



ANNUAL REPORT
of Joint Stock Company
United Aircraft Corporation
for 2008

Moscow
2009

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1. ADDRESS TO SHAREHOLDERS AND INVESTORS

Dear Sirs,

Last year for JSC UAC was the year of further establishment and formation of the Corporation. The activity of the Corporation's enterprises considerably expanded— for the first time for many years it is possible to speak with certainty about development of domestic aircraft manufacturing confirmed with the existence of long-term governmental and commercial orders. The role of the state in the development of the Corporation will continue to strengthen due to the global financial crisis that started at the end of 2008. JSC UAC was included in the list of strategic enterprises of Russia. Support of aircraft manufacturing as a strategic industry of the Russian Federation, envisaged in federal target programs and the state budget, enables JSC UAC to focus fully on solution of the strategic goals of the Corporation.

At the beginning of 2008 the Board of Directors of JSC UAC considered and approved the main directions of the development strategy of Joint Stock Company United Aircraft Corporation up to 2025; the JSC UAC development strategy was also presented to the President of the Russian Federation Vladimir Putin. The main provisions of the JSC UAC strategy determine the basic principles and directions of development ensuring the efficient and dynamic development of the Corporation aimed at acquiring the status of one of the world's largest aircraft-building centers with a widely diversified product range. Implementation of the strategy will allow to deliver on target on the priority tasks of JSC UAC in the development of Russia's military, civil and cargo aviation. In fifteen years Russia shall manufacture at least 250-300 military and civil aircraft a year with a half of aircraft aimed for export. 50% of UAC's sales should be formed by modern civil airliners.

During the last year the Corporation has continued with formation of its organizational structure. The transition of JSC UAC to modern production program management through creation of specialized business units resulted in the appearance of UAC – Transport Aircraft, a business unit established on the basis of Ilyushin Interstate Aircraft-Building Company, and the registration of Management Company UAC-Civil Aircraft. During 2008 RSK MiG and KAPO named after S.P. Gorbunov aircraft production complexes were turned into joint-stock companies, and their inclusion into JSC UAC is scheduled for 2009. An important landmark in development of domestic aircraft manufacturing was the signing of the Decree of the President of the Russian Federation “On National Aircraft Construction Center” – a challenging project of creation of an integrated competent complex in Zhukovsky, including the future JSC UAC Headquarters, engineering center, experimental and testing units of the Corporation, and a transportation and exhibition complex “Russia” as well as an educational center and pilot and flight personnel training center.

The prospects of JSC UAC development and the significant support of the industry enterprises provided by the Russian Federation guarantee the success of the final stage of aircraft-building enterprises consolidation. In 2009, JSC UAC will propose private shareholders of the Corporation subsidiaries to convert to the unified shares of JSC UAC. I am confident that the Corporation will continue its dynamic development for the benefit of all of its shareholders and will not only ensure the long-term economic growth of enterprises of the industry but will also contribute considerably into strengthening the growth of the economy of the Russian Federation as a whole.

Chairman of the Board of Directors

S.B. Ivanov

2. KEY CORPORATE EVENTS OF 2008

JANUARY 2008

- On January 16 JSC UAC and Spirit AeroSystems signed a Memorandum of Understanding. The subject of the Memorandum is to establish and to develop a long-term partnership between the two companies. The parties intend to study and to develop the possibility of cooperation in development and modernization of civil aircraft, development of cooperation programs in designing and manufacturing of aircraft components, and development and modernization of the production infrastructure of JSC UAC, including on the basis of Lean Management principles.

FEBRUARY 2008

- On February 12 the Board of Directors considered and approved the main directions of the Development Strategy of Joint Stock Company United Aircraft Corporation up to 2025. Provisions of the Strategy were developed taking into account goals and objectives envisaged in decrees of the President of the Russian Federation, resolutions of the Government of the Russian Federation and other directive documents concerning development of domestic aircraft manufacturing. Previously taken decisions concerning dates, volumes and investments envisaged in state programs of development of civil and military aircraft equipment were also taken into account in preparation of the above provisions. On February 20 the JSC UAC Development Strategy was presented to the national authority during the visit of President of the Russian Federation Vladimir Putin to Zhukovsky.

- On February 20 President of the Russian Federation Vladimir Putin signed Decree #217 “On National Aircraft Construction Center”. According to the Presidential Decree an integrated high-capacity complex will be established in Zhukovsky, including an engineering center, experimental and testing units of JSC UAC, and a pilot personnel training and professional skill improvement center as well as an educational full-cycle center on the basis of the leading domestic higher educational institutions traditionally present in Zhukovsky.

- On February 20 Sukhoi started flight tests of the Su-35 multi-purpose fighter. The first flight took place on the airfield of Flight-Research Institute named after M.M. Gromov in Zhukovsky, the Moscow Oblast. It was carried out by Honored Test Pilot of the Russian Federation Sergei Bogdan. The test program was fulfilled completely.

MARCH 2008

- On March 18 in accordance with the decision of the Russian Federation Property Management Agency state registration of JSC RSK MiG was carried out. The Board of Directors of the enterprise headed by President of JSC UAC A.I. Fedorov included representatives of JSC UAC and federal executive authorities.

- On March 20 the first additional issue of shares of JSC UAC was completed. Under the decision of the Federal Financial Markets Service of Russia state registration of the report about results of additional issue of shares of the Corporation was carried out.

- On March 28 JSC UAC and the Russian Trade Union of Aviation Industry Workers (Profavia) signed an Agreement on Interaction and Cooperation. The Agreement confirms the social partnership in the Corporation based on the federal industry agreement, the collective agreements at the enterprises and development of a corporate agreement. This document also regulates future interaction of the parties, determines the range of issues for joint consideration by JSC UAC as an integrated structure and by Profavia, and raises the task of development of the united corporate remuneration system.

APRIL 2008

- On April 8 in accordance with the decision of the Russian Federation Property Management Agency state registration of JSC KAPO named after S.P. Gorbunov was carried out. The Board of Directors of the enterprise headed by President of JSC UAC A.I. Fedorov included representatives of JSC UAC and federal executive authorities.
- On April 25 in Taganrog the multi-purpose amphibian Be-200ChS was transferred to representatives of the Emergencies Ministry of Azerbaijan. The Be-200ChS is fully certified according to Russian Standards of Flight Suitability AP-25 as a fire, cargo and passenger (43 seats) airplane. Delivery of Be-200ChS to the first foreign customers was carried out under a contract concluded between Irkut Corporation and the Azerbaijani party.
- On April 29 the Russian Air Force received the modernized Tu-160 strategic missile carrier. At 14:00 the missile carrier departed Kazan for the airbase in Engels where it landed at 15:40. Immediately after landing the ceremony of transfer of the airplane to the bomber air regiment took place.

