the project block of the parent company.

This year, the draft of the Report of JSC NIAEP was checked by the Internal Control and Auditing Department of the Company (the conclusion is in *Appendix 7*).

This annual Report has some forward-looking statements regarding financial, economic and social indices characterizing the development of the Company in the future. The prognostic information is revealed prior to the beginning of the reporting period and real events of results may differ from the statements herein.

Being governed by the obtained results and complete representation of information, the Company supposes that this integrated Report conforms to level C+ of the GRI Guidelines according to the application rules of this international paper (see Table 1.1). The Company believes that a considerable number of standard reporting elements and GRI performance indicators used in the second reporting year is an achievement.



ANNUAL REPORT | 2009 | **JSC NIAEP**

MOTIVE POWER OF NEW energy

1

GENERAL INFORMATION

1.1. JSC NIAEP GENERAL INFORMATION

JSC NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT (JSC NIAEP) renders engineering service in designing and constructing nuclear power plants and power units in Russia and abroad, supplies equipment and materials.

Postal address:
3, Svoboda Square, Nizhny Novgorod, 603006

Contact telephone, fax:
Phone: +7 (831) 433-34-24
Fax: +7(831) 421-06-04

Corporate site and e-mail:
http: //www.niaep.ru
E-mail: niaep@niaep.ru

Company's Register Holder:

Since March 24, 2009, the Register of Registered Securities of JSC NIAEP has been kept by JSC Registrator R.O.S.T.

Company's Auditor:
Nexia Pacioli LLC, 2 Malaya Polyanka St., Moscow, 119180

Company's Shareholders:
JSC Atomic Energy Power Corporation (ATOMENERGORPOM JSC) is a sole shareholder of JSC NIAEP (as of December 31, 2009).

Company's Authorized Capital:
On May 14, 2009, the sole shareholder of JSC NIAEP made a decision to increase the authorized capital of JSC NIAEP by placing extra 83 340 000 registered shares of nominal value of 1 RUR each.
The Company's authorized capital as of December 31, 2009 amounts to 500 001 877 ordinary registered shares of nominal value of RUR 1 each.

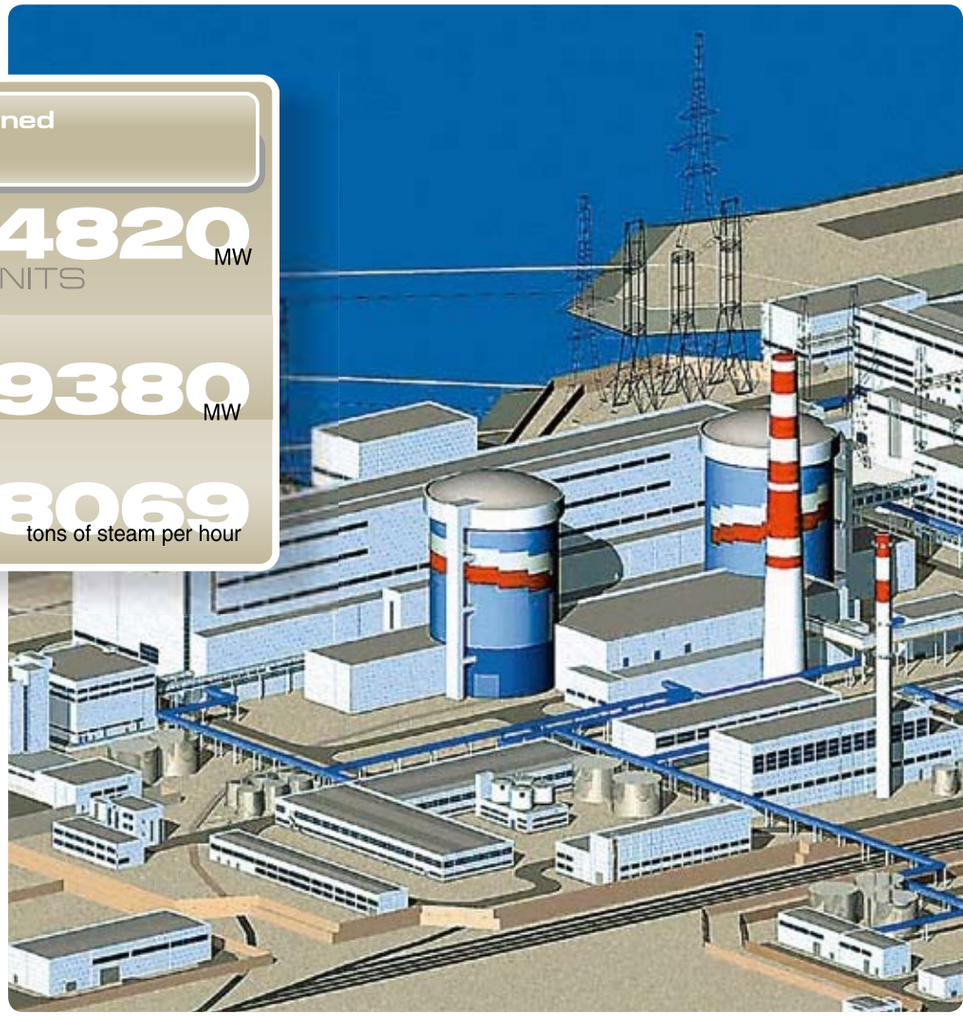

АТОМЭНЕРГОПРОЕКТ

The following objects were commissioned according to the Institute's projects:

6 NUCLEAR POWER-GENERATING UNITS total capacity of **4820** MW

94 TURBO-SETS on 24 heat stations total capacity of **9380** MW

POWER BOILER UNITS **124** capacity of **98069** tons of steam per hour



THE COMPANY'S BRANCHES:

Udomlya Branch

of JSC NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT – Board of Directors of the General Contractor at Kalinin NPP;

Volgodonsk Branch

of JSC NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT – Board of Directors of the General Contractor at Rostov NPP.

THE COMPANY'S REPRESENTATIVE OFFICES:

Volgodonsk

Representative Office of JSC NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT;

Moscow

Representative Office of JSC NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT;

Saint Petersburg

Representative Office of JSC NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT; the decision of its opening was made in 2009.

SUBSIDIARY COMPANIES:

Limited Liability Company Construction Office N°1

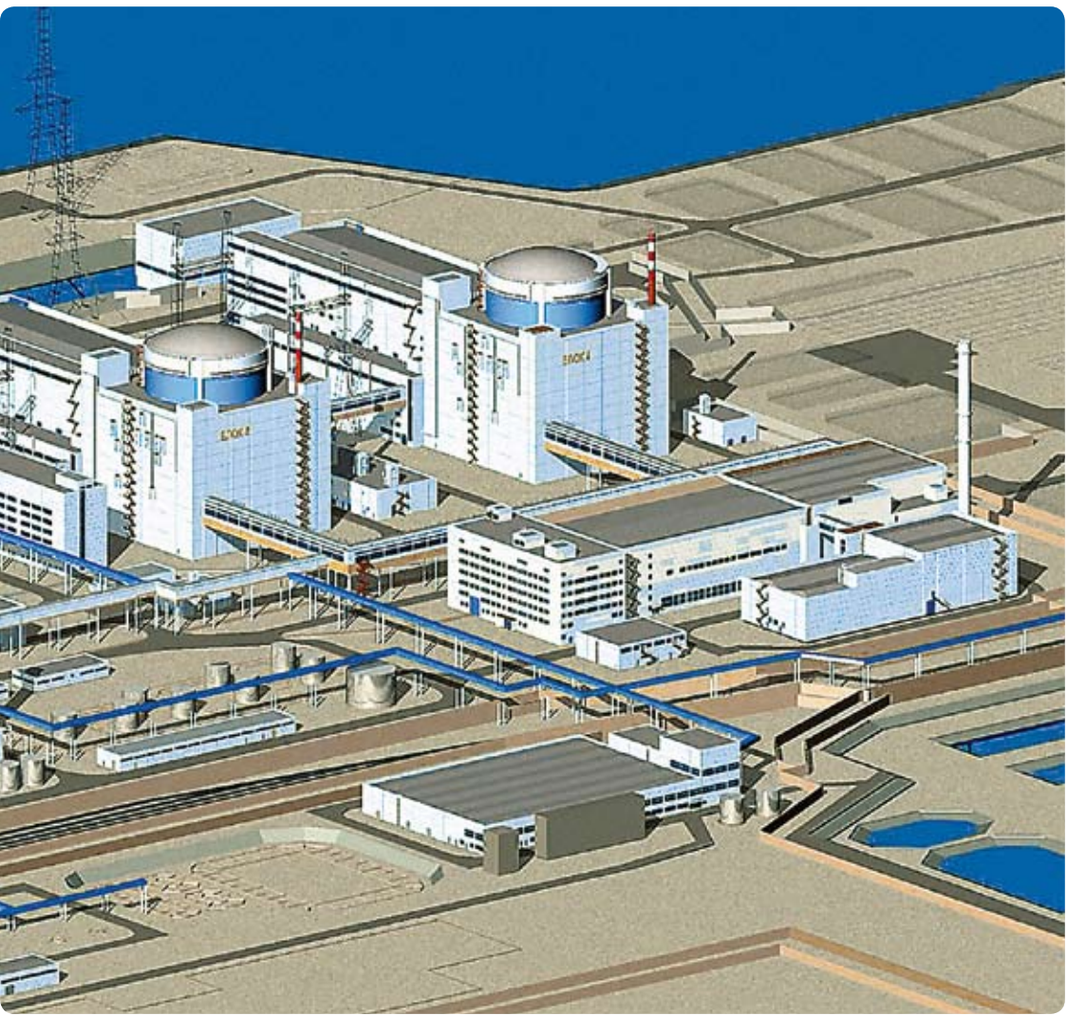
registered by the Interdistrict Inspectorate of the Federal Tax Service of Russia N°4 in Rostov Region (District 6143 in the city of Volgodonsk) on September 2, 2008 at the following address: 27, Old Building of the Directorate of Volgodonsk NPP, the city of Volgodonsk-28 347388 Rostov Region;

Limited Liability Company Construction Office N°2

registered by the Interdistrict Inspectorate of the Federal Tax Service of Russia N°3 in Tver Region (District 6916 in the city of Udomlya and Udomlya District) on October 22, 2008 at the following address: 3, Capital Construction Office of Kalinin NPP, the city of Udomlya 171841;

Limited Liability Company Volgodonsk Erecting Office

registered by the Interdistrict Inspectorate of the Federal Tax Service of Russia N°4 in Rostov Region (District 6143 in the city of Volgodonsk) on September 7, 2007 at the following address: 56, Marshal Koshevoy St., Office 1, the city of Volgodonsk 347386, Rostov Region. NIAEP JSC became a sole member of this company on September 9, 2009.



BACKGROUND

The creation of Gorky Department of Teploenergoproekt Institute in August 18, 1951 was a start-up of the Company. In the 1950s, the Institute was engaged in planning objects of thermal power engineering in large cities of Central Russia.

In the 1955s, the Institute designed Dzerzhinsk Heat Station with turbines capacity of 50 ths. kW and high-performance boilers. In the same 1950s, Vladimir Heat Station, Novogorky Heat Station, Nizhnekamsk Heat Station, Sormovo Heat Station, Kostroma Heat Station, Yaroslavl Heat Station-1, Heat Station-2 and Heat Station-2, Cherepovetsk State District Power Station and others supplemented the list of designed power plants.

In the 1960s, the personnel of the Institute created a complex design of Kostroma State District Power Station, the largest in the USSR, equipped with a unique 1200 MW power unit.

In the meantime, the Company entered the 'atomic era' with projecting Armenian NPP. The Armenian nuclear power plant with two power-generating units of capacity of 410 MW each was constructed in high seismic activity environment, which required the development of earthquake-proof nuclear power unit and installation of safety systems. It was exactly this point that made it possible for the Armenian NPP to stand the Spitak earthquake. Nowadays, Power Unit 2 continues to work in stable mode.

Settlements for power engineers of Cherepovetsk State District Power Station and Kostroma State District Power Station, Kalinin NPP, accommodation units in Nizhny Novgorod were constructed according to the projects of the Institute's Architectural and Planning Workshop.

JSC NIAEP was established under Decree N°556 of the President of the Russian Federation of April 27, 2007 'On Restructuring the Nuclear Power Engineering Complex of the Russian Federation' and Resolution N°319 of the Government of the Russian Federation of May 26, 2007 'On Measures for Creating the Open JSC Nuclear Power Engineering Complex'. The Company was created in the form of transformation and registered by the Inspectorate of the Federal Tax Service of Russia in Nizhny Novgorod District of Nizhny Novgorod on December 18, 2007 under primary state registration number 1075260029240.

JSC NIAEP is a legal successor of the Federal State Unitary Enterprise Nizhny Novgorod Research, Design and Survey Institute Atomenergoproekt.

Nowadays, JSC NIAEP is an engineering company and general designer of nuclear power plants. The Company carries out a full set of design and survey works in construction and modernization of NPP including works related to the choice of a building site, execution of projecting and engineering papers, designer's monitoring of the construction of an NPP and engineering support of its operation as well as arrangement of construction and erection works, starting-up and adjustment works, commission of nuclear power plants, procurement of equipment and materials.

LAST YEARS ACHIEVEMENTS:

- Rostov NPP Unit 1 of 1000 MW capacity was put into service in 2001;
- Kalinin NPP Unit 3 of 1000 MW capacity was put into service in 2005;
- the first criticality of Rostov NPP Unit 2 was made in December, 2009;
- Rostov NPP Unit 2 was launched in March 18, 2010.
- the Company runs its activity abroad as well: projected, supported the operation and reconstructed the Armenian NPP; took part in designing the Bushehr NPP in the Islamic Republic of Iran and the Kudankulam NPP in the Republic of India.
- in June, 2010, Kalinin NPP Unit 4 and Rostov NPP Units 3,4 are being constructed; pre-design documentation for Nizhny Novgorod and Tver NPP is being prepared.

1.2.

THE MISSION AND VALUES

The mission of JSC NIAEP is to further the development and increase the Russian nuclear power industry efficiency by providing a full and qualitative set of engineering services while constructing NPPs and meeting the customer demands.

OUR VALUES:

1. SAFETY

In our activity, we emphasize the development and maintenance of the safety culture as a top priority while constructing nuclear power plants.

The Company pays special attention to the issues related to the availability of physical safety systems, competence of the operative personnel as far as safety requirements while executing works at physical start-up are concerned, preparation of working sites of the operating personnel, execution of fire safety requirements, emergency preparedness of NPP and readiness of the personnel to act in emergencies. The main priority of activities of JSC NIAEP in minimization of negative ecological impact is to ensure nuclear and radiation safety in all plants where nuclear technologies are used. According to the outcomes of 2009, the Company's impact on ecology does not exceed maximum permissible values; therefore, punitive sanctions for infringement of ecological legislation were not imposed to the Company in the reporting year.

2. MEETING OUR CUSTOMER DEMANDS

We render high-technology services focusing on meeting our customers' demands in observing all quality and safety requirements.

JSC NIAEP aspires to form transparent relations with its customers. This is achieved by constant analysis and research of our customers' needs and expectations, honest and professional work of our personnel and perfect execution of all obligations.

3. CONSTANT ENHANCEMENT OF COMPETENCE

It is important for us to constantly improve knowledge and practical skills in all key activities necessary for implementing our projects. Adoption of innovation technologies allows us to increase the efficiency and quality of all process of our activity.

In 2009, 363 employees of JSC NIAEP raised their qualifications; on average, 32 hours of training were spent on one employee during the reporting period. In 2009, Company's specialists, cooperated with Toshiba, studied the course in the technology of 6D projecting for the first time in Russia, mastered it and partly introduced it in practice.

4. CORPORATE SOCIAL RESPONSIBILITY

We possess all licenses required for engineering activity; we pay taxes, treat nature carefully and are attentive to our employees. We are responsible for our results to Russian nuclear industry, residents on the territories of our presence, the Company's employees, business partners and society on the whole.

In 2009, JSC NIAEP completely fulfilled its obligations related to observation of employees rights, payment of respectable salaries, provision of a complex of social guarantees and benefits and interaction with the trade union. In the reporting period, RUR 85 mln. were transferred for social needs; in total, the expenses on social corporate programs amounted to 6% of the salary fund. The amount of finance placed to charity increased by 4.5 times as compared to the level of 2008 and amounted to RUR 138 mln. During the reporting period, the Company conducted three public consultations with the parties concerned; the consultations touched upon the issues related to construction of nuclear plants.

5. COOPERATION AND EXCHANGE

We constantly keep in touch and exchange experience both with Russian and foreign companies and specialists in the key fields of our activity. We hire the best external specialists and experts, when needed.

Mainly, thanks to successful collaboration of different specialists and organizations, the first cricality of Rostov NPP Unit 2 was made in 2009. About 14.5 ths. people were occupied at building sites of Kalinin and Rostov NPP for successful fulfillment of the plan for 2009; more than 11.5 ths. people among them are qualified employees. More than 70 subcontract organizations are our partners; about 260 manufacturers and suppliers took part in supplying equipment and materials.

1.3. GENERAL DESCRIPTION OF ACTIVITY

Since 2007, JSC NIAEP has been operating as an EPCM company (engineering – procurement – construction – management). The EPCM model is a principal model of organizations engaged in constructing large production facilities all over the world; it has been effectively working in foreign engineering markets for more than 20 years. The main properties of an EPCM contractor are its experience and skills in arranging projecting, construction and purchase activities, hiring of employees for management and integration of labour of all contractors. JSC NIAEP, as EPCM contractor, conducts its investment projects from projecting to transferring a ready object to the customer.

THE COMPANY'S MAIN ACTIVITIES

The most important task of the Company as general contractor in constructing objects is management of construction of NPP and, hence, management of quality, term and cost of this construction. Several lines of activity are united for successful implementation of this task, namely, projecting, procurement, construction and erection and starting-up and adjustment works.

JSC NIAEP also conducts surveys, grounds investments, fulfils designer's monitoring, takes part in preparation of objects of nuclear power engineering for industrial operating and estimates key technical risks of implementation of the developed projects.

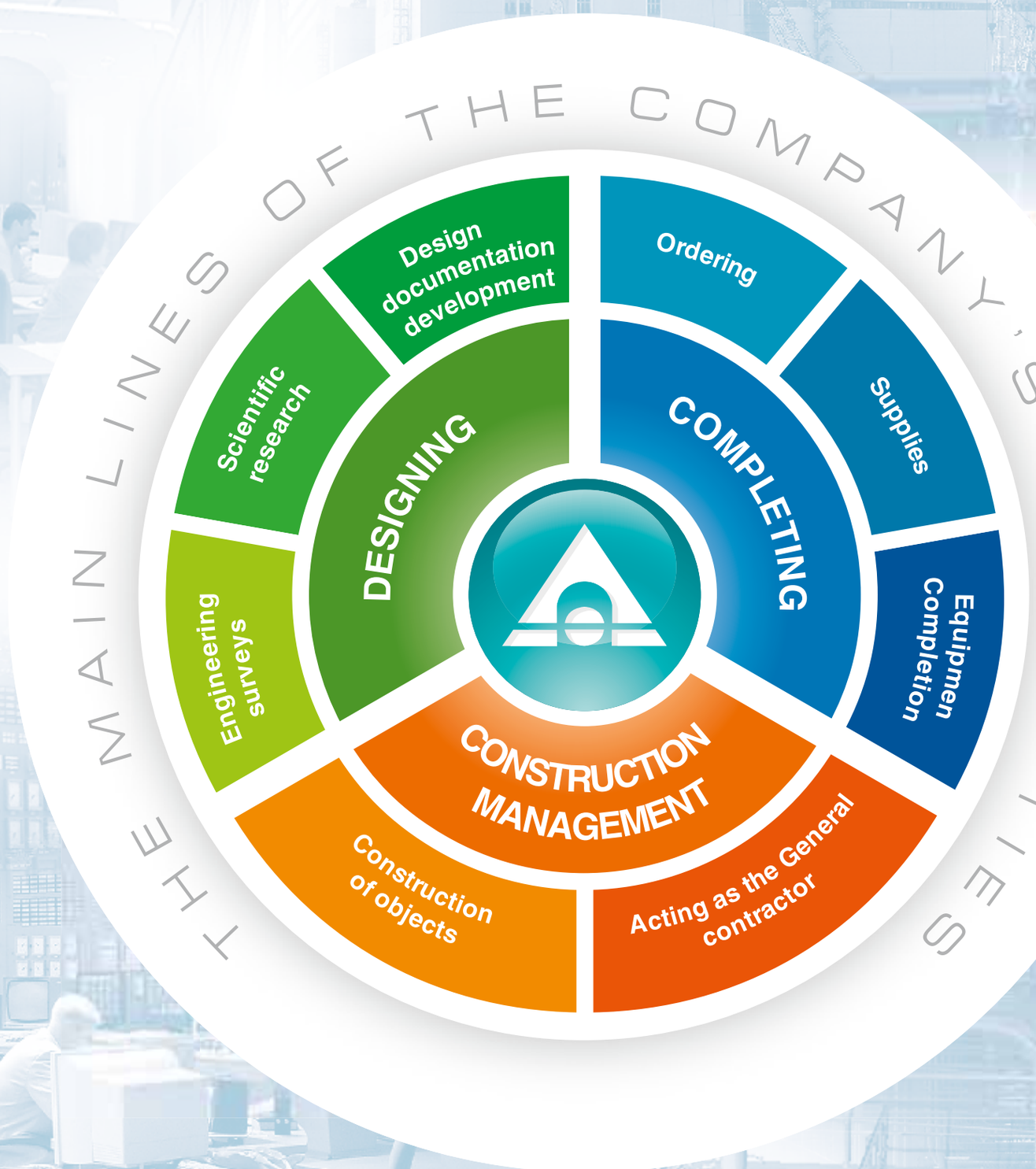


Figure 1.1. ***MAIN LINES OF COMPANY'S ACTIVITIES***

POSITION OF JSC NIAEP IN THE MARKET

Russian market of engineering services can be characterized as actively forming with stable annual growth. The business of rendering services in projecting and constructing power engineering facilities is in active phase for the first time for the last 15 years. Design and survey institutes and construction offices have never posed so many serous tasks since the breakup of the Soviet Union.

Large-scale state programs play an important role in forming this market all over the world. The Energy Strategy of Russia for the period up to 2010 affirmed by the Government of the Russian Federation sets objectives, tasks and principal lines of long-term energy policy of the state. The maximally effective use of natural fuel and energy resources, development of the potential of the energy sector for ensuring an economic growth and increasing the quality of life of the country's population are main objectives of the state energy policy. Thus the generation of power in Russia must increase by two thirds by 2010. To realize these plans, ROSATOM exercises a large-scale program of constructing power units for nuclear power plants. Established in the country engineering companies that construct NPP 'turnkey' are to play an important role in this process.

JSC NIAEP is one of the four such engineering companies operating in Russian nuclear industry. In 2009, nine NPP Units were being constructed on the territory of Russia; on the four power units, the general contractor is JSC NIAEP; on the construction of Novovoronezh NPP-2, the general contractor is JSC ATOMENERGORPOEKT; on the construction of Leningrad NPP-2, the general contractor is Atomenergoproekt Saint Petersburg Research and Design Institute (SPbAEP). These companies construct plants according to new projects that have their specific features, development prospects and competitive advantages.

JSC NIAEP takes an active part in implementing the Program of Activities of State Corporation ROSATOM for long-term period (the years of 2009–2015) affirmed by Resolution №705 of the Government of the Russian Federation of September 20, 2008. This paper specifies the volume and development prospects of the principal market representation of JSC NIAEP, i.e., the market of nuclear power engineering.

According to the effective contract for completing the construction of Kalinin NPP Unit 4, its physical start-up is planned in 2011.

The completion of construction of Rostov NPP Unit 2 heralded a new era of production line method of construction of Russian NPPs. JSC NIAEP, the general contractor of Rostov NPP Unit 2, concluded a contract for constructing Rostov NPP Units 3 and 4. Predesign documentation for Nizhny Novgorod and Tver NPP is being prepared.

As of 2009, 60 NPP Units are being constructed in the world and 9 of them are in Russia. In 2009, JSC NIAEP constructed three power units (Kalinin NPP Unit 4, Rostov NPP Units 2, 3); in 2010, the works for constructing Rostov NPP Unit 4 started. Thus in 2009, JSC NIAEP kept 5% of the world market and 33% of the Russian market of constructing NPP Units.

> 'The engineering company fully responsible for NPP will be interested in shortening the term and cutting down the cost of the project since it can spend the saved money on its development.'
>
> **S. KIRIENKO.**
> General Director of State Corporation ROSATOM

'If we enter into a contract for the main equipment at a stage of preparation for designing already, then we promptly will be able to start the designing and ensure the procurement. Further, thanks to tenders for buying equipment at the designing stage we will gain extra benefits due to the conclusion of futures contracts for 2–3 years in advance. In the near future, we are planning to pay special attention to the measures to increas guarantees of procurement.'

V. LIMARENKO
Director of JSC NIAEP

RELATIONS WITH CUSTOMERS, CONTRACTORS AND SUPPLIERS

The relations with customers, contractors and suppliers are schematically shown in Fig. 1.2.

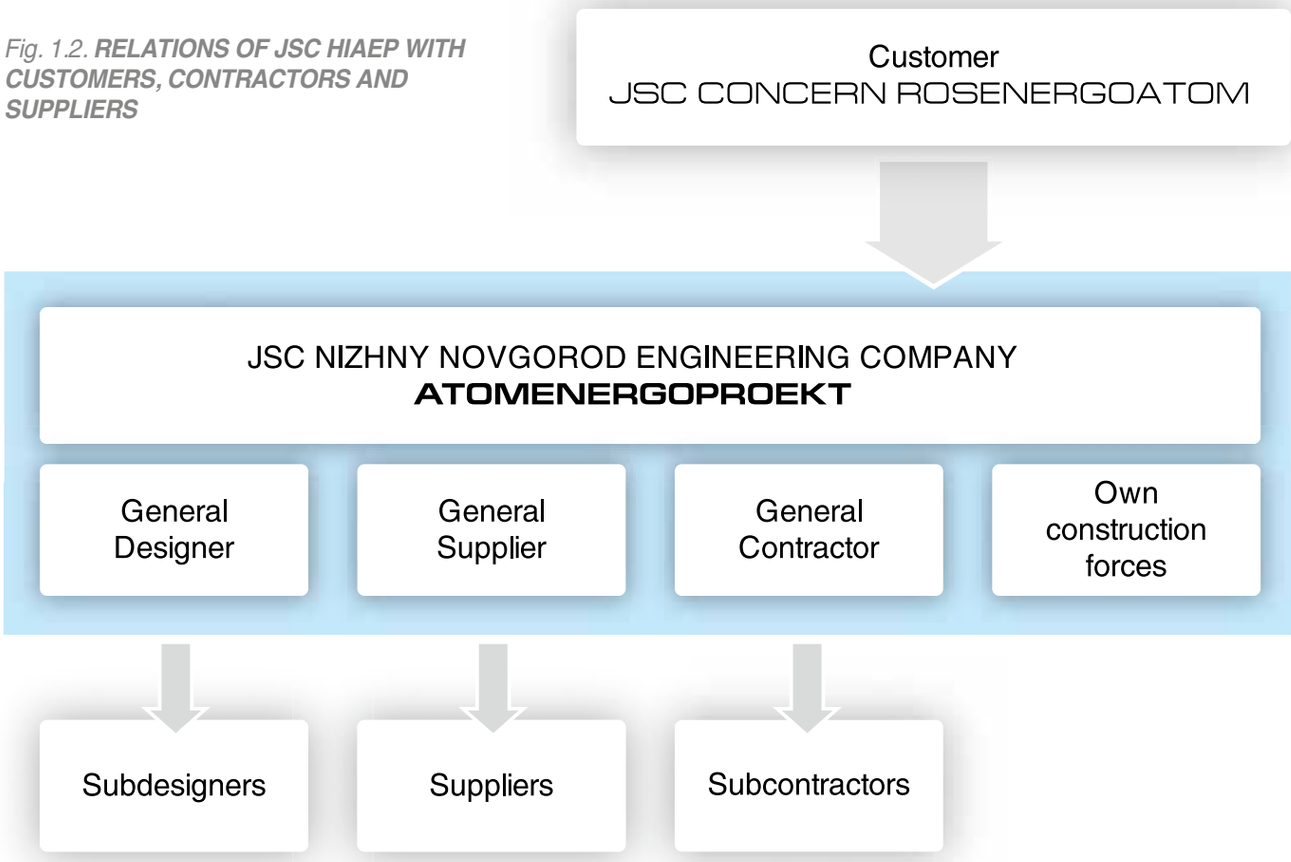
The main customer of JSC NIAEP is JSC CONCERN ROSENERGOATOM entering State Corporation ROSATOM. Hence customers and commodity market, volumes of work, terms of their execution and geographic boundaries are defined and affirmed within the activity of State Corporation ROSATOM. Nowadays, the customer represented by JSC CONCERN ROSENERGOATOM ensures the fulfillment of all works related to the preparation to construction including land issues and licensing.

One of the most important technologies to control quality, terms and cost of construction of NPP is related to the creation of a competitive environment. After transformation into an engineering company, JSC NIAEP managed to bring together leading construction organizations of Russia engaged in the industry. The projects were presented for them. After analyzing their experience, JSC NIAEP selected several tens of companies and concluded a contractor's agreement with them.

To increase operation efficiency and form a competitive environment, it is possible to develop the interaction with equipment manufacturers at stage of designing objects already.

A specific feature of open tenders is that they are conducted at the stage of designing. This fact makes it possible to consider all parameters of equipment in the project of a future plant that will be supplied to it in several years. JSC NIAEP started buying equipment for completing the construction of Rostov NPP Unit 3 on the competitive basis. The total cost of lots amounted to RUR 4 mlrd.; it was reduced by 25% during the tenders.

Fig. 1.2. ***RELATIONS OF JSC HIAEP WITH CUSTOMERS, CONTRACTORS AND SUPPLIERS***



THE COVERAGE AREA

THE COMPANY CONDUCTS ITS ACTIVITIES AT THREE LEVELS:

- the activity of the Central Office in Nizhny Novgorod, Branches and Representative Offices in Rostov NPP and Kalinin NPP executing management functions (Udomlya and Volgodonsk Branches of the Company and Volgodonsk Representative Office are located at Kalinin NPP and Rostov NPP);
- the activity of Representative Offices in Moscow and Saint Petersburg for interacting with suppliers in the regions and customer;
- the activity of own construction offices, contractor construction, erection and adjustment organizations that execute production functions and are responsible for ecological safety of own activities.

'The construction of Rostov nuclear power plant is very important for the region. First of all, it provides new vacancies. Second, it brings one fourth of all investments into the budget of the region... This is a round and considerable sum of money for the regional budget. The power units construction will supply electric power for Rostov Region and neighbouring districts. Therefore, I have no doubts that the construction of the NPP is a benefit for everybody.'

S. NASAROV
First Deputy of the Governor of Rostov Region

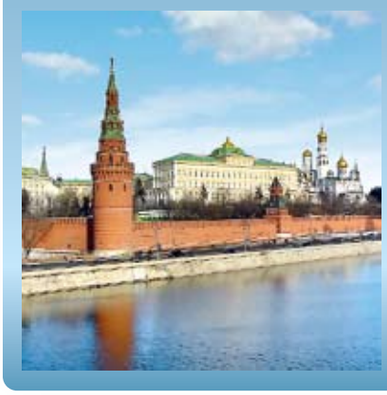
JSC NIAEP is one of the largest budget revenue generating enterprises in Nizhny Novgorod Region; despite the crisis, the Company continues the implementation of social projects and the average level of salary did not decrease as compared to the level of 2008 and amounted to RUR 59 ths. The Governor of Nizhny Novgorod actively cooperatess with representatives of nuclear industry. Together with the Head of State Corporation ROSATOM he signed an agreement specifying all sides of the collaboration.

Nowadays, JSC NIAEP constructs three power units in Rostov Region (Rostov NPP Units 2,3,4) and one power unit in Tver Region (Kalinin NPP Unit 4).

JSC NIAEP AREAS OF ACTIVITY

SAINT PETERSBURG
Representative Office

Moscow
Representative Office



Volgodonsk Branch
of JSC NIAEP

The Board of Directors
of the General Contractor
at Rostov NPP

JSC Nizhny Novgorod
Engineering Company
ATOMENERGOPROEKT

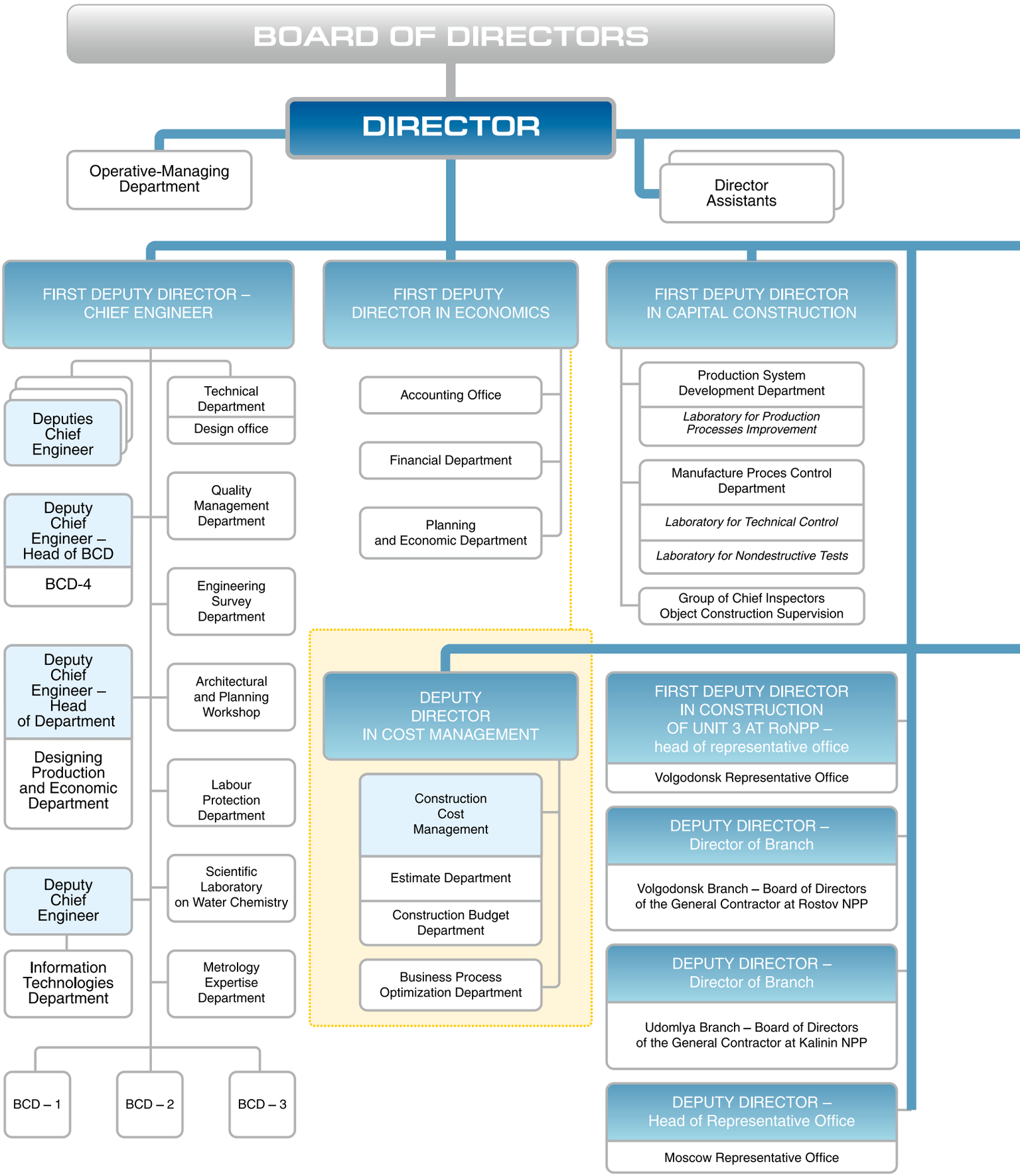
Udomlya Branch
of JSC NIAEP

The Board of Directors
of the General Contractor
at Kalinin NPP

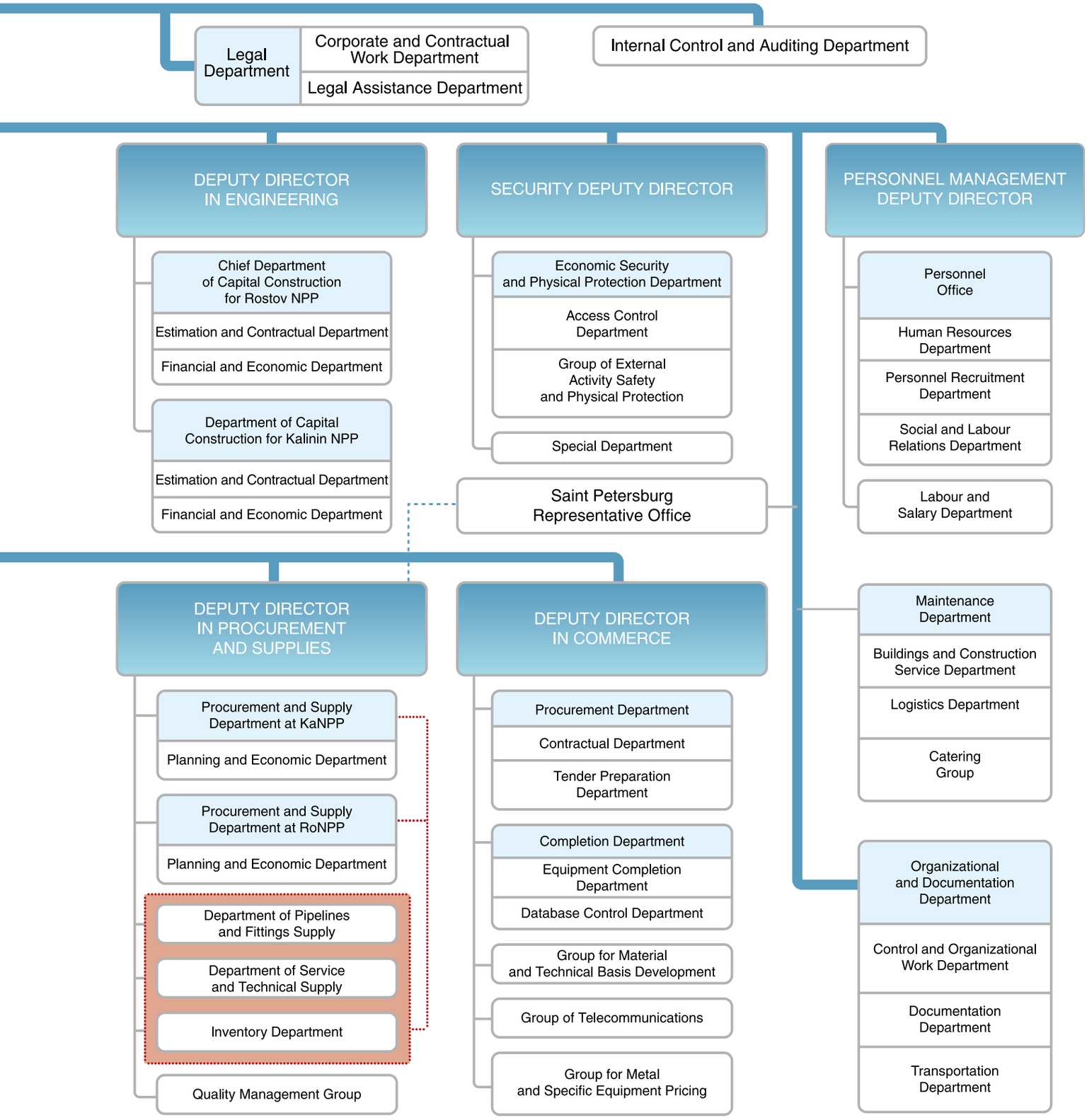
Fig. 1.3.

