

6. CAPITAL MANAGEMENT (RESOURCES AND ACTIVITY)

6.1. FINANCIAL AND ECONOMIC ACTIVITY (FINANCIAL AND ECONOMIC CAPITAL)

6.1.1. ECONOMIC PERFORMANCE



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

Responsibility for the financial performance is provided for in the motivation system of OJSC Atomenergomash,

in particular, as part of the key performance indicators of the CEO and Deputies CEO for areas of activity who demonstrated the team result focused on improving the performance. Implementation of the Division's enterprises budgets is controlled by the Economics and Finance Directorate. For the midlevel managers, the key performance indicators include, for example, Adjusted free cash flow, Productivity, and Reduction of permanent expenses.

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GEOGRAPHY OF SUPPLIES¹

Indicator	Geographic segment	2011	2012	2013	Forecast for 2014
Revenue	Russian Federation	42,238,652	44,528,180	39,007,068	49,957,955
	CIS	2,312,168	2,861,875	1,614,899	1,164,245
	Non-CIS	5,637,411	4,382,671	5,650,097	2,574,821
	Total²	50,188,231	51,772,725	46,272,064	53,697,021

The main portion of the revenue (about 84%) is from the domestic market.

¹ Hereinafter, the combined revenue and its derivative indicators by years are presented for various consolidation perimeters. Thus, as compared with 2013, in 2012 the perimeter included OJSC DEZ, where in 2011 it also included CJSC AEM Leasing, CJSC RAS-Invest, LLC NGSS, CJSC RAS-Management and OJSC IFTP. Besides, in 2011, the perimeter did not include OJSC TsNIITMASH.

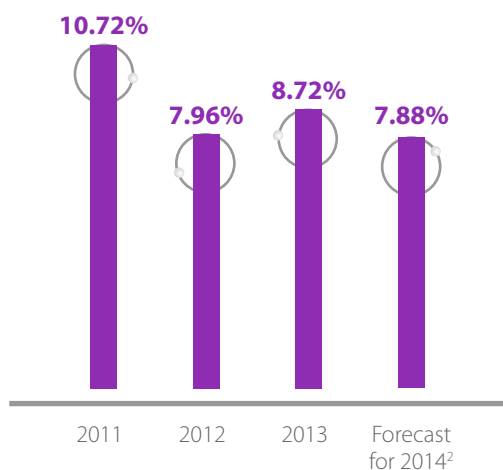
² Hereinafter, the combined revenue by years is presented for various consolidation perimeters.



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COMBINED REVENUE BY OPERATING SECTORS, THOUSAND RUBLES

Indicator	2011	2012	2013	Forecast for 2014
Equipment for the nuclear power industry	26,270,578	25,673,820	21,444,362	26,878,607
Equipment for the thermal power industry	2,307,429	4,914,139	2,143,462	2,733,410
Equipment for the gas and petrochemical industries	2,022,852	1,712,227	1,053,884	3,139,360
Other products, work and services	19,587,372	19,472,539	21,630,356	20,945,644
Including design work	9,273,057	11,198,724	12,775,711	11,478,804
Total	50,188,231	51,772,725	46,272,064	53,697,021

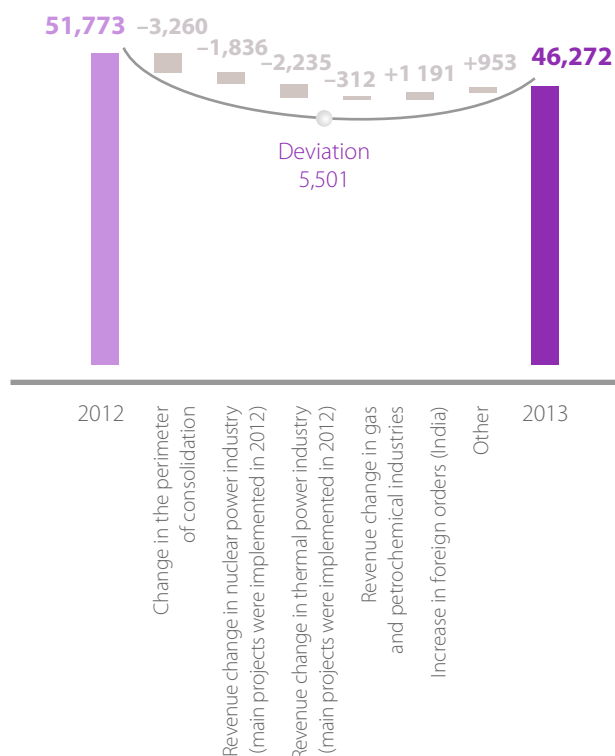
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1.2.3SHARE OF REVENUE GENERATED BY ASSETS ABROAD¹, %

In 2013, the revenue has reduced, primarily due to the change in the consolidation perimeter and decrease in the number of implemented projects as compared with 2012. EBITDA level dropped significantly, primarily due to the creation of reserves.