MAY 2008

- On May 19 in Komsomolsk-on-Amur the first flight of the Sukhoi Superjet 100, the first civil airplane created in the new Russia, took place. The flight lasted for 1 hour and 5 minutes. In accordance with the flight mission the airplane reached a maximum altitude of 1,200 meters. During the flight the airplane performed takeoff, four passes over the runway at various altitudes, and flew over the specified perimeter (box-pattern flight) and landing approach. The landing of the airliner was successful.
- On April 8 JSC UAC registered a subsidiary for organization of manufacturing and supply of civil aircraft – Limited Liability Company Management Company UAC-Civil Aircraft. Establishment of the 100% subsidiary will allow, in the long view, to organize in the Russian market an integrated center of responsibility for development, manufacturing, sales and after-sales maintenance of civil aircraft.

JUNE 2008

- On June 5 in Berlin a package of documents was signed, specifying further cooperation of Russian and West European aircraft manufacturers within the project of conversion of A320/A321 aircraft into a cargo version. The value of both contracts is estimated up to 360 million US dollars. Russian participants in the project are JSC UAC and JSC Irkut Corporation, the West European participants – Airbus S.A.S. and EFW GmbH.
- On June 7, within the framework of the XIIth St. Petersburg International Economic Forum, JSC UAC and Boeing signed an agreement about expansion of cooperation in civil aviation. Now joint activity will include implementation, at JSC UAC enterprises, of educational and training programs dedicated to increase productivity and the Lean philosophy of effective production and management.
- On June 8, within the framework of the XIIth St. Petersburg International Economic Forum, SB Vnesheconombank and JSC UAC concluded a loan agreement for 7.5 billion rubles for the period of 5 years to finance the project of production of An-148, Tu-204 and Il-96 civil aircraft. Within the framework of the project is included modernization and technical re-equipment of the JSC Voronezh Aircraft Manufacturing Company and CJSC Aviastar-SP aircraft plants and transition from single aircraft production under individual orders to serial production of the An-148, Tu-204 and Il-96 civil aircraft.
- On June 27, within the framework of the First Investment Voronezh Forum (Voronezh), agreements were signed for supply of An-148 short-haul aircraft manufactured at JSC Voronezh Aircraft Manufacturing Company (VASO) for a total amount exceeding 40 billion rubles. The basic document was the agreement between JSC UAC and JSC Ilyushin Finance Co, in accordance with which the leasing company acquires 34 aircraft of the An-148 family for their subsequent leasing

supply to customer air companies. The agreement also envisaged the possibility of additional purchase of up to 30 airplanes.

- On June 27 JSC UAC successfully placed securities of the first issue of LPN (loan participation notes) for the amount of 200 million US dollars with a circulation period of 2 years and the coupon rate of 10% per annum. This placement was the first application of JSC UAC to the public debt market for investment. The attracted funds were directed by JSC UAC to implementation of a project connected with civil aircraft manufacturing – modernization of production and funding of aircraft manufacturing.

JULY 2008

- On July 10 JSC UAC sent to the Federal Financial Markets Service of Russia and JSC Irkut Corporation the report on results of acceptance of the mandatory offer to purchase shares of open joint-stock company “Irkut Scientific and Production Corporation”. At implementation of the mandatory offer the ownership share of JSC UAC in the charter capital of JSC Irkut increased from 38.22% to 80.90%. The ownership share of JSC UAC jointly with affiliated parties in the charter capital of JSC Irkut Corporation increased up to 92.79%. The mandatory offer to purchase shares was sent to open joint-stock company “Irkut Scientific and Production Corporation” on March 24.
- On July 11 JSC UAC made new appointments in the Corporation management. Victor Vladimirovich Livanov was appointed JSC UAC Vice President, Transport Aviation, Igor Sergeyeovich Shevchuk was appointed Vice President, Strategic and Special Aviation, and Oleg Fedorovich Demchenko was appointed Vice President, MS-21 Project.
- On July 15, within the framework of the Farnborough 2008 International Exhibition and Flying Display, JSC UAC and leasing company IFC LLC signed an agreement on purchase and sale of 31 Tu-204SM airplanes. The agreement signed by the companies also envisages the option for purchase of additional Tu-204SM aircraft by the leasing company within 2010-2012.

AUGUST 2008

- On August 13, after a test flight at NAP Sokol, the third Yak-130 combat trainer aircraft was transferred from Nizhny Novgorod to the flight-test and development base of Yakovlev Design Bureau in Zhukovsky for participation in state joint flight tests.
- On August 21 the procedure of registration of the transport aviation business unit of Open Joint Stock Company United Aircraft Corporation was completed. The structure named Open Joint Stock Company UAC – Transport Aircraft (abbreviated name JSC UAC-TA) was established on the basis of Open Joint Stock Company Ilyushin Intergovernmental Aircraft-building Company. JSC UAC-TA will deal with management of project of manufacturing and supply of ramp transport aircraft for military transport and civil aviation.
- On August 29 the advanced design of the new MS-21 passenger airliner was successfully completed. At the present moment front-end engineering design is being carried out. Inquiries for technical and commercial offers for supply of systems for the new aircraft were sent to Russian and foreign companies specializing in engines, avionics, aviation equipment and systems.

SEPTEMBER 2008

- On September 3, in accordance with the decision of the meeting of founders, state registration of VolgaTechnoport LLC was carried out. The main goal of the company is to manage development of the special economic zone port on the territory of Ulyanovsk-Vostochny airport, including the above airport, and ensuring flights in the interests of CJSC Aviastar-SP. JSC UAC and JSC Regional Architectural and Town Planning Geo-Information Service, a 100% subsidiary of the Administration of the Ulyanovsk Oblast, each own 50% of shares in VolgaTechnoport LLC. The Ulyanovsk Oblast won the tender of the Ministry of Economic Development of the Russian Federation for the right to create in the region a special economic zone of port type on the basis of Ulyanovsk-Vostochny airport.

- On September 9 in Ulyanovsk Chairman of the Government of the Russian Federation Vladimir Putin presided over a meeting on issues of development of civil aircraft manufacturing. In accordance with the results of the meeting decisions were taken on the necessity of measures for financial improvement and technical re-equipment of a number of enterprises of the industry, personnel training and attraction, an improvement of the regulatory and legal basis in the area of aircraft registration, on aircraft leasing, customs and tariff policy and other issues. In addition decisions were taken about short-term funding of activities envisaged for 2008 in the federal target program “Development of Civil Aircraft in Russia for 2002-2010 and for the period up to 2015”, and development of the draft concept of a new version of the federal target program for development of civil aircraft in Russia up to 2020. The meeting considered issues of organization of deliveries and determination of the mechanism of registration of Russia-manufactured spares for civil aircraft, ensuring efficient reestablishment of operational capabilities in accordance with service standards accepted in global practice. In addition, the Ministry of Education and Science of Russia, the Ministry of Industry and Trade of Russia, the Ministry of Regional Development of Russia together with the federal executive authorities concerned, and state authorities of the Russian Federation and JSC UAC were entrusted with development of the plan of ensuring training of specialists with higher, secondary and primary professional training taking into account the needs of aviation industry enterprises.
- On September 10-19 Tu-160 strategic bombers performed over-water training flights in the Caribbean. The Tu-160 crews worked on specific issues connected with operations of aircraft equipment in tropical climates. For more than a week two Tu-160s of the Russian Air Force were based on Libertador airfield in Venezuela. The flight route, which lasted longer than 15 hours for the first time, was over neutral waters in the Arctic Ocean and the Atlantic.
- On September 18, in accordance with decision of the Federal Financial Markets Service, state registration of a report about results of an additional issue of JSC UAC shares was carried out. During the additional issue JSC UAC placed 5,309,734,513 registered non-certificated shares with the nominal value of 1 ruble each. The securities were placed under closed subscription for the benefit of the Russian Federation in the person of the Russian Federation Property Management Agency (Rosimushchestvo). Payment for the shares placed by JSC UAC was carried out in money in the amount of 6.0 billion rubles. Upon completion of the additional issue the charter capital of JSC UAC was 110,280,337,613 registered non-certificated shares, the share of the Russian Federation in the charter capital increased up to 91.34%.