JSC NIAEP AREAS OF ACTIVITY

Udomlya. Kalinin Nuclear Power Plant


BOARD OF DIRECTORS
DIRECTOR
Operative-Managing Department
Director Assistants
FIRST DEPUTY DIRECTOR – CHIEF ENGINEER
FIRST DEPUTY DIRECTOR IN ECONOMICS
FIRST DEPUTY DIRECTOR IN CAPITAL CONSTRUCTION
Deputies Chief Engineer
Technical Department
Design office
Deputy Chief Engineer – Head of BCD
BCD-4
Quality Management Department
Engineering Survey Department
Deputy Chief Engineer – Head of Department
Designing Production and Economic Department
Architectural and Planning Workshop
Labour Protection Department
Deputy Chief Engineer
Information Technologies Department
Scientific Laboratory on Water Chemistry
Metrology Expertise Department
BCD – 1
BCD – 2
BCD – 3
Accounting Office
Financial Department
Planning and Economic Department
Production System Development Department
Laboratory for Production Processes Improvement
Manufacture Proces Control Department
Laboratory for Technical Control
Laboratory for Nondestructive Tests
Group of Chief Inspectors Object Construction Supervision
DEPUTY DIRECTOR IN COST MANAGEMENT
Construction Cost Management
Estimate Department
Construction Budget Department
Business Process Optimization Department
FIRST DEPUTY DIRECTOR IN CONSTRUCTION OF UNIT 3 AT RoNPP – head of representative office
Volgodonsk Representative Office
DEPUTY DIRECTOR – Director of Branch
Volgodonsk Branch – Board of Directors of the General Contractor at Rostov NPP
DEPUTY DIRECTOR – Director of Branch
Udomlya Branch – Board of Directors of the General Contractor at Kalinin NPP
DEPUTY DIRECTOR – Head of Representative Office
Moscow Representative Office

ORGANIZATIONAL STRUCTURE OF JSC NIAEP's MANAGEMENT



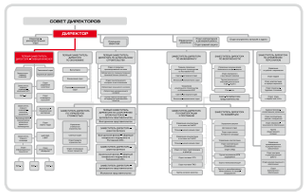
DEPUTY DIRECTORS

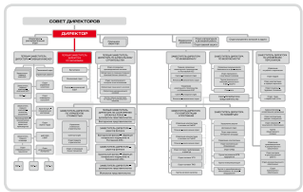
JURY IVANOV
First Deputy Director

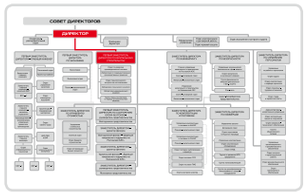
VLADIMIR KATZ
First Deputy Director
in Economics

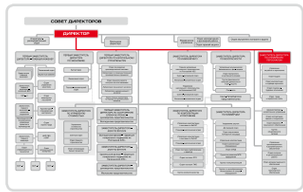
VLADIMIR BELOV
First Deputy Director
in Capital Construction

NIKOLAY SHESHOKIN
Personnel Management
Deputy Director







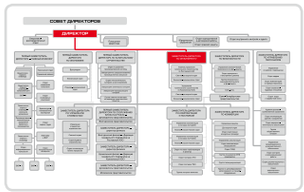


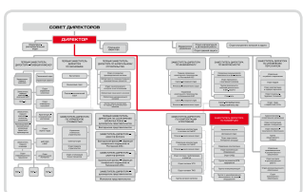
MICHAEL SCHERBAK
Deputy Director
in Engineering

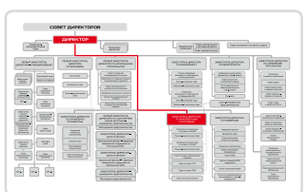
ANDREY MEDVEDEV
Deputy Director
in Commerce

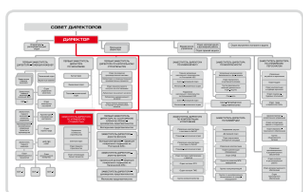
LEONID VAGANOV
Deputy Director in
Procurement and Supplies

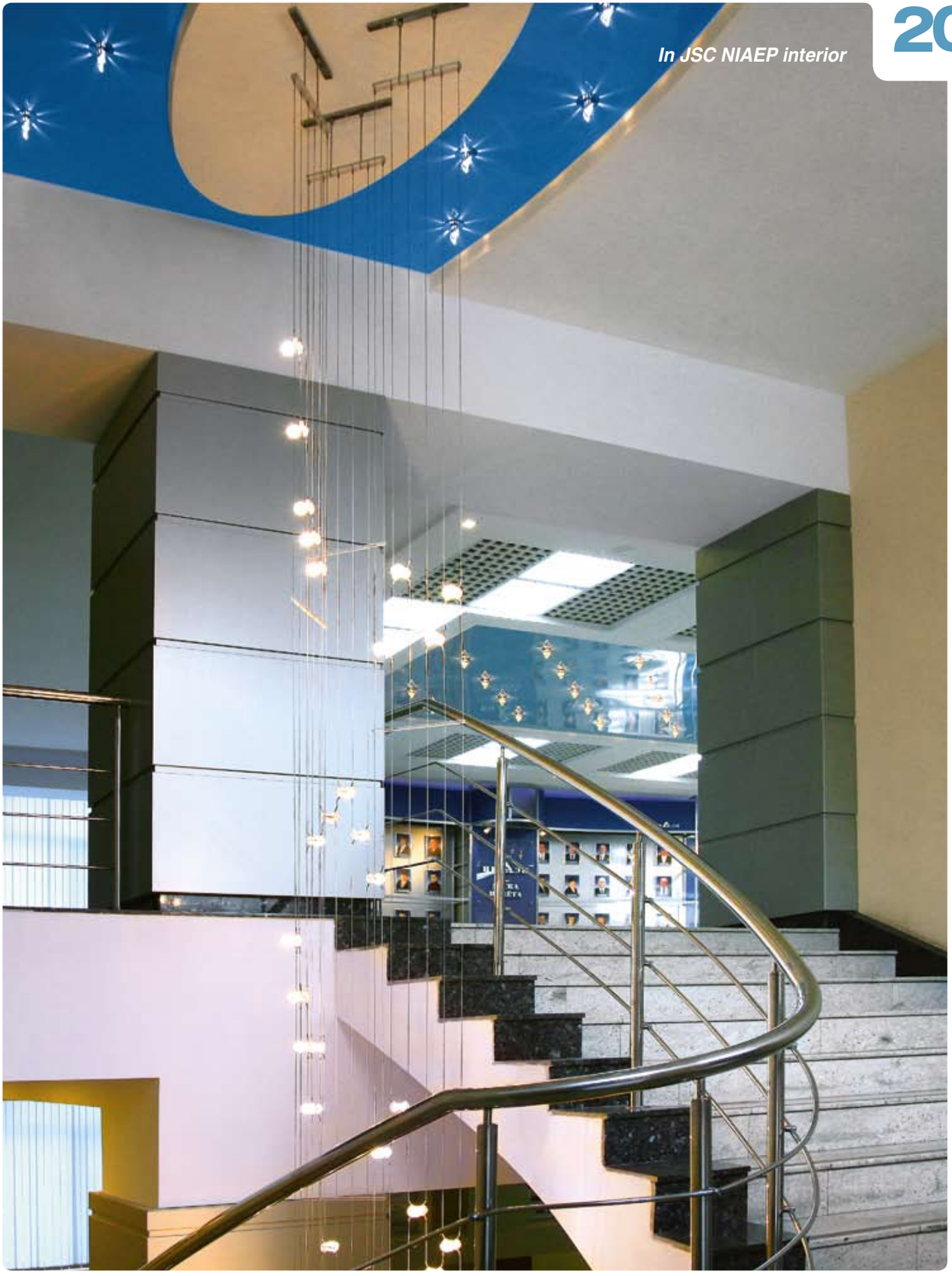
OLEG RYMAR
Deputy Director in Cost
Management







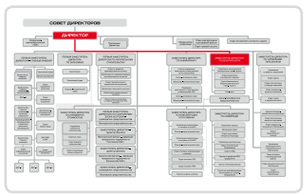




In JSC NIAEP interior

DEPUTY DIRECTORS

VLADIMIR YARYGIN
Deputy Director
on Security



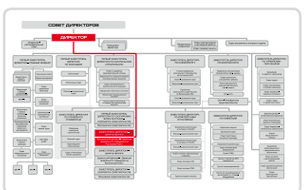
In JSC NIAEP interior

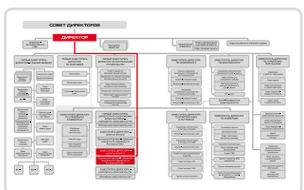
VYACHESLAV MAHONIN
First Deputy Director
in Rostov NPP Unit 3
construction, Head of
Representative Office

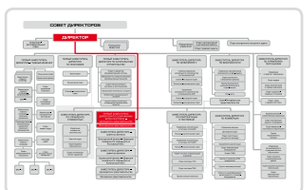
NIKOLAY PETRENKO
Deputy Director,
Director of Volgodonsk
Branch

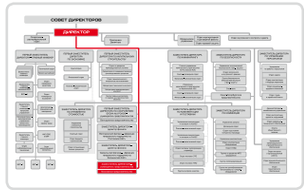
IGOR CRUUZ
Deputy Director of
Udomlya Branch

SERGEY STRELTSOV
Deputy Director,
Head of Moscow
Representative Office









The Nuclear Engineering Fair. JSC NIAEP's exposition

ENSURING NPP CONSTRUCTION SAFETY

At the stage of NPP locating, the site and the region of location are explored to establish dangerous factors of natural and anthropogenic origin from among those that are specified in the regulatory safety documents in order to assess the possibility of their interaction, to forecast the development and to determine the value of their maximal design parameters. If necessary, measures of engineering protection of the site are provided so that to prevent or reduce negative impacts. The materials proving the safety undergo the expertise of Rostekhnadsor during licensing.

At the stage of designing, design documentation is worked out with the fulfillment of all requirements of regulatory safety documents. Moreover, a Safety Proving Preliminary Report (SPPR) and Probabilistic Safety Analysis (PSA) of the first level are elaborated. The project has to undergo both state expertise concerning its conformation to the requirements of nuclear, radiation and other safety prior to the approval and Rostekhnadsor expertise while obtaining a license for construction of NPP Units after the project has been approved.

For the stage of NPP construction, techniques for organizing the construction are developed in the design and working documentation; these techniques ensure the achievement of project indices of safety while fulfilling construction and erection works. Prior to putting NPP into service, the project stipulates an inspection of operability of safety and control systems, of state of base metal and welded joints of elements relating to safety. The general contract organization and the customer execute the supervision of construction and the authors of the project monitor whether works executed at construction correspond to the requirements of technical rules and design documentation. Rostekhnadzor carries out a state supervision of the construction of NPP.

In 2009, the state expertise inspected the design of Rostov NPP Unit 2, 3 and issued a positive conclusion. The licenses for siting and construction of the power units were obtained and their construction began.

‘From the beginning of operation of NIAEP, new vacancies appeared, employment rate and welfare of the population increased. We started the construction of a multi-apartment building for specialists arriving to the site with the following transfer of the apartments to the people on the waiting list. A road to Bologoe that will connect a lot of settlements in Udomlya District is actively constructed. NIAEP takes part in solving many social questions of the region, particularly, it sponsored the wall painting of Knyaz-Vladimirsky Cathedral. All the activities conducted by JSC NIAEP allow us to speak that the Company is a reliable and responsible partner that favourably influences the life in Udomlya District.’

T. PAVLOVA
The Head of Administration of Udomlya locality, Tver Region

1.4. CORPORATE MANAGEMENT

PRINCIPLES AND PLANS FOR THE CORPORATE MANAGEMENT SYSTEM DEVELOPMENT

As JSC NIAEP was reorganized in a joint stock company at the end of 2007, the activities for establishing and modernizing the corporate management of a new structure of the Company started in 2008–2009 and are still in progress. First of all, we are speaking about the development of main principles, business guidelines as to compliance with laws and creation and improvement of social conditions for employees. The main characteristic of the developed principles of corporate management is their applicability to the relations between JSC NIAEP and JSC ATOMENERGOPROM, its one shareholder, between JSC NIAEP and its subsidiaries and affiliates, between the management of JSC NIAEP and its employees. Distribution of information concerning the principles and standards of the corporate management and compliance with them must become its important elements.

The system of corporate management of JSC NIAEP is formed in compliance with the highest international standards and considering interests of the key parties concerned. The Company aims to comply with the Code of Corporate Behavior approved by Resolution №421/P of the Federal Securities Market Commission of April 4, 2002 with due account for specific features of the corporate management with sole shareholder. The information on the compliance with the Code of Corporate Behavior is in Appendix 2.

The principal objective for upgrading the corporate management in JSC NIAEP is improvement of the quality performance and culture of the Company's activities, creation of a flexible system of management of resources. The principal objective for upgrading the corporate management in JSC NIAEP is improvement of the quality performance and culture of the Company's activities, creation of a flexible system of management of resources.

THE BASIC PRINCIPLES OF JSC CORPORATE MANAGEMENT ARE

- accountability;
- responsibility;
- transparency of the Company's activities.

In 2009, these principles were implemented into practice by accepting a series of internal regulative documents including the Provision on the Board of Directors, Provision on the Revisory Commission, Regulation of Interaction between departments of JSC NIAEP for making decisions related to the competence of one member of subsidiaries and other documents.

This annual Report executed in a new extended format reckoning with the best international practice of submitting annual reports by public companies represents an absolutely new level of transparency, interaction with the parties concerned and development of corporate management. The annual Report for 2009 should become a significant document in further refinement of the corporate management system of JSC NIAEP.

IN 2010, THE COMPANY PLANS TO EXECUTE:

- Standard of Public Accountability of JSC NIAEP;
- Regulation of Information Interaction with subsidiary companies for the purpose of accomplishing annual public reports;
- Regulation of preparation and accomplishing annual public reports including the interaction with the parties concerned within the limits of accountability;
- Regulation of internal auditimg of non-financial data of the public accountability.

It is planned that these documents will cover not JSC NIAEP only but also all its subsidiaries and affiliates. Thus the Company plans to perfect the corporate management not inside its structure only but within the framework of the whole group of JSC NIAEP. The execution of a series of internal regulative documents prompting the construction of an effective system of exchange and processing of data will allow JSC NIAEP to move to a higher level of management.

AUTHORIZED CAPITAL AND REGISTERED PAPERS

In May 14, 2009, the sole shareholder of the Company-JSC ATOMENERGORPOM made a decision to increase the authorized capital of JSC NIAEP by placing extra 83 340 000 ordinary registered shares with nominal value RUR 1 per each share.

As of December 31, 2009, the sum of the Company's authorized 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.

CORPORATE MANAGEMENT BODIES AND PRINCIPAL DOCUMENTS

The Company's management bodies are the General Meeting of Shareholders (sole shareholder - JSC ATOMENERGOPROM), the Board of Directors and the Director (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. In 2009, the sole shareholder affirmed the Provision on the Board of Directors that specified and gave details about its functioning, the procedure of work and decision making.

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

In 2009, the Company's sole shareholder made 5 decisions.

The Board of Directors of JSC NIAEP bases its activity on the provisions of Federal Law N°208-ФЗ 'On Joint Stock Companies', the Articles of Association of the Company and the Provision on the Board of Directors of the Company. According to the new Articles of Association affirmed by decision of the sole shareholder N°4 of August 6, 2009, the Board of Directors also affirmed a credit and purchasing policy of JSC NIAEP that specifies the trend of the Company's activities in compliance with the objectives and tasks of State Corporation ROSATOM.

COMPOSITION OF THE BOARD OF DIRECTORS

as of December 31, 2009

the composition of the Board of Directors acts under Decision of One Shareholder N°3 of June 30, 2009

TRAVIN Vladimir Valentinovich

Travin Vladimir Valentinovich was born in the settlement of Bolshoe Kosino of Balakhna District in Gorky Region in 1960. In 1983, he graduated from Moscow Institute of Physics and Technology; in 1995, from Arzamas Polytechnic School. Travin V.V. has an award of the Government of the Russian Federation for a substantial contribution to development and implementation of the federal target program 'International Thermonuclear Reactor'. He commenced his work in the Russian Federal Nuclear Center – The All-Russian Research Institute of Experimental Physics in the city of Sarov. Later he held executive positions in the largest Russian banks and oil companies. In 2005, Travin V.V. was the Director of JSC Arzamas Experimental Enterprise; from 2005 to 2006 he was Adviser of the Head, Deputy of the Head of Nuclear Energy State Corporation ROSATOM. From 2007 to 2010, he is the Director of JSC ATOMENERGOPROM. Since 2007, Travin V.V. is a Member of the Board of Directors. He does not have a share ownership in the authorized capital of JSC NIAEP.

SHLYGIN Oleg Yurievich

Shlygin Oleg Yurievich was born in the city of Kemerovo in 1960. In 1983, he graduated from Moscow Institute of Physics and Technology; in 1990, he finished postgraduate studies. Shlygin O.Y. has more than 20 scientific papers and two inventions. From 1998 to 2000 he held the position of the Head of Department of JSC Transneft; in 2002–2007 he was the Deputy of the General Director in Strategic Development of LUKOIL-Nizhegorodnefteorgsintez, of the Head of the Development and Monitoring Department for projects of the General Engineering Department at Globalstroy-Engineering JSC. From 2007 to 2010, Shlygin O.Y. is the Director of Department for Engineering Activity Ensuring at JSC ATOMENERGORPOM. Shlygin O.Y. is a Member of the Board of Directors of JSC NIAEP since 2008. He does not have a share ownership in the authorized capital of JSC NIAEP.

SERGEEV Evgeny Dmitrievich

Sergeev Evgeny Dmitrievich was born in 1951 in Leningrad. In 1974, he graduated from Leningrad Mechanical Institute specializing in 'Ground Facilities'. From 1998 to 2006, he held the position of the General Director of JSC Izhora Plants; from 2006 to 2008, he was the General Director of JSC United Heavy Machinery Plants (Uralmash-Izhora Group). From 2007 to 2009, Sergeev E.D. was the Director of the Department of Integrated Client at JSC ATOMENERGOPROM. Since 2009 till present, he is the Director of the Branch of the Directorate of Integrated Client at JSC ATOMENERGOPROM. Sergeev E.D. is a Member of the Board of Directors of JSC NIAEP since 2009. He does not have a share ownership in the authorized capital of JSC NIAEP.

LIMARENKO Valery Igorevich

Limarenko Valery Igorevich was born in 1960 in Kharkov. In 1983, he graduated from Kharkov Aviation Institute specializing in 'Liquid-Propellant Jet Engines'. From May, 2001 to December, 2003, he was the Minister of Construction, Power Engineering, Housing and Utilities and Information Technologies of the Government of Nizhny Novgorod Region. From December, 2003 to 2005, Limarenko V.I. was the Chief Federal Inspector in 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 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 NIAEP. Limarenko V.I. is a Member of the Board of Directors of JSC NIAEP since 2007. He does not have a share ownership in the authorized capital of JSC NIAEP. The amount of the Director's renumeration is specified according to the labour contract. The Company's Director acts under Decision of Company's Sole Shareholder N°1 of December 22, 2008.

TOLSTOUKHOV Dmitry Alexeevich

Tolstoukhov Dmitry Alexeevich was born in 1966 in Moscow. In 1993, he graduated from Moscow Power Engineering Institute (Technical University); he is a Ph.D. in Technics. From 1998 to 2006, Tolstoukhov D.A. was a Senior Research Fellow, Head of the Laboratory and Director of the Prognosis and Information Department. From 2006 to 2008, he was the Head of the Department for Technical and Economic Simulation of Nuclear Industry Development at Federal State Unitary Enterprise Central Research Institute of Control, Economics and Information of ROSATOM. From 2008 to 2010, Tolstoukhov D.A. was the Director of the Department of Investment Object Cost Control of JSC ATOMENERGOPROM. Since March of 2010, he is the Head of Department of Investment Object Cost Control of the Capital Construction Department at State Corporation ROSATOM. Since 2009, Tolstoukhov D.A. is a Member of the Board of Directors of JSC NIAEP. He does not have a share ownership in the authorized capital of JSC NIAEP.

In 2009, 24 meetings of the Board of Directors were held where decisions in 5 lines were considered and made:

- approval of the documents that are important for the Company;
- appointment of heads of structural subdivisions;
- approval of deals;
- making decisions about the participation in organizations;
- making decisions related to floating an additional issue of Company's shares.

The report on the principal activities of the Board of Directors of JSC NIAEP is in Appendix 1.

The Company's has a position of the Secretary of the Board of Directors. Being supported by the Legal Department of JSC NIAEP, the Secretary organizes activities of the Board of Directors, prepares materials for meetings of the Board of Directors and stores records of meetings of the Board of Directors.

After the Company analyzed whether the current practice of the Board of Directors' activities complies with the Code of Corporate Management, it was established that they are in conformity in key aspects. Some provisions of the Code are inapplicable due to a specific character due to the presence of the sole shareholder (see Appendix 2).

By the decision of the sole shareholder, it is possible to pay remunerations to the members of the Board of Directors during the fulfillment of their duties and (or) compensate expenses caused by the execution of their obligations as members of the Board of Directors. The amount of such enumerations and compensations are fixed by the decision of the sole shareholder. In 2009, according to the outcomes of the performance of the Board of Directors, the sole shareholder did not make 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 made by the auditing commission, an independent auditor and the Internal Control and Auditing Department of JSC NIAEP.

The service of internal audit, which reports directly to the Company's Director, was created in September of 2009 for increasing the efficiency of internal control and risk management. Its main task is to ensure that the Company, its branches, representative offices, subsidiaries and affiliates achieve the following objectives:

- Efficiency and economy of main business processes;
- Preservation of assets;
- Completeness and reliability of financial, statistical, management reports, financial statements and other reports;
- Compliance with laws of the

The internal control and audit are executed in accordance with the schedule of control events agreed with the Internal Control and Auditing Department of State Corporation ROSATOM and in compliance with decisions of the management bodies of JSC NIAEP, orders and directives of the sole executive body of the Company.

THE MAIN LINES OF THE ACTIVITY OF THE INTERNAL CONTROL AND AUDITING DEPARTMENT IN 2009 WERE

- creation of the Company's internal control and audit system;
- development and agreement of a schedule of key events with State Corporation ROSATOM;
- development and implementation of an Inspection Planning and Conducting Technique;
- professional development of the employees of the Internal Control and Auditing Department concerning the issues of capital construction and procurement activity;
- execution of inspections and official inquiries by the order of the Company's Director.

In 2009, the Department carried out 18 inspections and official inquiries; according to the obtained results, the events to eliminate the detected breaches and violations aimed to reduce risks in the financial and economic activity were developed. Disciplinary and material penalties were imposed to six officials.

Nexia Pacioli LLC, a member of self-regulating organization Noncommercial partnership Institute of Professional Auditors, is an independent auditor of the Company. Nexia Pacioli LLC was for the first time chosen as auditor of JSC NIAEP in 2009 according to the Decision of the sole shareholder of the Company of June 30, 2009. On February 19, 2010, Nexia Pacioli LLC inspected the financial statements of JSC NIAEP for the year of 2009. According to the auditor's conclusion, the financial statements of JSC NIAEP for the year of 2009 reliably represents the financial position of JSC NIAEP in all significant aspects as of December 21, 2009 and the results of its financial and economic activity from January 1, 2009 to December 31, 2009.

Moreover, the annual General Meeting of Shareholders annually elects a Control Commission of the Company for the purpose of controlling the financial and economic activity. By Decision N°3 of the Annual General Meeting of Shareholders of JSC NIAEP of June 30, 2009, the Control Commission including Koroteeva Tatiana Alexandrovna, Kats Vladimir Lasarevich and Lychagina Ekaterina Alexandrovna was elected.

The competence of the Control Commission is specified by the Federal Law 'On Joint Stock Companies' and the Articles of Association of the Company. The Decision of the Sole Shareholder of JSC NIAEP of September 4, 2009 approved the Provision of the Control Commission of the Company, according to which the Auditing Company reports to the General Meeting of the Shareholders only and does not depend on the officials of the Company's management bodies.

The conclusion of the Control Commission on the results of the year of 2009 is in Appendix 5.

In 2009, the decision for paying remunerations or compensating for expenses to the members of the Controol Commission of JSC NIAEP due to the fulfillment of their duties was not made, the remunerations were not paid and compensation of expenses was not conducted.

DIVIDENDS 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 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 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 - 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 2008, there was made Decision N°3 of the Sole Shareholder of June 30, 2009 to pay dividends in the amount of RUR 367 049 670. The payment of dividends (less profit tax was made by transferring the money to the settlement account of JSC ATOMENEGORPOM during 60 days as of the decision making.

1.5. STRATEGY

A strategic plan of the Company for the period from 2009 to 2020 was formed in compliance with the Program of Activity of State Corporation ROSATOM for the long-term period (2009–2015) (approved by Resolution N°705 of the Government of the Russian Federation of September 20, 2008).

STRATEGIC SIGNIFICANCE OF THE ACTIVITY OF JSC NIAEP IN THE NUCLEAR INDUSTRY OF THE RUSSIAN FEDERATION

Commissioning of Rostov NPP Units 2,3,4 and Kalinin NPP Unit 4 is one of the key elements of the Program of Activity of State Corporation ROSATOM for the long-term period of 2009–2015. Rostov NPP-2 and Kalinin NPP-4 are the first power units constructed within the implementation of the Program. JSC NIAEP also counts on winning in the tender for constructing Nizhny Novgorod NPP Units 1 and 2.

The strategy of JSC NIAEP:

To become a leading engineering company in the nuclear industry of the Russian Federation and ensure its presence in the medium term in the world market of engineering services in constructing nuclear power plants by creating a competitive project of NPP based on the VVER-1000 project by applying effective technical and technological solutions in construction and development of key engineering competences.

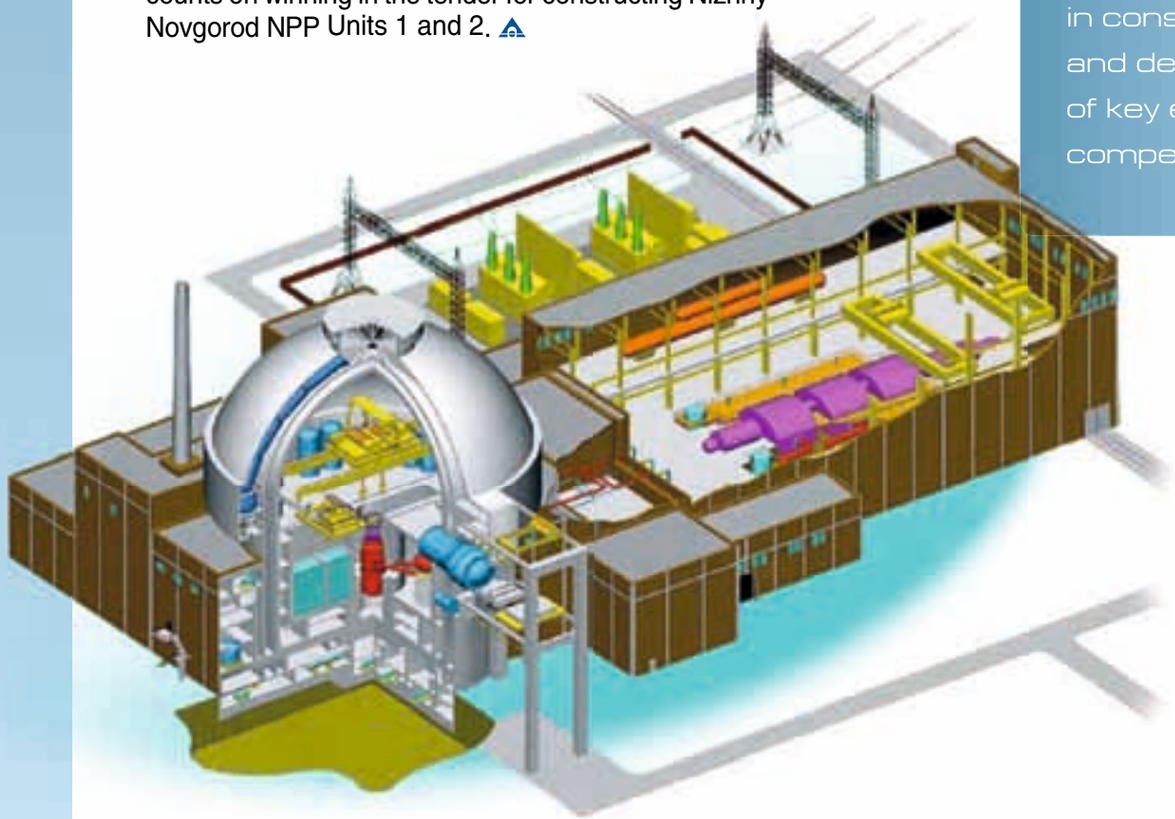
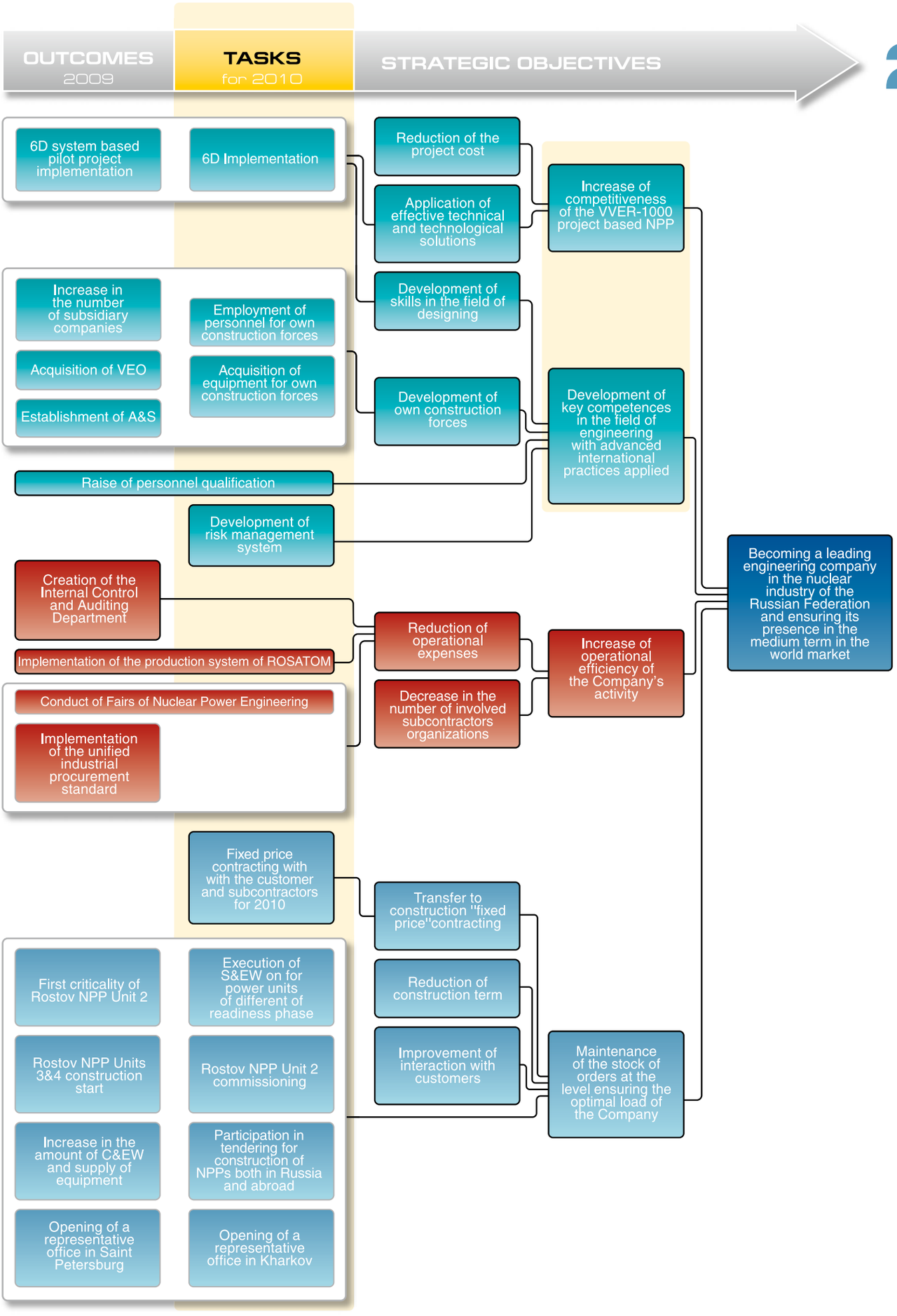


Fig.1.4.
MAIN VIEW OF THE NPP-2006 BASED ON VVER-1000 PROJECT


OUTCOMES
2009
TASKS
for 2010
STRATEGIC OBJECTIVES
6D system based pilot project implementation
6D Implementation
Reduction of the project cost
Application of effective technical and technological solutions
Increase of competitiveness of the VVER-1000 project based NPP
Increase in the number of subsidiary companies
Employment of personnel for own construction forces
Acquisition of VEO
Acquisition of equipment for own construction forces
Establishment of A&S
Development of skills in the field of designing
Development of own construction forces
Development of key competences in the field of engineering with advanced international practices applied
Raise of personnel qualification
Development of risk management system
Creation of the Internal Control and Auditing Department
Implementation of the production system of ROSATOM
Reduction of operational expenses
Increase of operational efficiency of the Company's activity
Conduct of Fairs of Nuclear Power Engineering
Implementation of the unified industrial procurement standard
Decrease in the number of involved subcontractors organizations
Becoming a leading engineering company in the nuclear industry of the Russian Federation and ensuring its presence in the medium term in the world market
Fixed price contracting with with the customer and subcontractors for 2010
Transfer to construction "fixed price"contracting
First criticality of Rostov NPP Unit 2
Execution of S&EW on for power units of different of readiness phase
Reduction of construction term
Rostov NPP Units 3&4 construction start
Rostov NPP Unit 2 commissioning
Improvement of interaction with customers
Maintenance of the stock of orders at the level ensuring the optimal load of the Company
Increase in the amount of C&EW and supply of equipment
Participation in tendering for construction of NPPs both in Russia and abroad
Opening of a representative office in Saint Petersburg
Opening of a representative office in Kharkov

DESCRIPTION OF THE STRATEGIC OBJECTIVES

Increase of competitiveness of the VVER-1000 NPP project

According to this project, 22 power units were constructed and successfully operate nowadays; 4 power units are being constructed at present. The well-tested project solutions make it possible to easily adapt the project to the conditions of NPP locating. JSC NIAEP has an experience of general contractor while working according to this project. Thanks to it, the construction terms and, hence, investment period of the project decrease and its competitiveness increases.

Application of effective technical and technological solutions

The transfer of the project into the format of 6D-projecting allows reducing the construction terms and decreasing expenses due to the optimization of the erecting technology and number of employed workers.

Reduction of the project cost

The replacement of a part of materials and equipment for the modern ones will reduce the cost of construction.

Development of key competences in the field of engineering with the leading international practices used

The accumulation of competences is the most effective and useful when the Company takes part in designing, construction and supply of equipment and, according to the outcomes of its activity, analyzes the experience and accumulates practical knowledge to improve its activity.

Development of own construction forces

The development of own construction forces up to the level ensuring the execution of a half of works in constructing NPP by own construction forces will help decrease expenses and construction terms due to a greater managing ability of subsidiary construction companies as well as creation of competitive environment.

Development of skills in the field of designing

It is necessary to pay special attention to the issues of implementing advanced technical solutions including automation of technological processes basing on standard solutions.

Increase in operational efficiency of the Company's activity

The shareholder is interested in gaining on business activities that ensure dividend payment and formation of investment resources for further development of JSC NIAEP. Ensuring a profit level required by the shareholder is possible thanks to an effective management of business.

Reduction of operational expenses

The creation of a modern system of procurement with information base on equipment and other resources will make it possible to reduce the cost of construction due to the development of a competitive environment of suppliers and subcontractors.

Decrease in the number of involved subcontracting organizations

The optimization of executed works due to an effective planning of works based on the 6D project.

