

3.2 Evaluation Boundaries of Alternative Scenarios

External Changes

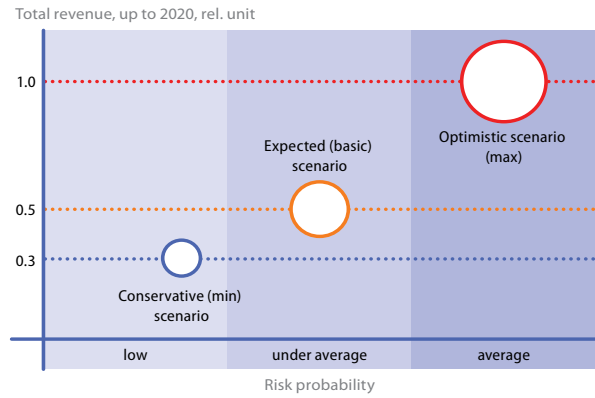
Worldwide changes	Risks of the Russian Federation	ROSATOM's and Company's risks
"Second wave" of the economic crisis	The "pre-crisis" and "crisis" budgets with extreme cost reduction	Reduction (delay) of funding of state programs
Conditions after joining the World Trade Organization	Uncompetitive Russian manufacturers; growth of import	Preferentially growing investments into non-Russian assets, joint ventures
Political counteractions in the struggle for markets. Governmental support of national (international) companies in bids	Breach (delay) of international agreements	Worsening prospects for NPP construction outside Russia; fund-raising contracts with a long repayment period
New technologies and resources (including alternative/renewable energy sources, shale gas)	Reduced income from export of raw materials	Reduced scopes of NPP construction in Russia and abroad
Post-Fukushima reaction of the world community	Reinforced "green" protest of the opposition	Delay in NPP construction
Requirements of the customer country for maximum national involvement and technology transfer during NPP construction	Consideration of requirements in international contracts	Reduced contract price and profitability of NPP construction outside Russia; problems with the fair price of technology transfer and with protection of intellectual property items
Intensified struggle for spheres of influence, strategic resources, including the build-up of the military potential	Maintenance of priorities in supporting the parity, including costs for the Defense Industrial Complex	Growth in the scope of orders and responsibility under the State Defense Order

SWOT Analysis

Strengths	Weaknesses
1. Key competences and the entire cycle of activities and services for military nuclear power systems, fast reactor plants, marine and small reactor plants, reactor cores, NPP equipment	1. Long development and fabrication cycle; high production costs; high product prices
2. Developed scientific, design, research and production capabilities, supporting infrastructure, highly-qualified personnel with an average age of 42 years	2. No product for the end user (only services). The Company is a link in the nuclear facilities development chain
3. Implementation of development investment projects and the production efficiency enhancement program	3. Insufficient effectiveness of exploratory (future) research and development work, and innovative process development work
4. Competences in engineering work when acting as the Packaged Equipment Supplier (KLT-40S, BN-800, Generation IV nuclear power systems and multipurpose nuclear icebreaker), and the Responsibility Center for the BN-1200 power unit design	4. Insufficiently effective and systematic integration of the ROSATOM's Production System
5. Sustainable development with positive dynamics of key performance indicators and positive image	5. Non-operational plan-fact analysis
Opportunities	Threats
1. Extension of participation in projects implemented under the approved ROSATOM's strategy and applicable federal target programs (nuclear power systems, turbogenerator plants, automated process control systems)	1. Macroeconomic instability, budget sequestration for federal target programs
2. Implementation of the State Armament Program, Nuclear Weapon Complex and Defense Industrial Complex programs	2. Reduction in NPPs to be constructed (both in the Russian Federation and abroad) in the ROSATOM's Roadmap
3. ROSATOM's successful contractual foreign-economic activities (with possible Company's participation)	3. Delay in performance of the demonstration fast reactor contract
4. Development of inner-circuit cooperation	4. Intensified competition in the NPP equipment market; non-effective contractors
5. Prospective market of nuclear (RITM-200M, BN-1200, etc.) and non-nuclear technologies (pump equipment, instrument engineering, etc.)	5. Problem with raising investments

According to SWOT analysis results, the Company's Development Strategy is based on the expected (basic) scenario of development. Other SWOT analysis interpretations (optimistic and conservative ones) are backup scenarios to take into account a wide range of potential risks.

Evaluation Boundaries of Alternative Scenarios of Company's Development



Risk Area. Preventive Measures

Economic security	<p>Prevent thefts of commodities and materials, including reinforcement of physical protection, monitoring of storage and movement of commodities and materials</p> <p>Take measures aimed at combating corruption in such areas as purchase of goods and services; prevent lobbying of interests; compile a list of dishonest vendors; check authenticity of bank guarantees</p> <p>Check contractors' fulfillment of contractual obligations</p> <p>Establish more stringent requirements for protection of trade secret</p>
Legal support and protection	<p>Improve quality of contractual documentation</p> <p>Provide legal support for potentially disputable situations and their pre-court settlement at the Atomenergomash's Unified Arbitration Committee; reduce adjudication costs; increase incomes from Company's statements of claim</p>
Property complex management	<p>Provide insurance for fixed property at the industrial site; timely identify and sell unutilized movable property; monitor efficiency of property utilization; restructure non-core assets</p>
Company's infrastructure and utilities	<p>Set up fast response brigades with required resources to counter pre-accident situations and emergencies</p> <p>Ensure technical supervision under construction of new facilities and reconstruction of operating facilities</p> <p>Implement the energy efficiency enhancement program</p>
Contractual activities	<p>Reduce the time required for contracting by standardizing contractual documents and enhancing their quality, by developing and integrating a new regulation on contractual activities; procure availability of licenses, permits and certificates; procure supervision at the level of ROSATOM, divisions, Company</p>
Process management	<p>Take debureaucratization measures for the near-term and long-term future; automate processes; make report forms unified</p>
Risk management	<p>Deploy and develop the risk management system</p>

Section 1

Section 2

Section 3

Section 4

Section 5

Section 6

Appendices