OCTOBER 2008

- On October 2 the second flight model of the Su-35 multi-purpose fighter took off at the airfield of JSC Komsomolsk-on-Amur Aircraft Production Association. During the hour flight the aircraft was put through various operation modes of the power plant and complex control system. Characteristics of stability and controllability of the aircraft and power plant were checked.
- On October 8, 2008, for the first time in the history of home aviation, JSC Tupolev received the Type Certificate issued by the European Aviation Safety Agency (EASA), for the Tu-204-120SE aircraft. Receipt of the Type Certificate was the result of intense long-term work which required high professionalism and special knowledge of specialists of JSC Tupolev.
- On October 21 an Agreement of Cooperation was signed by JSC UAC and Hindavia Aeronautical Services (India) for promotion of Russian civil aircraft in the Indian market.

NOVEMBER 2008

- On November 5 for the first time JSC UAC was awarded R&D activities. Within the framework of governmental contracts JSC UAC will carry out R&D for extensive modernization of the Tu-204 (Tu-204SM), for development of the concept of a new wide-body short-haul aircraft, and will perform research for increase of informatization of aircraft in order to ensure their competitiveness in operational characteristics, and the creation and deployment of an after-sales service system for the SSJ100, Tu-204 and An-148 programs.

- On November 15 construction of the facility for aircraft hull assembly under the 476 program was completed.

DECEMBER 2008

- On December 2 state registration of CJSC Aerocomposite was carried out. The main activities of the enterprise are the development, testing, manufacturing and sale of parts, units and components of civil aircraft out of polymeric and composite materials (PCM). The founders of CJSC Aerocomposite were JSC UAC (48% of shares), JSC Sukhoi Company (26% of shares) and Progresstech group of companies (26% of shares).
- On December 10 Mikhail Shushpanov, who previously headed JSC Voronezh Aircraft Manufacturing Company (VASO), was appointed the new head of CJSC Aviastar-SP. On December 11 he was replaced in the position of Director General of JSC VASO by Vitaly Zubarev, who was previously the Principal Engineer of JSC VASO.
- On December 22 Indian company Hindustan Aeronautics Limited (HAL) and JSC UAC signed an agreement on joint development and manufacturing of a fifth generation fighter. According to the intergovernmental agreement signed last October by Russia and India, the multi-purpose fighter will be developed by Sukhoi Company jointly with HAL.
- On December 24 the second Sukhoi Superjet 100 airplane #97003 took off for the first time. It joined the program of Sukhoi Superjet 100 flight tests which started this May. The aircraft took off from the plant airfield and successfully landed after a flight at a height of about 6,000 meters and duration 2 hours and 30 minutes. The first SSJ-100 aircraft #97001 has already spent over 200 hours aloft.

3. ABOUT THE COMPANY

3.1. General Information about the Company

Full corporate name of the company:

In Russian – Открытое акционерное общество «Объединенная авиастроительная корпорация»;

In English – Joint Stock Company United Aircraft Corporation.

Abbreviated corporate name of the company:

In Russian – ОАО «ОАК»;

In English – JSC UAC.

Information about state registration:

State Registration Certificate: 77 008502150;

Issued by Inter-Regional Inspectorate of the Federal Tax Service No. 46 for Moscow on November 20, 2006;

Primary State Registration Number (OGRN): 1067759884598;

Date of OGRN assignment: November 20, 2006;

INN/KPP (Taxpayer Identification Number/Tax Registration Reason Code): 7708619320/770801001.

Information about JSC UAC securities:

At the time of establishment the Company's charter capital was in the amount of 96,724,000,000 rubles and was divided into 96,724,000,000 ordinary registered shares with a nominal value of one (1) ruble each.

State Registration Number of Issue: 1-01-55306-E

Within the period from 2006 up to the present moment JSC UAC has placed under closed subscription for the benefit of the Russian Federation two additional issues of ordinary registered non-certificated shares of the Company with the nominal value of 1 ruble each.

At the present moment the charter capital of the Company is 110,280,337,613 rubles and is divided into 110,280,337,613 ordinary registered shares with the nominal value of 1 ruble each.

The charter capital has been paid in full.

Information about the Registrar of JSC UAC:

Full name: Joint Stock Company Registrar R.O.S.T. (JSC Registrar R.O.S.T.).

Legal address: 18 ul. Stromynka, bld. 13, Moscow

Mailing address: P.O. Box 9, 18 ul. Stromynka, Moscow, 107996

phone: (495) 771-73-35, fax: (495) 771-73-34

e-mail: rost@rrost.ru

Information of the JSC UAC auditor in 2008:

Name: Close Joint Stock Company Gorislavtsev and Co. Audit (CJSC Gorislavtsev and Co. Audit)

INN: 7710255856

Location: 14, ul. Obratsova, Moscow, 127055.

License for Audit Activity No E003461 issued by the Ministry of Finance of the Russian Federation on March 4, 2003 valid until March 4, 2013.

Main activities of JSC UAC:

- Development, manufacture, sale and support of the operations of aircraft including dual-purpose aircraft;
- warranty and other services for aircraft including dual-purpose aircraft;
- modernization and repairs of aircraft including dual-purpose aircraft;
- introduction of new technologies and developments in the sphere of aircraft construction;
- development, manufacture, modernization and repairs of armaments and military equipment;
- activity to ensure aircraft safety;
- educational activities (personnel training and retraining, improvement of skills);
- consulting, information, analysis, administrative, mediation and other services.

List of licenses:

1. For development of aircraft including dual-purpose aircraft (#6056-A-AT-R, issued by the Federal Industrial Agency on 29.12.2007, valid until 29.12.2012).
2. For production of aircraft including dual-purpose aircraft (#6057-A-AT-P, issued by the Federal Industrial Agency on 29.12.2007, valid until 29.12.2012).
3. For repairs of aircraft including dual-purpose aircraft (#6058-A-AT-Rm, issued by the Federal Industrial Agency on 29.12.2007, valid until 29.12.2012).
4. For development of armaments and military equipment (#6061-A-VT-R, issued by the Federal Industrial Agency on 29.12.2007, valid until 29.12.2012).
5. For production of armaments and military equipment (#6060-A-VT-P, issued by the Federal Industrial Agency on 29.12.2007, valid until 29.12.2012).
6. For repairs of armaments and military equipment (#6059-A-VT-Rm, issued by the Federal Industrial Agency on 29.12.2007, valid until 29.12.2012).
7. For work with information constituting state secrets (CT #0013762 registration number 3096 dated 15.08.2008, valid until 15.08.2011).