Maintenance of the stock of orders at the level ensuring the optimal load of the Company

The optimal variant can be viewed as presence of three construction contracts simultaneously with not less than two power units of production line method of construction with commissioning 1 power

unit per year. There are 3 professional engineering teams capable of starting and organizing the construction on three different sites. The optimal construction from the managing ability view point is a simultaneous construction of three objects with the term of construction of a power unit less than 60 months

Transfer to 'fixed price' construction contracts

The 'fixed price' implies the maintenance of a price within the approved project on the whole. The 'fixed price' construction contract provides formation of payment stages and control events that are agreed with the Customer. In 2010, the price has been established for one year. Thus risks of increase in prices for construction produce and materials are transferred to the engineering compan

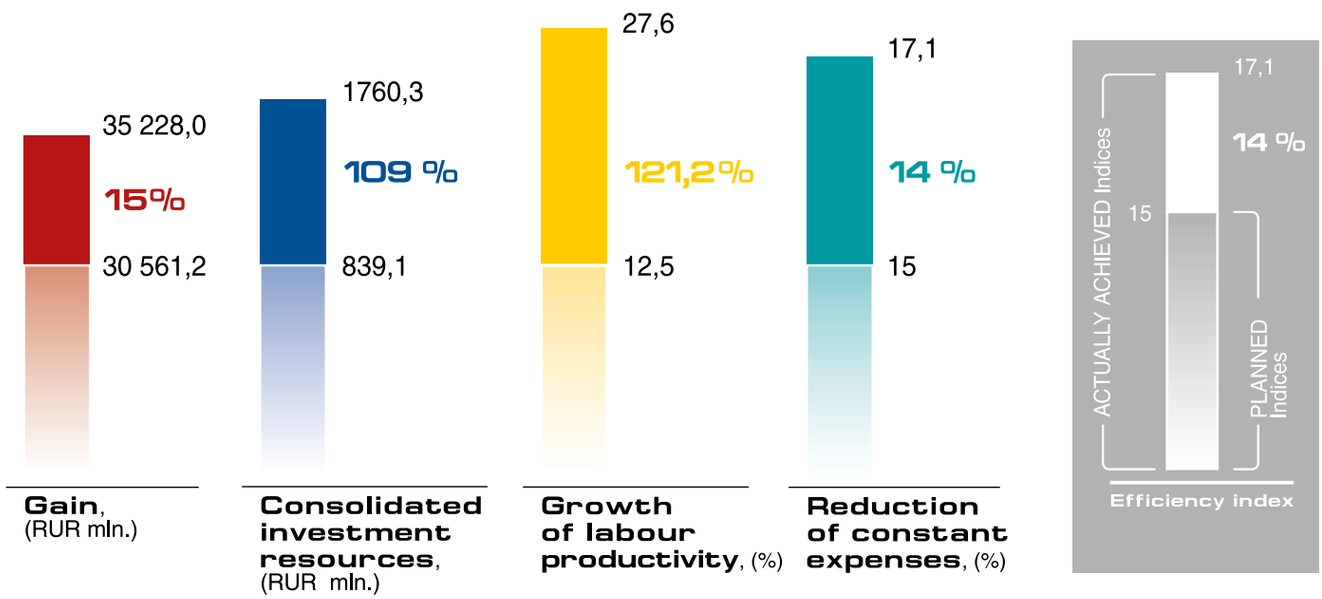
Reduction of construction term

The application of the production line method of construction and flexible construction schedule will make it possible to adapt quickly to occurring deviations. Thanks to the presence of a 6D model of the construction process, it is possible to promptly optimize resources when deviations occur

Improvement of interaction with customers

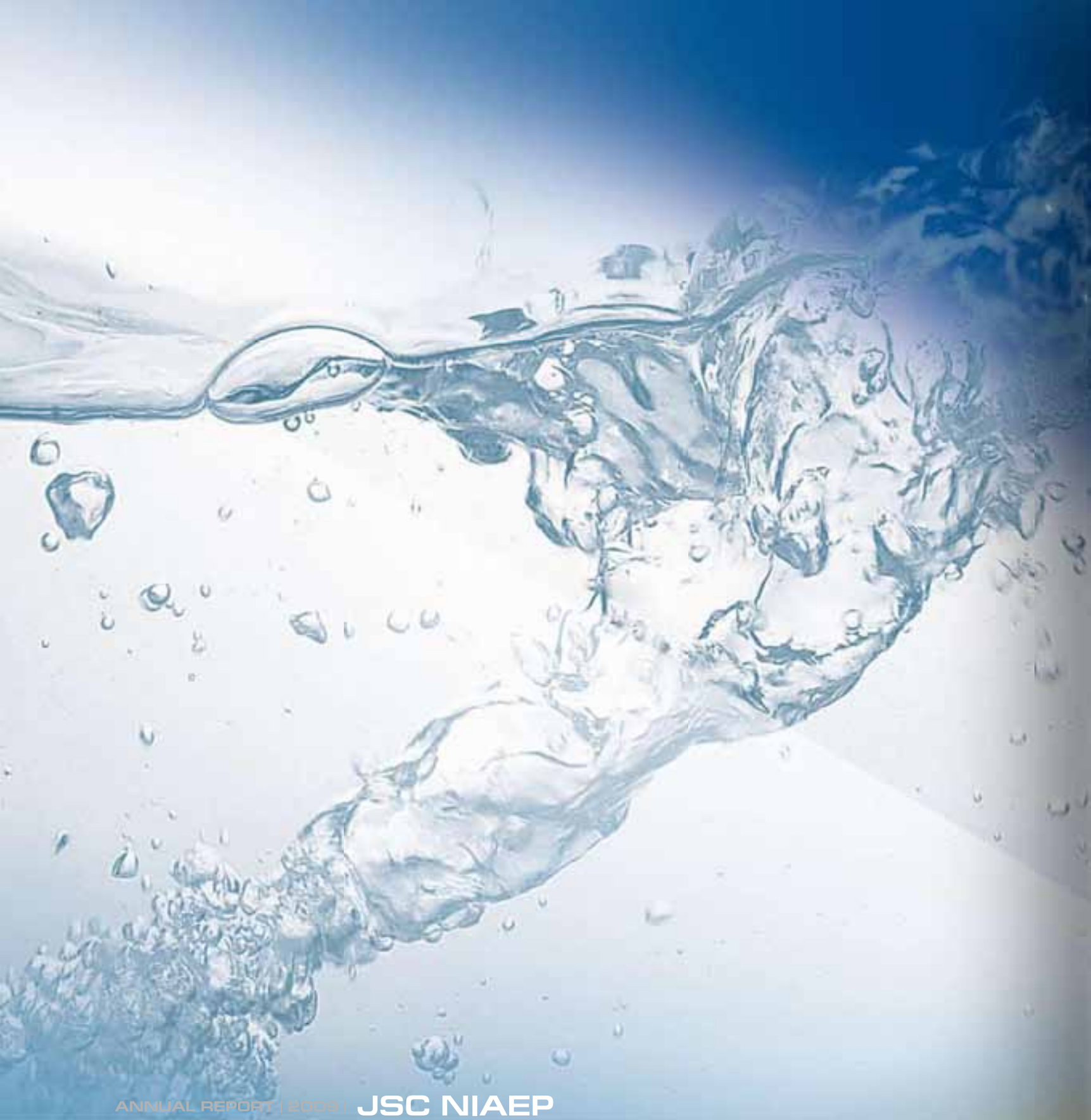
The development of all processes in the Company according to international standards and requirements will ensure participation and victory in tenders for constructing NPP abroad

Fig.1.5.
EFFICIENCY INDICES OF THE STRATEGY IMPLEMENTATION



STRATEGIC RISKS

- Presence of natural monopolists, i.e., suppliers of equipment necessary for NPPs construction.
- Dependence on subcontractors while executing construction & erection works and supplying construction materials.



ANNUAL REPORT | 2009 | **JSC NIAEP**

TURN IDEAS INTO action

2 the reporting period RESULTS

2.1. BASIC FINANCIAL RESULTS

In 2009 the proceeds of JSC NIAEP amounted to RUR 35 228 mln. and it exceeded the similar index of the previous year by nearly twice, i.e. by RUR 17 236 mln. (see Fig 2.1). That change was mainly connected with the rise of construction rates and the growth of construction volumes in the following major projects: the completion of work on Rostov NPP Unit 2, the increase in volume of works on Kalinin NPP Unit 4 and at the early stage of the construction of Rostov NPP Units 3 and 4.

In the Company sales structure (see Fig. 2.1) the volume of services in C&EW performance increased from RUR 9668 mln. to 19252 mln. and came to 55%, the equipment sales volume increased from RUR 5951 mln. to 12640 mln. and came to 36%, proceeds from the accomplishment of design and survey works did not essentially change (RUR 2041 mln.) and came to 6%. Other proceeds amounted 3% in 2009.

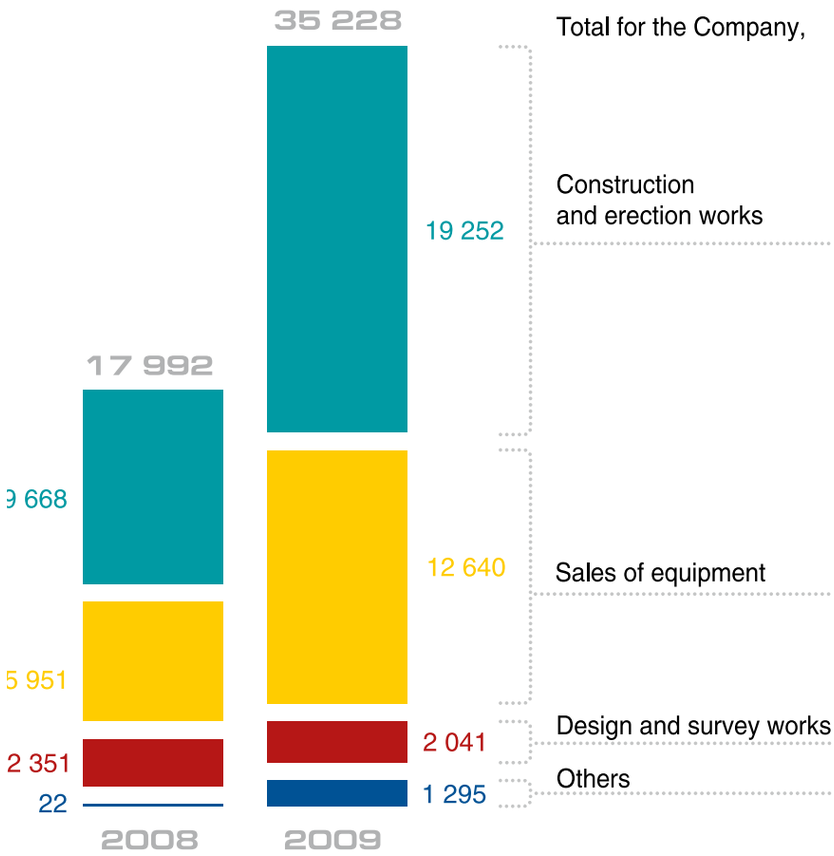


Fig. 2.1. ***STRUCTURE OF PROCEEDS,*** *(RUR, mln.)*

In 2009 the before-tax income was RUR 1686 mln. (see Table 2.1). It was by 53% (RUR 581 mln.) higher than in the previous year. The profitability of sales came to 6.8%. That was by 2.4% below the level of year 2008. The efficiency of activities was also lower (by 1.3%) of the same index in 2008. It was 4.8%. The reduction of economic efficiency was caused by the specific nature of engineering activity, which involved several lines at a time (design and survey works, construction and erection works, equipment delivery etc.) with different rate of returns regulated by normative documents in the field of construction. In major portion (over 85%) the manufacturing costs consisted of subcontractors' works and charges for equipment supplied.

In the total structure of proceeds for year 2009 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 reduced by half. But the volume of construction and erection works and equipment deliveries increased twice.

Financial indices	2008 (RUR, mln.)	2009 (RUR, mln.)	Difference between 2009 and 2008 indices (RUR, mln.)	Ratio of 2009 to 2008 index (%)
Proceeds from sales	17 991 500	35 227 938	17 236 438	195,8
Cost of sales	16 308 311	32 538 964	16 230 653	199,5
Production costs	16 294 852	32 464 244	16 169 392	199,2
Depreciation	13 459	74 720	61 261	555,2
Gross profit	1 683 189 9,4*	2 699 974 7,6*	1 005 785 -1,8*	159,8 80,9*
Operating profit	1 647 951 9,2*	2 401 413 6,8*	753 462 -2,4*	145,7 73,9*
Before-tax profit	1 557 826 8,7*	2 128 966 6,0*	571 140 -2,7*	136,7 69,0*
Net profit	1 104 845 6,1*	1 685 614 4,8*	580 769 -1,3*	152,6 78,7*

* in percent to proceeds.

Table 2.1. ***FINANCIAL INDICES OF JSC NIAEP ACTIVITIES FOR 2008–2009***

FINANCIAL CHARACTERISTICS OF THE COMPANY

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

Based on the results of the financial and economic activities at the year-end of 2009 the Company balance currency increased by RUR 15 936 789 or by 66.6 % because of the increase in the following values:

- fixed assets and incomplete construction (by 1.9 times);
- inventories (by 1.9 times);
- long-term accounts receivable (by 944 times);
- short-term accounts receivable (by 1,1 times);
- cash (by 1,7 times).

And sources of assets formation were increased herewith as follows:

- the Authorized capital – by 1.2 times;
- undistributed profit – twice;
- accounts payable – by 1.7 times.

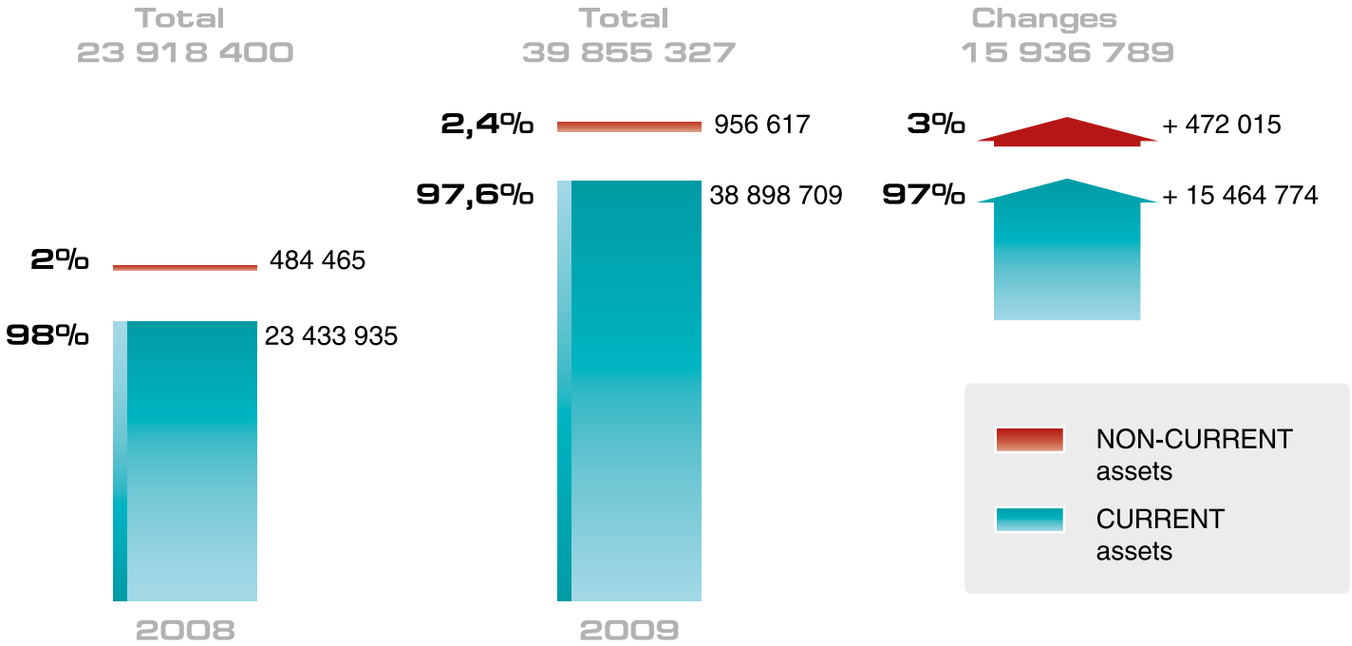


Fig. 2.2. ***THE STRUCTURE OF JSC NIAEP ASSETS IN 2008–2009***

The Company balance structure was mobile as its greater portion (97.6%) was composed of current assets. The most important items of current assets both in 2008 and in 2009 (58 and 56% respectively) became short-term and long-term receivables and cash assets (14% in 2008, 25% in 2009).

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 constituents of a long-term and short-term account receivable are advance payments given to equipment suppliers and subcontractors and those of an account payable were advances granted by the Customer - Developer JSC CONCERN ROSENERGOATOM to effect payments for products of equipment suppliers and subcontractors' services.

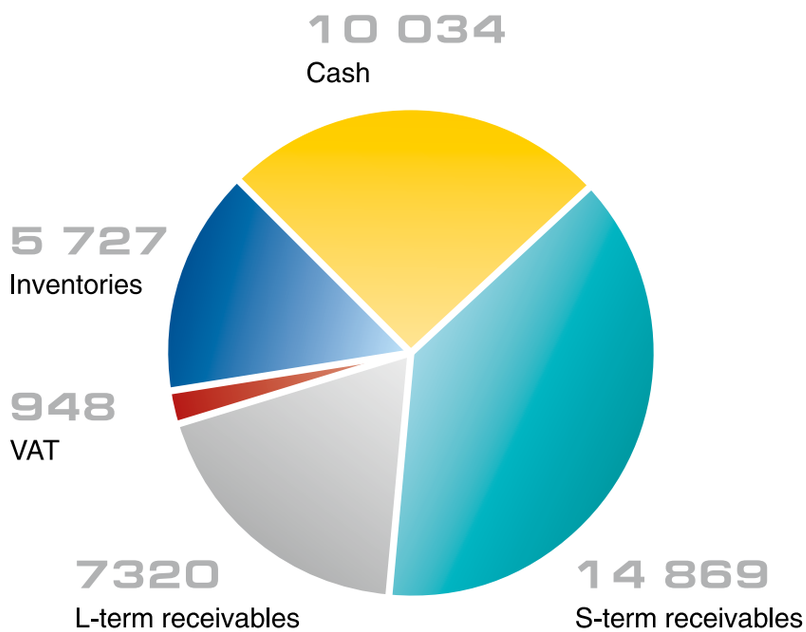


Fig. 2.3. ***THE STRUCTURE OF CURRENT ASSETS AS OF DECEMBER 31, 2009,*** *(RUR, mln.)*

The considerable increase of a long-term account receivable in the reporting period from RUR 7754 mln. as of December 31, 2008 to RUR 7319782 as of December 31, 2009 consisting of advances given was connected with advancing of equipment production (manufacture) with a long-term production cycle.

Accounts payable came to 92.8% in 2008, 92% in 2009. The increase in amounts of received advances from RUR 18490755 as of December 31, 2008 to RUR 30794697 as of December 31, 2009 reflects the increase in scopes of activity.

The rate of the shareholder's equity, which share in the balance currency came to 7.8% as of December 31, 2009 (the similar index of the previous year was 7.1%) increased by 182% in the reporting period. It resulted from the increase in the Authorized capital and the capitalization of earnings obtained in the reporting period.

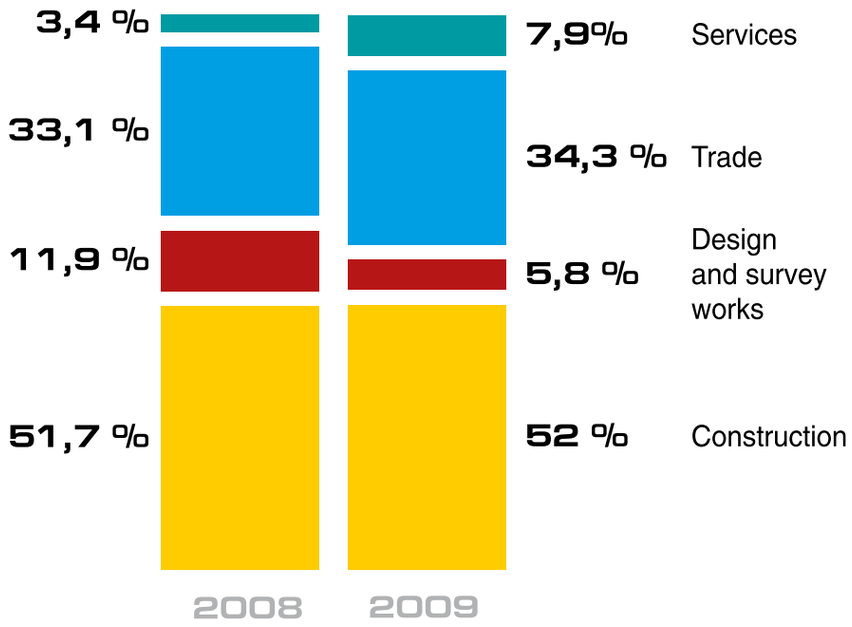


Fig. 2.4. ***SHARE OF RECEIPTS IN OPERATING SEGMENTS***

TAX BURDEN

In compliance with the accounting policy for taxation purposes the Company determines income and expenses by 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 said taxes to the federal budget. As for any other taxes and duties as well as for the income tax (in a part subject to the payment to budgets of constituents of the Russian Federation), the branches and other separate subdivisions of the Company fulfil the taxpayer's obligations in payment of taxes and duties to regional and local budgets under established procedure. In 2009 tax revenues to the budget system of the Russian Federation amounted RUR 2164441, including RUR 1656336 paid to the federal budget.

The amount of taxes subject to the payment in 2009 decreased by RUR 729326 as compared to the amount of tax payments made in 2008. Amounts of taxes subject to the payment to the federal budget in 2009 decreased by RUR 1062060 as compared to the level of year 2008.

VAT

In 2009 the amount of RUR 1278549 was transferred to the federal budget as the VAT payment.

INCOME TAX

The income tax amount (current income tax) for taxation purposes came to RUR 418688 in 2009, RUR 414893 in 2008. It was determined based on the value of conditional expenses (conditional income) adjusted to amounts of recurrent tax liability, deferred tax asset and deferred tax liability of the reporting period.

Pursuant to Nizhny Novgorod Regional Law №26-3 dated April 7, 2009 the income tax amount subject to the payment to the Nizhny Novgorod Regional budget was reduced by RUR 70000 because of using a reduced income tax rate by JSC NIAEP as an entity making financial donations to regional sport teams. In 2009 the Company received neither budgetary funds as the government as-

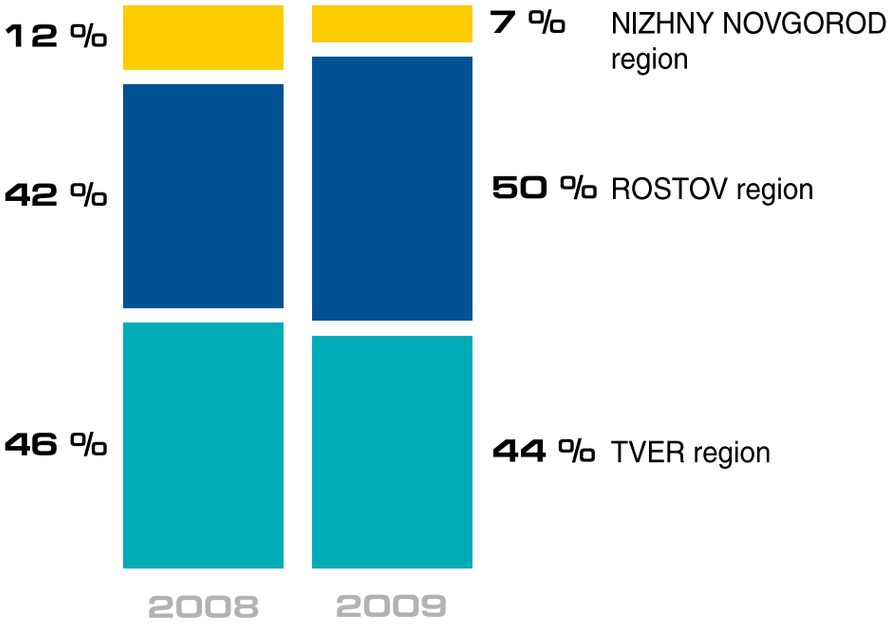


Fig. 2.5. ***SHARE OF RECEIPTS IN GEOGRAPHICAL SEGMENTS***

sistance (subventions, subsidies) nor budgetary credits nor special-purpose financing funds.

EARNINGS PER A SHARE

Basic earnings (loss) per a share are determined as the ratio of basic earnings (loss) per annum (ended in our case on December 31, 2009) distributed by the holder of ordinary shares to a weighted average number of ordinary shares outstanding during the period. The amount of earnings per a share came to RUR 3.3 in 2009, RUR 2.7 in 2008.

REPORTABLE SEGMENTS

The reportable segments of JSC NIAEP are operating and geographical segments (see Table 2.4). Information on operating segments is recognized here as primary information and information on geographical segments as secondary one (see Table 2.5) because the Company risks and earnings are mainly determined by differences in goods manufactured, works done and services provided.

Based on the results of the financial and economic activities for year 2008 the Board of Directors resolved to pay dividends to the shareholders in the amount of RUR 367 mln. The said amount was paid in 2009.

2.2. PRINCIPAL ACTIVITY RESULTS

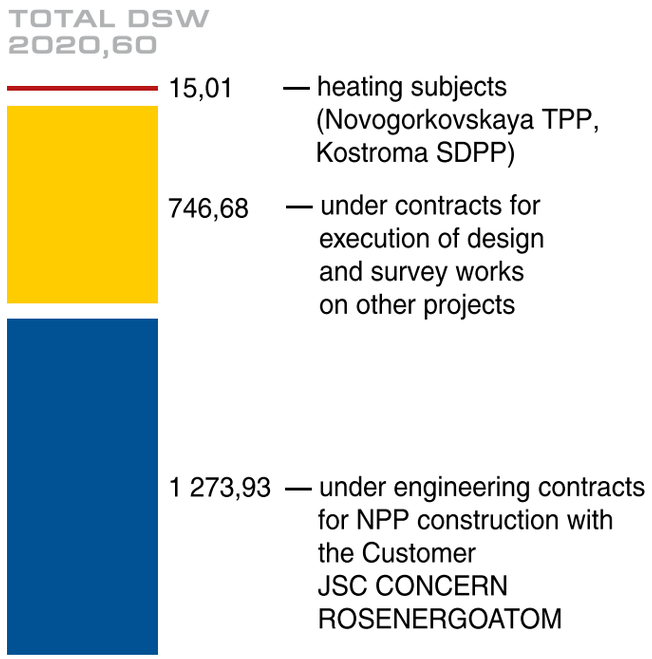


Fig. 2.6. ***DSW EXECUTION IN 2009,*** *(RUR, mln. exclusive of VAT)*

2.2.1. DESIGNING

In 2009 the plan of design and survey works was successfully executed by JSC NIAEP itself in the amount of RUR 1443 mln. without engagement of contracting entities.

The main customer of designing services is JSC CONCERN ROSENERGOATOM. In 2009 the designing block of JSC NIAEP ensured the construction of Rostov NPP Units 2, 3, 4 and Kalinin NPP Unit 4. The elaboration of the preliminary design documentation for Nizhny Novgorod and Tver NPPs was completed including the Investment Substantiation (INSUB), the Environment Impact Assessment (EIA) and documents for obtaining a license for siting. Public hearings were held on the assessment of the environmental impact by the said facilities.

In 2009 the volume of issue of design and estimate documents increased by 20% as compared to the volume of sheets issued in 2008.

At present the design and estimate documentation of JSC NIAEP is the basis for calculations for the financing schedule formation on the customer's part. Thus, in 2009 the practice of the provision with the design and estimate documentation changed – before that the elaboration of documents had been performed during a year for issue into work.

The amount for year 2009 (RUR, 2020 mln.) is specified in Acceptance Reports signed by the Customer (see Tables 2.6 and 2.7); for accounting data there are represented volumes passed via Accounting Program (ПБУ-2) (taking into account works completed but not accepted by the Customer).

A considerable growth of the scope of design works is expected in 2010. The design and survey work plan for year 2010 amounts RUR 2.6 mlrd.. That is by 35% higher of the level of year 2009. The growth of the work scope requires to increase the labour productivity. It is planned to be achieved by using up-to-date information models of power units.

Index	2007 (actual)	2008 (actual)	2009 (actual)	2010 (planned)	2011 (planned)	2012 (planned)
Scope of design and survey works, total (RUR, mln.), including:	969,5	2051	2020,6	2530,5	3087,1	2134,7
Rostov NPP Unit 2	329,8	309,1	250,7	111,1		
Kalinin NPP Unit 4	101,8	497,5	731,2	1106,4	452,8	
Rostov NPP Unit 3(project)		710,8				
Rostov NPP Unit 3		13,2	292,0	757,0	1656,8	1623,7
Rostov NPP Unit 4				300,0	214,3	511,0
Nizhny Novgorod NPP (INSUB + project)			183	217,9	763,1	
Volume of DED issue (f. A1), sheets	42 190	47 090	56 740			

Table 2.2. ***MAIN INDICES OF THE COMPANY'S DESIGNING BLOCK FOR 2007 - 2012***

2.2.2. CONSTRUCTION

The capital investment of the Company in 2009 amounted over RUR 35 mlrd., including about RUR 16 mlrd. exclusive of VAT on the start-up project – Rostov NPP Unit 2. The capital investment is expected to be increase in 2010 up to RUR 46.8 mlrd. The capital investment disbursement plan was fulfilled by 100% in the reporting period.

About 14.5 ths. of persons were engaged in sites of Kalinin NPP and Rostov NPP for the successful realization of the plan of 2009 with over 11.5 ths. of skilled workers among them. Our partners were over 40 subcontracting agencies on the Volgodonsk site and over 30 ones on the Udomlya site. About 260 plants participated in the delivery of equipment and materials for our construction projects.

In 2009 the Company productive forces were increased up to 1241

persons. That is by 954 employees more than in 2008. The staff of Volgodonsk C&EM №1 is 709 persons and 532 persons are engaged in the Company's VD C&EM. To arrange works in the site of Rostov NPP Units 3 and 4, Volgodonsk Representative Office was established and 65 specialists were employed thereto.

ROSTOV NPP UNIT 2

At the year-end of 2009 the scope of completed construction and erection works was for the amount of RUR 7641 mln. in full compliance with the plan.

In 2009 the efforts of the personnel engaged in the construction of Rostov NPP Unit 2 were aimed at the achievement of the main goal – the first criticality of the new power unit.

Before the first criticality of Rostov NPP Unit 2 the Inspection Commission of the Federal Environmental, Technological and Nuclear Supervision Service (Rostechnadzor) has carried out the work for checking the readiness of the personnel, systems and equipment to the first criticality stage as well as acts of readiness in accordance with Process operating procedure of Rostov NPP Unit 2 and Technical requirements for the readiness of systems, equipment and premises of VVER power units to stages of the pre-commissioning works.

The target inspection of Rostechnadzor was preceded by the check-up of Unit 2 by the Commission of JSC CONCERN ROSENERGOATOM (under the supervision of Igor Zonov, Deputy General Director – Director of the Department of Inspection and Control for Safety Assurance of JSC CONCERN ROSENERGOATOM) and by the working Commission under the chairmanship of the Deputy General Director of JSC CONCERN ROSENERGOATOM – Director of Volgodonsk NPP Alexander Palamarchuk.

№	Key Events in Construction of Rostov NPP Unit 2 in 2009	Date
1	The completion of the reactor control assembly	February
2	The completion of erection works on the first circuit systems and support systems by the beginning of flushing to open case of the reactor	February–March
3	The completion of system spill to open reactor	April
4	The loading of the first simulator of fuel assembly into reactor	May 13
5	The completion of the assembly and testing of systems providing for main circulating pumps turning-on	May–August
6	Hydrotests and circulating washing of reactor plant equipment	August
7	The completion of the assembly and tests of systems providing for reactor plant hot operational testing	August–October
8	Hot operational testing of reactor plant equipment	October
9	The containment tests	October–November
10	The second revision of equipment	November–December
11	Integrated system inspection by the Russian Technical Supervision (Rostechnadzor) and obtaining permit for the first criticality	December
12	The reactor plant first criticality	December 19

Table 2.3. ***ROSTOV NPP UNIT 2***

The Commissions were represented by specialists in safety and operating reliability assurance of new NPPs, in occupational and health safety, fire safety specialists of JSC CONCERN ROSENERGOATOM, representatives of nuclear plants as well as specialists from the Russian Nuclear Power Plant Research Institute (NPPRI), and Special Design Office HYDROPRESS.

The Commissions checked the readiness of technological systems and components of RoNPP-2, production premises and facilities, production and technical documentation, the personnel preparation to the first criticality and the conformity with the license validity conditions for the construction of Unit 2 and any other documents. The experts paid their particular attention to the operating personnel training for performing works at the first criticality stage, to the readiness of work places; fire safety compliance; the NPP emergency preparedness and the personnel readiness to proper actions in contingency situations.

Based on the results of each checking there was signed an appropriate report on the readiness of Rostov NPP Unit 2 to the first criticality.

In March 18, 2010 Rostov NPP Unit 2 was integrated to the Unified Energy System (UES) of Russia. At 16:17 of Moscow time electric energy generated by turbogenerators of Unit 2 of the Nuclear Power Plant began supplying the Energy system of the country.

'We have been doing a very important work. Rostov-2 is a pioneer of the governmental program for the construction of nuclear power plants in Russia under the personal supervision of the Russian President and the Chairman of the Government. Much has been done but not a few is in store'.

V. LIMARENKO
Director of JSC NIAEP

№	Key Events of Rostov NPP-3 in 2009	Date
1	The Project start	July
2	Making turbine hall frame foundations, the construction of contour walls and partitions up to elevation 0.0	August
3	Turbine set foundation bottom slab reinforcement	September
4	The completion of repair and renewal operations of the foundation slab under reactor compartment	October
5	The completion of the bottom water lowering system installation for the period of the main building construction	November
6	The completion of making contour walls for reactor compartment up to elevation 0.0	December
7	The completion of special sewage conduits at elevation -4.2	December
8	The agreement with the Customer upon The Construction Schedule for Rostov NPP Unit 3 for 2010	December 28

Table 2.4. ***ROSTOV NPP UNIT 3 AND 4***

№	Key Events of Kalinin NPP-4 in 2009	Date
1	The erection of the second layer of the reactor compartment cover	January
2	The erection of wall panels for the turbine hall	February
3	The concreting of the reactor compartment cover up to elevation 51.0; crane-runway beams of pole crane	July
4	The erection and set-up of turbine hall cranes	August–September
5	The erection of turbine set condensers	September–December
6	The erection of pole crane to the designed place	November
7	The erection of the containment dome for the reactor compartment with elements of sprinkler pipelines	December 21
8	Reactor vessel delivery	December 26

Table 2.5. ***KALININ NPP UNIT 4***

ROSTOV NPP UNITS 3 AND 4

Full-scale works on the construction of Rostov NPP Units 3 and 4 started in July 2009 after the establishment of Volgodonsk Representative Office headed by Vyacheslav Mikhaylovich Makhonin, the First Deputy Director in charge of the construction of Rostov NPP Unit 3. At the year- end of 2009 main works on Unit 3 were carried out at minus elevations of the reactor compartment and the turbine hall, namely: the installation of contour and inside walls, bridging and making of bottom slab of turbine set.

The annual capital investment plan for Rostov NPP Units 3 and 4 came to RUR 1.5 mlrd.. In 2009 the capital investment disbursement plan was realized by 91 % in current prices.

The main cause of the non-fulfilment of the said capital investment plan resulted from the extension of the time of the delivery to the Customer of crane equipment purchased in 2009 from the preparation period to a later term.

KALININ NPP UNIT 4

In the construction of Kalinin NPP Unit 4 JSC NIAEP came close to the start of the main circulating pipeline welding and to the erection of such «heavy-weights» as reactor vessel and steam generators. By present all construction and erection works required for the assurance of the construction readiness to the reactor vessel

installation have been completed, the containment dome has been mounted.

In 2010 the staff of Udomlya Branch headed by the Deputy Director Igor Vladimirovich Kruuz will have to fulfil such important tasks as the installation of equipment and the main circulating pipeline, the power supply for auxiliaries, the turbine set assembly, construction and heating system erection works in the main building. Under the power unit construction schedule the physical start-up is planned on September 2011; since that time Kalinin NPP Unit 4 becomes Project №1 in the Russian nuclear industry. The capital investment on construction works and deliveries is planned in 2010 in the amount of RUR 32.7 mlrd.. It is by 2.6 times more than in year 2009.

At the year-end of 2009 the completion of the scopes of construction and erection works on Kalinin NPP Unit 4 amounted over RUR 7.5 mlrd.. The capital investment plan amounting RUR 12.5 mlrd. was realized by 100%.

The fact of the works completion was entered to the 3-rd level schedule (the detailed monthly planning of the NPP construction) for Kalinin NPP Unit 4, the re-calculation was performed as of January 1, 2010, the formation of a resource model of the schedule was accomplished in the scope of 2010.

MEASURES CARRIED OUT DURING THE NPP CONSTRUCTION IN THE REPORTING PERIOD

The main document which establishes requirements to the process of constructing VVER-1000 NPPs – Obligatory Technological Rules for construction of VVER-1000 NPPs (OTP-86), pursuant to which a normative period for the construction of one power unit is 60 months. The pit excavation is taken as the start and the power start-up is taken as finish.

Construction works on Kalinin NPP Unit 4 and Rostov NPP Unit 3 are mainly on schedule. The scheduled date of the physical start-up of the power start-up of Kalinin NPP Unit 4 is October 2011. By January 1, 2010 the state of readiness may be assessed as 65%. The scheduled date of the power start-up of Rostov NPP Unit 3 is fixed for January 2014. By January 1, 2010 the state of readiness may be assessed as 18%.

At present the putting Rostov NPP Unit 4 into commercial operation is planned in accordance with the long-term Program of activities of State Corporation ROSATOM for 2017. In 2010 the financing of construction and erection works is not provided and only preparatory works are carried out. By January 1, 2010 the state of the project readiness may be assessed as 5%.

2.2.3.
EQUIPMENT AND MATERIALS DELIVERY

Index	Total	KaNPP, Unit 4	RoNPP, Unit 2	RoNPP, Unit 3	RoNPP, Unit 4
Total number of suppliers in 2009,	260	191	53	16	0
including non-residents of the RF	0	0	0	0	0
Amount of liabilities under concluded contracts in 2009, RUR, mln.,	23 758,55	4 570,12	1 529,07	17 659,36	0,00
including long-term liabilities (for over one year),	16 686,81	0,00	0,00	16 686,81	0,00
including non-residents of the RF	0,00	0,00	0,00	0,00	0,00
Amount of deliveries in 2009, RUR, mln.,	17 250,40	10 067,02	7 148,86	34,52	0,00
including non-residents of the RF	0,00	0,00	0,00	0,00	0,00
The number of specialists of JSC NIAEP assigned to suppliers' enterprises	47	21	25	1	0
Time of business trips of specialists, days (conventionally)	2474	833	1629	12	0

Table 2.6. ***EQUIPMENT AND MATERIALS DELIVERIES IN 2009*** *(VAT inclusive)*

Nizhny Novgorod. National Unity square

2.3. EFFECTIVENESS IN STABLE DEVELOPMENT

2.3.1. THE WORKING TEAM FORMATION

JSC NIAEP today is a large team of high-class specialists and skilled workers who are able to solve complex engineering problems. The total number of our employees including affiliates is 3 433 persons. Throughout 2008–2009 the Company staff has increased by 2 242 persons (see Table 2.9). 1 264 specialists have been working at the Central Office, including 806 employees of the Designong Block. The number of personnel at branches and representative offices has increased by 651 employees. It comes to 928 persons. The Company's own manpower consists of 1 241 persons. The personnel dynamics is shown in Fig. 2.3.