¹ ARAKO and OJSC Energomashspetsstal

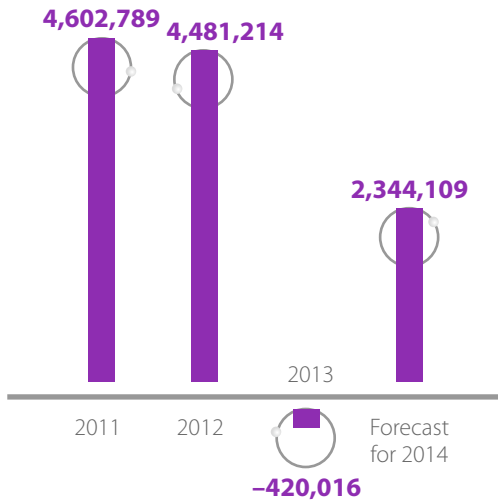
² In the forecast for 2014, OJSC Energomashspetsstal is included with Trading houses.

REVENUE CHANGE FACTOR ANALYSIS, MLN RUB



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EBITDA, THOUSAND RUBLES



“ Economics and Finance Director, OJSC Atomenergomash: “Both global and Russian economy are now experiencing hard times. In 2013, many companies have done it, and we, based on a conservative approach, were not an exception having created a reserve of 3 billion rubles for depreciation of investments, bad debts, etc. This, of course, affected the EBITDA figures ”

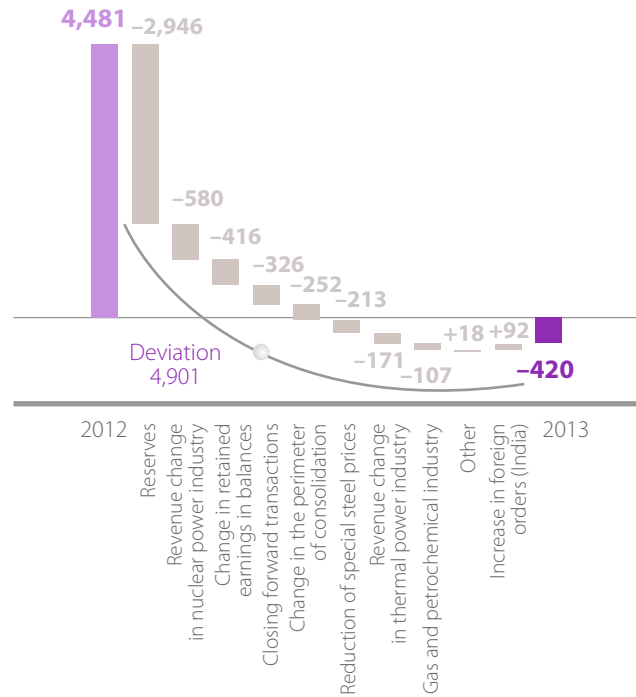
Vadim V. Pesochinsky,
Deputy CEO — Economics
and Finance Director, OJSC Atomenergomash

1 INDICATOR 1.1.6 INCOME (VOLUME OF PRODUCTS SOLD), THOUSAND RUBLES

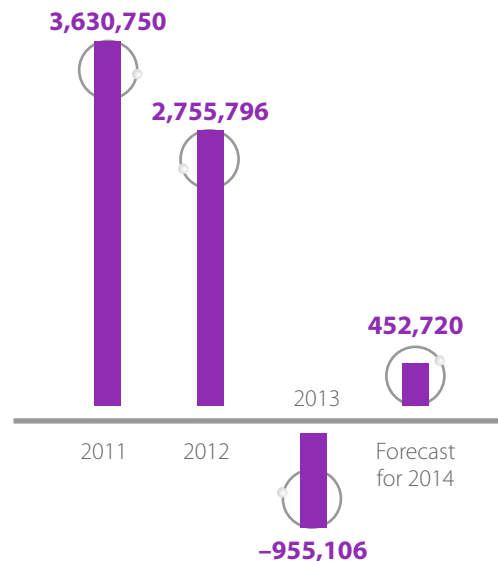
2 INDICATOR 1.1.13 DEBT TO EQUITY RATIO

3 INDICATOR 1.1.18 NET DEBT, MLN RUBLES

EBITDA CHANGE FACTOR ANALYSIS, MLN RUB



NET OPERATING PROFIT AFTER TAX (NOPAT), THOUSAND RUBLES



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FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT, EC4, THOUSAND RUBLES

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EC4

Company	2011	2012	2013	Forecast for 2014
OJSC ZiO-Podolsk	100,000	53,841	none	none
OJSC ZIOMAR EC	none	124	none	none
OJSC SverdNIKhimmash	none	1 500	none	none
CJSC AEM Technologies	none	None	86,500	68,500
OJSC TsNIITMASH	30,934	31,698	29,400	32,200
OJSC PZM	44,645	54,111	23,276	20,410
TOTAL	175,579	141,274	139,176	121,110

6.1.2. INVESTMENT ACTIVITIES

The Company's investment activities are primarily focused on ensuring its development, including:

- launching of new products;
- modernization of the existing facilities;
- improving the production efficiency.

The investment activities are mainly effected for the primary production sites: OJSC ZiO-Podolsk, CJSC AEM Technologies, OJSC PZM, OJSC Afrikantov OKBM, OJSC OKB Gidropress and OJSC TsKBM.