Contact information:

Location of the Company: 22, Ulansky pereulok, bld.1, Moscow, 101000;
Phone: (495) 926-14-20;
Fax: (495) 926-14-21;
E-mail: office@uacrussia.ru;
Website: www.uacrussia.ru

3.2. Organizational Structure

3.2.1. Management Structure

In 2008 the Board of Directors of the Company approved a new organizational structure of JSC UAC (Minutes dated 12.02.2008 #9) indicating the role of the Company as a management company and taking into account the very specific nature of the industry's organization of production and economic activity. Characteristic features of such an organizational structure (Figure 1) are:

- implementation of the matrix scheme presupposing a harmonious combination of projects and functional management principles;
- strengthening of program management through formation of the Vice Presidents mechanism by direction of activity (projects) and development of the scientific and technical component of JSC UAC;
- consolidation of corporate governance mechanisms by all subsidiaries, formation of a consolidated reporting system on the basis of unified methodology;
- compliance with standard requirements for direct subordination of particular functional units (security service, accounting department, quality management and others) to the sole executive body.

In accordance with the accepted matrix principle of management organization at the level of executive bodies of the Company the main activities are coordinated by the First Vice President, Programs Management, and Executive Vice President, Corporate Development. Units of the project block and corporate block are subordinated directly to the Vice Presidents accordingly.

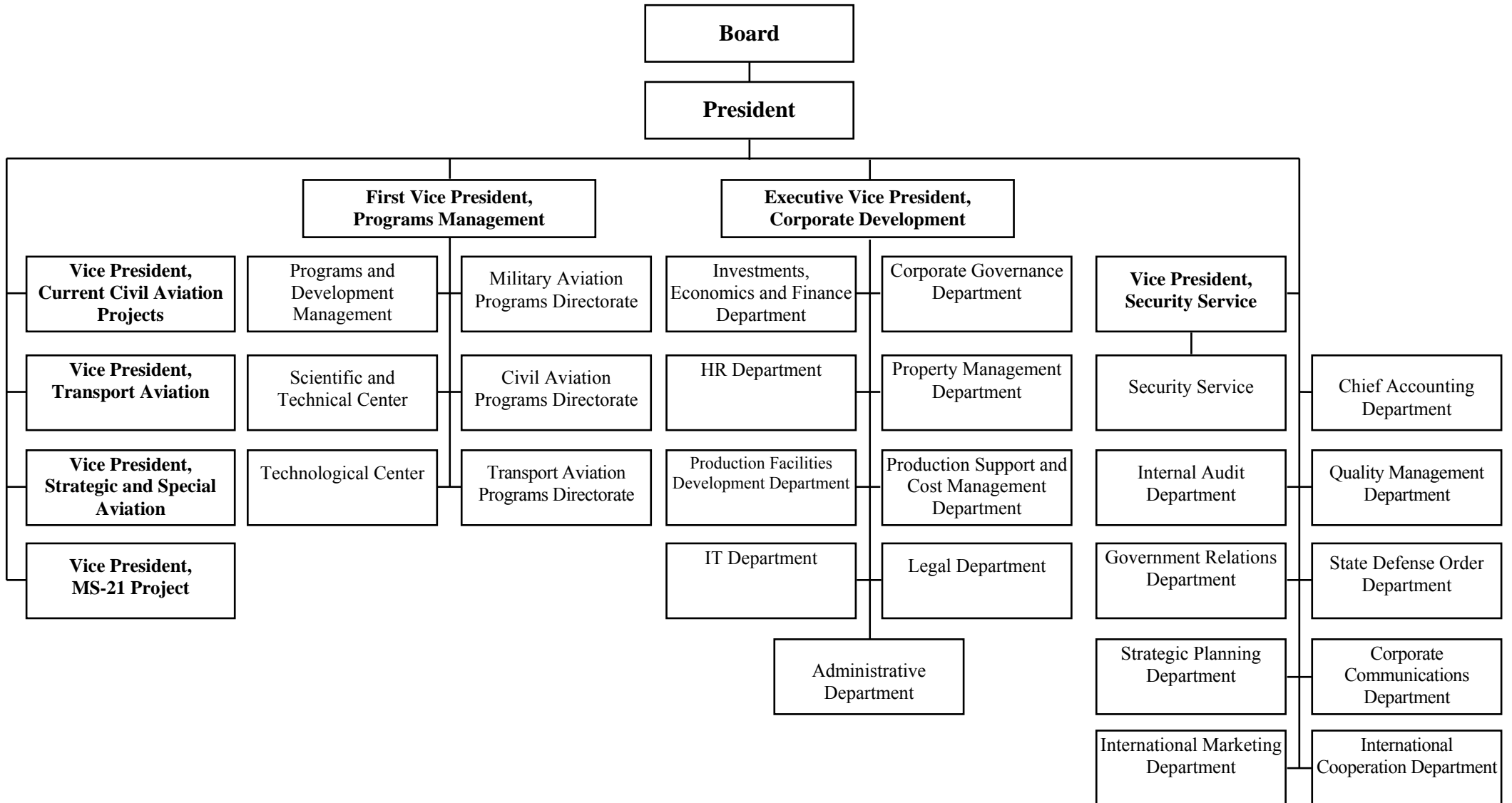
Changes in the organizational structure of JSC UAC in 2008 were local and aimed at optimization of the management system of the Company. Goals of these changes were:

- to specify competences of units of JSC UAC and to focus their activities on the basis of a systemic approach;
- initial distribution of functionalities of JSC UAC to the newly established MC UAC-CA LLC.

Overall the existing organizational structure of JSC UAC is characterized by well-balanced distribution of responsibility and authority at all management levels.

The average number of workers and office workers in 2008 was 148 persons. By the end of 2008 the actual number of employees of JSC UAC was 207 persons.

Organizational structure of JSC United Aircraft Corporation in 2008



3.2.2. Major Assets of the Group

The currently existing corporate structure of ownership of shares of subsidiaries and affiliates as well as other companies integrated into JSC UAC (hereinafter referred to as SAC), was formed as the result of formation of the charter capital of JSC UAC in accordance with Decrees of the President of the Russian Federation #140 dated 20.02.2006 and #122 dated 03.02.2007.

The following holdings of shares were transferred to JSC UAC: JSC Sukhoi Company, JSC UAC-TA (JSC Ilyushin IAC), JSC Irkut Corporation, JSC Tupolev, JSC Komsomolsk-on-Amur Aircraft Production Association, JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov, JSC IFC, JSC Finance Leasing, JSC V/O Aviaexport, JSC TAVIA, JSC Nizhny Novgorod Aircraft-building Plant Sokol, and CJSC Aviastar-SP.

Key enterprises in the area of aircraft development and manufacturing included today in the Corporation also number JSC Il and JSC VASO (subsidiaries of JSC UAC-TA), JSC Yakovlev Design Bureau (subsidiary of JSC Irkut Corporation) and JSC Beriev Aircraft Company, JSC Sukhoi Design Bureau and CJSC SCA (subsidiaries of JSC Sukhoi Company).