To achieve the successful implementation of the annual plan, about 14.5 ths. of persons were engaged on the construction sites of Kalinin and Rostov NPPs including over 11.5 ths. of skilled workers. The Company has been fast developing by increasing its staff potential, by strengthening its own productive forces: the personnel number of the Volgodonsk C&EM № 1 LLC is 709 persons, the staff of affiliate VC&EM LLC consists of 532 persons. To arrange

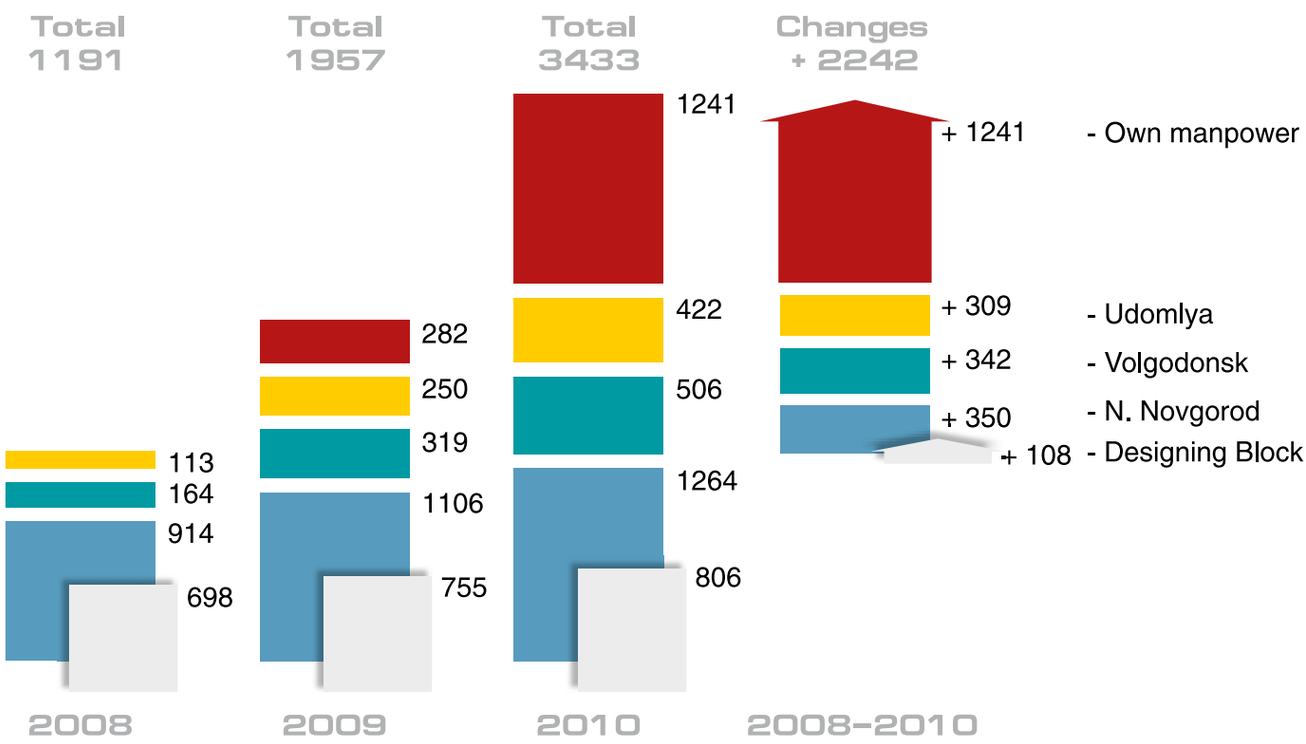


Fig. 2.7. ***THE NUMBER OF PERSONNEL IN SUBDIVISIONS.***

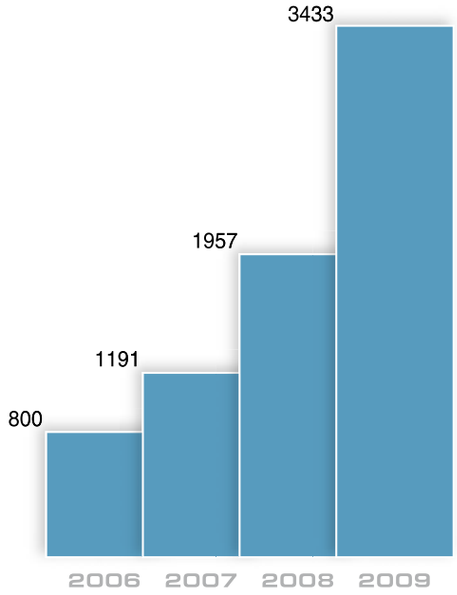


Fig. 2.8. ***THE PERSONNEL NUMBER VARIABILITY***

Educational Level, %	Higher education	77,5
	As per categories	
	of managers	98
	specialists	79,7
	production and technical personnel (including workers)	18,4
Academic degrees, persons	Doctor of Science	1
	PhD	13

Table. 2.7. ***EMPLOYEES EDUCATIONAL LEVEL***

works on the sites of Rostov NPP Units 3 and 4, the Volgodonsk Representative Office of 65 employees was established.

The mean age of employees has reduced for the recent 2 years from 42.6 to 40.1 years. It proves the stable rejuvenation of the staff. The Company (except for affiliates) employs 895 persons aged before 35. It is 40.8% of its total number.

The share of university- or college-bred employees at JSC NIAEP depends essentially on the category of employees (see Table 2.10).

Women consist about 40% of the total staff of JSC NIAEP (except for affiliates and subsidiaries) (see Figure 2.4).

As of 2009 the most numerous categories are workers and specialists. The structural breakdown as per categories is shown in Fig. 2.5.

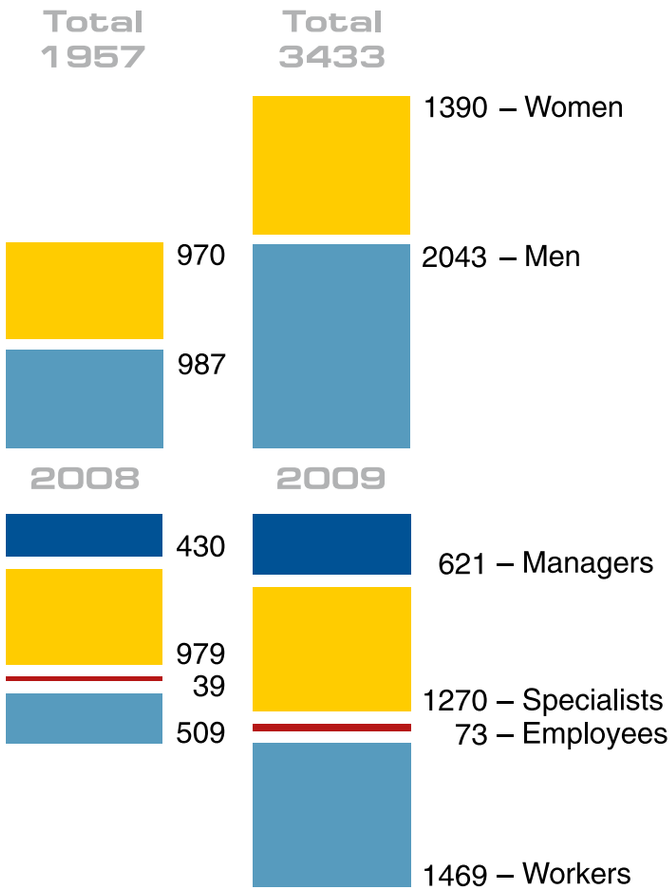


Fig. 2.9. ***THE PERSONNEL GENDER STRUCTURE & NUMBER WITH BREAKDOWN AS PER CATEGORIES*** *(incl. S&A in 2009)*

THE CONTRIBUTION TO SOCIAL & LABOUR RELATIONS

The activity of JSC NIAEP in the field of social & labour relations was based in the reporting period on norms of the Russian Federation Labour Code, on the branch regulatory document titled «The Branch Agreement on the Nuclear Engineering, Industry and Science for years 2009–2011» dated February 13, 2009 and on documents governing the activity of JSC NIAEP, namely, the Articles of JSC NIAEP (in edition approved on August 6, 2009), Internal Labour Regulations (approved on May 22, 2005), Corporate Ethics Code (approved on February 22, 2006) and the Collective Agreement of JSC NIAEP for years 2008–2009.

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%. The work collective conference held on March 29, 2010, recognized the complete fulfilment of the Management's obligations under the Collective Agreement for years 2008–2009.

In the reporting year the total share of expenditures to social corporate programs from the LCF came to 6%. It came to RUR 85 mln.

The funds in the amount of RUR 6.9 mln. were paid in compliance with the Regulation on rendering material assistance to the Company employees (12% in the total structure of social allowances), including RUR 290 ths. to families with many children.

The actual evidence of the Company respect to its history is the care of labour veterans. In accordance with the Collective Agreement when retiring employees are paid a lump-sum benefit in an amount of one or two salaries. Unoccupied pensioners who had worked for at least 10 years in the Company were paid during the reporting period a monthly allowance in the amount of RUR 800. About RUR 2 mln. were assigned in 2009 to anniversary payments.

THE CARE OF HEALTH AND REST OF EMPLOYEES AND THEIR FAMILIES

The health care remains in the centre of attention of the JSC NIAEP Management. For quite a number of years contracts have been concluded with insurance medical companies for the arrangement and payment of medical aid to be rendered to the Company employees. Funds assigned to voluntary medical insurance (VMI) are annually increased. In 2009 they exceeded RUR 8 mln.. The number of employees insured under VMI programs increase yearly (540 persons in 2007, 1255 persons in 2008, 1534 persons in 2009. It is 70% of the personnel). It is determined not only by the increase in the number of employees but the involvement of new categories of workers in programs. Since 2008 the service length in the Company required for the participation in insurance programs was reduced from five to four years. In 2009 the decision was made on the medical insurance of the Company veterans retired but again employed later under employment contracts for a period of up to 6 months.

A number of target programs are implemented in the Company, which are aimed at the prevention and early detection of diseases of employees. Influenza vaccination is performed annually. The Company intends to carry out further its medical-diagnostic programs by extending the circle of their participants.

JSC NIAEP takes regular measures to provide its employees and their family members with

adequate rest. The provision is made for employees of separate subdivisions in the partial payment of recreation centre vouchers. A separate item of expenses includes also the partial payment of vouchers to children health camps for employees' children. In the reporting year such target payments amounted RUR 1 mln..

The Company participates traditionally in the annual Friendship Fest of entities of State Corporation ROSATOM in the sports camp ZHDANOVETS. Over 500 employees of the Company go in for sports in different sports sections and clubs. The Company is proud of its sports achievements: for two years in succession the team of JSC NIAEP gets into a quarter of the final on mini-football held by the Nizhny Novgorod Manufacturers and Businessmen Association.

Entity	Total number as of December 31, 2009, (person)	Number of calendar days missed because of illness	Number of days missed because of illness, (per 1 person)
JSC NIAEP (Central Office)	1264	12069	9,6
Volgodonsk Representative Office	65	243	3,7
Volgodonsk Branch	441	4697	10,6
Udomlya Branch	422	4695	11
TOTAL	2192	21704	9,9

Table 2.8. ***INDEX OF THE NUMBER OF SICK PERSON / DAYS*** *(per 1 employee in 2009)*

OCCUPATIONAL SAFETY

The labour protection matters were stipulated for the reporting period in Article 12 Labour Protection of the Collective Agreement valid in the Company for years 2008–2009. That Agreement determined the employer's obligations aimed at the assurance of safe occupational conditions and labour protection in the legal, social-economic, accident-preventive and medical aspects. In particular, the employer provided for:

1. labour conditions complying with occupational safety requirements on each work place;

2. instructing of personnel working under harmful conditions on safe methods and techniques of performing works;

3. the use of certified personal protective gear and collective protective equipment, including special clothes and footwear;

4. work-rest regime in accordance with the labour legislation;

5. carrying out at the employer's expense obligatory preliminary and regular medical examinations of persons working under harmful conditions;

6. giving washing and decontamination agents in compliance with established norms;

7. obligatory social accident insurance of employees against industrial accidents and occupational diseases.

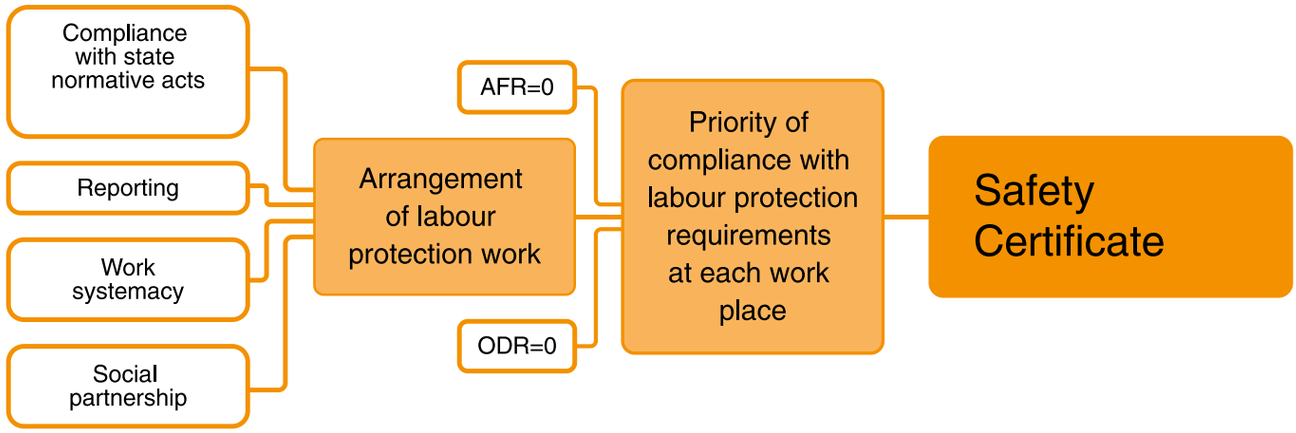


Fig. 2.10. ***SAFETY CERTIFICATE GRANTING PROCEDURE***

In 2009 the amount of funds assigned to the implementation of labour protection programs came to RUR 11799.28 per a person with the staff of 1935 persons according to the payroll (in 2008 it was RUR 6098.47 per a person with the staff of 1371 according to the payroll). In the Central Office such costs amounted RUR 10750000 (against RUR 2905000 in 2008), in the Volgodonsk branch it was RUR 6913000 (against RUR 4440000 in 2008), in the Udomlya branch it came to RUR 4685000 (against RUR 1016000 in 2008), at the Volgodonsk Representative Office it amounted RUR 483600.

The primary task of the Company corporate policy in labour protection is the creation of the prevention-oriented occupational safety culture on each work place. It is required by high-tech workplaces of the Company specialists and the particular importance of their decisions to be made.

The industrial injury prevention work is based on the branch Labour Protection Management System (LPMS) approved by S.V.Kirienko, the General Director of State Corporation ROSATOM, September 21, 2009. The arrangement of the labour protection work based on the principles of compliance with official normative acts, systemacy, reporting and social partnership enables to ensure 'the qualitative work environment for an employee'. It is proved

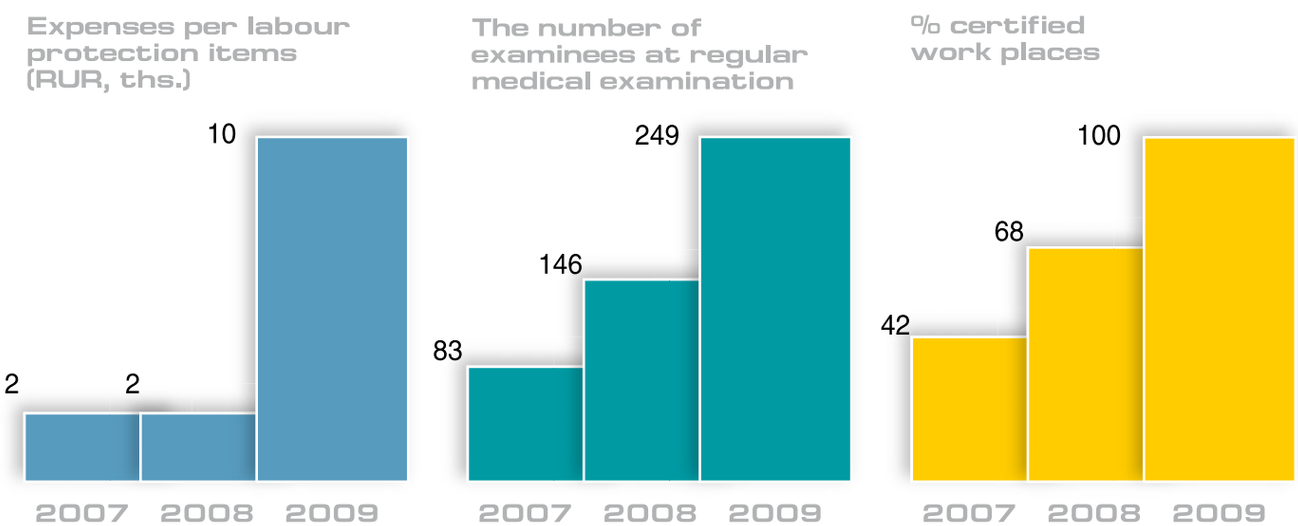


Fig. 2.11. ***THE DYNAMICS OF SUMMARY INDICES OF LABOUR PROTECTION WORK***

by no cases of industrial injuries (Accident frequency rate (AFR) = 0 and occupational diseases (ODR) = 0) in the Company since 2000. It has enabled the Company to obtain the Certificate of Occupational Safety Work Conformity based on the results of certification in labour protection in 2009 (see Fig. 2.10).

The summary indicators of labour protection work at the Central Office for the period of 2007 through 2009 are presented in the dynamics of such indicators. Their results served as the basis for rewarding the Company at the year-end with the 1st-degree Diploma as the Best Organization in Labour Protection for years 2004, 2005, 2006, 2007 and 2008.

The dynamics of summary indicators of labour protection work in JSC NIAEP is shown in Fig. 2.11.

2.3.2.

THE CONTRIBUTION TO ECONOMY

Due to the stable growth of its production JSC NIAEP every year increases its contribution to the corporate well and welfare of its employees.

The NPP construction is a long-term (4–5 years) complex process, which requires the coordination of efforts of many enterprises, the engagement of a great number of high-skilled builders of different specialities. The NPP construction appears respectively to be a great event in the economic life of the region of presence. In the course of the new NPPs construction JSC NIAEP becomes not only a company creating a high value added but also a large employer on the regional labour market, an entity paying considerable fiscal charges to budgets of different levels and performing large procurements from local suppliers.

In addition to the direct economical impact on the construction territory JSC NIAEP also exerts influence on allied industries by placing orders to entities of the power engineering industry and thus creating new work places. It is explained by the fact that the development of the nuclear industry characterized by high share of participation of processing and engineering high-technology production requires the cooperation and collaboration of a great number of enterprises and organizations. Besides, JSC NIAEP makes investments to public infrastructure and has effect on local communities.

The quantitative pattern of the creation of value and its distribution among JSC NIAEP parties concerned demonstrates what the direct economic effect consists of (see Table 2.9).

CREATION OF WORK PLACES

JSC NIAEP is an attractive employer on the regional labour market. It provides for a competitive salary level. In 2009 under finan-

Components	2009
Income	35 227 938,0
Distributed economic value	32 740 467,7
Operating costs (payments to suppliers and contractors, expenses for purchasing materials)	28 155 094,0
Wages and salary and other payments and benefits to employees	1 574 819,7
Payments to capital investors (dividend payment)	367 050,0
Payments to state	2 164 441,0
Investments to communities, including donations	154 504,0
Non-distributed economic value	2 487 479,3

Table 2.9. ***THE ECONOMIC VALUE CREATED AND ITS DISTRIBUTION IN 2009*** *(RUR, ths.)*

cial crisis conditions the Company managed to retain stable salary for employees. 100% of the Company employees get wages which are higher than a minimum salary rate established in related regions of presence.

The Company activity has a positive effect on the dynamics of the employment in allied branches. Statistically the creation of one work place in JSC NIAEP results in the creation of ten work places in allied branches.

To assist in staffing of newly established construction and erection offices, contracting and subcontracting entities engaged in Volgodonsk and Udomlya, in 2008 there were arranged public reception offices. These are functional structural subdivisions for the consolidated attraction of operating personnel, the creation of a common manpower database in NPP construction regions. Owing to the said reception offices human resources services carry out selection interviews and recruiting of required personnel. Within a year and a half 13321 persons applied to the said reception offices, among them 2246 skilled workers were employed (see Tables 2.10 and 2.11). All employed specialists are citizens of the RF. 99% of them live in towns and villages located within the range of 100 km from the construction of our NPPs.

PROCUREMENTS FROM LOCAL SUPPLIERS

The main criteria for the selection of suppliers are:

1. the compliance of suppliers with requirements declared in competitive documents;

2. the compliance of suppliers' products with specifications;

3. price of offered products.

At present the preference for local suppliers is not established but the establishment of preferences for native manufacturers is under consideration in compliance with regulations determined by the Uniform Branch Procurement Standard of State Corporation ROSATOM.

TAX PAYMENTS

Tax charges to federal, regional and local budgets in 2009 came to RUR 2164 mln., including RUR 1656 mln. to the federal budget, RUR 506 mln. to the budgets of the RF constituents, RUR 2 mln. to local budgets.

Work period	VOGODONSK Branch		UDOMLYA Branch	
	Applied	Employed	Applied	Employed
2008	3760	605	723	36
2009	6890	609	1948	996
Total	10650	1214	2671	1032

Table 2.10. ***THE DYNAMICS OF LOCAL POPULATION EMPLOYMENT TO JSC NIAEP'S BRANCHES*** *(person)*

		Average number of personnel	Including attached personnel (living within 100 km from the site)	% of attached personnel
Rostov NPP Unit 2	January	5472	422	7,71
	December	7437	2412	32,43
	Average per annum	7001	1400	19,00
Kalinin NPP Unit 4	January	2309	303	13,12
	December	5032	1068	21,22
	Average per annum	4073	873	21,00

Table 2.11. ***THE DYNAMICS OF THE PERSONNEL NUMBER AT THE CONSTRUCTION OF ROSTOV NPP UNIT 2 AND KALININ NPP UNIT 4 IN 2009***

№		Total	KaNPP-4	RoNPP-2	RoNPP-3	RoNPP-4
1	Total number of suppliers in 2009	260	191	53	16	0
1.1	including local suppliers	15	1	12	2	0
2	Amount of contractual obligations in 2009, RUR, mln.	23 758,55	4570,12	1529,07	17 659,36	0,00
2.1	including local suppliers	1335,83	16,40	1205,07	114,36	0,00
3	Amount of deliveries in 2009, RUR, mln.	17 250,40	10 067,02	7148,86	34,52	0,00
3.1	including local suppliers	173,83	28,10	120,51	25,22	0,00

Table 2.12. ***SHARE OF PROCUREMENTS FROM LOCAL SUPPLIERS*** *(VAT inclusive)*

Moscow. AtomExpo 2010


РОСАТОМ
Государственная корпорация
по атомной энергии
ROSATOM
ENERGY OF FUTURE GENERATION
FITCH
VVER TOI

2.3.3.

SOCIAL EFFECT

SOCIAL PROGRAMS

In 2007 the volume of social expenditures of JSC NIAEP was RUR 22 mln., in 2008 it was RUR 52 700 K, in 2009 the costs of social-oriented arrangements came to RUR 85 mln.. In 2010 the growth in the volume of social expenditures is planned up to RUR 150 mln.. (See Fig. 2.12).

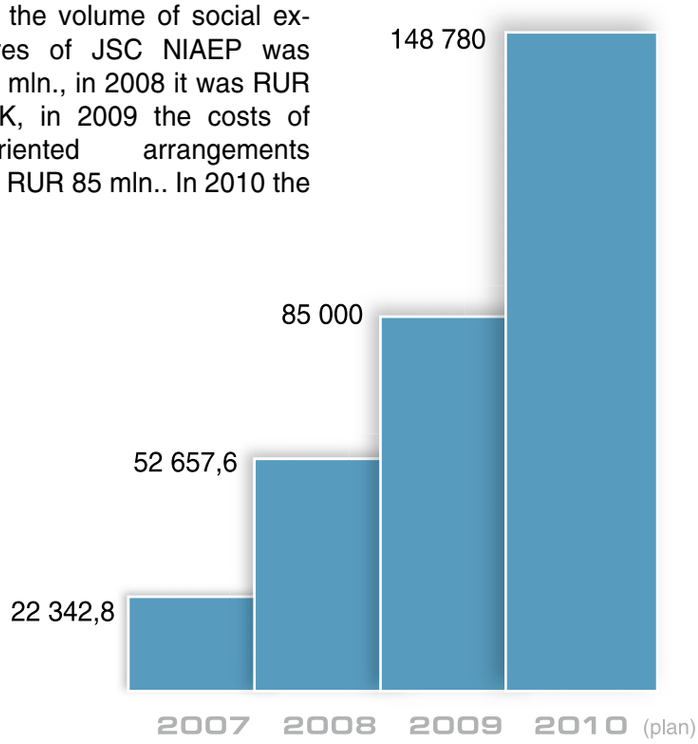


Fig. 2.12. ***TOTAL SOCIAL EXPENDITURES*** *(RUR, ths.)*

The substantial scope of work for the arrangement of health improvement and rest of employees and their family members is made by the Administration jointly with the Trade Union Committee. Corporate Health Days spent in the country became traditional as well as Family Health Days confined to the Children Protection Day. The day of the Company establishment is annually celebrated by arranging a holiday pleasure cruise on m/v Rest. Corporate recreation activities further the formation of favourable social climate in the collective and enjoy great popularity among the Company employees.

In 2009 meetings of the Company Management were held with employees' children – first formers and school graduates as well as with the Company veterans. There were also held children creativity contests. Entertainment programs were arranged jointly with the Trade Union Committee on official

'JSC NIAEP exerts rather a great influence on many lines of the town life activities. First of all, it is connected with population employment matters, because the creation of quite a great number of jobs removes social strains in society. It is the basis for the population welfare growth, the improvement of living conditions and demographic situation. The management of the Udomlya Branch of JSC NIAEP makes different arrangements for our city improvement. City motor roads have been partially repaired and the agreement has been signed on the restoration of roads used for the construction of Kalinin NPP Unit 4'.

A. VOROBIEV
Head of the Udomlya Administration

state and occupational holidays. In the Company building foyer the exposition of works of Nizhny Novgorod painters and photographers is regularly renewed. When celebrating the Victory Day the topical photo-exhibition was arranged in the Company building.

JSC NIAEP treasures the memory on the Great Patriotic War and maintains veterans. The meetings of the Company Management with GPW veterans are annually arranged in advance of the Victory Day. Each of them is granted an allowance in the amount RUR 10 ths. In honour of the 65th anniversary of the Victory in the Great Patriotic War it is planned to increase in 2010 the amount of holiday allowances up to RUR 50 ths. to each veteran.

'Owing to the construction of the power units Volgodonsk has been stably functioning. The level of registered unemployment is one of the lowest in the region. The questions on the 30-km zone are pending. It will also favour our social orientation. Indeed, the construction of the power units promotes the improvement of the life of our town citizens'.

V. FIRSOV
Mayor of Volgodonsk

'JSC NIAEP took under its guardianship builders-veterans who started to build the town and the first unit of KaNPP. The Company acts in the close collaboration with the district Board of Veterans and the primary builder veteran organization. 430 persons are registered today at this primary builder veteran organization. At the expense of JSC NIAEP electric stoves and baths were replaced to veterans and cosmetic repairs of flats were performed. Entertainment parties and events dedicated to holidays are held together with the Board of the construction veterans. All veterans are given presents by May 9, excursions to construction projects are arranged for them. Incapacitated pensioners are given presents at home. Holiday arrangements with tea drinking, concert programs help to fill in the lack of communication, lend some variety to everyday life... The Udomlya Branch of JSC NIAEP took an active part in the All-Russian action titled Public Attention and Care to Veterans of Back Country, it took under its guardianship the most remote Ozero-Gorskoe village settlement and supplied veterans with fire wood for the whole heating season. The Management of the Udomlya Branch of JSC NIAEP is represented by noble and responsible administrators, who are not timeservers. They do not simply construct the facility on the Udomlya land but also think on the future of our town and district, care of those who funneled all their energies into the development of this town'.

A. ZHURAVLEVA
Chairperson of the Board of Veterans of the Udomlya Public Organization of Veterans of War, Labour, Armed Forces and Law-Enforcement Bodies

INVESTMENTS TO PUBLIC INFRASTRUCTURE AND CHARITY

In 2009 the volume of funds assigned by the Company to charity increased by nearly 4.5 times as compared to 2008 and amounted RUR 138 mln..

In 2009 the Company rendered charitable assistance to:

- public Orthodox organizations in the construction and restoration of churches;
- the Nizhny Novgorod Eparchy of the Russian Orthodox Church in the erection of the monument to Nizhny Novgorod citizens perished during liquidation of accident consequences at the Chernobyl NPP;
- municipal institutions, establishments and public organizations in N. Novgorod, Volgodonsk, Udomlya;
- in strengthening of the material and technical base and site improvement;
- in holding mass cultural and sports events;
- hockey club TORPEDO, N. Novgorod (Continental Hockey League);
- volleyball team IMPULSE, Volgodonsk (Major League of the Russian Volleyball Championship).

All direct financial investments of JSC NIAEP to public infrastructure are charitable projects. Since 2009 the system work is being carried out by the Company for accumulating information on demands of communities on the territory of JSC NIAEP presence (Nizhny Novgorod region, Volgodonsk, Udomlya). There taken into account both the direct appeals of those who needs charitable help and the appeals of third parties petitioning on rendering charitable help. The said appeals are systematized as per lines of public infrastructure and are generalized in the Program of Charity Arrangements for a respective year. Based on this data the Program of Charity Arrangements of JSC NIAEP for year 2009 was elaborated in the Company and approved by the Board of Directors (Resolution № 7 dated April 24, 2009 – see Appendix № 1 to this Report).

Under the Resolution of the Board of Directors of JSC NIAEP (Minutes № 6 dated March 23, 2010) a planned amount to charity will come to RUR 124.7 mln. in 2010.

2.3.4.

ENVIRONMENTAL EFFECT

At the year-end 2009 the environmental impact of JSC NIAEP does not exceed maximum permissible values. The main priority in work for minimizing the negative environmental impact is the ensuring of nuclear and radiation safety on all facilities of the Company where nuclear technologies are used.

PRODUCTION ACTIVITY WASTE PRODUCTS

Table 2.13. ***CHARACTERISTICS OF PRODUCTION ACTIVITY WASTE PRODUCTS IN THE UDOMLYA BRANCH***

№	Waste class	2007 Actual, (t)	2008 Actual, (t)	2009 Actual, (t)	Waste handling method
1	2	3	4	5	6
Waste products					
1	1 class – extra-hazardous	0,009	0,253	0,08	
2	2 class – high-hazardous	–	–	6,58	
3	3 class – moderate-hazardous	0,028	0,161	0,52	Transfer to licensed entities under agreement
4	4 class – low-hazardous	1,645	144,82	8092,5*	
5	5 class – practically nonhazardous	–	5928,104	81032,6*	
Subcontractors					
6	1 class – extra-hazardous	–	0,054	0,18	
7	2 class – high-hazardous	–	–	0,77	
8	3 class – moderate-hazardous	1,047	4,586	20,22	Transfer to licensed entities under agreement
9	4 class – low-hazardous	20,922	79,147	338,9	
10	5 class – practically nonhazardous	0,139	–	568,7	
Total waste in the site of KaNPP-4					
11	1 class – extra-hazardous	0,009	0,307	0,26	
12	2 class – high-hazardous	–	–	7,35	
13	3 class – moderate-hazardous	1,075	4,747	20,74	Transfer to licensed entities under agreement
14	4 class – low-hazardous	22,567	223,972	8 431,4	
15	5 class – practically nonhazardous	0,139	5 928,104	81 601,3	

* The volume of waste of hazardous classes 4 and 5 in the Udomlya Branch of JSC NIAEP in 2009 is shown taking into account waste produced from demolishing buildings and structures, repair of temporary buildings and structures, the performance of RRW on construction facilities of unit №4 KaNPP.

Table 2.14. ***CHARACTERISTICS OF PRODUCTION OF WASTE PRODUCTS IN THE VOLGODONSK BRANCH***

№	Waste class	2008 Actual, (t)	2009 Actual, (t)	Waste handling method
1	2	3	4	5
Waste products				
1	1 class – extra-hazardous	0,026	0,059	
2	2 class – high-hazardous	–	0,04	
3	3 class – moderate-hazardous	–	0,52	Transfer to licensed entities under agreement
4	4 class – low-hazardous	64,268	3592,555	
5	5 class – practically nonhazardous	–	–	
Subcontracts				
6	1 class – extra-hazardous	0,0167	0,481	
7	2 class – high-hazardous	1,079	2,724	
8	3 class – moderate-hazardous	4,041	36,1706	Transfer to licensed entities under agreement
9	4 class – low-hazardous	100	243,116	
10	5 class – practically nonhazardous	92,684	350,675	
Total waste on the construction site of RoNPP-2				
11	1 class – extra-hazardous	0,0427	0,54	
12	2 class – high-hazardous	1,079	2,764	
13	3 class – moderate-hazardous	4,041	36,1706	Transfer to licensed entities under agreement
14	4 class – low-hazardous	164,268	3835,671	
15	5 class – practically nonhazardous	92,684	350,675	

WATER CONSUMPTION

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 KaNPP and RoNPP (see Tables 2.15 and 2.16).

The water supply source for the Central Office is the municipal water supply system of Nizhny Novgorod (Agreement № 194 dd January 8, 2004). The water consumption by the Central Office was 9048 cub. m in 2008, 12258 cub. m in 2009. The water consumption growth was connected with the increase in the number of employees (208 persons), the increase in the scope of repair and construction works and the scope of engineering survey 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.

Description	2007 (4th quarter)	2008	2009
Subcontractors	7781	38 220	44 144
UB of JSC NIAEP	137	1 247	22 382
Total	7918	39 467	66 526

Table 2.15. ***WATER INTAKE IN CONSTRUCTION OF KaNPP-4,*** *(m^3)*

Description	2008	2009
Subcontractors	13 925,5	81 661,34
VB of JSC NIAEP	4 432,9	35 162,1
Total	18 458,4	116 823,44

Table 2.16. ***WATER INTAKE FOR CONSTRUCTION OF RoNPP-2,*** *(m^3)*

WASTE AND SEWAGE DISCHARGE

Waste and sewage discharge on production sites of JSC NIAEP is within norms established by the RF legislation. Sewage from the construction site of KaNPP-4 (see Table 2.17) is supplied from service and production premises of the Branch and subcontractors to the NPP sewerage nets and further to treatment facilities of Udomlya.

Surface water from the construction site flows to Udomya lake via the storm-water inlets system equipped with oil separators. 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 (see Table 2.18).

The considerable 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 at the final stage of the construction of RoNPP-2. Such similar multiple environmental impact increase is considered admissible. It is stipulated by norms and limits agreed with environmental structures.

Description	2007 r. (4th quarter)	2008	2009
Subcontractors	6 223	34 304	40 448
VB of JSC NIAEP	137	1 247	2 417
Total	6 360	35 551	42 865

Table 2.17. ***WASTE AND SEWAGE DISCHARGE AT CONSTRUCTION OF KaNPP-4, (m³)***

Description	2008	2009
Subcontractors	9 750,5	67 752,46
VB of JSC NIAEP	4 318,8	18 808,48
Total	14 069,3	86 560,94

Table 2.18. ***WASTE AND SEWAGE DISCHARGE AT CONSTRUCTION OF RoNPP-2, (m³)***

HARMFUL AGENTS DISCHARGE INTO ATMOSPHERE

Information on the harmful agents discharge into atmosphere on the NPP Unit construction sites is presented based on averaged data of subcontractors (the Central Office activity produces no significant volumes of discharge into the air). 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-tie 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.

Generally in 2009 the emission rate by stationary sources on the NPP construction sites was 29.16 tons per annum for Kalinin NPP and 25.46 tons per annum for Rostov NPP. It is below maximum permitted norms. In the production activities of subdivisions, branches and subcontractors no ozone depleters are generated.

TOTAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

Water heating due to greenhouse effect 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.

LIST OF ENVIRONMENTAL SEAL OF APPROVAL ON NPP CONSTRUCTION PROJECTS

All the Company projects are subject to the state environmental impact assessment during the licensing of NPP location and construction. By the moment the Company has the approval of the State Environmental Expertise for Kalinin NPP UUnit 4, Rostov NPP Units 3 and 4, Nizhny Novgorod NPP Units 1 and 2. Materials substantiating the environmental safety of Tver NPP Units 1 and 2 are under examination by the State Environmental Expertise. The approval of the public environmental expertise has been already obtained. The obtaining of environmental approvals and permits concerning the commissioning of Kalinin NPP Unit 4 will begin in summer 2010.

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, re-cultivation of territories free from building development etc. These works make a considerable impact on soil. However, such impact does not contradict requirements of building norms and regulations and any other licensing documents and is attained by the required coordination of project materials.

FINES AND CHARGES FOR NEGATIVE ENVIRONMENTAL IMPACTS

No penal sanctions were applied to JSC NIAEP in 2009 for non-compliance with the environmental law.

ANNUAL REPORT | 2009 | **JSC NIAEP**

PROVIDING THE EXPERIENCE OF THE future

effectiveness

3 MANAGEMENT

3.1. IMPROVEMENT OF THE MANAGEMENT SYSTEM

The Company's management effectiveness is one of the main competitive advantages in actual economic conditions. JSC NIAEP constantly tries to improve and optimize its model for business management and interaction with an external environment of the Company, to develop and improve an internal environment: an organizational structure, technology, purposes, tasks and personnel. The Company uses a comprehensive approach for improvement of its management system: the main activity and increasing of its effectiveness are always in the focus of the conducted arrangements on the one hand and on the other hand, JSC NIAEP performs its activity on the basis of principles of a sustainable development and in this connection the Company gives the great attention to interaction with an external environment and management of this interaction.

JSC NIAEP acts in correspondence with the standards and regulations of State Corporation ROSATOM, the federal legislation, safety normative documents and documents of the exploiting organization (JSC CONCERN ROSENERGOATOM).

In 2009 the Company performed an active work on two main directions in the sphere of the effectiveness management: main activity management and management of a sustainable development.

TASKS FOR THE MANAGEMENT IMPROVEMENT

At present time the market of engineering services in Russia may be characterized as actively forming with a stable annual increasing. Business in the sphere of rendering services for design and construction of any power engineering objects goes through a peak of its activity for the first time within the last 15 years. Such large-scale tasks have not been set to a design and survey institutes and construction and erection organizations after a disintegration of the Soviet Union.