In its investment activities, the Company is governed by the regulatory documents of Rosatom State Corporation regarding investment activities and investment management, by decisions of the Investment Committee of Rosatom State Corporation, the Investment Regulation of OJSC Atomenergomash and decisions of the Investment Committee of OJSC Atomenergomash.

The responsibility for the investment activities is assigned to:

- In terms of providing a methodology and ensuring control over the investment decisions making — Deputy CEO — Economics and Finance Director, V.V. Pesochinsky;
- In terms of technical appraisal and monitoring the implementation of key projects — Deputy CEO — Business Operations Director, V.P. Razin.

Responsibility for the definition and implementation of projects is assigned to the project initiators. Appraisal of projects is performed by the Investment Department and functional units of OJSC Atomenergomash; any decisions are subject to approval by OJSC Atomenergomash Investment Committee. A similar approach is used in Rosatom State Corporation. The final decision on allocation of funding resources and sources is made by the Investment Committee of Rosatom State Corporation.

The efficiency is evaluated based on a quarterly target-to-actual analysis procedure. In 2013, no KPIs for investing activities were specified.



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INVESTMENT AMOUNTS FOR SASC AND BY COUNTRIES, MLN RUBLES INVESTMENT PROGRAM COMPLETION

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SASC	2012		2013		% completed	
	target	actual	target	actual	2012	2013
SASC in the Russian Federation, including	7,735.92	3,052.92	6,211.38	4,395.02	39.46	70.76
OJSC Afrikantov OKBM	1,368.03	1,234.05	935.93	880.63	90.21	94.09
OJSC ZiO-Podolsk	1,045.20	689.39	1,104.16	583.8	65.96	52.87
OJSC PZM	1,432.51	536.82	1,110.59	914.36	37.47	82.33
OJSC TsKBM	240.21	179.6	310.84	204.13	74.77	65.67
OJSC OKB Gidropress	276.86	112.64	582.46	344.85	40.68	59.21
OJSC Atomenergomash	2,071.00	58	1,040.45	996.77	2.80	95.80
CJSC AEM Technologies	–	–	666.83	292.83	–	43.91
other	1302.11	242.42	460.12	177.65	18.62	38.61
SASC abroad	1,633.30	1,865.46	386.78	315.34	114.21	81.53
OJSC Energomashspetsstal	1,554.48	1,799.83	323.78	267.69	115.78	82.68
ARAKO	78.82	65.63	63	47.65	83.27	75.63
TOTAL:	9,369.22	4,918.38	6,598.16	4,710.36	52.50	71.39

In the Division as a whole, the amount of investment has decreased, but, for example, for OJSC PZM it has grown by 70%, and for OJSC OKB Gidropress — by threefold.

In 2012, the investment program was completed to 52.5%, and in 2013, the completion reached 71.4%.

¹ 2012 — total funding, 2013 — funding from the CIR (Consolidated Investment Resource of Rosatom State Corporation).

6.1.3. DESCRIPTION OF KEY STRATEGIC RISKS AND OPPORTUNITIES

№ ¹	Risk	Risk factors	Control measures/opportunities
1	High competition in the market, market share reduction	<ul style="list-style-type: none"> • Increasing competition from South Korean and Chinese manufacturers • Entering the Russian market by non-sectoral (including foreign) companies • Increasing intra-industry competition • Affiliation of competing companies with customers • Dumping by competitors 	<ul style="list-style-type: none"> • To improve quality of offers, develop marketing activities, including implementation of integrated services, use cross-sales channels • Using resources of Rosatom State Corporation to address issues of strategic cooperation with key customers, including foreign ones • To define the organizational model, assign roles and limits of responsibility in the divisions for the activity area at the level Rosatom State Corporation in order to eliminate negative consequences of intra-industry competition
2	Lack of funding	<ul style="list-style-type: none"> • Deficiency of investment resources • Reduction of state funding • Settlement procedures providing for no advance payments 	<ul style="list-style-type: none"> • To increase cash flow by improvement of operational efficiency and selling of non-core assets • To optimize the investment program, to reject inefficient investment projects
3	High market size uncertainty	<ul style="list-style-type: none"> • Change in the NPP construction roadmap • Uncertainty of the thermal power market after completion of CSC programs • High fluctuation in the world market of special steels 	<ul style="list-style-type: none"> • To improve the system of medium and long-term forecasts • Active monitoring of the market to find promising projects • To expand the geography of presence in foreign markets/further diversify the business • To make a decision to adopt the practice of the advanced industry order for production of equipment for nuclear engineering
4	Worsening of macroeconomic conditions	<ul style="list-style-type: none"> • Drop of oil prices • Increasing capital outflow from Russia • Deterioration of the investment climate in Russia 	<ul style="list-style-type: none"> • To expand the geography of presence in foreign markets • To further diversify the activities/access new markets in order to improve stability through the economic cycles • To secure a long-term industry order to enhance financial stability • To develop the currency risk management system



¹ Hereinafter, means the position number in the Risk Map.