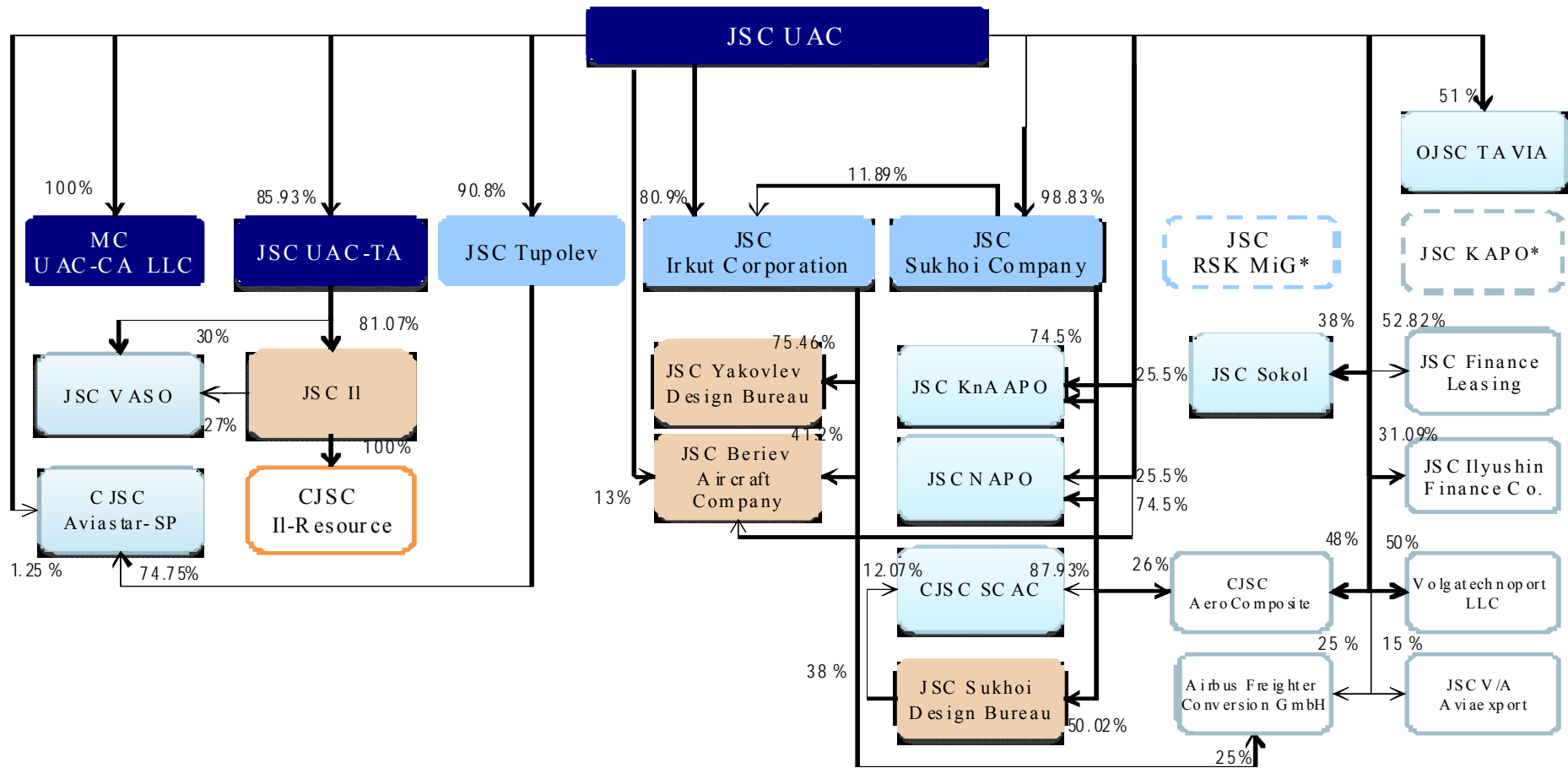
Besides that during the period from the moment of establishing of JSC UAC the following companies were incorporated: MC UAC-CA LLC (100%), VolgaTechnoport LLC (50%), CJSC AeroComposite (48%), and Airbus Freighter Conversion GmbH (25%).

The main assets of the group which support the product lifecycle may be subdivided into the following groups:

- ✓ Sub-holdings, Management Companies (SAC performing coordination and management of projects of aircraft manufacturing and supply, exercising the rights of ownership of shares of design bureaus, serial manufacturing plants and special companies (performing core and non-core business)): JSC Sukhoi Company; JSC Irkut Corporation; JSC UAC-TA; MC UAC-CA LLC.
- ✓ Serial manufacturing plants (aircraft final assembly lines, production of units and assemblies under intra-group cooperation and for third parties as well): JSC Komsomolsk-on-Amur Aircraft Production Association; JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov; JSC VASO; CJSC Aviastar-SP; and JSC Nizhny Novgorod Aircraft-building Plant Sokol; JSC TAVIA.
- ✓ Design bureaus (specialized organizations competent in aircraft development and testing): JSC Sukhoi Design Bureau; JSC Yakovlev Design Bureau; JSC Il; JSC Tupolev; and JSC Beriev Aircraft Company.
- ✓ Leasing companies, financial operators (specialized companies specializing in organization of funding of project of financial/operational leasing of aircraft): JSC IFC; JSC Finance Leasing.

In addition within the framework of additional issue of shares of JSC UAC in 2009 it is planned to include into the charter capital of the Corporation 100% of shares of JSC RSK MiG and JSC Kazan Aircraft Production Association named after S.P. Gorbunov.

Enterprises integrated into JSC UAC



* Inclusion into the JSC UAC structure is planned
 Together with subsidiaries of all companies over 100 legal entities are included in the group structure

3.3. Position in the Industry

According to preliminary data of the Ministry of Industry and Trade of Russia, in 2008 the aircraft industry of Russia preserved the production value level achieved in the previous year. The production value was 226.6 billion rubles, or 99.1% of the 2007 level. The production value in the civil sector was 102.7% of the 2007 level. Lack of growth dynamics was due mainly to a decrease of business activity in the second half of 2008 associated with worsening of the general market and a sharp reduction of access to sources of financing.

In 2008 the enterprises integrated in JSC UAC increased production value by 21% in terms of the consolidated proceeds indicator. The corresponding indicator was 85.174 billion rubles in 2008 in comparison with 70.592 billion rubles in 2007. The balanced proceeds (without internal turnover) were 105.262 billion rubles.

At the level of industry indicators the dynamics of development of Corporation enterprises considerably exceeds the general dynamics. This result was achieved through the preservation of high export deliveries under military-technical cooperation (MTC) (export share of 52.5% with the average industry indicator 29%) and higher production efficiency (output per one employee was over 1.1 million rubles per person with the average industry indicator 696 thousand rubles per person a year).