At present time in spite of the decreasing of the economic growth in our country due to a world depression, parameters of putting power units into operation are determined in the 'Project of Schedule and Program for Development of Unified Energy System (UES) for the period of 2010-2016' published by Minenergo1 (see Table 3.1).

At the same time a long-term requirements for competitiveness of JSC NIAEP are dictated by a market of an engineering services in world atomic power engineering rather than an internal situation in Russia. The companies realizing a complex approach to rendering of services for construction of the compound engineering objects have all perspectives on this market. EPCM-companies with such approach integrate the functions of a design, management, construction and also equipment procurement, i.e. they perform the whole cycle of the works as a general contractor starting from an engineering design, construction arrangement and management, commissioning works before turnkey acceptance of the object.

[1]http://minenergo.gov.ru/documents/razrabotka/

Table 3.1. ***POWER CAPACITIES COMMISSIONING BY ELECTRIC POWER PLANTS OF IES AND UES OF RUSSIA, MW***

	2010	2011	2012	2013	2014	2015	2016	2010–2016
UES of Russia	7618,9	5612,9	6587,9	8816,0	5970,0	5019,0	3225,0	42 849,7
NPP	1000,0		1000,0	2369,0	1980,0	1199,0	2320,0	9868,0
HPP	1079,0	999,9	999,9	442,0				3520,8
PSPP			420,0	560,0				980,0
TPP	5539,9	4613,0	4168,0	5445,0	3990,0	3820,0	905,0	28 480,9

GENERAL REQUIREMENTS TO JSC NIAEP AS AN EPCM-COMPANY ARE THE FOLLOWING:

- reduction in value of power units construction;
- acceptance of conditions and risks assumption according to fixed-price contract;
- quality improving of an atomic energy objects being under construction;
- optimization of the execution period for power unit construction of NPP;
- reduction of working hours;
- pplying of high technological innovations concerning NPP design and construction.

COMPETITIVENESS REQUIREMENTS FOR THE MAIN BUSINESS-PROCESSES ARE THE FOLLOWING:

1. FOR MANAGEMENT OF CONSTRUCTION PROJECTS:

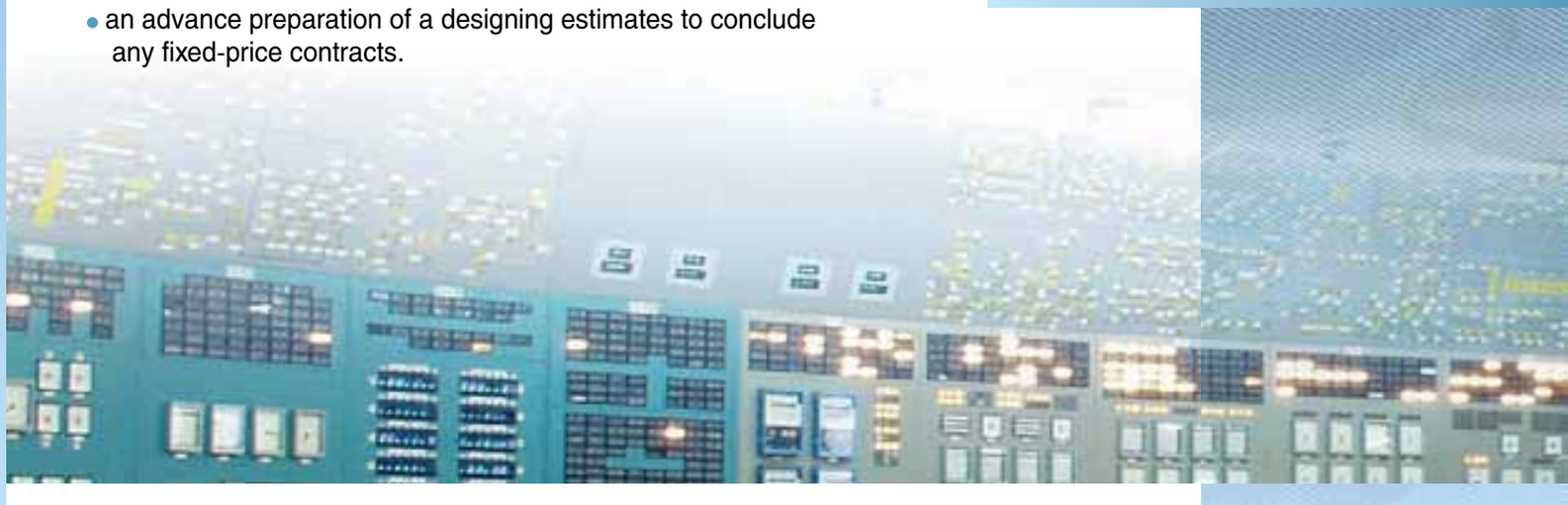
- To apply effectively IT-resources simplifying the elaboration of a construction and procurement documentation on the basis of a design documentation.

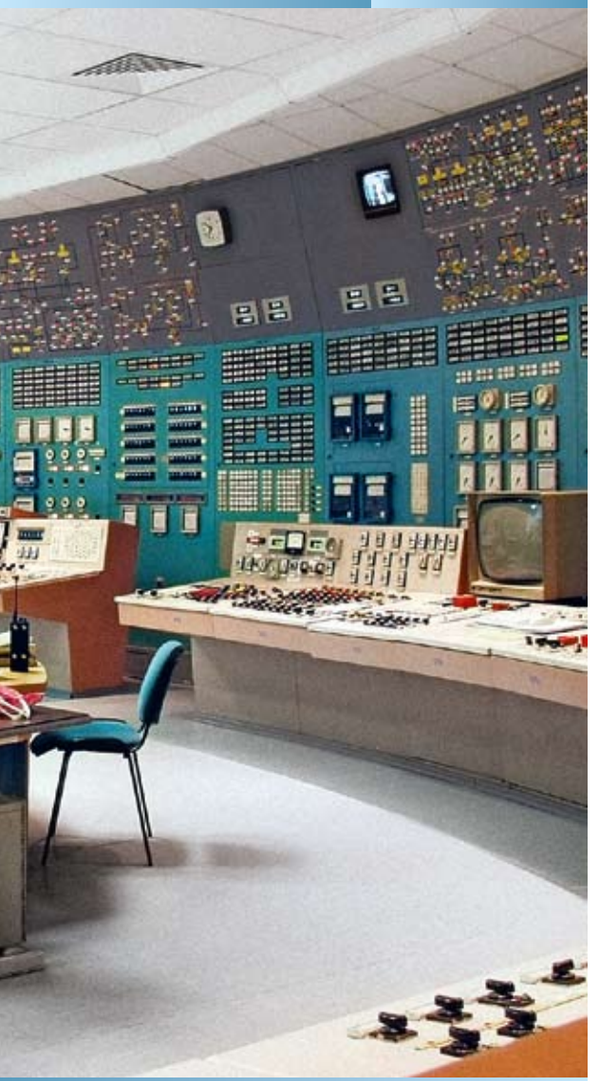
2. FOR THE CONSTRUCTION PROCESS:

- To construct simultaneously on several sites;
- To reduce a construction period of power unit (according to a standard serial design);
- To increase a technological effectiveness of any construction and erection works according to the parameters of the materials consumption and time for performance of a separate operations, the labour productivity.

3. FOR THE DESIGN PROCESS:

- to have standard projects of the serial power units with the operation life of 60 years;
- an advance preparation of a designing estimates to conclude any fixed-price contracts.





4. FOR EQUIPMENT COMPLETING AND SUPPLY:

- To minimize the risks of disruption of the period for the equipment manufacturing and supply, performance of the construction and erection works.

In accordance with the above mentioned requirements the important direction of the work of the top-management of JSC NIATEP in 2009 was to provide conditions for transferring to a fixed-price contracts, to control the quality of the main activity: management of installation, construction, design, completing and supply of the equipment. From January 01, 2010 JSC NIAEP as the general contractor performs the construction works of Rostov NPP Unit 3 and Kalinin NPP Unit 4 within the bounds of the fixed-price contracts.

IN CONNECTION WITH THIS THE FOLLOWING PROBLEMS HAVE BEEN SOLVED:

- improvement of the structure management by introduction of the automated control systems of an integrated cycle of design, construction and commissioning of NPP units;
- development of the model of a simultaneous construction on two sites (Rostov NPP Unit 2 and Kalinin NPP Unit 4);
- a pilot implementation of ROSATOM production system for increasing of a technological efficiency of the construction and erection works;
- a valuable contribution to development of its own construction forces by provision with:

  a) own construction machineries;

  b) personnel in the sphere of the construction activity;

  c) storage machineries for handling operations;
- generation of risks control systems including the risks of disruption of the period for the equipment manufacturing and supply.

Management of the main activity of JSC NIAEP is performed on the basis of the documents of State Corporation ROSATOM and the Company including the normative documents (standards, regulations, procedural recommendations), the organizational and order documents (orders and instructions).

3.2. THE MAIN ACTIVITY MANAGEMENT

3.2.1. CONSTRUCTION MANAGEMENT

From January 2009 JSC NIAEP together with Japan Corporation TOSHIBA performs an introduction of the technology of integrated processes management of NPP life cycle at the design and construction stages which is nominated as “6D Project”. The project work is performed within the framework of the realization of the program “General framework agreement on business cooperation between JSC ATOMENERGOPROM and TOSHIBA CORPORATION.

The 6D model includes a complete three-dimensional model of the object (3D), information about scheduling and network planning (4D), information about configuration, completing and supply of any materials and equipment (5D) and data about human, technical and other resources for power unit construction (6D). This model shall be the high-performance instrument for construction of any nuclear power plants.

The main purpose of the “6D Project” is an optimization of power units’ construction. At the present time it is completed the work for creation of 3D model for Rostov NPP Unit 3 which will be the base for the future 6D model.

The result of this project is important for reduction of terms and costs for power units constructed in Russia by the order of JSC CONCERN ROSENERGOATOM and also for meeting the condition necessary for participation of the NPP project in any international tenders abroad.

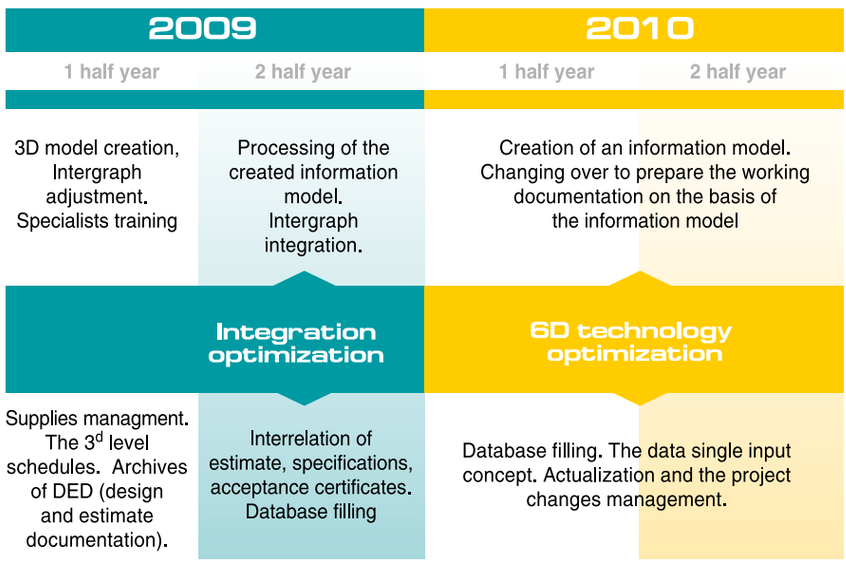


Fig. 3.1. ***ADVANCED TECHNOLOGIES FOR DESIGNING AND ENGINEERING IMPROVEMENT***

Realization of all set tasks concerning the '6D Project' offers all necessary additional competitive advantages to JSC NIAEP.

All works connected with an introduction of the technological innovations are divided into the stages (see fig.3.1). Assimilation of the Japan experience concerning an optimization of erection works was at the first stage from January till October 2009.

A trial operation of 6D technology was at the second stage from October till December 2009. The result of this operation was preparation and delivery to the customer the documentation of the pilot project 'Technology for execution of erection works for area A123/1 of the reactor compartment of Rostov NPP Unit 3' made on the basis of 6D technology.

DESIGN INFORMATIZATION IN JSC NIAEP

In 2009 it was achieved the full workload of labour resources in the design divisions of the Company. In 2010 it is expected a further volume growth of the design works (by 30%). In this connection it is necessary to increase a productivity of any design works and design quality for the account of usage of modern information models for power units. The second important aspect of this task was to develop an information model for NPP taking into account a perspective serial construction. This information three-dimensional model (3D) allows to protect an intellectual property and to start a development of any information means for construction management.

In 2009 works for integration of the projecting systems in common information space and for making of NPP information model were performed to carry out the set task.

An integration of the projecting systems in common information space provides an integration of the design information within the whole life cycle and replication of any design decisions for a large-scale and serial construction applicable to the improved NPP Project. It was set the task to make a centralized information system for forming, receiving, processing and storage of information relating to NPP Project.

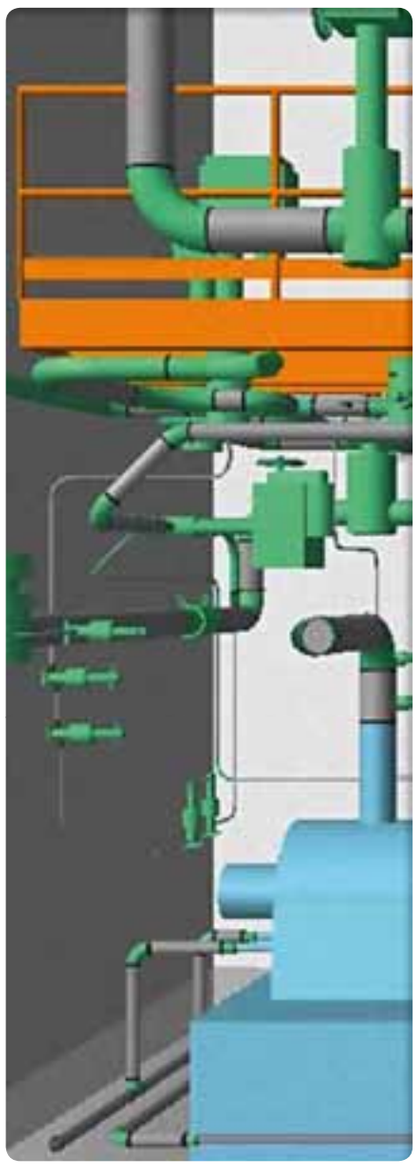
The bundled software of "SPE" line of the company INTERGRAPH is the basis for development of NPP information model in the following directions:

- **SP Foundation** – technical data management, data integration;
- **SP 3D** – design of the basis of three-dimensional modeling;
- **SP P&ID** – development of process flow sheets;
- **SP Electrical** – design of electric power distribution systems;
- **SP Instrumentation** – design of instrumentation and automatic equipment.

In 2009 an important advance steps were taken to make a centralized information system for forming, receiving, processing and storage of information relating to NPP Project. There were developed the information coding system, the procedure for creation of logical and 3D models of the Project and the database for the Project's participants. In addition the following works were performed: software setting for development of process diagrams, determination of the type and attribute for diagrams, software settings weree performed for flat, isometric drawings and specifications. All developed diagrams were delivered to the customer for validation of output forms received with the help of INTERGRAPH software for documentation not corresponding to the standards of the Russian Federation.

In April 2009 JSC NIAEP held a conference "Problems and prospects of INTEGRAPH software applied by enterprises of the industry branch" for the purpose to widen works for 3D design works. As a result of this conference the proposals were made to get any enterprises of the industry branch involved in problems solving of adoption and modification of this software.

The works performed in 2009 concerning design informatization included a creation of technical electronic document management (EDM) in relation to the designing estimates and development of IT-infrastructure of the Company in whole.



MANAGEMENT OF CONSTRUCTION EFFICIENCY

One of the most important requirements to the construction process according to the opinion of JSC NIAEP management is an ability to perform works on several sites at the same time. In 2009 an arrangement of construction forces was improved allowing to perform a construction work on two sites at the same time.

Volgodonsk and Udomlya branches of JSC NIAEP meet the requirements of the sites for the most part due to works organization and management (see fig.3.2). Practically being a separate structural and production divisions of the Company they perform the complex of works and services as a general contractor.

JSC NIAEP uses the model of holding of field working meetings and headquarters sessions to control a progress of the construction works performed on two sites. Every month the control for the project execution is perfomed by any members of the headquarter managed by the Director of JSC NIAEP and the Director of NPP being under construction. The representatives of JSC NIAEP, capital construction board of NPP under construction and the main contracting agencies participate in the headquarter sessions.

An execution of plans, equipment supply, construction procedures, plans for the next months, list of safety measures on the site and other tasks for NPP construction are discussed in the headquarter sessions. Every month an operative meetings and teleconferences are called on the request of the Director to solve the problems relating to NPP construction.

THE MOST IMPORTANT FUNCTIONS OF THE BRANCHES ARE:

- participation in acceptance of particular critical structures during the construction process and in placing into operation of finished object;
- elaboration, correction and delivery of documentation including engineering and working documentation for construction of NPP Units and also a support at all stages of their construction;
- ensuring delivery of equipment and materials necessary for construction of power units.

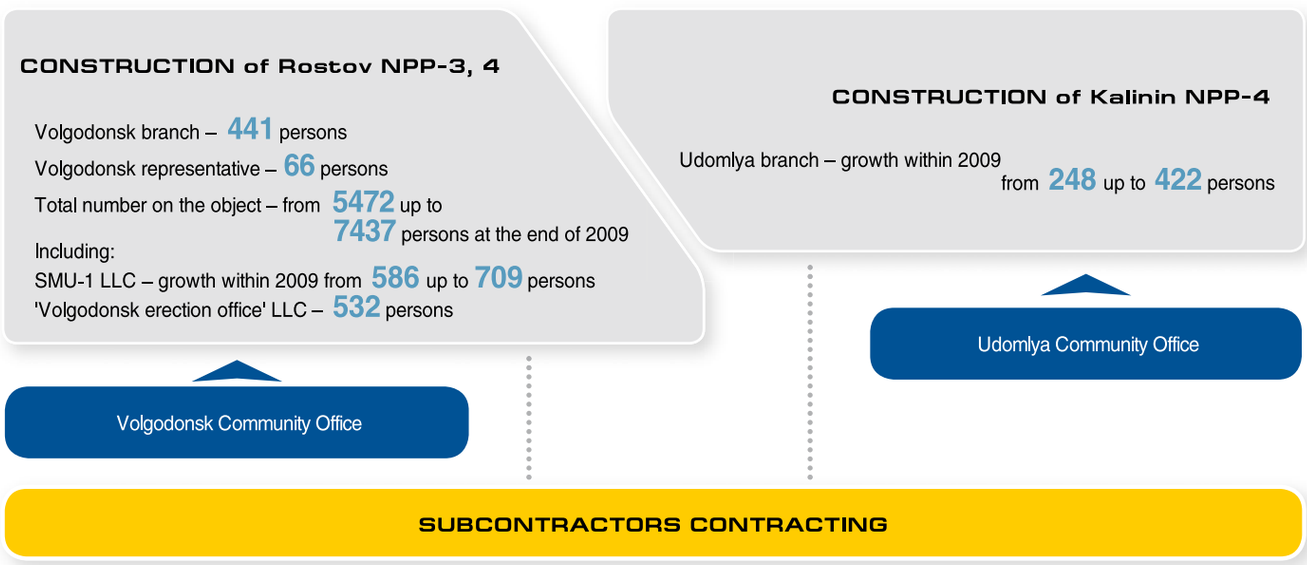


Fig. 3.2. ***ORGANIZATION OF THE CONSTRUCTION MANPOWER IN THE SITES OF JSC NIAEP***

For effective execution OF THE 2009 PLAN, 30 and 40 SUBCONTRACTORS were involved in the work on the sites of KALININ NPP and ROSTOV NPP respectivelly.

To widen works on the sites of ROSTOV NPP units 3 and 4 the Volgodonsk representative office was formed, where 65 SPECIALISTS have been already hired.

'As regards a structural development we have two sites in Rostov and Kalinin. Our partners have only one site. In the following year we will be ready to work on three sites. At favourable events developing on Nizhny Novgorod site we are ready to show our strength for construction of this power plant. We have all resources for that and we have the qualified building experts. We have three construction chiefs, i.e. each object is managed by one chief who is responsible for all performed work. It is an important fact because if there is no chief there is no possibility to control works performed on the site. It is said that "no baker, no bread". The construction chief coordinates the work of specialists, designers, all construction complexes, i.e. of all who involved in construction of the power plant. Today we have three professional teams who may perform a construction of three objects at the same time'.

V. LIMARENKO
Director of JSC NIAEP

Nizhny Novgorod. The view of the Nizhnevolzhsky quay

IMPLEMENTATION OF ROSATOM PRODUCTION SYSTEM

In accordance with the orders of the State Corporation ROSATOM in 2009 there were set the tasks for introduction of ROSATOM production system (RPS) in any enterprises of the industry intended to increase the productivity and the quality, to decrease costs and to satisfy any requirements of the customer. RPS is based on the principles of the TOYOTA system of the efficiency increasing recognized as one of the most successful program in this field.

Together with specialists of JSC CONCERN ROSENERGOATOM there were determined the main pilot projects for the RPS implementation in 2009:

- 'Manufacturing of covering for the containment dome' on the site of Kalinin NPP Unit 4 with participation of subcontractor Trest RosSEM LLC;
- 'Manufacturing of space frameworks including reinforced products of its own production' on the site of Rostov NPP Unit 2 with participation of subsidiary company SMU № 1 LLC;
- 'Organization of acceptance, storage and delivery of any stop valves and linear pipelines to the contractors' on the site of Rostov NPP Unit 2 within a warehousing of Volgodonsk branch of JSC NIAEP.

The targets intended for time reduction of a production cycle were set for each project.

A multifunctional working groups were formed from the specialists of a principal staff of JSC NIAEP, the branches of JSC NIAEP and the contractors. These working groups consisted from the specialists in development of technological processes, in calculation of the project economic efficiency, in arrangement of works with the contractor and on a production area, in an effective cooperation of the contractor with JSC NIAEP at solving any problems arising from the project realization.

For analysis of a current state of the above mentioned projects it was used an instrument of a production system “VSM - values stream mapping” which allow to determine the operations with the significant time losses within the projects and to concentrate any efforts of the personnel of the pilot projects for removing causes of the detected losses.

At realization of the project on the site of Kalinin NPP Unit 4 the work performed in a direct contact with the capital construction board of Kalinin NPP.

At manufacturing of covering for the containment dome the maximum time losses were due to distraction of workers performed erection and welding operations, manufacturing of necessary complete parts and waiting of their manufacturing. The working places were arranged for manufacturing of the complete parts (beams, anchor angles, embedded items) out of the zone of covering mounting, volume of works was reallocated and the flow of single units was formed.The smoothing of the production stream (“heidzunka”) in relation to the works volume was simultaneously performed providing welders and erecters with a maximum working load at erection operations during a working shift. As a result the production cycle for manufacturing of one covering was reduced from 29 up to 15 working shift (reduction by 45%). During realization of the project the total reduction of working hours was 109 man-hours (see fig.3.3).

At realization of the pilot project «Manufacturing of space frameworks including reinforced products of its own production» the main action for time reduction of the production cycle was stream creation for value making at manufacturing of space frameworks. As a result the time of the production cycle for manufacturing of spatial frameworks was reduced by 25% and the production output was increased (see fig.3.4).

The project «Organization of acceptance, storage and delivery of any stop valves and linear pipelines to the contractors” was divided into the stages: acceptance of

commodity and material valuables in warehousing, incoming inspection, completing and awarding the order to the construction and erection organization. The losses were determined and described at each stage and the causes of these losses were found and ranged. Some measures were developed and realized for removing of causes resulting in maximum losses. Alterations in standard contracts for delivery of equipment were made according to the received results. Thus the work was performed by application of RPS instrument i.e. solving the problems by "one after another" method. The result is shown in Table 3.2.

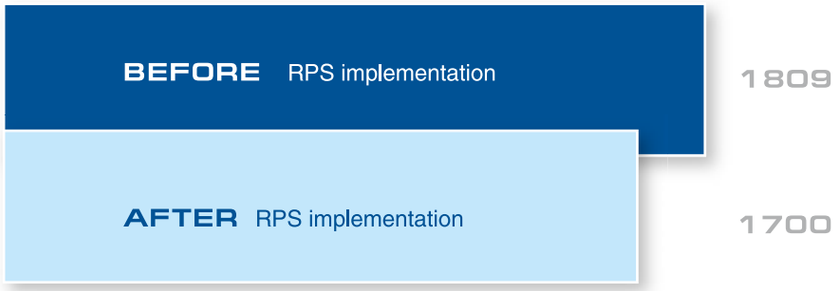


Fig.3.3. ***DIAGRAM OF WORKING HOURS AT ASSEMBLY/WELDING OF ONE CONTAINMENT DOME COVER*** *(hours)*

Implementation of the RPS in all production sites was performed at involving of personnel in the work through:

- the system of making an improvement proposals (Kaizen);
- development of motivation systems to fulfil the requirements concerning cleanness and production standard (5S system);
- putting up the information on the production sites.

Proposals for quality and productivity improvement were prepared by the specialist and personnel of the contractors. The system 5S introduced in all pilot projects improved significantly the working conditions of the personnel. Realization of the initial three steps of the system ("sort", "keep in order" and "keep clean") standardized location of tools and documentation on the production sites,

'The prototype of the RPS in Nizhny Novgorod region is the production system of GAZ. Taking into account the Japan experience this system is adapted to atomic industry. On the customer's initiative we together introduce it on the sites of Kalinin NPP Unit 4. For the pilot project we select two main areas for performance of the main operations. For example, it is the welding of the reactor coolant pipe in the reactor compartment and the mounting of turbo units in the turbine hall. The implementation of this system is more interesting for the purpose of timely provision of physical start-up of the power unit. This gives the desired result. After implementation of the system the time for welding of the reactor coolant pipe is reduced by 60 days. As for the first stage of turbo unit mounting "saving" is 30 days. Now we have any additional proposals to reduce the mounting time by 8 days additionally. These are the significant factors as these saving days provide a standard input in condition of physical start-up'.

V. LIMARENKO
Director of JSC NIAEP

Characteristic	Project start	Project finish	Result assessment
Motor transport unloading time, hours	3	2	Reduction by 33 %
Incoming inspection (II1) time after supply, working days	6	4	Reduction by 33 %
Incoming inspection (II2) time, working days	15	12	Reduction by 20 %
Time losses for searching of commodities and materials valuables and completing of the order for construction and mounting organizations, hour	16	3	Reduction more than 5 times

Table 3.2. ***RESULT OF THE PILOT PROJECT IN WAREHOUSING OF VOLGODONSK BRANCH***

improved the works safety due to removing of needless items from the work space.

Thus the positive results of the pilot projects were achived due to application of the RPS instruments.

Taking into account an accumulated experience in introduction of ROSATOM Production System on the construction sites of JSC NIAEP power plants and in the branch industry in whole at the end of 2009 and at the beginning of 2010 it has been started an implementation of the RPS concerning the projects of 'Mounting of Reactor Coolant Pipe' and “Mounting of Turbine Set” in the site of Kalinin NPP Unit 4.

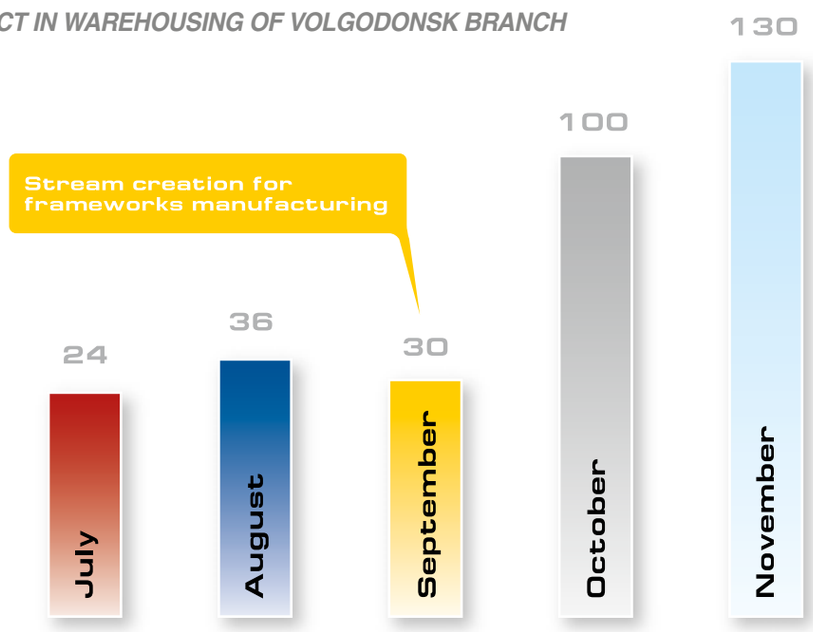
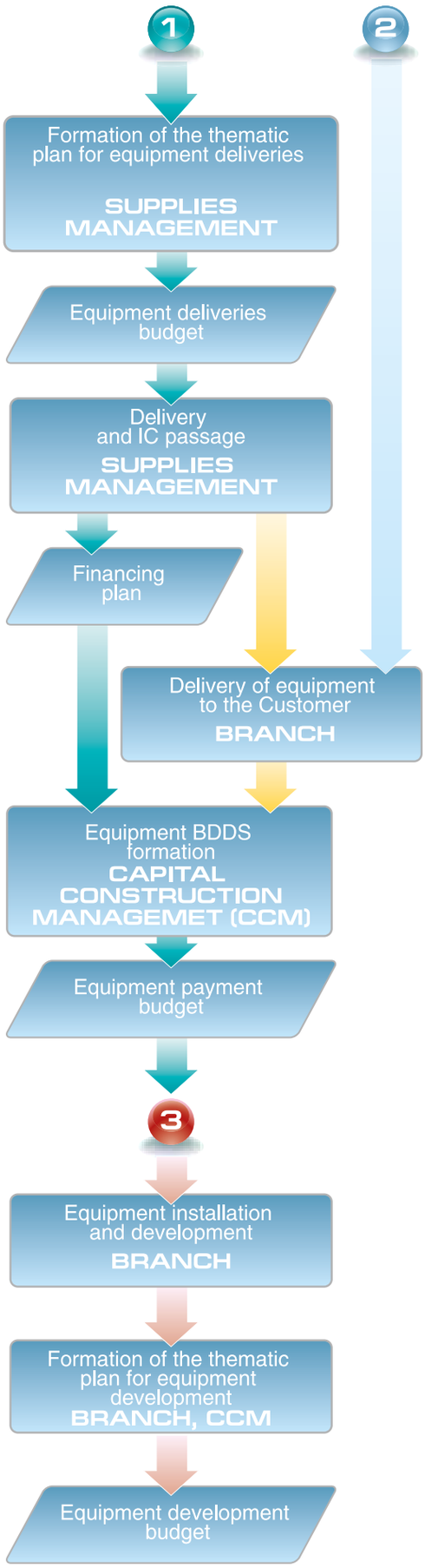


Fig. 3.4. ***DIAGRAM OF MANUFACTURING DYNAMICS OF PLANE AND SPATIAL FRAMEWORKS AFTER THE STREAM CREATION*** *(ton)*



3.2.2. EQUIPMENT COMPLETING AND SUPPLIES MANAGEMENT

One of the goals of the engineering company is to minimize disruption risks of production time and equipment supply schedule and also time performance of the construction and erection works. The goal of supply arrangement is a key competence of the engineering company. The importance of this goal is determined by this fact that its successful decision has a direct influence on the cost of the power unit and time for its construction i.e. on the profit of the whole company.

The following functions are the basis of the equipment completing and supply management, provision of on-time delivery and supply efficiency of JSC NIAEP:

- supply planning and a target determination for procurement;
- procurement realization assuming an openness of any tenders with suppliers and manufacturers;
- assurance of a timely delivery of the purchased equipment.

PRINCIPLES OF PROCUREMENT ARRANGEMENT

At placement of orders the following principles are observed:

- transparency principle – openness and accessibility of procurement information. Starting from 2007 an information about equipment procurement placed in free access on the site of JSC NIAEP and in press mass media, from the end of 2008 on the site of JSC ATOMENERGOPROEKT, from November, 2009 on the official site of State Corporation ROSATOM and in cases determined by the oder of State Corporation ROSATOM on electronic trade floor «WWW.A-K-D.RU»;
- principle of observance of Unified corporate procurement standards of the State Corporation ROSATOM;
- principle of equity – to provide an equal possibilities for all participants excluding any discrimination of any partners taking part in the procurement procedure. Any procurement requests of JSC NIAEP concerning the equipment and availability of the defined resources of any company are determined in procurement documentation which is accessible for any person together with the draft contract.

Nizhny Novgorod. The Fedorovsky quay

THE NUCLEAR ENGINEERING FAIR

For efficiency of the engineering activity it is important to realize procurements at availability of a competitive environment for suppliers and manufactureres to provide decrease in equipment price at the required quality level. To meet these conditions JSC NIAEP organizes regularly the International Scientific and Industrial forum "Nuclear Engineering Fair". The purpose of this forum is to inform about procurement plans for NPP construction, to orient a prospective trade participants in the program of atomic industry development and in rules of procurement procedures.

Within the bounds of three Nuclear Engineering Fairs held in 2008-2009 there was started a qualification selection of suppliers and subcontractors for construction of Rostov NPP Units 3 and 4, were held open tenders and public auctions for equipment supply for Rostov NPP Unit 2 and 3, Kalinin NPP Unit 4 and Novovoronezh NPP Units. The total amount of lots exceeded 18 billion rubles.

On the 2-nd International Scientific and Industrial Forum "Nuclear Engineering Fair" in May, 2009 were held open tenders for equipment procuremet for Kalinin NPP Unit 4 and quialification selection of suppliers for construction of Rostov NPP Units. Applications for participation in prequalification selection and tenders for supply of equipment for Kalinin NPP and Rostov NPP Units were made by 34 companies. There were 8 lots put up for tender. A qualification selection of suppliers was on 20 lots.

On the 3-d International Scientific and Industrial Forum "Nuclear Engineering Fair" held in 28-30 November, 2009 18 lots were put up for tender for procurement of equipment for Rostov NPP Unit 3 and Kalinin NPP Unit 4. Applications for participation in tenders were made by 72 companies. Integrated initial cost of equipment was 315 million rubles and the total amount of companies' proposals was near 258 million rubles. Thus 57 million rubles were saved.

Nuclear Engineering Fairs are also intended for presentation and demonstration of the compnaies' products that allow JSC NIAEP to learn a lot of new things about suppliers of equipment. Representatives of the companies have the possibility to learn the tender procedures, to get training on Unified corporate procurement standards and

'Financial results are determined according to the following values: as a result of tender procurements in 2009 the total average size of saving was near 18-20% from the initial maximum cost of lots'

A.MEDVEDEV
deputy business director
of JSC NIAEP

Nizhny Novgorod Fair of Nuclear Engineering

is a congress and exhibition project of uncommon format. In 2008 in the first time in the atomic industry of Russia within the bounds of the Fair were held qualification selection of bids participants and open tenders for supply of equipment for construction of NPP and also the exhibition of the companies of atomic industry. Every year the number of participants is increased. The total number of companies taking part in the Fair is more than 160 companies and organizations from 8 countries (Great Britain, Germany, Sweden, Poland, Ukraine, France, Czech Republic, Netherlands) and 32 regions of the Russian Federation including 8 companies of Nizhny Novgorod region. The purpose of the Fair is to render assistance for realization of the government program for construction of new NPP power units, efficiency increasing for use of resources, time reducing for NPP construction and providing for effective procurement activity. According to the results of the 3-d Nuclear Engineering Fair the RUEF Logo with the status of "International" of the Russian Union of Exhibitions and Fairs has been granted.

6D projecting. Within the bounds of “Nuclear Engineering Fair” the round tables are held where the questions concerning the supply of particular types of the composite equipment are discussed. JSC NIAEP arranges and holds meetings of suppliers’ specialists with employees of design division and procurement and supply division. It helps the companies to plan their work, to correct timely their own production program for execution of the conditions of the contracts for supply of equipment and materials.

Today Nuclear Engineering Fair is a recognaizable brand of JSC NIAEP and one of the main instruments to provoke and support competition.

MECHANISM OF SUPPLIES GUARANTEES

The network of special representative offices placed closer to manufacturers is formed in JSC NIAEP to protect against nonfulfilment of the conditions of the contracts concluded with suppliers and manufacturers and to meet the specified periods. Availability of such representative offices gives the possibility to decide all arising questions immediately with such companies where the nuclear machine-building are manufactured. At present time there are representative offices in Moscow servicing the companies of Moscow region and the representative office in Sankt-Petersburg working with the main base enterprises of the nuclear machine-building in the west of Russia. In 2010 JSC NIAEP is planning to open a representative office in Ukraine (Kharkov) where the center of the main enterprises engaged in the nuclear machine-building is placed. The employees of the representative office will perform work connected with the contracts in all over Ukraine.

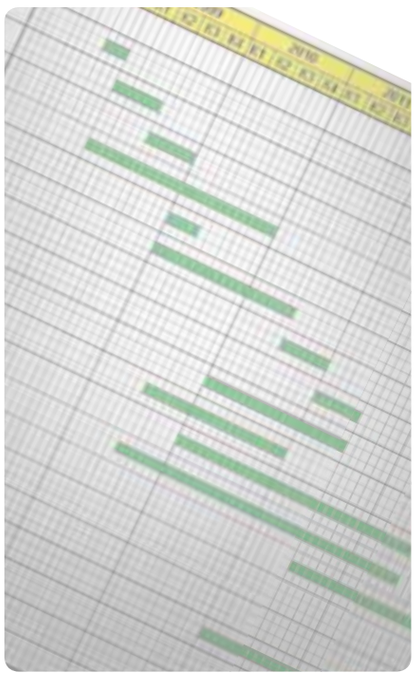
The task of the representative office is to control production time of equipment. An inspection method works as “military items acceptance”. This method is specialized in types of equipment: representatives of three departments visit the manufacturers (heat-mechanic equipment supply department, pipes and valves supply department, electric equipment supply department). These departments are proper coordinated and they report directly to the deputy director in supplies and completing.

Generally all main enterprises pass this control including the long manufacture cycle equipment. At the present time it is tracked the supply schedule of “heavyweight” equipment providing first criticality of Kalinin NPP Unit 4 in 2011.

3.2.3.

JSC NIAEP'S COMMON INFORMATION SPACE CREATION

IMPLEMENTATION OF THE PROJECT MANAGEMENT INFORMATION SYSTEM



From January 2009 the Company has started the works on creation of common information space (CIS) of JSC NIAEP on the basis of the project management information system at designing and construction of NPP (PMIS).