Main indicators of 2008	Aircraft industry*	JSC UAC**
Number of enterprises, units	106	18
Proceeds from sales, billion rubles,	226.6	105.3
including export	65.7	85.1***
Export share in proceeds from sales, %	29.0	52.5
Profit from sales (operating profit), billion rubles	7.1	0.9
Net profit, billion rubles	N/A.	-8.3
Average number of personnel, thousand persons	355.3	92.1
Proceeds per one employee, thousand rubles	656.8	1143.3
Average salary, thousand rubles	13.5	18.7

* NIIEAP data

** Preliminary consolidated reports of 2008.

*** Taking into account preliminary results of consolidation of IFRS indicators.

JSC UAC enterprises integrate the main volume of final aircraft produced; due to this their actual share in proceeds from sales to end users exceeds 66%. The profit indicators of 2008 tended to worsen due to the inclusion into the financial results of exchange rate differences of currency loan portfolios of exporting enterprises and the growth of production costs in items of materials and component expenditures.

In the aircraft-building sub-industry the share of the enterprises integrated into JSC UAC is over 90% of the total production volume in Russia and CIS. At that the share of supplies of new and modernized military aircraft is close to 100%. A considerable share in proceeds of the enterprises was taken by export of both military equipment and civil aircraft.

3.4. Development Strategy

The main provisions of the JSC UAC development strategy up to 202 approved by the Board of Directors of the Company determine the basic principles and directions, ensuring the Corporation effective and dynamic development in order to win the status of one of the world's largest aircraft construction centers with a widely diversified product line.

Implementation of the Strategy should contribute to the achievement of the JSC UAC priority tasks in the sphere of development of military, civil and transport aviation in Russia, including:

- to meet the demand of state customers (the Ministry of Defense of Russia, the Ministry of Internal Affairs of Russia, the Ministry of Emergency Situations of Russia) for modern aircraft;
- to retain parity status with American and European suppliers in the military aircraft markets of third countries;
- to boost dynamically sales of civil aircraft produced by JSC UAC enterprises on the domestic market through output of products that prove competitive as compared to foreign-made counterparts;
- to win before 2025 parity status in open (operating according to free competition laws) foreign civil aircraft markets in the market niches chosen for positioning.

The goals of the JSC UAC development strategy are:

- to achieve a well-balanced portfolio of businesses through production growth in the civil aircraft segment;
- restoration of industrial capacity and launching production of main models of military transport aircraft under the control of national industry;
- preservation and strengthening of leading positions in the combat aviation segment, ensuring national security priorities.

A threefold growth of volume of activity is planned in the Strategy (2015 over 2007 in general earnings) is to be brought about mainly through particularly fast sales growth in the civil aviation and military transport aviation sectors. Simultaneously, with R&D intensification the model range of manufactured products must be renewed in all segments.

In the transition period up to 2009-2012, while final formation of JSC UAC is not completed and the model range of aircraft manufactured by the enterprises continues, the tactical objectives of the management are:

- to preserve strategic positions of Russian armaments in the traditional markets of presence of the Soviet Union and Russian Federation, and to fulfill export contracts of military-technical cooperation with foreign countries;
- to fulfill state defense orders mainly in supplies of new aircraft models;
- to preserve a minimum possible production program for aircraft of old types and to support the efficiency of existing production;
- to implement the investment program – development, technical re-equipment and restructuring of enterprises, to create a new industrial model for production of aircraft of the new generation;

- to implement programs for integration of design bureaus and development of aircraft after-sales servicing system.

By 2015 all basic activities of structural reorganization of the aircraft-building complex included into JSC UAC must be completed, the inherited Soviet model of full-cycle plants must be restructured comprehensively and competitiveness in the international market in target segments of positioning of new products must be ensured.

It is necessary to point out that successful development of JSC UAC activity will produce a multiplicative economic effect. From 70% to 85% of the value of final output is the cost of materials and components. Therefore integration of final output is a locomotive for a number of adjacent segments – engine-building, production of up-to-date materials, avionics, and complicated technical systems.

The interim result scheduled for 2011-2012 is to achieve break-even production for all continuing programs as well as to close or to restructure inefficient programs and production.

Implementation of the JSC UAC development strategy envisages, first of all, concentration on key areas and coordination of use of resources of plants and bureaus integrated into JSC UAC, restructuring of assets of JSC UAC; integration of resources of aircraft-building complexes of CIS countries, acquiring and integration of other foreign assets; and rational use of outsourcing.

Creation of necessary resources will be phased. Achievement of the competitive level of a number of resources – labor and engineering and technical ones will require time and investment outside the authority of JSC UAC.

Key resources are personnel, cutting-edge technologies and business organization.

An increase of resources will be due to high growth of investment in new programs and technological re-equipment, and the creation of the scientific and technical groundwork and priority development of critical technologies.

Transition to a new technological level will require profound technological and organizational restructuring by way of introduction of a new industrial model based on the system of centers of competence and specialized production units.

Implementation of the Strategy aims to fulfill the contribution of the aircraft industry to the solution of nationwide issues at the present stage of economic development of Russia: diversification of industrial growth and an additional increase of economic growth rate over the indicators which may be achieved in the primary raw materials structure of the economy.

4. PERFORMANCE RESULTS OF 2008

4.1. Main Financial Indicators of JSC UAC Performance

JSC UAC keeps accounts in accordance with Russian legislation and following the financial reporting standards accepted in the Russian Federation. Our accounts are kept in accordance with the forms and methods established by the Law on Accounting, the Regulations of Accounting and Reporting in the Russian Federation, the chart of accounts for enterprises' financial and economic activity and by the Instructions on Its Application. JSC UAC accounts reflect the accumulated total of the Company's property and financial status and the results of economic activity carried out in 2008.

JSC UAC annual accounts are disclosed by the company in accordance with the procedure stipulated in Russian legislation.

JSC UAC key financial indicators of 2008 in accordance with Russian financial reporting standards (Appendix #3 to this Annual Report) are:

- Proceeds (net) from sale of goods, products, work, services (less value-added tax, excises and similar obligatory payments) – 2,471,905 thousand rubles;
- Gross profit – 216,365 thousand rubles;
- Income from participation in other organizations – 495,014 thousand rubles;
- Net loss – 965,714 thousand rubles;
- Debt (the sum of long-term and short-term loans and credits as well as short-term accounts receivable) – 18,966,294 thousand rubles.

The growth of proceeds in 2008 (from 27.1 million rubles in 2007 up to 2.47 billion rubles in 2008) was conditioned by participation of JSC UAC in fulfillment of scientific and research activities ordered by the Ministry of Industry and Trade of the Russian Federation.

The loss of JSC UAC in 2008 – 965.7 million rubles – resulted mainly from a decrease of the rate of exchange of Russian ruble and subsequent formation of negative exchange rate difference to the amount of 1.3 billion rubles.

JSC UAC key financial indicators of 2008 prepared in accordance with Russian Accounting Standards reflect the current financial status of JSC UAC as the Company managing the companies of the group. The Company earned its main income in 2008 in the form of its subsidiary companies' dividend payments. The financial indicators of the JSC UAC group of companies are determined mainly by the results of financial activity of its subsidiaries and affiliates.