Purposes for creation of the PMIS are:

- information support of management processes at all stages of NPP construction projects realization;
- improvement of quality, operability and increase in efficiency for plants construction projects management;
- delivery to all participants of the working process an operative and adequate information about the plants construction process for the account of creation of common information space (CIS) at designing and construction of NPP;
- optimization and unification of management procedures, accounting and record documents;
- decreasing of costs and reduction of construction time of any objects of the nuclear power engineering.

In August 18, 2009 the system was launched into commercial operation in the Central office and in Udomlya branch of JSC NIAEP.

CHANGE-OVER TO ELECTRONIC (PAPERLESS) TECHNICAL DOCUMENTATION CIRCULATION

Starting from July 2009 JSC NIAEP has performed the change-over to electronic technical documentation circulation concerning the designing estimates on the basis of «SP Foundation». From January 01, 2010 the system was introduced in experimental-production operation in the Central office of JSC NIAEP. Later the system was updated in accordance with the demands of the engineering company:

- regulating documents and role-playing working procedures were developed;
- standard procedures for coordination and approval of documents with setting of notices for each procedure, each department and type of works performed were created;
- training of all participants of the technical electronic documents circulation was accomplished.

CREATION OF MODERN DATA STORAGE SYSTEM

In connection with a significant growth of any information systems applied by JSC NIAEP, their volume and importance of information stored in databases, in 2009 the task was set to create a modern data storage sytem.

A fault-tolerant data network was created and passed a successful experimental-production operation in JSC NIAEP. This sytem was created on the basis of modern technology «Storage Area Network» (SAN). Creation of the data network allowed to optimize processes of file backup, to increase the server footprint up to 40 terabyte, to increase number of virtualized servers.

There were implemented the advanced network technologies:

- terminal access services to the resource-intensive applications from any branches and representative offices to provide the possibility for users to work online;
- servers virtualization for use optimization of any server resources and for increasing of fault-tolerant data network on the basis of «VMWareESXServer».

Within the bounds of optimization of IT-infrastructure in 2009 the server of corporatative E-mail was put into commercial operation. The corporative E-mail system was transferred from provider to the Company's site. This allowed to reduce an account cost and response time for possible failures.

At the present time a connection of new representative offices and subsidiary companies to interconnect IT-space is being performed.

3.2.4.
QUALITY MANAGEMENT

Quality management in JSC NIAEP is based on the principles of General Quality Management as per ISO 9000.

Quality Management System (QMS) on the base of ISO 9001:2008 has been implemented and it is functioning in the Company. The Quality Management System is always in active status. An inside audit is periodically performed to control the fulfilment of the determined requirements (methodical instructions, the company's standards, regulations and normative documents) and an outside audit is performed by the Certification Body of TÜV SÜD Management Service GmbH.

Due to any hazard of any nuclear power plant to the human life and health the main task of the Company in the field of quality management shall be safety of the construction of nuclear power plants at all stages of works performed by JSC NIAEP.

This task is determined by the management of JSC NIAEP in Quality Policy and it is brought to notice for each employees of the Company.

The main instruments of the NIAEP's Quality Management System:

- guidance documents (procedures, instructions, standards of the Company) with determination of processes requirements;
- records (report documents about requirements fulfillment determined by the guidance documents and on obtaining any results).

The development and updating dynamics of documents according to the Quality Management System in JSC NIAEP over the period of three years is shown in Fig.3.5.

In 2009 the main stage of realization of the JSC NIAEP's Quality Management System was bringing the system to conformity with standard ISO 9001:2008 of TÜV SÜD certification system (Certificate of conformity No.12 100 19917 TMS dated July 29, 2009). The scope of this Certificate is extended to all lines of activity of JSC NIAEP including works as the general contractor for construction of nuclear power plants, research and design works, and engineering survey works relating to any nuclear and other power plants and construction objects.

As the main requirement of the activity of JSC NIAEP is to secure safe and trouble-free operation of the designed and constructed nuclear power plants and quality is one of the fundamental principles of safety, the development and execution of quality programs by all companies-participants of works for all objects of nuclear power engineering are provided for in addition to any instruments of the Quality Management System.

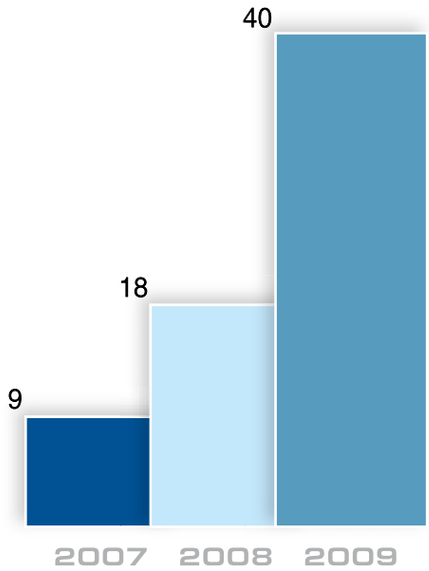


Fig. 3.5. ***DEVELOPMENT AND UPDATING DYNAMICS OF QUALITY SYSTEM MANAGEMENT*** *(doc. q-ty)*

JSC NIAEP develops and controls the execution of the following quality assurance programs:

- quality assurance program at site selection for NPP – QAP (SS);
- quality assurance program at design of NPP – QAP (D);
- quality assurance program at construction of NPP – QP (C);
- quality assurance program at precommissioning works at a NPP Unit.

Moreover JSC NIAEP controls the development and execution of quality assurance programs of contractors and suppliers.

In 2009 JSC NIAEP developed and controled the execution of quality assurance programs for the main plants such as Rostov NPP Units 2,3,4, Kalinin NPP Unit 4, Tver NPP and Nizhny Novgorod NPP.

Within the bounds of innovation projects 6D and PMIS implemented in JSC NIAEP the QMS documents were the base for processes simulation.

The main imperfection discovered in 2009 is unavailability of any requirements for incoming control of materials purchased by subcontractors.

3.2.5.
INVESTMENT MANAGEMENT

The investment activity of JSC NIAEP is performed on the basis of "Investment Memorandum" which annualy passes the defence procedure on the Investment Commetee of JSC TOMENERGOPROEKT. At preparation of the Memorandum the investment policy of State Corporation ROSATOM and the investment policy of JSC ATOMENEGROPROM are taken into account.

The investment activity of JSC NIAEP are firstly directed to:

- development of key competence of EPCM-companies;
- income increase;
- infrastructure development.

The main principles of the investment activity of JSC NIAEP are:

- structuring of the investment program according to investment directions;
- the strategy realization;
- efficiency and transparency increasing for investment activity management;
- arrangement of optimal conditions for using investment resources;
- feasibility study of investment decisions of the Company.

At performance of the investment activity the procuremets structured in programms made by the Company's divisions are considered if the unit cost exceeds 20 ths. rubles incliding VAT and the period of useful application is more than 12 months. At the performance of the investment acivity there are any restriction on availability of material, human and finance resources. In case of any conflict situations relating to receiving of any resources for program realization the decision shall be taken by the director of JSC NIAEP who in working oder defines the priority for programs realization and possible alternatives for satisfaction of resourse requirements.

INVESTMENT DECISIONS TAKEN IN 2009

The main investment decisions about profit distribution in accordance with annual results are taken on the basis of the Investment Memorandum and on the basis of a decision of a sole shareholder. The investment program of 2009 was made on the basis of the Decision of a sole shareholder of the Company No.3 "Approval for distribution of net profit according to the results of 2008" dated May 14, 2009.

In accordance with the Investment Memorandum the main investment directions in 2009 were:

- Development of own construction forces;
- Supply of special equipment;
- IT-projects;
- Infrastructure development.

In 2009 these investment directions were considered as separate investment programs. It was taken a decision not to divide the directions into separate projects due to narrow orientation of each purchase of fixed assets which are unique one but at the same time they may be combined in one general direction.

Directions 'Development of own construction forces' and 'Supply of special equipment' are intended to increase construction scales and efficiency. Direction 'IT-projects' is intended for development of abilities for construction management, design informatization and planning process of completing and supplies. Direction 'Infrastucture developmen' is intended to provide working conditions for employees of JSC NIAEP.

2009 INVESTMENT PROJECTS

At the end of 2009 year the investment activity of JSC NIAEP was in initial stage and any large-scale local investment projects were not realized. Procurement of construction engineering and investments in the information technologies are performed in the frame of a current operating activity of JSC NIAEP. In 2009 investments of JSC NIAEP into fixed capital was 287 586 ths. rubles without VAT (see Table 3.3).

Investment direction	Project investment total, RUR, ths. (with VAT)	Project investment in 2009, RUR, ths. (VAT free)
Development of own construction forces	2 053 000	116 804
Supply of special equipment	683 000	28 534
IT-projects	276 000	95 052
Infrastructure development	723 000	47 195

Note. Realization period of all directions – 2009–2012 years

Table 3.3. ***INVESTMENTS INTO FIXED CAPITAL BY THE MAIN DIRECTIONS***

3.2.6.
PERSONNEL MANAGEMENT

PERSONNEL POLICY OF THE COMPANY

PURPOSES OF JSC NIAEP AS EMPLOYER ARE:

1. Effective employment of human resources;
2. Development and support of competitive capability of JSC NIAEP in the labour market.

One of the main principles of personnel policy of JSC NIAEP is to provide different sex and age groups and also people with limited opportunities with equal possibilities. The Company does not allow any forms of discrimination at performance of its activity.

A different age-sex groups equal opportunities open up index is the characteristic of JSC NIAEP's Management structure with age/sex breakdown.

The executive posts distribution by age-sex characteristics is shown in Fig. 3.6. As is obvious an insignificant imbalance towards men can be seen, but it is caused by the particularity of an engineering company activities requiring a lot of knowledge and skills to deal in the field of construction, engineering etc. As a whole in the Company structure women take 40% from the employees total number, and the proportion is kept at the Management level – 35 % from the executives total number.

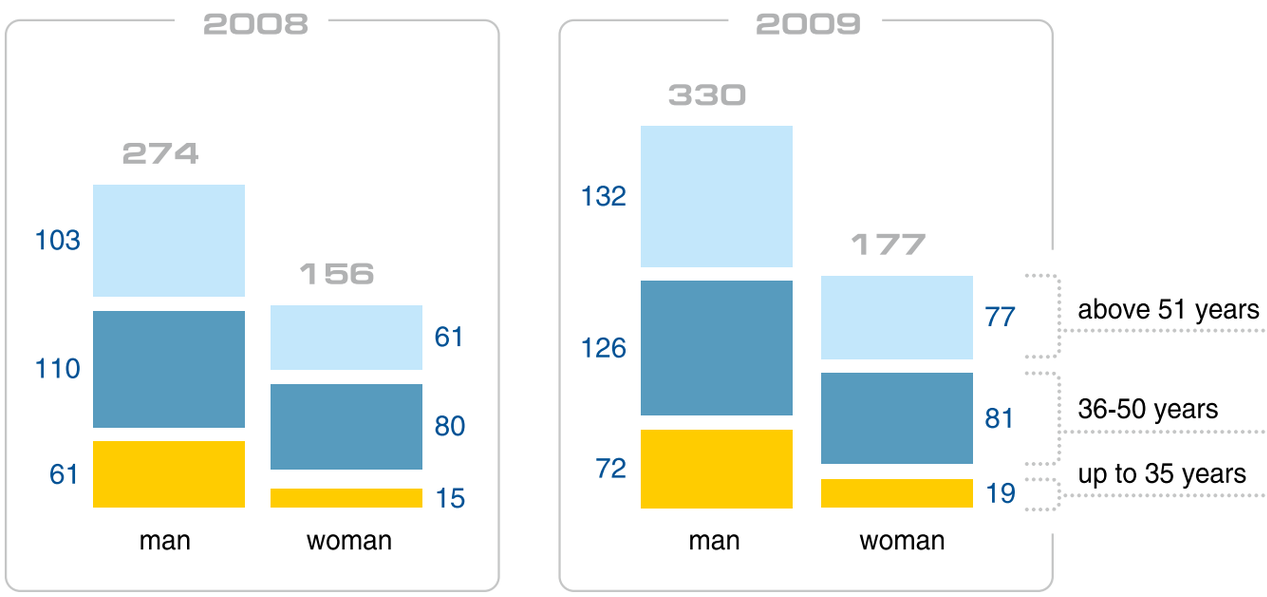


Fig 3.6. ***EXECUTIVE POSTS DISTRIBUTION BY AGE / SEX CHARACTERISTICS*** *(persons)*

Another main principle of personnel policy of JSC NIAEP is the principle of equal payment for labour. The equal payment is the factor of stability and retention of skilled employees. Moreover availability of inequality in the Company constitutes a menace for its reputation and demonstrates a current realization level of this principle (see Table 3.4).

Age	Managers	Specialists	Workers	Other employees
up to 30	1,29	0,93	0,81	—
30–50	0,76	0,92	0,77	—
above 50	0,59	0,95	0,57	1,04

Table 3.4. ***RATIO OF WOMEN BASIC RATE TO MEN BASIC RATE***

For the personnel management in JSC NIAEP common normative documents (regulations and managing procedures) are prepared and introduced. These documents are subject to time to time updating and improvement.

SELECTION AND ARRANGEMENT OF THE PERSONNEL ON SITES.

In 2009 the priority task for the personnel department was solving problems of the personnel deficit on the sites of Rostov NPP and Kalinin NPP Units under construction.

Shortage of the skilled manpower was overcame with the help of actions package including:

- strengthening LLC "SMU №.1" established in Volgodonsk at the end of 2008 where at the end of 2009 were 709 workers. Selection of highly skilled workers was performed and as a result the company became a leading construction division of Rostov NPP Unit 2;
- purchasing of 100% shares in an authorized capital of "Volgodonsk Construction & Management" - a construction company performing main process equipment installation works. Today this subsidiary company performs the most complex and important works in the turbine hall of Rostov NPP Unit 2;
- opening of Volgodonsk Representative Office for work on the sites of Rostov NPP Units 3 and 4;
- working through the methods of efficient management for placement of contractors' specialists and control for working hours. Not standard mechanisms were found motivating contractors for performing of thematic tasks. At the beginning of year the number of performing main process equipment installation works has increased up 1100 workers and at the present time there are about 3 thousand of highly skilled erecters;
- selection of workers and specialists in the Community offices organized in Volgodonsk and Udomlya in 2008. In 2009 about 8838 persons addressed there. Thanks to the community offices 2246 skilled workers became employed and it was formed a reserve bank of the labour force for decision of any production tasks;
- selection of 2723 persons (and 10 new contractors) on the site of Kalinin NPP Unit 4.

TAKEN MEASURES FOR PERSONNEL ATTRACTION ALLOWED SOLVING THE PROBLEM OF THE MANPOWER AND IN 2009 TO PERFORM THE ROSTOV NPP UNIT 2 REACTOR FIRST CRICALITY IN THE SCHEDULED TERM.

TRAINING AND PROFESSIONAL DEVELOPMENT OF PERSONNEL

The system of personnel training works successfully in the Company. This system covers all the personnel levels of the Company and training effectiveness is assessed. System of personnel training is developed and renovated taking into account the purposes of the Company and its strategic priorities.

The main purposes of training and professional development are:

- training and certifying the personnel concerning norms and rules knowledge in the field of nuclear energy;

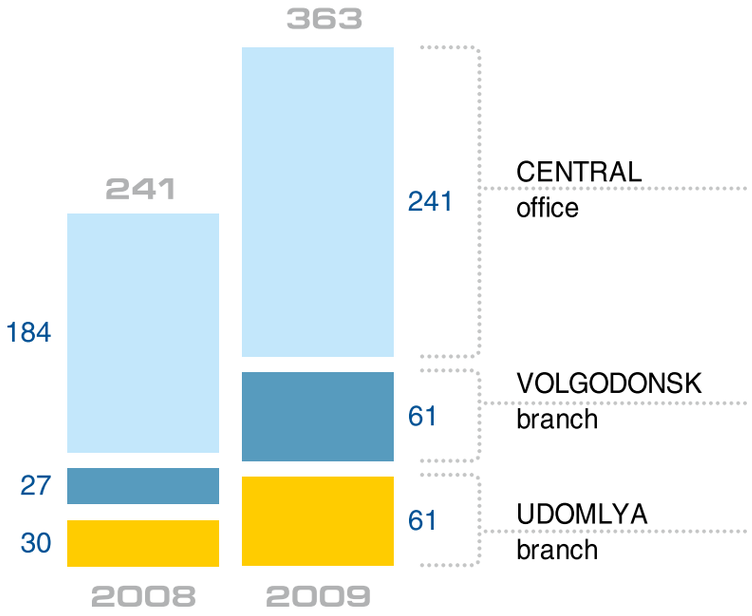


Fig. 3.7. ***NUMBER OF EMPLOYEES PASSED QUALIFICATION DEVELOPMENT*** *(without S&A, persons)*

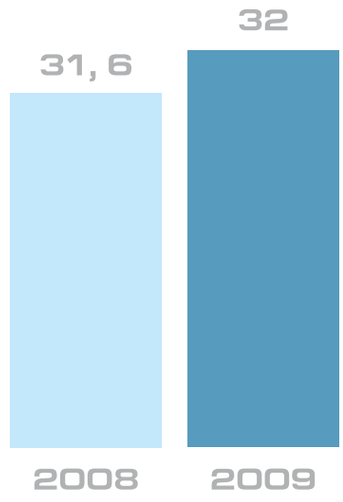


Fig. 3.8. ***AVERAGE NUMBER OF TRAINING HOURS PER ONE EMPLOYEE*** *(without S&A, hours)*

- raising the level of personnel skill;
- implementation of common management strategy for processes of personnel training and development;
- creation of effective and highly integrated training system of personnel in accordance with documents of the Company being in force.

In 2009 the programs of training and qualification development were covered employees of all areas of the Company's activity. A systematic training of management and specialist of the Company is performed both inside the Company and outside on the base of branch institutes and other educational organizations.

Fig. 3.7 and 3.8 show the Company's employee training.

In 2008/2009 academic year in accordance with programs of technical and economic education studies were in 32 training groups for 680 employees of all main production subdivisions; 440 academic hours were delivered by 128 lecturers from the number of leading specialist of the Company. In 2009/2010 academic year 38 training groups for 700 employees were formed.

During 2009 the Company's specialist cooperating with TOSHIBA first in Russia studied the technology of 6D projecting, assimilated it and partially implemented it in practice. The expenses of the Company for training and qualification development were increased in 3.5 times as compared with 2008 (see Fig. 3.9 and 3.10).

Ratio of costs for employee training and development to wages fund in 2008 was 0.12 and in 2009 – 0.32.

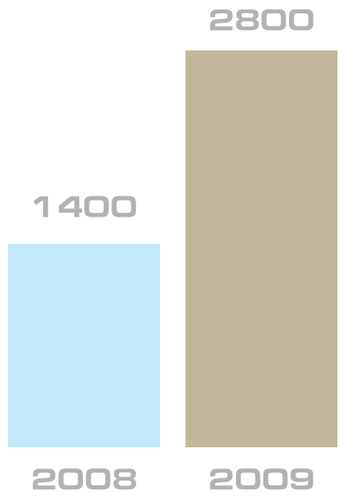


Fig. 3.9. ***TRAINING COSTS PER ONE EMPLOYEE*** *(without S&A, rbl.)*

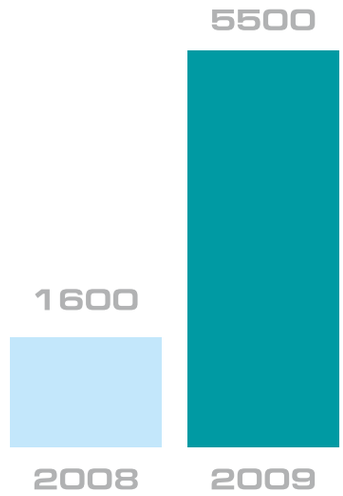


Fig. 3.10. ***TRAINING COSTS*** *(without S&A, rbl.)*

PERSONNEL RESERVE OF JSC NIAEP

Table 3.5. ***PERSONNEL RESERVE OF JSC NIAEP***

Division	Number of emploees evaluated in accordance with key efficiency indices on December 31, 2009.	Number of employees in the company on December 31, 2009	Part of employees covered by efficiency evaluation in 2009, (%)	Plan for 2010, (%)
Central office of JSC NIAEP	107	1264	9	100
Udomlya branch	47	422	11	100
Volgodon branch	42	441	10	100
Volgodon representative office	16	65	25	100
TOTAL	212	2192	10	100

The program of personnel reserve is realized in the Company to discover and promote the most promissory employees.

It is formed the personnel reserve of JSC NIAEP including 87 emploees (see Table 3.5).

Candidates from among the Company's employees as a rule candidates from personnel reserve have a priority at appointment to any management posts in JSC NIAEP.

EVALUATION OF PERSONNEL WORK EFFICIENCY

In 2009 an evaluation of work efficiency of the Company's personnel and a level of the obtained results was performed. The share of the Company's employees the work efficiency of which is periodically evaluated in accordance with the key efficiency indices is 10% (see Table 3.6).

The Regulation "Annual evaluation of employees of JSC NIAEP" was prepared and approved for execution of item 3 of Order No. 900 of State Corporation ROSATOM dated December 21, 2009 and increasing of evaluation effectiveness. The list of posts to be evaluated and evaluation intervals were approved for 2010.

Level of personnel reserve	Number of posts for personnel reserve	NUMBER OF EMPLOYEES	
		in personnel reserve	promoted in 2008–2009
Top managers	20	29	2
Middle managers	53	58	13
TOTAL	73	87	15

Table 3.5. ***THE JSC NIAEP'S PERSONNEL RESERVE***

KEY EFFICIENCY INDEX, SALARY, BONUS AND REWARDING

The main purpose of labour payment and motivation in JSC NIAEP is to guarantee an adequate level of salary.

In 2009 the salary structure of JSC NIAEP's employees included:

- fixed salary;
- personal bonus;
- bonus for execution of key efficiency indices (KEI) for managers or plan tasks bonus for specialists and officers;
- quarterly premium (for key employees);
- bonus for work results during the year;
- long-service remuneration;
- bonus for execution of the most important production tasks.

The level of average salary in JSC NIAEP and its ratio to average salary level on the labour market is shown in Table 3.7.

A significant motivation factor is an encouragement of the Company's employees: hanging on hall of fame, entering in the honour book, giving the department awards, letters of commendation and appreciation of JSC NIAEP. Within the period of 2008-2009 407 the best employees of the Company were awarded and 87 employees were awarded with honour badges, letters of commendation and appreciation of State Corporation ROSATOM.

The Company considers important to encourage an efficient and creative labour of the Company's employees. During 2 years the Company's employees received 2.4 million rubles in connection with any rewarding (1.3 million rubles in 2008 and 1.1 million rubles in 2009).

Bonus on the results of key efficiency indices and plan tasks are orientated to motivate the personnel to achieve the strategic and operative purposes of the Company. The strategic purposes and key efficiency indices of JSC NIAEP are determined at the beginning of the year. The key efficiency indices of the Company are transformed to indexes for managers of all levels in accordance with their functional load by cascading (decomposition) method. The managers set the targets for subordinated employee to fulfill their key efficiency indices. Thus the personnel of the Company are motivated to achieve the goals.

During 2009 for each employee of JSC NIAEP tasks and plan indices were monthly set which easy measured and had proper calculation algorithm. Calculation of bonuses was performed according to the results of their fulfillment. Amount of bonuses depended on the volume of gained income and on the results of plans fulfillment.

The Director of the Company approves an actual bonus amount for employees reported directly to the Director of the Company such as deputy chief engineer, chief accountant of the Company, head of department, deputy head of department, head of bureau comprehensive designing, branch deputy director, branch chief engineer, branch

Table 3.7. ***THE AVERAGE SALARY LEVEL IN JSC NIAEP***

Division	Region	Average salary in the Company
Central office	Nizhny Novgorod region	75 969,28
Udomlya branch	Tver region	40 316,26
Volgodonsk branch	Rostov region	35 499,25
Volgodonsk representative office	Rostov region	62 386,99

assistant director, deputy director of representative office, chief engineer of representative office.

An actual bonus amount on key efficiency indexes of all other employees specified as “managers” and an actual bonus amount for structural divisions are approved by corresponding deputy directors of the Company or by heads of structural divisions reported directly to the Director of the Company.

YOUTH POLICY

The young specialists of the Company are employees at the age of up to 35. Graduating students of any profile institutes form the main part of the young employees of the Company. Young people of the Company are involved in the system of inside and outside training and take an active participation in different youth conferences and forums.

The fact of the Company's prospects was a promotion of 195 young specialists during 2008–2009.

Process of tutorship organization in the Company is regulated.

The adaptation period for young specialists is 6 months and a qualified instructor looks after such specialist during this period (see Fig.3.11).

The adaptation of young specialists has two interrelated aspects: professional and social and psychological.

The inspector helps the employee to master the speciality, a professional skill and administrative duties, to adapt to the Company's employees, its corporative norms and rules determined in the Company, its corporative standards and system of values. In correspondence with the collective agreement the labour of instructors is paid. In 2009 tutorship expenses were 158 ths. rubles.

Practical training is arranged in the Company in accordance with the agreements concluded between the Company and Universities. Students from Nizhny Novgorod State Technical University named after P.E. Alekseev (NSTU), Nizhny Novgorod State Architecture and Construction University named after V.P. Chkalov (NSACU), Volga and Vyatka Academy of Public Service (VVAPS) undergo practical training in the Company (see fig.3.12).

Over the reporting period 33 young specialists were employed from among students underwent pregraduation training.

For training of the skilled personnel for atomic industry the Company resumed and actively developed the movement of students' construction teams. During 2 seasons of 2008-2009 students' construction teams with total number of 300 students from Volgodonsk technical colledge, Volgodonsk Institute, South-Russian State Technical University, Obninsk State Technical University of atomic power engineering passed their practice on sites of Kalinin NPP and Rostov NPP and they made a real contribution to works fulfillment not requiring the high level of skill. As in 2008 it was hold a competition between students' construction teams not only on sites but in spartakiades and in competitions of promoting teams. The program

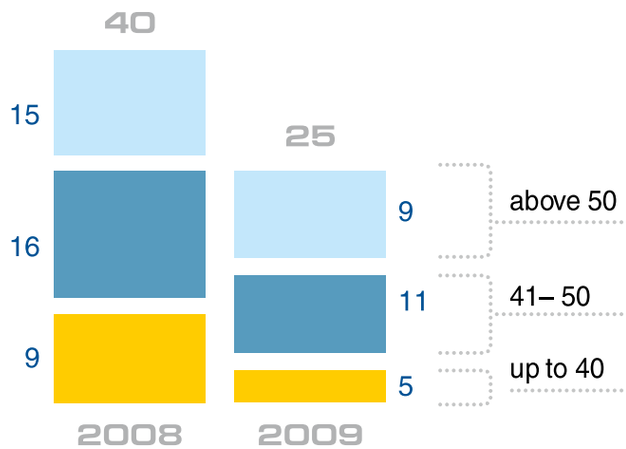


Fig. 3.11. ***AGE OF TUTORS*** *(without S&A, persons)*

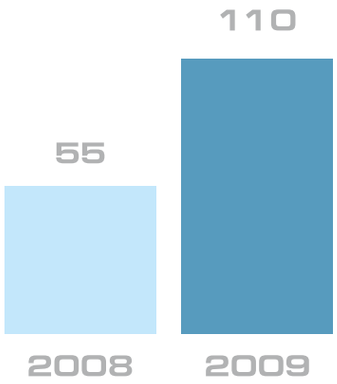


Fig. 3.12. ***STUDENTS PRACTICAL TRAINING,*** *(persons)*

of 2009 was finished by the festival of students' construction teams where the work results were summarized and the best teams and students were awarded.

The Company intends to involve students of different educational institution for further work on NPP sites.

In accordance with Government regulation of the Russian Federation No.942 "About target contract education of specialist with higher and secondary professional education" dated September 19, 1995 the Company trained 6 persons in 2008 and 11 school leavers (children of our employees) who in 2009 successfully entered to institutions of higher education on speciality "Nuclear and power plants".

3.2.7.

INNOVATION IMPLEMENTATION, RESEARCH AND DEVELOPMENT (R&D) AND INTELLECTUAL PROPERTY

In 2009 technical decisions to the total amount of **76.932** RUR, ths. were IMPLEMENTED in NPP projects by SPECIALISTS of the Company (see Table 3.8).

Table 3.8.
INNOVATIONS IMPLEMENTATION IN 2009

№	Object	Innovation description
1.	Kalinin NPP Unit 4	Development of purification system of turbine condensate with application of inwash ionite filters. The containment prestressed system (СПЗО-М) on the basis of twisted armoured ropes with FRASSINS components and technologies used.
2.	Rostov NPP Unit 3	6D Project (information nodel based NPP unit designing and construction processes management system) Application of protection system for distillation and chemical demineralized water against saturation with carbon dioxide and oxygen from air by nitrogen cushion method.
3.	Novovoronezh NPP Unit 2	Application of sorption and membrane technology providing necessary water purification of special laundry combining with minimum volume of radioactive waste (slurry component) directed for cementation.

Over the reporting period research and development were not performed as unified, perfected and time-tested technical decisions are used in NPP projects. Equipment design features patents were used in NPP projects. The rightholders of such patents are manufacturers of the equipment.

A trademark is an intellectual property of the Company (Certificate No.294969 issued by Federal Service on intellectual property, patents and trademarks). In addition JSC NIAEP has objects of intellectual property such as sets of drawings for the designed, erected, constructed and operating energy objects keeping in the archive of the Company. The design production is not an exclusive rights object.

The intellectual property of the Company is protected in accordance with the Patent Law №3517-1 of the Russian Federation dated 29 September, 1992; Law №3520-1 of the Russian Federation "About trademarks, service marks and places of goods origin" dated September 23, 1992 and Part 4 of Civil Code of the Russian Federation. Protection of the intellectual property is performed by a patent officer of the Company's Technical Department.

Cost, (RUR, ths.)	Expected efficiency
15 000	Reduction of operational costs for reagent facilities and chemical demineralized water
3986	Increasing of reliability, life duration and safety of the containment prestressed system
50 000	Creation of information structure providing effective application of information model at management of designing and construction processes of NPPs.
2258	Reduction of operational costs, Improvement of characteristics of water treatment conditions, increasing of serviceability
5688	Reduction of power and materials consumption of equipment, reduction of capital expenditure for the plant construction

3.2.8. RISK MANAGEMENT

The activity of JSC NIAEP is connected with some risks which at definite circumstances may considerably influence on any results of financial and economical activities. The risk management system is implemented in the Company to reduce their negative influence. Risk management represents a systematic process of revealing, assessment and regulation of risks in all fields of activity. The risk management system in JSC NIAEP is intended for execution of the long-term investment program of JSC CONCERN ROSENERGOATOM including construction and erection works, precommissioning, design and survey works, supply of equipment on a fixed price agreed with the Customer.

The main risks for JSC NIAEP are (in order of importance decreasing) the following:

1. COUNTRY RISKS:

- price risks (changing of market prices for sold goods or purchased raw materials, materials and services).

2. INDUSTRY RISKS:

- corrections (volume decreasing and requirements changing) of investment program of JSC CONCERN ROSENERGOATOM.

3. PRODUCTION AND TECHNOLOGICAL RISKS:

- technological risks (connected with breakdown in technological processes and malfunctions of the process equipment) on the plant to be put iinto operation;
- risk of default of obligations by the suppliers of equipment and services;
- IT-risks (data loss, errors etc.).

4. REPUTATION RISKS.

In respect to these types of risks the Company regular collects and analyses information concerning external and internal factors which can negatively influence on achievement of any set goals. Finance and management reports, statistical data, diagrams of material and information flows, questionnaires, documents of operational meetings and other information are used in analysis process.

The Company uses approach when function of risk management is maximum included in functional of profile subdivisions and blocks and are not isolated from them as a specialized group of risk managers.

The Company's commercial block manages price risks. For reduction of price risks the Company performs the procurement procedures on a competitive bidding and constantly monitors prices changed by manufacturers.

Risk of default of obligations by the suppliers of equipment is managed in the framework of operation of the Company's supplies block (see “Mechanisms of Supplies Assurance") and the Finance department. An expert group is formed in JSC NIAEP for evaluation of financial position of participants of selection procedures of equipment suppliers for power units’ construction. In addition it is quarterly performed a finance monitoring of contractors-debtors on advances paid out.

The Company's Finance Department exercises control to exclude risks of monetary funds loss on paid advances. In accordance with all equipment supply contracts with the terms of an advance payment the bank guarantee is provided to minimize technological risks as except of an advance repayment it obliged the supplier to perform the equipment warranty service.

To reduce technological risks the system of regular monitoring of quality and equipment manufacturing time for NPP was implemented in JSC NIAEP. In large regional centers where equipment for atomic industry is manufactured the representative offices of JSC NIAEP are opened and representatives of the Company are always found at manufacturers. An expert group is formed in JSC NIAEP for technical evaluation of equipment offered by suppliers. Special attention is given to the practice of the equipment supplies.

One of the key elements of risk management in the Company is detection of risks arising during the process of production activity and day-to-day operation. In this connection an analysis of risk factors is performed in JSC NIAEP on the basis of any breach of principal activity.

Weekly operative meetings of the Company’s management are mechanisms of operative detec-

tion and overcoming of any possible risk situations such as failure to perform construction and erection works on time. In addition monthly headquarters with invitation of the Customer's inspectors, contractors and equipment suppliers are held to reveal any external risks.

Department of internal control and audit of JSC NIAEP performs scheduled inspection and internal monitoring of the Company's structural divisions. In some cases any external audit and consulting companies are enlisted for receiving objective appraisal.

Different methods of risk regulation are used in the Company intended for reduction, removing, assignment or taking risk subject to possible reduction level of risk parameter value and cost for realization of actions. A systematic monitoring of actions connected with risks regulation is centralized. During the reporting period the following instruments were used at risks monitoring in JSC NIAEP:

- making decisions for withdrawal from implementation of certain transactions and certain types of transactions;
- imposing limitations to carry out some directions of activity, types of transactions;
- implementation of the procedure of internal monitoring of business processes;
- insurance;
- outsourcing (invitation of specialized external companies (service suppliers) to performan certain types of works);
- risk assignment with simultaneous preparation of plan for continuity of economical activity including restoration of economical activity interrupted by any external factors;
- monitoring of budget and long-term investment programs performance.

During the reporting period the following internal regulations and orders were used for risk estimation and prevention against finance risks:

- "Methods of financial resources evaluation of the participants taking part in any procurement procedure and the financial condition of the contractors" approved by the Director of JSC NIAEP;
- regulation of the contractors financial monitoring;
- procedure for efficiency estimation of the financial resources of participant taking part in competitive selection procedures.

For estimation and prevention of technological risks the following documents were used:

- regulation for cooperation with equipment suppliers on the stage of a contract conclusion;
- regulation for cooperation of the designing block with the division of database management system of the equipment completing management department to meet a procurement schedule;
- regulation for attestation procedure of the potential suppliers (manufacturers) of equipment and materials for construction of NPPs;
- procedure for contractors selection for construction and erection, repair and renewal, design and engineering survey works necessary for construction of NPP;
- interim instructions regulating the cooperation of JSC NIAEP's VD divisions, the main completing and supplies department and main procurement department at performance of incomimg control and resolving of its comments;
- interim regulation for information interchange about incoming control between JSC NIAEP's VD production and technical completing division and the main completing and supplies department.

In 2010 JSC NIAEP will continue the work for efficiency increasing of risks management arising at fulfillment of the production and day-to-day operation of the Company.

Volgodonsk. Rostov Nuclear Power Plant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БЛОК · 2

3.3. STABLE DEVELOPMENT MANAGEMENT

3.3.1. THE ECONOMIC EFFECT MANAGEMENT

The following principles are the basis of JSC NIAEP'S effect on the economy:

1. Providing necessary facilities for new job creation on the territory of presence and on the territory of the suppliers of equipment and materials. Creation of one working place in JSC NIAEP creates ten working places outside. According to funds on accounts of the Company not less than 80% of funds were transferred outside to the contractors of JSC NIAEP carrying out their operation in the frame of which new working places were created in 2009.

2. Privilege at hiring of local residents for work on sites. Local residents are people resident in the construction region (at the distance of 100 km from the NPP site). On the basis of the community offices in Udomlya and Volgodonsk all specialists hired for construction are citizens of the Russian Federation and 99% of them resident in towns and villages placed at the distance of 100 km from construction of our NPP. The methodical instruction of JSC NIAEP is the main local normative document regulating the personnel selection from among local residents.

3. Creation of nuclear power engineering cluster in Nizhny Novgorod region. Nizhny Novgorod region may be considered as the base for the nuclear power engineering cluster creation. The leading enterprises of the nuclear industry (OKBM, Scientific and Research Institute of Measuring Systems, Sarov Nuclear Center) are placed in Nizhny Novgorod region on one side and on the other side there is an extensive network of educational institutes including Nizhny Novgorod State Technical University being the base for education of specialist for work in this cluster. Nizhny Novgorod region is an ideal place for creation of the cluster due to the geographic position and traffic arteries. It would be very harmonious to develop industry in this direction and to construct a nuclear power plant simultaneously. The cost of a four-unit NPP is near 400 billion rubles and Nizhny Novgorod enterprises may use 20% of funds in the form of articles for NPP. Operation for Nizhny Novgorod NPP raises the cluster up to the level necessary for participation in construction of other nuclear power plants. There will be enterprises engaged in production of equipment for electrical and heat mounting. Such enterprises are already appeared and they come into participation in equipment supply tenders for Rostov NPP and Kalinin NPP.

4. Preferences for native manufacturers. In accordance with the Unified Corporate Procurement Standard the only criterion for the suppliers selection is a price for offered production and a determined requirements according to which the suppliers are admitted to participation in any tenders. At the present time there are no any preferences for local suppliers but determination of some preferences for native producers are considered in accordance with the Rules specified in the Unified Corporate Procurement Standard of State Corporation ROSATOM.

5. Partnership with local authorities. Such partnership is a guarantee of efficiency increasing of contribution to the public infrastructure of the regions where NPP are located.

Although by this time these principles are not formalized in the form of a certain corporative document (the Company's Policy) their realization is obvious in the practice of JSC NIAEP.

3.3.2.

THE SOCIAL EFFECT MANAGEMENT

All decisions about allocation of funds for charity are made by the Board of Directors of JSC NIAEP. Starting from 2009 the Company keeps records in the field of charity and support of non-commercial projects of local societies and an integrated document (program of charity arrangements) is accepted. The Company accumulates the information about any needs of communities in regions of presence of JSC NIAEP (Nizhny Novgorod region, Volgodonsk city, Udomlya city). This operation is performed at a personal resort of persons being in need of charity help and at resort of any third parties interceded for somebody requiring this help. All these resorts are considered, systematized on directions and summarized in the Program of charity arrangements of JSC NIAEP for the next year. On the basis of these data the Program of charity arrangements of JSC NIAEP for 2009 was prepared and approved by the Board of Directors (Resolution No.7 dated April 24, 2009, see Appendix No.1 of the Annual report). The more detaild report information is specified in item 2.3.3 Social effect). The amounts for charity help and number of organizations interested in this help are increased every year.

Stating from 2010 the Company is going to revise the hands-on experience of rendering of the charity assistance by reference to recommended general corporative approaches. The impulses to this decision were resolutions of the Public Board of State Corporation ROSATOM made on December 23, 2009 about necessity to develop a strategy of cooperation with local communities and the offered project "Concepts of cooperation with local communities and charity activities of enterprises of State Corporation ROSATOM"[1], and Order of the General Director of State Corporation ROSATOM dated August 4, 2009 to provide development of the branch industrial charity program in the framework of annual consolidated budget of State Corporation ROSATOM for 2010.

In accordance with the general approach of the Corporation this Concept is the main corporative document recommended as the guidance for all enterprises of State Corporation ROSATOM including such companies which have already any current regulations and other documents regulating these types of activity. The following principles may be used at the social effect management:

- preference to any initiative directed to achieve significant social changes;
- initiatives selection with measurable result at reasonable costs amount;
- fulfillment of activities not being an alternate budget;
- target character and orientation to improve the quality of life among any enterprises of State Corporation ROSATOM;
- encouragement of the competitive charity;
- encouragement of personal charity, volunteering activity, corporate and sponsor assistance.

Priority contributions in local areas shall be:

1. Providing of public and ecological suitability of nuclear engineering technologies and projects based on their application;
2. Spread of unique knowledge (scientific discovery and developments) and useful achievements (innovations);
3. Support of education and creating conditions for the younger generation of engineers and technicians;
4. Forming and supporting of the high social and culture standards in regions of placement of any objects of nuclear industry;
5. Assistance at forming any traditions of coordinated and professional management of development in regions of location of any objects of the nuclear industry;

The final text of the “Concepts of cooperation with local communities and charity activities of enterprises of State Corporation ROSATOM” will be approved by the Public Board in 2010. At the same time the purposes and principles (on the level of designing) published by the Community Board of the State Corporation ROSATOM on the basis of which JSC NIAEP is going to draw up its own “Policy of cooperation with local communities and charity”. This policy project will be the base for cooperation with local communities and charity activities of JSC NIAEP.

[1] http://www.osatom.ru/ru/live-opinion/comments/2009/12/24/233/

3.3.3.

THE ECOLOGICAL EFFECT MANAGEMENT

The Company's ecological policy is based on realization of the ecological policy of State Corporation ROSATOM.

The Company realizes that ineffective operation of its divisions and branches may lead to negative environmental changes and may negatively influence on the health of the personnel and inhabitants. So the highest priority of the Company together with achievement of the high economical results is the environmental policy directed to minimization of an environmental impact, to environmental safety and to health protection of the personnel and inhabitants.

In JSC NIAEP the following priority lines of activity are selected in the sphere of the environmental safety:

- prevention of negative environmental impact of our activity by implementation of modern technologies in processes of designing, construction of any power objects and the processes management methods;
- maximum optimization for consuming resources, means, consumable products the saving of which helps to reduce possible or existent environmental impact;
- corresponding to the requirements of the environmental regulations, setting new goals and tasks, searching of optimal methods of their realization and their further improvement;
- creation and supporting of ecological management system in operational state and further improvement of the system;
- timely monitoring, analysis of environmental impact as a resulyof our activity, accurate processing of the received data and usage of the data in further work;
- organization of the personnel training who directly or indirectly participate in operation of the ecological management system, improvement of their skills, assisting them in taking the initiative for operation improvement of the ecological management system;
- regular and timely analysis of our activity in the framework of the ecological management system.

The Company's activity is performed in two levels:

- operation of the Central office in Nizhny Novgorod, branches and representative offices of Rostov NPP and Kalinin NPP performing the management functions;
- operation of own construction and erection management offices and any contracting construction, erection, adjusting enterprises performing their production functions and being responsible for environmental safety of their activity.

The central office of JSC NIAEP is located in Nizhny Novgorod. Local bodies of the Ministry of Natural Resources of the Russian Federation and the Ministry of Ecology and Natural Resources of Nizhny Novgorod region perform ecological monitoring of the Company's objects.

The Company's Udomlya and Volgodonsk branches and Volgodonsk representative office are located near Kalinin NPP and Rostov NPP. The ecological monitoring of the branches' activity is performed by the Local bodies of the Ministry of Natural Resources of the Russian Federation and regional environmental structures.

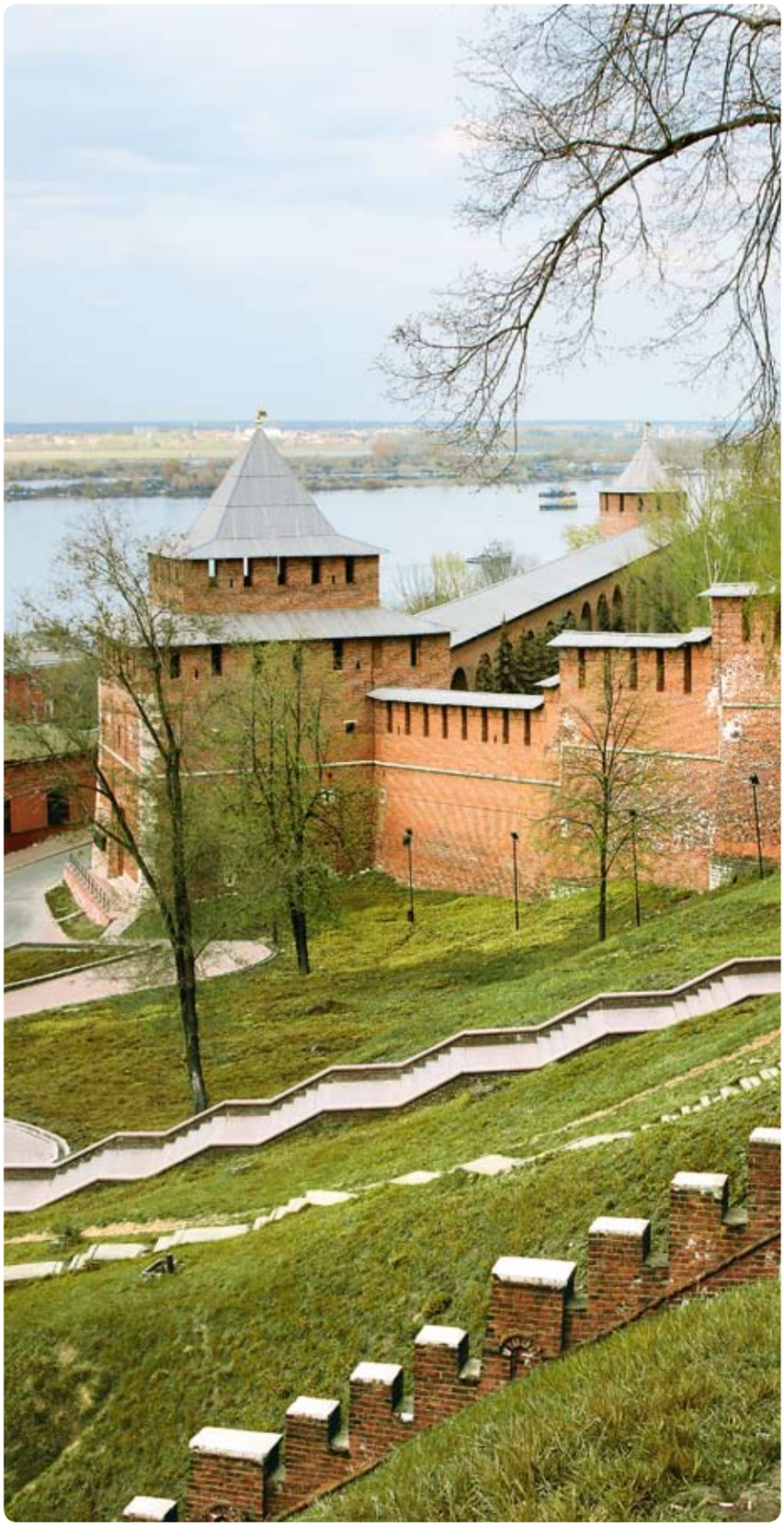
The Company has no its own production connected with using of radioactive materials and requiring nuclear and radioactive safety. Maximum environmental impact is performed at construction of power units and for monitoring of environmental impact the branches and representative offices of the Company develop "Regulations for production ecological monitoring", "Regulations for environmental safety, environmental protection at construction of any facilities of 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 the 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 any contracts with such companies

are availability of licenses for hazardous waste management, limits obtaining for waste disposal coordinated with the local authorities of Rostekhnadzor, receiving of waste certificate, development of maximum permissible emissions draft, payment for negative environmental impact, meeting the requirements of directive documents of General Contractor.

However at the present time the above mentioned documents of the Company are only the part of a modern environmental management system (EMS) development of which is proposed in accordance with the above indicated orders of State Corporation ROSATOM. These orders don't contain a direct instructions for implementation of the environmental management system for engineering companies but taking into account that efficiency (including ecological) of any production is determined by the quality of design and engineering solutions, construction and erection works, repair works and depends on scientific and technical support of operation the Company considers necessary and urgent to perform development, implementation and certification of the environmental management system in the Company.

In 2010 JSC NIAEP continues the work in the field of increasing of effectiveness of the ecological management and plans to finish the preparation of the documents according to the model of the environmental management system set by GOST P ISO 14001.



3.4. COOPERATION WITH THE PARTIES CONCERNED

JSC 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.

Cooperation is established on the basis of wishes of each of interested parties. The Company uses different mechanisms and instruments for cooperation (see Table 3.9).

In 2009 the most significant arrangements connected with the interested parties were: public consultation on new sites for construction of nuclear power plants (Tver NPP and Nizhny Novogorod NPP); the 2-nd and the 3-d International scientific and industrial forums “Nuclear Engineering Fair" (see item 3.2.2.- Equipment completing and supply management); some arrangements connected with the first criticality Rostov NPP Unit 2 (see item 2.2.2 – Construction).

0Mr. Sergey Kuvardin, Deputy chief engineer of JSC NIAEP and the representative of the General contractor of Tver NPP was the main reporter on the public consultations. He expressed confidence that the construction of Tver NPP will attract the significant investments in the region, will provide the stablr social development and increase tax payment in the budget and the realization of manpower and industrial capacity will be the guarantee of economic security and stability.

According to the preliminary estimate of JSC NIAEP the social significance of Tver NPP construction during the whole period of its operation is characterized by the following values: profits tax - about 40 mlrd. rubles; property tax - about 50 mlrd. rubles; land tax - about 1 mlrd. rubles; transport tax - about 50 mln. rubles.

Public consultations on the preliminary draft of Environment Impact Assesment (EIA) concerning the construction and operation of Nizhny Novgorod NPP Units 1,2 were held on September 4 in Navashino (Nizhny Novgorod region).

Mr. Vladimir Chistyakov, main specialist of JSC NIAEP's Technical Department was the main reporter on the public consultations. He noted that the project of Nizhny Novgorod NPP is a typical one. The same project has already been realized at construction of Novovoronezh NPP-2 in Voronezh region. This project is based on the decisions of Kudankulam NPP the construction of which is in present finished in India. Exactly this plant with power units of

> 'I am satisfied with the discussion taken place here. There were personal contacts with people interested in a detailed discussion of the document and not indifferent to this construction. Today we discuss the document named “Preliminary draft of Environment Impact Assesment” which is a precursor to the basic EIA. Thanks a lot to all the speakers that they have determined those problems which are necessarily to be included in this assesment. All remarks and comments will be consolidated and a decisions on the necessity to complete the document will be made by the Customer. After completion of the document it will be directed to Rostekhnadzor with all remarks and suggestions to obtain a license for siting the object"
>
> **IGOR KONYSHEV**
> Director of Public Relations Department, State Corporation ROSATOM

increased safety and improved technical and economic characteristics is considered as one of the most effective and safe in the world.

In his turn Mr. Alexander Tsapin, the Minister of Internal Policy of Nizhny Novgorod region, declared that "public consultations may be considered as successfully held as all who wishes may express their opinins about the project of Nizhny Novgorod NPP and make their suggestion in EIA". More than 100 questions were asked during the public consultations, specialists of State Corporation ROSATOM, JSC CONCERN ROSENERGOATOM and JSC NIAEP answered all these questions. The representatives of State Corporation ROSATOM, JSC ATOMENERGOPROM, JSC CONCERN ROSENERGOATOM the Government, the Legislative Assembly and the Public Chamber of Nizhny Novgorod region, the Administration of Navashino municipal district, public organizations and inhibitants of Navashino district and other neighbouring municipalities of Vyksa, Kulebaki, Vacha districts, Murom of Vladimir region, Nizhny Novgorod and Nizhny Novgorod region.

During the public consultations the overwhelming majority of the participants gave a positive estimation to prospects of environment impact at construction and operation of Nizhny Novgorod NPP.

'More than 8 thousand of employees will be engaged in construction of Nizhny Novgorod NPP during its peak construction period. After commissioning of the plant the regional budget will annually receive about 2 mlrd. rubles. After finishing the construction of Nizhny Novgorod NPP about 1 thousand of specialists will service two power units. Due to the work experience of Russian nuclear power plants one working place of NPP creates 10 working places in the field of servicing, trading, housing and communal facilities and in other spheres'

SERGEY BOYARKIN
Deputy General Director,
JSC CONCERN ENERGOATOM

PRINCIPLES OF INTERACTION WITH THE INTERESTED PARTIES

1. The interested party opinion respect.
2. Timely informing the interested parties.
3. Cooperation on a regular basis.
4. Mutual observance of the taken obligations.

Table 3.9. ***COOPERATION OF JSC NIAEP WITH INTERESTED PARTIES***

Interested parties	Expectation	Cooperation methods
Shareholder	Performance of the Company's activity in accordance with the shareholder's strategy in the frameworks of the corporative procedures.	An active participation in solving of strategic tasks of the shareholder, improvement of the corporative management system
Customer	Execution of subject plans and observance of construction time, reduction of construction cost, increasing of works quality	Improvement of management system, participation in headquarters of JSC Concern Rosenergoatom, development of high engineering technologies
Suppliers, subcontractors	Receiving of new orders according to the prospects of the Company's development, construction objects, procedures of suppliers selection, financial standing of the Company	Holding open tenders, nuclear engineering fairs, conclusion of long-term contracts with transparent rules for price setting
Personnel of JSC NIAEP	Stable remuneration of labour, 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
Public organizations	Development prospects, ecological and radiation safety	Social and charity programs, social partnership, public consultations, public reporting
Local authorities	Development prospects, tax payments, employment, execution of any social programs	Cooperation agreement, social and charity programs, public consultations, public reporting
Local residents (including potential employees)	Availability of working places, positive influence of the Company on their life	Community offices, social and charity programs, public consultations
Mass media	Development prospects, ecological safety, key events	Press conferences, public reporting


ОАО «ТЯЖМАШ»
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COOPERATION synergy

cooperation

4

WITH THE PARTIES CONCERNED TO THE REPORT ACCOMPLISHMENT

4.1. DIALOGUES WITH THE PARTIES CONCERNED

JSC NIAEP conducted two dialogues with representatives of the interested parties within 2009 Report preparation. These dialogues were devoted to the most acute aspects of interaction between the Company and the parties

DIALOGUE «ACCEPTANCE OF JSC NIAEP COLLECTIVE AGREEMENT FOR 2010–2012»

On March 29, 2010 in the lecture hall of JSC NIAEP, Nizhny Novgorod (3, Svoboda square) there were a dialogue on the results of 2008-2009 Collective Agreement execution and acceptance of the same important document for 2010-2012. Not only requirements of State Corporation ROSATOM were taken into account but also individual suggestions of JSC NIAEP employees.

Dialogue participants:

1) JSC NIAEP Management, composed of:

LIMARENKO Valery Igorevich, Director (report of industrial progress of the Company and plans for international markets entry);

SHESHOKIN Nikolay Pavlovich, Deputy Director in Personnel management (Report on Collective Agreement of JSC NIAEP);

SHKITILEV Dmitry Vladimirovich, Deputy Chief Engineer;

2) **KOCHERGINA Elena Viktorovna**, Chairman of Trade Union Committee of JSC NIAEP (Report on Trade Union Committee for 2008–2009);

3) **Delegates of JSC NIAEP employees** (including branch and representative offices) that were chosen under decisions of heads of organization departments taking in account the following quota: 1 representative from 9 employees.

Table 4.1. ***ASPECTS OF THE COLLECTIVE AGREEMENT DRAFT FOR 2010-2012 AND MAJOR MATTERS BROUGHT UP BY EMPLOYEES WITHIN THE DIALOGUE***

№ п/п	Employees questions	Comments of JSC NIAEP Management
1	The amount and procedure of material aid assignment when a child is born	The material aid will be assigned not only when a child is born but also when a child was adopted. The amount is 55000 RUR for each parent that is an employee.
2	Definition of “night work”. Night payments.	Work form 22.00 to 6.00 will be paid in amount of 140 percent of rate.
3	Amount of incentive payments for federal holidays February 23 and March 8	It is provided 3000 roubles for the Day of Motherland Defender to all man employees and 3000 roubles for International Women Days to all women employees.
4	Basics and amount of payment for 50 years anniversary when retire.	The amount of payment for 50 years anniversary when retire is the same: if nuclear energy experience is 10 years – 0.5 of wage rate; experience 10 – 20 years – 0.75 of wage rate; experience 20 years and more – 1 wage rate.

DIALOGUE «FIRST RESULTS OF SC ROSATOM'S UNIFIED BRANCH PROCUREMENT STANDARD APPLICATION»

On April 15, 2010 in the lecture hall of JSC NIAEP, Nizhny Novgorod (3, Svoboda square) there were a dialogue with the Customer and NPP equipment suppliers. During the dialogue first results of work under new Procurement system (implemented on October 31, 2009) were discussed. Suppliers' complaints concerning the standard "bottlenecks" were also discussed. Even in the year of 2009 within the new system JSC NIAEP conducted 40 opened tenders in Rostov NPP Unit 3 and Kalinin NPP Unit 4. Total saving of budget funds (difference between initial price and total price) was 276 miln. roubles.

'Such meetings are important for both parties. First of all it is necessary for finding problems that appear within specific and practical application of the system. It helps to make timely changes in Unified Branch Purchase Standard taking the opinions of Suppliers and Manufactures into account/

R. ZIMONAS
Director of Purchase Department, Nuclear Energy State Corporation ROSATOM

The dialogue participants

1) Representatives of JSC NIAEP:

LIMARENKO Valery Igorevich, Director, host of the dialogue;

MEDVEDEV Andrey Arladyevich, Deputy Director in Commerce (report "Nuclear engineering fair");

BAROVA Tatiana Manvelovna, Head of Procurement Department (report "Procurement of equipment for NPPs: experience of tender organization within the Unified Branch Procurement Standard");

UVAROV Ivan Dmitrievich, Head of Equipment Completing Department (report "Possibilities of "Smart Plan Materials" program while equipment completing for NPPs under construction");

IVANOV Yury Alexeevich, First Deputy Director, Chief Engineer;

2) **ZIMONAS Roman Stasovich**, Director of Purchase Department, Nuclear Energy State Corporation ROSATOM;

3) **BAITOV Anatoly Valeryevich**, Director of Maintenance Supply Department, JSC CONCERN ROSENERGOATOM;

4) Over **130 representatives** from 80 supply companies.

'Timely energy commissioning of Rostov NPP Unit 2 is not only the merit of builders and equipment manufactures but also the merit of suppliers. We began purchasing of equipment for Rostov-2 under the same purchase system. As it was shown by practice that opened qualification selection of companies to participate in competitions and tenders and creation of competitive environment among these Companies helped to decrease the cost by 15-20% and ensure the timely supply of quality equipment to a site'

VALERY LIMARENKO
Director of JSC NIAEP

Table 4.2. ***ASPECTS OF THE STANDARD AND CRUCIAL PROBLEMS BROUGHT UP BY SUPPLIERS WITHIN THE DIALOGUE***

№	Suppliers questions/recommendations	Comments of JSC NIAEP Management
1	Degree of JSC NIAEP participation in development and updating of the Unified Branch Procurement Standard	The Company had some suggestions concerning some improvements of the Standard. Some of these improvements were taken into account. Today recommendation in improvement of the Standard are constantly sent to the developers by JSC NIAEP. For example, after the great number of Suppliers' appeals connected with bank guarantee provision, the Management of the Company has come to a conclusion that today it is very difficult to complete a bank guarantee before signing of a Contract and its registration by both parties. Thus, to minimize the risks and make the Suppliers' work more efficient, JSC NIAEP addressed the developers of the Standard with the offer to permit the granting of securing of execution of treaties after the Contract has been signed by the Parties but before the advance payment
2	Possibility to refuse bank guarantee if there are suppliers who work in the nuclear sector for a long time, i.e. 20 years	The demand of a bank guarantee that was established by the Government is the outcome of a great attention from society to State Corporation activity. When competition environment development in nuclear sector is declared by the Government any preferences to long-term suppliers are impossible
3	Transparency of competitive procedures, possibility to find out the technical evaluation and results of choice of supplier	The Suppliers of JSC NIAEP may present in the committee or may receive protocols of competitive committee which are planned to become standard
4	Possibility to conclude long-term Contracts in many lots without any competition if the supplier is well-known to JSC NIAEP	This contradicts to the Standard and Competition legislation under which JSC NIAEP operates.
5	Struggle against new suppliers damping	
6	Possible preferences to foreign suppliers	

4.2.

PUBLIC CONSULTATIONS ON THE REPORT

Public consultations on the Public Annual Report of JSC NIAEP for 2009 were held on May 18, 2010 from 14:00 to 17:00 in congress-hall of expocenter "Nizhny Novgorod Fair" (13, Sovnarkomoskaya Str.) within scientific and practical conference "Creation of nuclear engineering cluster in Nizhny Novgorod".

Representatives of the major interested parties participated in public consultations on the Public Annual Report:

1) Representatives of State Authorities:

VYUNOV Vladimir Sergeevich, Head of Volga and Oka Administration of Federal Service on environment, technological and nuclear control;

KANKULOV Muaed Khamzhusovich, assistant of the Authorized Representative of the President of the Russian Federation in Volga Federal Region;

TSAPIN Alexander Ivanovich, Minister of Internal Policy of Nizhny Novgorod region;

2) Representatives of local authorities of the Company presence areas:

PAVLOVA Tatiana Borisovna, Head of Udomlya District Administration;

3) Representative of shareholder of the Company:

GRIBKO Vladimir Mikhaylovich, Head of Information and Analytical Provision of Engineering Activity Administration of SC ROSATOM;

4) Representatives of the Key customer:

BAITOV Anatoly Valerievich, Director of Maintenance Supply Department of JSC Concern Rosenergoatom;

5) Representatives of equipment manufactures:

LEONTIEV Nikolay Yakovlevich, First Deputy Director of Non-Commercial Partnership "Nizhny Novgorod Business Center of Nuclear Power Engineering';

6) Representatives of the labour collective:

KOCHERGINA Elena Viktorovna, Chairman of Trade Union Committee of JSC NIAEP;

7) Representatives of the nuclear branch Companies:

ZHIGALOV Vladimir Ivanovich, Deputy Director of Federal State Unitary Company RFNC All-Russia Scientific and Research Institute of Experimental Physics;

ZVEREV Dmitry Leonidovich, Director of JSC "Afrikantov OKB M";

LOTOV Valery Nikolaevich, Chief Designer of Federal State Unitary Company "Federal Scientific and Manifacturing Centre Scientific and Research Institute of Measuring Systems named after Yu.E. Sedakov";

8) Representatives of business associations:

ANOSOV Alexander Vitalyevich, Director of Department of Design Planning and Analysis of Chamber of Commerce and Industry of Nizhny Novgorod Region;

KLOCHAY Viktor Vladimirovich, Chairman of Coordination Council of Manufactures and Businessmen Associations of the VFR;

TSYBANEV Valery Nikolaevich, General Director of Nizhny Novgorod Manufactures and Businessmen Association;

9) Representatives of education and scientific institutions:

GORBATOV Sergey Nikolaevich, Pro-Rector of Nizhny Novgorod State University;

DMITRIEV Sergey Mikhaylovich, Pro-Rector, Director at Institute of Nuclear Power Engineering and Technical Physics of Nizhny Novgorod State Technical University named after R.E. Alexeev, Chairman of Nizhny Novgorod Division of Nuclear Society if Russia;

10) Participants of the Company:

LIMARENKO Valery Igorevich, Director of JSC NIAEP (host of consultations);

KATS Vladimir Lazarevich, First Deputy Director of JSC NIAEP;

SHESHOKIN Nikolay Pavlovichm Deputy Directoir of JSC NIAEP.

Independent expert **GALUSHKIN Stepan Vladinirovich**, Director of Corporate Development Agency "Da-Strategia" participated as a cohost to provide correspondence of Public Consultations concerning the Report with international recommendations in cooperation with interested parties

The Company accepted report obligations for the year 2010 under the results of Public Consultations and after examination if recommendations of interested parties.

Table 4.3. ***ASPECTS OF THE COLLECTIVE AGREEMENT DRAFT FOR 2010-2012 AND MAJOR MATTERS BROUGHT UP BY INTERESTED PARTIES WITHIN THE DIALOGUE***

Questions/recommendations of the interested parties	Plans and obligations of the Company for 2010
FROM GOVERNMENT AUTHORITIES	
Broadly cover the activity of the Company that is connected with the creation of nuclear engineering cluster in Nizhny Novgorod region (A.V. Tsapin)	It is planned to include information concerning Nizhny Novgorod nuclear engineering cluster as a separate section in the future reports
Develop the plan of system work organization in complete control of materials supplied to sites (V.S. Vyunov)	In the year 2010 it will be corrected existing regulation documents in Udomlya Brach and Volgodon Representative Office concerning incoming control of equipment and materials including those supplied by subcontract Companies
FROM THE MAIN CUSTOMER	
Use more analytical materials in the part concerning Procurement activity (A.V. Baitov)	This recommendation will be taken in account while preparing report 2010
FROM EQUIPMENT MANUFACTURERS AND SUPPLIERS	
Settle with State Corporation ROSATOM the problem of inclusion of International Scientific and Industrial Forum “Nuclear Power Engineering Fair” to the list of exhibition events recommended for participation by Nuclear Power State Corporation ROSATOM (N.Y. Leontyev)	A letter with the offer to include the Fair to the list will be sent to State Corporation ROSATOM in the 3-d quarter 2010.
FROM THE COMPANY’S COLLECTIVE	
Broadly cover the joint activity of the Trade Union Committee and the Company while reporting (E.V. Kochergina)	This recommendation will be taken into account while preparing report 2010.
FROM BUSINESS ASSOCIATIONS	
Include in reports of the Company more detailed description of the procurement control process (V.N. Tsybanev)	The detailed description of the procurement control Process will be placed on the web-site of the Company

OPINIONS OF THE PUBLIC CONSULTATION PARTICIPANTS

A.V. Tsapin

Minister of Internal Policy of Nizhny Novgorod region:

"It is a very important event and display of publicity and determination of perspective and, from my point of view, this will be a sign of a good form and sign of a strong Company that expect the success for many years – it is exactly public consultations conducting".

V.M. Gribko

Head of Information and Analytical Provision of State Corporation ROSATOM Activity Administration:

"I think this report is needed not only for formal execution of any article or provision of Joint Stock Companies, but this report shows a movement of JSC NIAEP in space and in time and the report showed it quite eloquent. So eloquent that it is ready to involve in needed direction its colleagues and business partners to execute the goals stated by State Corporation ROSATOM before JSC NIAEP".

A.V. Anosov

Director of Department of Chamber of Commerce and Industry of Nizhny Novgorod region:

"The Annual Report meets all requirements for transparent and open document. Together with transparency it is necessary to highlight that in the Report it is stated the crucial role of NIAEP as a Company in sustainable development of the region – not only Nizhny Novgorod region but other regions of Volga Federal Region".

T.B. Pavlova

Head of Udomlya district Administration:

"It is the first time when financial and economic activity of the company is shown so transparent".

D.L. Zverev

Director of JSC "Afrikantov OKBM":

"I think it is right that it is said about leading role of JSC NIAPE. Really, JSC NIAEP is our leader now. I prove it again examining the Annual Public Report".

A.V. Baitov

Director of Maintenance Supply Department of JSC Concern ROSENERGOATOM:

"General impression on the Report is favourable. That's the spirit. On behalf of the Customer I appreciate it and hope that this experience will be taken into account and spread by other subsidiary companies".

E.V. Kochergina

Chairman of Trade Union Committee of JSC NIAEP:

"In the section devoted to social support and personnel policy of the Company the most complete data (versus data on previous years) is shown. I want to say that the digits are shown in compliance with the annual accounting and statistic reports".

4.3. CONCLUSION ON THE PUBLIC APPROVAL OF THE ANNUAL REPORT OF JSC NIAEP

Introduction

Under JSC NIAEP invitation we (personally or on behalf of our representatives) participated in Public Consultations concerning Annual Report of the Company. The Consultation was held on May 18, 2010 and became a final event in discussion of the Report with interested parties. On behalf of interested parties in Public Consultation participated representatives of the shareholder, key customer, equipment suppliers and manufacturers, labour collective, nuclear sector Companies, Government authorities, business associations, education and scientific institutions. On behalf of the Company Management in Public Consultation participated Director of JSC NIAEP V.I. Limarenko, First Deputy Director V.L. Kats, Deputy Director N.P. Sheshokin.

Management of the Company presented the Consultation participants the variant of report for public hearing. We had possibility to express our opinion freely. Besides, some participants also participated in other events in report discussion including two dialogues with interested parties "Acceptance of Collective Agreement of JSC NIAEP for 2010-2012' and "First results of SC ROSATOM Unified Branch Procurement Standard application".

Complaints and additional questions of interested parties were analyzed and taken in account in final text of the Report of JSC NIAEP.

Preparation of a conclusion following the results of the Consultations

Within the Consultations we were invited to evaluate the Report in general and to evaluate its significance and completeness of information under most important aspects for our Company. Besides, taking our experience in cooperation with JSC NIAEP in account we could give more general recommendations in different aspects of information disclosure concerning activity of the Company.

Our conclusion is based on analysis of two versions of the Report (Public Consultation version and Final version) and on comments received form Managers and employees of JSC NIAEP during Public Consultation and other events in Report discussion. Thus, we could evaluate the reaction of the Company on offers and complaints and give recommendations in organization of report process in JSC NIAEP. The text of conclusion has been sent to all approving parties and all complaints are taken into account. We think it is necessary to highlight that we got no reward from the Company for the time spent for this work.

Evaluation, complaints and recommendations

We are unanimous in positive evaluation of the Report, its format and range of provided information. We also highlight the necessity of preparation of such reports within the conditions of large-scale development and reforming of nuclear sector conducted nowadays. In the Report 2009 JSC NIAEP showed quite high level of transparency and it proves sincerity of the desire to responsible business conduct. Information on achievements and problems is balanced in the text. We do not know any facts that prejudice the truth of provided information.

The absolute merit of the approach that was chosen by the Company for the Report is use of international standards, involvement of representatives of interested parties for report discussion and approval, and high level of attention for business development strategy.

Significance of aspects shown in the Report

JSC NIAEP is an engineering Company that secure national interests of Russia. The Company is also a large employer and taxpayer of Nizhny Novgorod region. The Report discloses sense and public importance of strategic incentives of JSC NIAEP in engineering business development. Almost all crucial aspects for Company activity are in the Report, including aspects of efficiency of integrated management of NPP designing and construction, influence of economy, social field and environment. We

suppose that this approach to information disclosure is necessary for all companies of nuclear sector.

Completeness of information

We think that in its Report the Company answered a great number of questions that are acute for interested parties and further increase of its volume is not reasonable. At the same time we suppose that JSC NIAEP shall provide more detailed information on such aspects as organization of equipment and materials Procurement, evaluation of investment projects influence of environment and social development of territories, interaction with interested parties in creation of nuclear power engineering cluster in Nizhny Novgorod region and etc. JSC NIAEP shall take special efforts in further increase of openness and transparency of corporate management. Finally this will help in increase of business efficiency.

Thereupon, we support the decision of the Company to prepare additional information materials for different groups of interested parties and publication of more detailed data in the above aspects on web-site of JSC NIAEP.

Reaction of the Company on complaints and proposals of interested parties

Within the Report accomplishment managers of JSC NIAEP showed the ability to quickly respond on interested parties' proposals structurally respond on tackled problems. Thereupon we want to highlight and support the decision of JSC NIAEP concerning conclusion of Cooperation Agreements with interested parties that were signed at the end of Public Consultation concerning the Report:

- Cooperation Agreement with Coordination Council of Manufacturers and Businessmen Association of Volga Federal Region of the Russian Federation;
- Cooperation Agreement with State Educational Institution of Higher Professional Education "Nizhny Novgorod State Technical University named after R.E. Alexeev".

On the whole, for the last year Company showed substantial progress in development of cooperation with interested parties. Within Public Consultation Managers of JSC NIAEP assured us that they are ready not only to develop reports but improve the real work as a response on interested parties' proposals. It is very important that these intentions were realized in all enterprises and branches of the Company.

We think it is our duty to pay attention to the fact that activity of Managers of JSC NIAEP in information disclosure and public reports fully meet the requirements of interested parties to the Company. Our point of view is that the approach to public report that was displayed by JSC NIAEP shall be supported in every kind. We hope that JSC NIAEP will be consistent in realization of plans and intentions stipulated in the Report for the year of 2009.

From Public Consultation participants:

PAVLOVA Tatiana Borisovna,
Head of Udomlya district Administration

LEONTIEV
Nikolay Yakovlevich
First Deputy Director of Non-Commercial Partnership "Nizhny Novgorod Business Center of Nuclear Power Engineering"

GRIBKO Vladimir Mikhaylovich
Head of Information and Analytical Provision of Engineering Activity Administration of SC ROSATOM;

TSAPIN Alexander Ivanovich,
Minister of Internal Policy of Nizhny Novgorod region

KRASNOV
Dmitry Germanovich
Chairman of Governing Board of Chamber of Commerce and Industry of Nizhny Novgorod region

KOCHERGINA
Elena Viktorovna
Chairman of Trade Union Committee of JSC NIAEP

This Annual Report has been preliminary approved by the Resolution of the JSC NIAEP's Board of Directors (Minutes № 11 dated May 28, 2010).

Director V.I. Limarenko

Chief Accountant E.V. Samogorodskaya

Nizhny Novgorod. The Georgievsky tower, and the monument to pilot V. Tchkalov

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BRINGING ENERGY TO life

appendices

APPENDIX 1.

REPORTING OF JSC NIAEP'S BOARD OF DIRECTORS ON THE ACTIVITIES RESULTS

24 meetings of the Board of Directors were held in 2009. The List of the said meetings of the Board of Directors and resolutions adopted thereon is described in the below Table.

№	Date of meeting	Minutes number	Agenda
1	12.02.2009	1	1. The adoption of the resolution on the participation in the Non-commercial Partnership The Association of Organizations Building, Reconstructing and Overhauling Nuclear Facilities SOYUZATOMSTROY (NP SOYUZATOMSTROY). 2. The adoption of the resolution on the participation in the Non-profit Partnership The Association of Organizations Carrying Out the Architectural Engineering of Nuclear Facilities SOYUZATOMPROEKT (NP SOYUZATOMPROEKT). 3. The adoption of the resolution on the participation in the Non-profit Partnership The Association of Organizations Carrying Out Engineering Surveys in Architectural Engineering, Building, Reconstructing and Overhauling Nuclear Facilities SOYUZATOMGEO (NP SOYUZATOMGEO)
2	13.02.2009	2	1. The determination of JSC NIAEP Auditor's fee and conditions of the Contract therewith. 2. The approval of the Registrar of JSC NIAEP. 3. The approval of the conditions of the contract with the Registrar of JSC NIAEP.
3	25.02.2009	3	1. The approval of the conditions of the loan granting transaction to be concluded between JSC NIAEP and GAGANOV Alexander Andreevich 2. The appointment of the Director of the Udomlya Branch of JSC NIAEP.
4	05.03.2009	4	1. The determination of the priority lines of JSC NIAEP business.
5	20.04.2009	5	1. The approval of the budget and planned figures of JSC NIAEP financial and economic activities for year 2009. 2. The approval of target efficiency indices (KEI) of JSC NIAEP activities for year 2009.
6	21.04.2009	6	1. The approval of the conditions of the loan procurement transaction to be concluded between JSC NIAEP and JSC CONCERN ENERGOATOM. 2. The approval of the conditions of the transaction related to entering into the Loan Contract Renewal Agreement by JSC NIAEP and JSC CONCERN ENERGOATOM.
7	24.04.2009	7	1. The approval of the Program of Charity Arrangements of JSC NIAEP for 2009.
8	13.05.2009	8	1. The determination of prices for placing additional shares. 2. The proposal to the sole shareholder to take the decision on making amendments in the Articles of JSC NIAEP.