JSC UAC is planning to prepare its 2008 consolidated financial reports in accordance with International Financial Reporting Standards (IFRS). Preliminary (not audited) consolidated financial indicators of JSC UAC of 2008 are:

- Sales (net) – 85,160,000 thousand rubles;
- Net loss – 8,300,000 thousand rubles;
- Consolidated debt (without balances of money accounts) – 121,836,000 thousand rubles.

Main indicators of the Corporation enterprises performance in 2008

#	Name of company	Net proceeds from sale of goods, products, work, services	Gross profit	Net profit (loss)	Debt (total of long-term and short-term loans and credits)
1.	JSC Sukhoi Company	38,777,086	13,749,452	(1,585,097)	16,708,967
2.	JSC Irkut Corporation	31,242,811	9,704,037	315,702	31,115,513
3.	JSC UAC-TA	1,774,000	206,144,00	146,123	20,000
4.	JSC Komsomolsk-on-Amur Aircraft Production Association	15,618,670	1,100,846	16,890	1,013,128
5.	JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov	3,312,308	195,127	(20,261)	2,686,376
6.	JSC Sukhoi Design Bureau	11,466,184	1,789,995	1,247,263	secret
7.	CJSC SCA	1,329,900	416,338	(1,538,398)	22,349,782
8.	CJSC Aviastar-SP	5,789,756	(2,671,514)	(3,175,323)	10,751,325
9.	JSC IFC	3,052,610	1,084,006	(743,515)	10,267,357
10.	JSC Nizhny Novgorod Aircraft-building Plant Sokol	3,044,574	314,338	(142,024)	7,524,205
11.	JSC II	2,604,772	362,237	6,222,791	150,264
12.	JSC Tupolev	2,436,191	148,838	20,157	694,549
13.	JSC Yakovlev Design Bureau	2,344,220	68,237	(119,176)	100,000
14.	JSC Beriev Aircraft Company	1,893,189	275,294	(108,832)	2,264,370
15.	JSC VASO	1,280,130	(692,249)	(1,020,533)	7,045,427
16.	JSC Finance Leasing	858,689	85,634	(1,683,047)	7,179,038
17.	JSC TAVIA	379,887	23,988	1,019	29,662
18.	JSC V/O Aviaexport	91,226	50,686	25,168	0

Note:

1. Information is given in accordance with the preliminary data of accounting reports subject to approval by annual general meetings of shareholders of corresponding enterprises.
2. A considerable part of profit of JSC II results from revaluation of the 2008 property contribution into the subsidiary.

4.2. Main Non-Financial Results of JSC UAC Activity

In 2008 activity of the Company were focused on implementation of the following main areas.

Coordination of research and developments

In the 4th quarter of 2008 JSC UAC started fulfillment of a number of R&D activities in prospective projects. Activities were carried out on 7 subjects:

- Comprehensive modernization of the Tu-204 model (Tu-204SM). Improvement of technical and economic characteristics of Tu-204 aircraft applying the results for comprehensive modernization of the Tu-204SM.
- Assembly of marketing studies and predictive analysis of macroeconomic indicators aimed at formation of requirements for a new family of short-haul and medium-haul aircraft (MS-21), formation of certification basis and system of integrated logistic support of MS-21 aircraft.
- Concept of the program of creation of wide-body short-haul and medium-haul aircraft.

Fulfillment of studies and determination of the demanded appearance of civil airplanes of the new generation in order to ensure their competitiveness.

- Preparation for implementation of the cooperative project of bringing about production of aircraft of the Tu-204/214 family in the Republic of Iran.
- Creation and deployment of the after-sales service system for aircraft under the SSJ-100, Tu-204, and An-148 programs; phased creation and enactment of the regulatory basis, development of organizational and methodological documents regulating basic procedures of integrated logistic maintenance of aircraft of the JSC UAC line of products and development of a program and technical solution for its elements.
- Designing of PCM wing panel and junction of wing panel with center wing in the framework of “Advanced Design and Front End Design of MS21/200/300 Aircraft Family”.
- Development of functional and technological solutions, designing, manufacturing and testing of prototypes of wing and certain elements made of polymeric composite materials (PCM) ensuring development and production of wings made of polymeric composite materials for prospective civil aircraft (passenger and transport aircraft).
- Research aimed at increased informatization of aircraft in order to ensure their competitiveness in flight, technical and operational characteristics.
- Development, systematization and improvement of standard and technical documents for qualification (certification) of aviation materials (metals and polymeric composite aviation materials for aircraft airframe and engine) aimed at creation of the national aviation material qualification system harmonized with international standards, ensuring development of international coordination and participation of the domestic aircraft industry in international projects.

The program management corporate standard (General Provisions) was approved, on the basis of which regular monitoring and optimization of management procedures for basic product programs of JSC UAC were organized.

Activities of the JSC UAC scientific-technical and technological centers (as structural units) were organized, all preparatory work was performed and the Aerocomposite company was

incorporated, operations of which are specialized on development of technologies of aircraft elements on the basis of prospective composite materials.

Ensuring financing of current programs

Financial support of programs under immediate control of JSC UAC was organized with funds raised from the federal budget and SC Vnesheconombank as well as commercial debt financing. The total amount of raised funds was about 14 billion rubles.

Construction of Il-96, Tu-204 and An-148 civil aircraft at JSC VASO and CJSC Aviastar-SP and programs of technical re-equipment of the above enterprises were financed with raised funds. In fact, in 2008 JSC UAC started implementation of the program of transfer of the main funding scheme of the above projects to the parent company, which was conditioned by the unavailability by the enterprises of their own base for raising loan resources.

In the 4th quarter of 2008, due to the situation in the financial market, a number of JSC UAC subsidiaries as well as JSC Kazan Aircraft Production Association named after S.P. Gorbunov, received financial support in the form of stabilization loans ensuring the current liquidity of the enterprise and fulfillment of production programs of 2008.

Purposeful expenditure of funds was controlled regularly by the financial service of the Company. For these purposes a treasury was formed in the financial service.

Corporate activity

In the area of formation of business units and corporate restructuring in 2008 commenced the activities of Management Company UAC – Civil Aircraft. The company integrated the main processes of management of implementation of current programs in the civil aircraft-building segment, including ensuring financing and budget control, and consolidation of the supply process for critical positions of materials and components.

In December activities for financial rehabilitation of JSC RSK MiG started with the purpose of subsequent integration of this company into JSC UAC and creation of the military aviation business unit. The project of the first phase of rehabilitation was prepared – transfer of JSC Sukhoi Company to a unified share in order to form the basic integrated structure in the sphere of development and production of military equipment.

In the course of preparation consolidation of JSC UAC assets was carried out to place the next issue of shares for the benefit of the Russian Federation in order to raise funds and holdings of shares (assets) of subsidiaries and affiliates. In the second half of 2008 an additional issue of shares was prepared in order to consolidate shareholdings of subsidiaries and affiliates by way of exchange of the shares owned by them into the shares of the parent company. Thereby the preconditions were created to complete procedures for implementation of Decree of the President of the Russian Federation #140 dated 20.02.2006.