			3. The proposal to the sole shareholder of JSC NIAEP to take the decision on the increase in the Authorized capital of JSC NIAEP by placing additional shares.
9	20.05.2009	9	1. The approval of the decision on the additional issue of JSC NIAEP securities.
10	25.05.2009	10	1. The approval of the Regulations on the Volgodonsk Representative Office of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT.
11	17.06.2009	12	1. The determination of the date for drawing up the list of persons entitled to participate in the annual Shareholders' General Meeting of JSC NIAEP. 2. The preliminary approval of the Annual Report of JSC NIAEP for year 2008. 3. The preliminary approval of the Annual Financial Statements including the Income Statements (Profit and Loss Accounts) of JSC NIAEP according to 2008 year-end . 4. Recommendations for the distribution of JSC NIAEP profit according to 2008 year returns including the payment (declaration) of dividends based on the fiscal year results. 5. On the Auditor' candidacy for JSC NIAEP for 2009. 6. The determination of JSC NIAEP Auditor's fee for auditing the financial statements at 2009 year-end. 7. The address to the sole shareholder with the proposal to take the decision on the matters of the annual JSC NIAEP Shareholders' General Meeting competence.
12	29.06.2009	13	1. The approval of the conditions of the credit obtaining transaction to be concluded between JSC NIAEP and JSC AKB SAROVBUISNESSBANK. 2. The approval of the conditions of the credit obtaining transaction to be concluded between JSC NIAEP and JSC Nizhegorodpromstroybank.
13	10.07.2009	14	1. The election of the Chairman of the Board of Directors of JSC NIAEP. 2. The approval of the gratuitous cash donation transaction to be effected between JSC NIAEP and Non-commercial Partnership Hockey Team TORPEDO.
14	14.07.2009	15	1. The approval of the Regulation on the certification procedure for prospective suppliers of materials and equipment for building nuclear power plants and the selection of suppliers in procurement activity. 2. The approval of amendments and addenda № 1 to the Temporary Regulations for the approval of purchased equipment delivery contracts dated April 2, 2009 between JSC CONCERN ENERGOATOM and JSC NIAEP.
15	16.07.2009	16	1. The approval of the Report on the results of additional issue of JSC NIAEP securities.
16	17.07.2009	17	1. The release of JSC NIAEP from using the Regulations on the Procedure of materials and equipment suppliers selection (approved by Order № 215 of JSC ATOMENERGOPROM dated November 28, 2008, by the resolution of the Board of Directors of JSC NIAEP dated March 5, 2009) and the Temporary

			Regulations on the agreement upon prices for equipment and materials purchased by engineering companies (approved by Order № 214 of JSC ATOMENERGOPROM dated November 28, 2008, by the resolution of the Board of Directors of JSC NIAEP dated March 5, 2009) when buying equipment and materials for building Rostov NPP Unit 2 and Kalinin NPP Unit 4. 2. The permit for JSC NIAEP to use the Temporary Regulations on the agreement upon purchased equipment delivery contracts dated April 2, 2009 approved by JSC ATOMENERGOPROM on April 2, 2009 for the agreement upon equipment delivery contracts with JSC CONCERN ENERGOATOM for Rostov NPP Unit 2 and Kalinin NPP Unit 4. 3. The adoption of the resolution on the participation of JSC NIAEP in the All-Russian Branch Employers Association The Union of Russian Employers of Nuclear Industry, Power Engineering and Science.
17	20.07.2009	18	1. The alteration of the parties-determined conditions of NIAEP's Director Employment Agreement.
18	02.09.2009	19	1. The adoption of the resolution on the participation of JSC NIAEP in the Volgodonsk Construction and Erection Management.. 2. The appointment of the Manager to the Volgodonsk Representative Office of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT.
19	03.09.2009	20	1. The approval of amendments and addenda № 1 to the Regulation on the Volgodonsk Representative Office of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT.
20	12.10.2009	21	1. The adoption of the resolution on effecting the transaction by JSC NIAEP on entering into the loan agreement with CHERNYSHEVA Nadezhda Pavlovna.
21	14.12.2009	22	1. The approval of the Regulation on the obligatory disclosure of information of JSC NIAEP (Appendix № 1 to the Minutes of the meeting of the Board of Directors).
22	21.12.2009	23	1. The opening of the Saint-Petersburg Representative Office of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT. 2. The proposal to the Nuclear Power Industrial Complex JSC as the sole shareholder of JSC NIAEP to take the decision on making amendments and addenda № 1 to the Articles of JSC NIAEP. 3. The approval of the Regulation on the Saint-Petersburg Representative Office of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT.
23	24.12.2009	24	1. The adoption of resolutions on matters included in the competence of the General meeting of the members (the sole member) of the companies, 100 (one hundred) per cent of which authorized capital is owned by JSC NIAEP.
24	30.12.2009	25	1. The incentives of the Director of JSC NIAEP Limarenko Valery Igorevich for timely commissioning of start-up projects.

Appendix 2.

INFORMATION ON THE OBSERVANCE OF JSC NIAEP'S CORPORATE BEHAVIOUR CODE

№	Corporate Behaviour Code Provision	Observed or non-observed	Note
	SHAREHOLDERS' GENERAL MEETING		
1.	Notice to 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 availability of the sole shareholder stipulates 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 availability of the sole shareholder stipulates 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	Non-applicable	The availability of the sole shareholder stipulates the peculiarity of decision
5.	The availability of the requirement in the Articles or internal documents of this Joint-Stock Company on the compulsory attendance of the General Director, Members of the Management, Members of the Control Commission and the Auditor of the Joint-Stock Company at a Shareholders' General meeting.	Non-wapplicable	The availability of the sole shareholder stipulates the peculiarity of decision
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 availability of the sole shareholder stipulates the peculiarity of decision
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 availability of the sole shareholder stipulates the peculiarity of decision-making

THE BOARD OF DIRECTORS

8.	The availability of the power in the Company Articles for the Board of Directors to approve annually the financial and economic plan of the Joint-Stock Company	Observed	p. 13.2 subp. 33 of the Company Articles
9.	The availability of the risk management procedure in the Joint-Stock Company approved by the Board of Directors	Non-observed	
10.	The availability of the right in the Company Articles for the Board of Directors to make the decision on the suspension of powers of the General Director appointed by the Shareholders' General meeting	Observed	п. 13.2 subp. 28 of the Company Articles
11.	The availability of the right in the Company Articles for the Board of Directors 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	п. 14.7 of the Company Articles
12.	The availability of the right in the Company Articles for the Board of Directors to approve the conditions of contracts with the General Director and Members of the Management	Observed	п. 14.7 of the Company Articles
13.	The availability of the requirement in the Articles or internal documents of the Joint-Stock Company that during the approval of the conditions of contracts with the General Director (managing company, the manager) and Members of the Management votes of Members of the Board of Directors acting as the General Director and Members of the Management are not included in counting of votes	Non-observed	
14.	The availability of at least three independent Directors in the Board of Directors who meet the requirements of the Corporate Behaviour Code	Non-observed	The membership in the Board of Directors is determined on the basis of the decision of the sole shareholder of the Company
15.	No persons among the Members of the Board of Directors of the Joint-Stock Company who have 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 availability of the requirement in the Company Articles on the election of the Board of Directors by cumulative voting	Non-applicable	Because of the availability of the sole shareholder
18.	The availability of the obligation in 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 capable of causing conflicts of their interests with interests of the Joint-Stock Company and the obligation in case of any such conflict arising to disclose information thereabout to the Board of Directors	Observed	p. 3.5 Regulations on the Board of Directors of the Company
19.	The availability of the obligation in 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 the Members of the Board of Directors of their 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 availability of the requirement in internal documents of the Joint-Stock Company to hold the meeting of the Board of Directors at least once every six weeks	Observed	п. 5.1 Regulations on the Board of Directors of the Company
21.	The regular holding of the meetings of the Board of Directors of the Joint-Stock Company within a 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 availability of the procedure in internal documents of the Joint-Stock Company for holding the meeting of the Board of Directors	Observed	p.p. 13.4, 13.5 of the Company Articles; Section 7 of the Regulations on the Board of Directors of the Company
23.	The availability of the provision in internal documents of the Joint-Stock Company on the need of the approval by the Board of Directors any transactions of the Joint-Stock Company for an amount of 10 or more per cent of the Company assets value, except for transactions effected in the normal course of business	Observed	p. 13.2 subp. 18 of the Company Articles

24.	The availability of the right in internal documents of the Joint-Stock Company for the Members of the Board of Directors to obtain from executive authorities or managers of the main structural subdivisions of the Joint-Stock Company any information to be required for fulfilling their duties as well as the responsibility for failing to provide such information	Observed	п. 3.1 Regulations on the Board of Directors of the Company
25.	The availability of 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	No committees of the Board of Directors have been established to date
26.	The availability of a Committee of the Board of Directors (the Auditing Committee) which recommends an Auditor of the Joint-Stock Company to the Board of Directors and interacts with it and the Control Commission of the Joint-Stock Company	Non-observed	No committees of the Board of Directors have been established to date
27.	The availability of only independent and non-executive directors in the Board of Directors	Non-applicable	No Auditing Committee has been established to date
28.	The management of the Auditing Committee by an independent director	Non-applicable	No Auditing Committee has been established to date
29.	The availability of the right of access in internal documents of the Joint-Stock Company for the members of the Auditing Committee 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 to date
30.	The establishment of a Committee of the Board of Directors (the Personnel and Remuneration Committee) which duty is to determine criteria for the selection of candidates to members of the Board of Directors and the elaboration of the Company policy in remuneration	Non-observed	No committees of the Board of Directors have been established to date
31.	The management of the Personnel and Remuneration Committee by an independent director	Non-applicable	No Personnel and Remuneration Committee has been established to 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 to date

33.	The establishment of 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	No committees of the Board of Directors have been established to date
34.	The establishment of 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	No committees of the Board of Directors have been established to date
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 to date
36.	The management of the Corporate Conflict Settlement Committee by an independent director	Non-applicable	No Corporate Conflict Settlement Committee has been established to date
37.	The availability of internal documents of the Joint-Stock Company approved by the Board of Directors which provide for the procedure of the formation and activity of committees of the Board of Directors	Non-observed	No committees of the Board of Directors have been established to date
38.	The availability of the procedure in the Company Articles for the determination of the quorum of the Board of Directors which enables to ensure the obligatory participation of independent directors in meetings of the Board of Directors	Non-observed	No independent directors among the Members of the Board of Directors
	EXECUTIVE BODIES		
39.	The availability of a collegial executive body (the Management) of the Joint-Stock Company	Non-observed	p. 11.1 of the Company Articles provides only for the sole executive body – the Director
40.	The availability of the provision in the Articles or internal documents of the Joint-Stock Company on the need of the approval by the Management of any real estate transactions, obtaining loans by the Joint-Stock Company if the said transactions are not included in big deals and their effecting is not related to the normal course of business of the Joint-Stock Company	Non-applicable	p. 11.1 of the Company Articles provides only for the sole executive body – the Director

41.	The availability in internal documents of the Joint-Stock Company the procedure for the approval of operations which 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 the 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.	The availability of the prohibition in the Articles or internal documents of the Joint-Stock Company for the managing company(the Manager) to fulfil similar duties in a competing company and to be in any other property relations with the Joint-Stock Company, except for rendering services as the managing company (the Manager)	Non-observed	
45.	The availability of the obligation in internal documents of the Joint-Stock Company for the Executive bodies to refrain from any actions which may result in or potentially capable of causing conflicts of their interests with interests of the Joint-Stock Company and the obligation in case of any such conflict arising to disclose information thereabout to the Board of Directors	Non-observed	
46.	The availability of criteria in the Articles and internal documents of the Joint-Stock Company for the selection of the managing company (Manager)	Non-observed	
47.	The 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

48.	The 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 the violation of provisions on the use of confidential and private information	Observed	

THE COMPANY SECRETARY

49.	The availability 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.	The availability of the procedure in the Articles or in internal documents of the Joint-Stock Company for the appointment (election) of the Company Secretary and the Company Secretary's duties	Observed	p. 4.2 Regulations on the Board of Directors of the Company
51	The availability of requirements to a candidate for the post of the Company Secretary in the Articles of the Joint-Stock Company	Observed	p. 4.7 Regulations on the Board of Directors of the Company

ESSENTIAL CORPORATE ACTIONS

52.	The availability of the requirement in the Articles or in internal documents of the Joint-Stock Company to approve a large deal before its effecting	Observed	p. 12.1 subp. 15, p. 13.2 subp. 15 of the Company Articles
53.	The obligatory engagement of an independent appraiser to valuate the market value of property being the subject of a large deal	Non-observed	The valuation shall be carried out pursuant to Art. 77–78 of the Federal Law On Joint-Stock Companies
54.	The availability of the prohibition in the Articles of the Joint-Stock Company for taking in the course of the acquisition of large share packages of the Joint-Stock Company (takeover) any actions aimed at the protection of interests of executive bodies (members of such bodies) and the Members of the Board of Directors and aggravating the shareholders' position as compared to a current position (in particular, the prohibition to the adoption of the resolution by the Board of Directors before the completion of the expected time of acquiring shares on the issue of additional shares, on the issue of securities to be converted to shares or	Non-applicable	There is the sole shareholder in the Company

	securities which give the right to acquire the Company shares even if the right for taking such decision is provided to the Board of Directors by the Article)		
55.	The availability of the requirement in the Articles of the Joint-Stock Company on the obligatory engagement of an independent appraiser to valuate the current market value of shares and possible changes in their market value resulting from takeover	Observed	p. 13.2. subp. 5 of the Company Articles
56.	No release for a 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 to be converted into ordinary shares) during takeover	Non-applicable	
57.	The availability of the requirement in the Articles or in 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.	The 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.	The availability of the requirement in 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	The availability of the requirement in 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

60.	The availability of the list of information, documents and materials in internal documents of the Joint-Stock Company which should be submitted to the shareholders to settle any matters put to the Shareholders' General meeting	Non-applicable	100% of the Company shares are held by the sole shareholder
61.	The availability of the Company's site in Internet and the regular disclosure of information on the Joint-Stock Company thereon	Observed	http://www.niaep.ru
62.	The availability of the requirement in internal documents of the Joint-Stock Company on the 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 whom such persons may exert otherwise a considerable influence on	Non-observed	
63.	The availability of the requirement in internal documents of the Joint-Stock Company on the 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 shares are held by the sole shareholder
64.	The 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 FOR FINANCIAL AND ECONOMIC ACTIVITY		
65.	The availability of procedures approved by the Board of Directors for the internal control of the Company financial and economic activity	Non-observed	
66.	The availability of a special unit of the Joint-Stock Company which ensures the adherence to the internal control procedures (control-auditing service)	Observed	A special subdvision titled The Internal Control and Auditing Department has been established in the Company
67.	The availability of the requirement in internal documents of the Joint-Stock Company on the determination of the structure and membership of the control-auditing service of the Joint-Stock Company by the Board of Directors	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.	The availability of specified time in internal documents of the Joint-Stock Company for the submission of documents and materials to the Control and Auditing Service for the appraisal of a financial and economic operation carried out as well as the responsibility of officials and employees for failing to submit them within the said time	Observed	Executed in practice
71.	The availability of the obligation in internal documents of the Joint-Stock Company for the Control and Auditing Service to inform the Auditing Committee on any violations revealed and in case of no Auditing Committee to inform the Board of Directors of the Joint-Stock Company thereabout	Non-observed	
72.	The availability of the requirement in the Articles of the Joint-Stock Company on the preliminary valuation by the Control and Auditing Service of the expediency of operations non-provided for by the financial and economic plan of the Joint-Stock Company (nonstandard operations)	Non-observed	
73.	The availability of the procedure in internal documents of the Joint-Stock Company for the coordination of non-standard operations with the Board of Directors	Non-observed	
74.	The availability of 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 by the Control Commission	Observed	Section 7 of the Regulation on the Control Commission of the Company
75.	The appraisal of the Audit Report by the Auditing Committee before its submission to shareholders on the Shareholders' General meeting	Non-applicable	No Committees of the Board of Directors have been established in the Company

DIVIDENDS

76.	The availability of an internal document approved by the Board of Directors which the Board of Directors follows when accepting recommendations on the rate of dividends (Dividend Policy Regulations)	Non-applicable	
77.	The availability of the procedure in the Dividend Policy Regulations for the 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 an approved dividend policy
78.	The 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 the placement of the said information on the Internet site of the Joint-Stock Company	Non-applicable	The Company has no an approved dividend policy

Nizhny Novgorod. Ice drift on the Oka

Appendix 3.
FINANCIAL STATEMENTS 2009

BALANCE SHEET
as of December 31, 2009

		CODES		
	Form N 1 acc. to GCAD	0710001		
	Date (year, month, day)	2009	12	31
Entity: **Joint-Stock Company**	accord. to GCEO			
NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT		08841271		
Taxpayer identification number	TIN	5260214123		
Field of Activity: **Architectural Activity, Engineering Design in Industry and Construction**	accord. to GCEEA	74.20.1		
Legal-Organizational Form/Property form:	accord. to			
Joint-Stock Company /Federal Property	GCLOF/GCPF	47	12	
Unit of measurement: **RUR, ths.**	accord. to GCMU	384		

Location (address): **3, Svobody Sq., Nizhny Novgorod, Nizhny Novgorod region, 603006**

Date of approval	-
Date of submission /acceptance	-

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ASSET	Index code	By the reporting year beginning	By the reporting year end
1	2	3	4
I. Non-Current Assets			
Intangible assets	110	128	103
Fixed assets	120	413 811	697 748
Incomplete construction	130	64 272	210 984
Income-bearing investments in material valuables	135	-	17 974
Long-term financial investments	140	200	12 355
Deferred tax assets	145	689	12 088
Other non-current assets	150	5 365	5 365
Total for Section I	**190**	**484 465**	**956 617**
II. Current Assets			
Stocks,	210	3 019 253	5 726 763
including: raw materials, stuff or any other similar values	211	139 785	1 240 727
expenses in incomplete production	213	138 740	272 789
finished products and goods for resale	214	2 499 365	3 890 790
deferred expenses	216	241363	322 456
Value-added tax on purchased valuables	220	325 736	947 887
Debts receivable (discharge of these debts is expected in over 12 months after the reporting date)	230	7 754	7 319 782
including buyers and customers	231	7 754	7 679
Debts receivable (discharge of these debts is expected within 12 months after the reporting date)	240	13 941 506	14 869 302
including: buyers and customers	241	1 013 297	1 637 838
Short-term financial investments	250	12 336	0
Cash	260	3 306 887	10 934 250
Other current assets	270	2 820 463	44
Total for Section II	**290**	**23 433 935**	**38898 710**
BALANCE (lines total 190 + 290)	**300**	**23 918 400**	**39 855 327**

Form 0710001 p. 2

LIABILITIES	Index code	By the reporting year beginning	By the reporting year end
1	2	3	4
III. Capital and Reserves			
Authorized capital	410	416 662	500 002
Reserve capital	430	-	20 833
including: provisions formed acc. to the foundation documents	432	-	20 833
Undistributed profit (uncovered loss)	470	1 288 794	2 586 525
Total for Section III	**490**	**1 705 456**	**3 107 360**
IV. Long-Term Liabilities			
Deferred tax liabilities	515	5 756	41 625
Other long-term liabilities	520	-	20 000
Total for Section IV	**590**	**5 756**	**61 625**
IV. Short-Term Liabilities			
Accounts payable	620	22 207 188	36 686 342
including: suppliers and contractors	621	3 406 896	3 336 630
debts to the Company's personnel	622	1 947	1 550
debt to the state off-budget funds	623	6 088	10 346
tax and duty arrears	624	301 502	598 562
other creditors	625	18 495 755	32 739 254
Deferred income	640	-	-
Total for Section V	**690**	**22 207 188**	**36 686 342**
BALANCE (lines total 490+590+ 690)	**700**	**23 918 400**	**39 855 327**

CERTIFICATE on Availability of Valuables Recoded in Off-Balance Sheet Accounts			
Leased fixed assets	910	389 788	373 297
Materials assets taken for safe custody	920	97 702	5 226
Written-off debt of insolvent debtors	940	1 236	1 328
Security for debts and payments received	950	1 344 768	1 601 902
Housing stock wear	970	-	8
Wear of external amenity units and other similar objects	980	482	541
Asset depreciation	991	-	-
Materials accepted for handling	992	380 992	3 253 776
Equipment accepted for installation	993	-	4 053 338
Registered high-security forms	994	-	-
Materials transferred for handling	995	-	3 084 476
Equipment transferred for installation	996	-	2 849 834
Others	967	-	55 274

Manager _____ (signature) Valery Igorevich Limarenko (name) Chief Accountant _____ (signature) Elena Vladimirovna Samogorodskaya (name)

February 5, 2010 Seal: Nizhny Novgorod Engineering Company ATOMENERGOPROEKT

INCOME AND EXPENDITURE STATEMENT

for January-December, 2009

		CODES		
	Form N 2 acc. to GCAD	0710002		
	Date (year, month, day)	2009	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				
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	35 227 938	17 991 500
Cost of goods sold, products, works, services	020	(32 538 964)	(16 308 311)
Gross profit	029	2 688 974	1 683 189
Business expenses	030	(287 561)	(35 238)
Profit (loss) from sales	050	2 401 413	1 647 951
Other income and expenses			
Interest receivable	060	48 670	32 137
Other income	090	311 549	229 926
Other expenses	100	(632 666)	(352 188)
Before-tax profit (loss)	140	2 128 966	1 557 826
Deferred tax assets	141	11 399	296
Deferred tax liabilities	142	(35 869)	(975)
Current income tax	150	(418 688)	(414 893)
Income tax and any other similar obligatory payments	180	(194)	(37 409)
Net profit (loss) of the accounting period	190	1 685 614	1 104 845
AS REFERENCE:			
Recurrent tax liabilities (assets)	200	87 364	41 694
Basic earnings (loss) per share	201	3	3

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	780	688	17	
Profit (income) of the past years	220	99 779	239070	1 890	1
Payment of damages resulted from non-execution or improper execution of obligations	230	68 757	46 049		
Exchange rate difference	240	6 213	6 523	3 834	
Writing-off of receivables and payables upon expiry of their limitation period	260	153	42		

Manager _____ (signature) Valery Igorevich Limarenko (name)

Chief Accountant _____ (signature) Elena Vladimirovna Samogorodskaya (name)

February 5, 2010

Seal: Nizhny Novgorod Engineering Company ATOMENERGOPROEKT

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS 2009

Extract from the Explanatory Note to the Financial Statements of JSC NIAEP for year 2008

These Financial Statements of the Company has been prepared based on the following accounting policy.

THE BASIS OF ACCOMPLISHMENT

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.

ESSENTIAL ACCOUNTING METHODS APPROVED BY THE COMPANY'S 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, 2009 and coming to RUR 30.2442 per USD 1. The recalculation 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 2009 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 2009 there were no fixed assets acquired in exchange of goods (valuables) other than cash assets.

The Company does not revaluate 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 МЦ.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 USSR Ministers' Soviet 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

inancial investment for which the current market value is not determined is reported in the balance sheet at their original cost.

The original cost of 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 2009 and no reserves for the depreciation of financial investment have been created.

In 2009 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;
- ппе 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 using account 40 «Products output (work, service rendered)".

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.

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 2009 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 9767 K.

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 2009.

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 20 833 K. Due to the increase in the Authorized capital in August 2009 the amount of the surplus reserve has not reached by December 31, 2009 its maximum value of RUR 25 000 K 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).

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 2009.

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.

Government Assistance

In 2009 the Company received no budgetary funds as government assistance (subventions, subsidies) as well as no budgetary credits.

Special-Purpose Financing

In 2009 no special-purpose financing was granted to the Company.

Expenses for Pension Provision

In 2009 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 December 1 of a reporting year;
- intangible assets are checked annually as of December 1 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 December 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.

Appendix 4.
THE AUDITOR REPORT
CONFIRMING THE ANNUAL ACCOUNTING REPORT RELIABILITY

Group of Companies NEXIA PACIOLI

AUDIT REPORT on

Accounting (Financial) Statements

for the Shareholder of

Joint-Stock Company
NIZHNY NOVGOROD ENGINEERING
COMPANY ATOMENERGOPROEKT

February 19, 2010

Moscow

NEXIA PACIOLI
INTERNATIONAL

Nexia Pacioli LLC

Audit Report on Accounting (Financial) Statements of JSC NIAEP for year 2009

Auditee:	**Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT (JSC NIAEP)**
Business address:	3, Svobody Sq., Nizhny Novgorod, 603006
Mail address:	3, Svobody Sq., Nizhny Novgorod, 603006
Contacts:	Tel. (831) 428 72 70, (831) 421 80 48
State Registration:	Certificate of State Registration series 52 № 003548218 dated December 18, 2007 issued by the Russian Federal Tax Service Inspection on Nizhegorodsky district, Nizhny Novgorod. Entered to the Uniform State Register of Legal Entities under Principal State Registration Number 1075260029240
Auditor:	**NEXIA PACIOLI Limited Liability Company (Nexia Pacioli LLC)**
Business address:	2, Malaya Polyanka St., Moscow, 119180
Mail address:	2, Malaya Polyanka St., Moscow, 119180
Contacts:	Tel. (495) 785 94 76, fax (495) 785 94 61, e-mail: pacioli@pacioli.ru
State Registration:	Certificate of State Registration № 856.235 dated June 23, 1995 issued by the Moscow Registry Chamber: Certificate of State Registration series 77 № 005390060 dated October 22, 2002, № 39 issued by the Interdistrict Inspection of the Russian Ministry of Taxes and Duties in Moscow; Entered to the Uniform State Register of Legal Entities under Main State Registration Number 1027739428716
Membership in the Self-Regulated Auditors Organization	A member of the Self-Regulated Auditors Organization Non-commercial Partnership Institute of Professional Auditors Included in the Register of Auditors and Auditing Agencies of the said Self-Regulated Auditors Organization on October 30, 2009 under Main Registration Number 10202000073
Audit Services Quality Certificate	№ 172 issued by the Non-commercial Partnership Institute of Professional Auditors and valid from September 16, 2008 to September 16, 2011

Nexia Pacioli LLC

Audit Report on Accounting (Financial) Statements of JSC NIAEP for 2009

We have carried out the auditing of the attached Accounting (Financial) Statements of JSC NIAEP **for the period from January 01 to December 31, 2009**, inclusive. The Accounting (Financial) Statements of the said entity consist of the following documents:

- Accounting Balance-Sheet as of December 31, 2009;
- Income and Expenditures Statement for January-December, 2009;
- Supplements to Balance-Sheet & Income and Expenditures Statement;
- Explanatory Note

The preparation and submission of such Accounting (Financial) Statements is pursuant to the Articles under the charge and responsibility of the executive body Director of JSC NIAEP.

Our duty is to express our opinion on the trustworthiness and the reliability of the said Statements in all essential aspects based on the auditing performed.

We have carried out the auditing in compliance with:

- The Federal Law On Auditing Activity.
- The Federal Regulations (Standards) of Auditing Activity.

The auditing procedure was planned and carried out so as to obtain the reasonable confidence that the Accounting (Financial) Statements did not contain any essential distortions. The auditing was carried out on a sample basis. It included the study of testing-based evidences, which proved the indices of the Accounting (Financial) Statements and the disclosure of information on the financial and business activity therein, the assessment of the bookkeeping principles and methods, the compliance with the accounting principles and regulations used in the preparation of the Accounting (Financial) Statements, the examination of the basic evaluation indices obtained by the Management of the entity under auditing as well as the evaluation of the submission of the Accounting (Financial) Statements. We believe that the performed auditing produces the sufficient grounds to express our opinion on the reliability and faithfulness of the Accounting (Financial) Statements.

Nexia Pacioli LLC

Audit Report on Accounting (Financial) Statements of JSC NIAEP for 2009

In our opinion the Accounting (Financial) Statements of JSC NIAEP reflects reliably and faithfully in all essential aspects the financial standing as of **December 31, 2009** and the results of its financial and economic activities for **the period from January 01 to December 31, 2009**, inclusive, in compliance with the requirements of the Russian Federation legislation in respect of the preparation of the Accounting (Financial) Statements.

February 19, 2010.

Executive Director of Nexia Pacioli LLC Goryacheva O.V.

Auditing Supervisor Nagaeva O.A.
Qualification Certificate № K023512 dated June 9, 2005,
to carry out general auditing issued for an unlimited period of time
Included in the Register of Auditors and Auditing Agencies by
the Non-commercial Partnership Institute of Professional Auditors
on October 30, 2009 under Main Registration Number 20502005523

Seal: Nexia Pacioli LLC
Limited Liability Company
Moscow

Appendix 5.

THE AUDITING COMMISSION CONCLUSION

The Auditing Commission Report
on the Results of Inspection of Financial and Economic Activity
and Annual Accounting (Financial) Statements of Joint-Stock Company
NIZHNY NOVGOROD ENGINEERING COMPANY
ATOMENERGOPROEKT FOR 2009

Moscow April 30, 2010

1. General Provisions

1.1. In accordance with the Resolution of the Sole Shareholder of ATOMENERGOPROM JSC № 3 dated June 30, 2009 the Control Commission of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT (hereinafter the Company) was elected consisting of the following members:

KOROTEEVA Tatiana Alexandrovna Chief specialist of the Auditing Division at the Internal Auditing Department of ATOMENERGOPROM JSC;

LYCHAGINA Ekaterina Alexandrovna – Specialist of the Department of Information Policy of Engineering Activity of ATOMENERGOPROM JSC;

KATS Vladimir Lazarevich – Deputy Director of JSC NIAEP.

1.2. The Auditing Commission of the Company represented by:

- Chairman of the Auditing Commission Lychagina Ekaterina Alexandrovna,
- Member of the Auditing Commission – Kats Vladimir Lazarevich

being guided by the powers determined by the Federal Law On Joint-Stock Companies, by the Company Articles, by the Regulation on the Auditing Commission of the Company

carried out the inspection of the financial and economic activity of the Company for the period from January 01, 2009 to December 31, 2009.

The Manager of the Company at the time of inspection was:

Director - LIMARENKO Valery Igorevich.

A person responsible for accounting and for the preparation of the financial (accounting) statements was:

Chief Accountant SAMOGORODSKAYA Elena Vladimirovna.

The inspection of the financial and economic activity of the Company for 2009 was carried out by the sampling cameral method.

Documents on the financial and economic activity submitted at the request dd April 19, 2010 were examined on a selective basis.

2. General Information on the Company

Full name: Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT

Abbreviated name: (JSC NIAEP)

Legal address: 3, Svobody Sq., Nizhny Novgorod, Russia, 603006

Mail address: The same

State registration: The entry was made to the Uniform State Register of Legal Entities on the establishment of JSC NIAEP under Main State Registration Number 1075260029240 (Certificate of Making the Entry to the Uniform State Register of Legal Entities, series 52 № 003548218, was issued on December 18, 2007).

As of December 31, 2009 the Authorized capital of the Company amounts RUR 500 001 877 (Five hundred million one thousand eight hundred seventy seven RUR). It is determined as the sum of the face value of placed shares and consists of 500 001 877 (Five hundred million one thousand eight hundred seventy seven) pieces of ordinary shares (with nominal value of RUR 1 per one share).

The basic activities of the Company according to the Articles are:

a) activities in the field of architecture, engineering design in industry and construction;

b) new construction, reconstruction, major repair of buildings and constructions, including civil engineering and repair under individual orders;

c) engineering survey for construction including: underground survey works, engineering geological, ecological investigations for construction, design and building-erection works including exploration related to repair and restoration;

d) scientific research and development in the field of natural sciences and technology etc.

The Company has the following branches and representative offices:

- Udomlya Branch of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT - Board of Directors of the General Contractor at Kalinin NPP;
- Volgodonsk Branch of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT – Board of Directors of the General Contractor at Rostov NPP;
- Moscow Representative Office of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT;
- Volgodonsk Representative Office of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT;
- Udomlya Representative Office of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT;
- Saint-Petersburg Representative Office of Joint-Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT

The Company has the following affiliates:

- Limited Liability Company Construction and Erection Management № 1
- Limited Liability Company Construction and Erection Management № 2
- Limited Liability Company Volgodonsk Erection Management № 1

15. Final Provisions

The reliability and validity of the Financial (Accounting) Statements and the results of the financial and economic activity of the Company for the period from January 01, 2009 to December 31, 2009 inclusive, is confirmed by the Report of Auditor - Nexia Pacioli Limited Liability Company, License № E 000733 to carry out auditing activity, valid till June 25, 2012.

Basic Conclusions on the Auditing Results:

The financial standing of the Company was improved in 2009 as compared to 2008. It is quite stable.

Herewith:

- proceeds increased from RUR 17 991 500 ths. to RUR 35 227 938 ths.;
- average wages and salary increased from RUR 59,3 ths. to RUR 63,5 ths.;
- net income increased from RUR 1 104 845 ths. to RUR 1 685 614 ths.;
- no tax and wages arrears.

Chairman of the Auditing Commission E.A. Lychagina

Member of the Auditing Commission V.L. Kats

Appendix 6.
REPORT ON BIG DEALS AND INTEREST-BEARING TRANSACTIONS

In 2009 neither big deals nor interest-bearing transactions were effected by JSC NIAEP.

Appendix 7.

CONCLUSION OF THE INTERNAL CONTROL AND AUDITING DEPARTMENT ON THE REPORT DATA RELIABILITY

CONCLUSION

on the Results of the Internal Auditing of Nonfinancial Data

in the Annual Report of Joint-Stock Company

NIZHNY NOVGOROD ENGINEERING COMPANY

ATOMENERGOPROEKT (JSC NIAEP)

The internal auditing 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 State Corporation ROSATOM dated December 25, 2010 and the basic provisions of the International Accounts Verification Standard AA1000AS.

The responsibility for the preparation and submission of information for the public annual report in accordance with Order № 84 of the Director of JSC NIAEP dated February 18, 2002 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).

The nonfinancial information on the results of activity of JSC NIAEP contained in the Report is reflected in quantitative and qualitative indices of the effectiveness in the following spheres:

- economic;
- ecological;
- labour arrangement and remuneration;
- responsibility for products;
- public relations.

Information presented in the Report proved by the sufficient quantity of actual evidence (internal normative acts, figures, reasoned conclusions and deductions) ensures the possibility of the trustworthy and weighted imagination of the parties concerned about the main aspects of the Company activity for the reporting period.

The data contained in the Report confirms the effective system available in the Company for the management of different aspects of stability factors and response to requests of parties concerned and the sequential specifying of long-run objectives and basic trends for the improvement of the effectiveness management make it especially useful for using by all parties concerned.

As compared to the Report of 2008 this Report gives the more concept and wider reflection of the realization of the response principle in the Company activity in the course of interaction with parties concerned, that is proved by corresponding factual materials.

The inspection performed enables to come to the conclusion on the reliability of the nonfinancial information contained in the public annual report of the Company for 2009 as well as on the Report compliance with the current legislation, with the branch Standard of Public Statements and local normative acts applicable in the Company.

To optimize the process of the accounting information verification it is necessary in the next reporting period to regulate the system of accounting and nonfinancial information collection in the Standard of Public Statements and in the Regulations for the Preparation of Annual Public Report.

Chief of Internal Control
and Audit Department V.S. Petrovsky

Appendix 8.

THE STANDARD ACCOUNTING ELEMENTS AND EFFECTIVENESS INDICES USE

Index	Chapter	Page
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Amount of deliveries per project (acc. to results of 2009)	2.2.3 Supplies of equipment and materials	63
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2.4.1. Fixed asset investment for the reporting period	3.2.5. Investment management	111

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Ф-12.3.2 Volume of expenses for social corporate programs for employees	Ф-12.3.2 Volume of expenses for social corporate programs for employees	68
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Ф-12.4.1. Level of costs for one employee training	3.2.6. Personnel management (Personnel advanced vocational training)	115
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Economic Effectiveness Indices		
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EC6. Policy, practical approaches to procurement from local suppliers and share of such procurement in essential regions of the Company activity	2.3.2. Contribution into economy (Local population employment)	75
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Indices of Public Relations Effectiveness		
SO-8. Cash value of substantial fines, total number of nonfinancial sanctions imposed for non-observance of ecological laws and normative requirements	No fines were charged to JSC NIAEP, no sanctions were imposed to the Company within the reporting period	

Appendix 9.
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 the International non-governmental organization which has elaborated a Manual for the preparation of consolidated reporting in the field of stable development.

ISO-9001 – is the international standard for the company management organization system intended to ensure the predictable and stable quality of services.

NPP-2006 (АЭС-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 the 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 (General Designer - JSC ATOMENERGOPROEKT, Moscow) and Leningrad NPP-2 (General Designer - Sain-Petersburg Research and Designing 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 — contractors. GC is fully responsible to a customer for the fulfillment of a package of contractual works 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 thereto.

Engineering (from ingenium of Latin, that means inventivness; 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 a 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, the elaboration of technical and economic substantiation of the construction, the preparation of projects, working documents, the drawing up of estimates to perform the construction (a new construction, extension, reconstruction, engineering re-equipment) facilities, buildings, structures.

Working documentation is a 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 the full process of the NPP building beginning from design and exploration works till its delivery to a customer for commissioning.

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 10.
LIST OF ABBREVIATIONS

NPP	Nuclear Power Plant
CPO	Complex Projecting Office
VVER	Water-Water Power Reactor
VC&EM	Volgodonsk Construction & Erection Management
VRO	Volgodonsk Representative Office of JSC NIAEP
VB	Volgodonsk Branch of JSC NIAEP
S&A	Subsidiaries and Affiliates
VMI	Voluntary medical insurance
LIP	Long-term investment programs
KaNPP	Kalinin NPP
KEI	Key Efficiency Indices
MLTME	Monopoly Long-Term Manufactured Equipment
RoNPP	Rostov NPP
R & D	Research and Advanced Development
DSW	Design and Survey Works
SAW	Starting-up and Adjustment works
QAP	Quality Assurance Program
DED	Design and Estimate Documentation
RPS	ROSATOM Production System
QMS	Quality Management System
CEW	Construction and Erection Works
C&EM	Construction and Erection Management
UB	Udomlya Branch of JSC NIAEP
FSUE	Federal State Unitary Enterprise
LCF	Labor Compensation Fund
CO	Central Office of JSC NIAEP

Appendix 11.
FEEDBACK QUESTIONNAIRE

YOUR OPINION ON THE ANNUAL REPORT OF JSC NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT

1. Specify please what group of concerned parties you belong to:
   - ☐ shareholders (ATOMENERGOPROM JSC, SC ROSATOM)
   - ☐ customer (ROSENERGOATOM CONCERN JSC)
   - ☐ partners (suppliers and subcontractors)
   - ☐ working collective
   - ☐ public organizations
   - ☐ local authorities
   - ☐ mass media
   - ☐ others_____

2. Have you found any information of interest for you in the Report?
   - ☐ yes
   - ☐ no
   - ☐ other (comment out, please)_____
   _____

3. How do you assess the reliability and objectivity of the Report?
   - ☐ high
   - ☐ satisfactory
   - ☐ low
   - ☐ I make no assessment

4. How do you asses the style of the Report statement?
   - ☐ high
   - ☐ satisfactory
   - ☐ low
   - ☐ I make no assessment

5. How do you assess the Report execution?
   - ☐ high
   - ☐ satisfactory
   - ☐ low
   - ☐ I make no assessment

6. What information should be added in your opinion to the Report?
   _____
   _____
   _____
   _____

7. Do you want to become an employee (a partner) of the Company?
   - ☐ yes
   - ☐ no
   - ☐ other (comment out, please) _____

8. How do you assess the importance of the Report?
   - ☐ this is an important document and you may get information of interest for you therefrom
   - ☐ it is a useless document
   - ☐ other (comment out, please) _____

9. Have you studied the Company Report for the previous year?:
   - ☐ yes
   - ☐ no

10. If you have studied the Company Report for the previous year, appraise, please, according to the 5-score scale the Company Reports for years 2008 and 2009 based on the following parameters:

	2008	2009
Realizibility of statement	☐	☐
Information sufficiency	☐	☐
Design	☐	☐

Thank you for attention paid to us!

You may send your completed questionnaire marked «Annual Report» to:
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