In order to bring about effective corporate governance procedures amendments were introduced into the documents of incorporation of all enterprises included into the Corporation. Decision-making mechanisms envisaged in new versions of charters increase the level of control of the parent company through expansion or specifying competences of boards of directors of the SAC. In order to ensure financial control the corporate reporting system was formed, consolidating these subsidiaries and affiliates using unified accounting policy principles. The first IFRS reports were generated.

For the purposes of business development projects of prospective cooperation with leading world companies were developed. Cooperation with Airbus was carried out within the framework of the projects of conversion of A-320 family passenger aircraft into cargo aircraft and preparation of cooperation projects under the A-380 program taking into account the potential to coordinate this program with creation of the wide-body short-haul aircraft.

Preliminary arrangements with Boeing were achieved relating to joint cooperation projects in the technology area.

In accordance with Decree of the President of the Russian Federation #217 dated 20.02.2008 activities started on the formation of the National Aircraft Construction Center in Zhukovsky (Moscow Oblast). The concept of development of the NAMC and a set of measures for its implementation were prepared and presented for consideration of federal executive authorities. Preparatory activities were performed to restructure the base enterprises and agreements with investors under this project were concluded.

HR management

The projects implemented in 2008 were based on strategic goals of the HR policy of JSC UAC. Results of implementation are as follows:

1. Within the framework of fulfillment of the order of Vladimir Putin, resulting from the meeting “On Development of Civil Aircraft Manufacturing in the Russian Federation” in Ulyanovsk, a draft Plan was developed to ensure higher, secondary and primary professional training of specialists taking into account needs of the JSC UAC enterprises for the period 2009-2011. The above Plan was approved in the Ministry of Industry and Trade of Russia and the Ministry of Education and Science of Russia. Within the framework of this plan were formed regional programs of training of specialists for aircraft industry enterprises, including interaction with educational institutions for training of a skilled labor force and specialists for the period up to 2011; activities for attraction of young specialists to aircraft enterprises; activities for development of the continuous vocational guidance system, improvement of the image of enterprises of the aircraft complex; personnel recruitment plan at aircraft-building enterprises of subjects of the Russian Federation; and on issues of financing of personnel training activities.

2. Qualitative and quantitative needs in young specialists with higher, secondary vocational and primary vocational training were determined for 2008 and for the forecast for 2009-2011.

Analysis was carried out and a set of core aircraft-building educational institutions was defined (78 higher educational institutions, 34 specialized secondary schools). Educational institutions for formation of resource training centers were selected.

3. Professional standards for design professions were developed. On this basis educational standards were set. A number of vocational training programs for core educational institutions were formed taking into account these educational standards and professional standards (program tender in Moscow Aviation Institute – JSC Sukhoi Design Bureau, JSC RSK MIG, JSC Il, JSC Tupolev); a number of programs for continuous training of specialists of primary, secondary and higher vocational education was developed taking into account the needs of the aircraft industry enterprises (in Kazan, Novosibirsk).

4. The system of common corporate succession pool was created. Candidates of top-1 and top-2 level enterprises (JSC UAC, JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov, JSC Komsomolsk-on-Amur Aircraft Production Association, CJSC SCA, JSC Sukhoi Design Bureau, JSC Tupolev, CJSC Aviastar-SP, JSC VASO, JSC Il, and JSC Kazan Aircraft Production Association named after S.P. Gorbunov) were selected on the basis of the common corporate competence system. Individual development plans were drawn up for the reservists, and training programs and developing activities were started. Programs were formed and systemic corporate training launched for managerial competences, professional and technical directions.

5. Stage I of the large-scale project was carried out to introduce the system of cost-effective production as the basis for the modern corporate culture of the aircraft corporation at

JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov, JSC Komsomolsk-on-Amur Aircraft Production Association, and CJSC SCA and CJSC Aviastar-SP.

In 2009 it is planned to continue activities in all the above areas.

4.3. 2008 Dividend Payment Report

In accordance with the requirements of Federal Law “On Joint-Stock Companies” and the Charter of JSC UAC payment of dividends on shares of the Company is carried out in line with the results of a fiscal year depending on the financial and economic results of the Company and in the amounts approved by the General Meeting of Shareholders. The amount of dividends cannot exceed that recommended by the Board of Directors of JSC UAC.

In accordance with the decision of the General Meeting of Shareholders of JSC UAC dedicated to the results of the 2007 fiscal year, which was held on June 30, 2008, 12,596,472.37 rubles were directed to payment of dividends. At that the amount of dividend per one ordinary registered non-certificated shares of the Company was 0.00012 ruble.

The declared dividends were paid on August 29, 2008 and distributed as follows:

Beneficiary category	Number of shares	Dividends accrued	Dividends paid
Russian Federation in the person of Rosimushchestvo	100,730,337,613	11,450,472.37	11,450,472.37
Private shareholders	9,550,000,000	1,146,000.00	1,146,000.00
Total:	110,280,337,613	12,596,472.37	12,596,472.37

5. DEVELOPMENT PROSPECTS AND PRIORITY ACTIVITIES

5.1. Main Activity

Civil aircraft

Current projects. Modernization and serial production of aircraft of the Tu-204/214, An-148, and Be-200 families. Maintenance of production of aircraft of the Il-96 family at the level guaranteed with firm orders. Modernization of these aircraft is primarily aimed at cutting their production cost, revision of the typical technical characteristics of the delivered aircraft and launch of serial production of more aircraft. Technical re-equipment of the production units of aircraft construction plants serves not only to increase the output volume of the current projects but also prepares for production of promising aircraft. Thorough cooperation and specialty of production units must be introduced to ensure higher efficiency.

Promising niche positioning projects. Development and organization of the serial production of aircraft designed with the use of new technologies that are not only technical but also informational, administrative and other. This group includes the projects of aircraft of the SSJ family (SSJ-100 and those succeeding it), Tu-204SM aircraft and the project of wide-body short-haul and medium-haul aircraft (WB SHMHA). This group of projects should ensure entrance to new world markets and positions JSC UAC as a supplier offering modern products. Taking into account technological, financial and market barriers, implementation of these promising projects presupposes cooperation and alliances with foreign aircraft-building companies.

Promising global positioning projects. The developed base being created in the course of implementation of the projects of the above two groups will assist the launching of production of aircraft for the largest world market niches. Breakthrough products will continue the model series produced by the JSC UAC enterprises and form a family of MS-21 narrow-body aircraft with the capacity from 150 to 210 seats, with the upper border of the family determined by the maximum carrying capacity of aircraft with a single passage.

Promising designs are aimed to achieve technical characteristics that would exceed the parameters of aircraft produced by the main competitors. Their superior technical characteristics should make up for the objective barriers preventing a new player from winning market share, such as the size and quality of the service network, the inferior starting market position and the dwindling effect of the aircraft price in connection with the growing importance of fuel prices on the total level of operating costs.

Defense aircraft equipment

In the long-range aircraft segment the Corporation ensures modernization and supplies of the Tu-160 family aircraft through use of the existing groundwork, and modernization of aircraft of the Tu-95 and Tu-22M3 families.

Our main project is to create a promising long-range aircraft complex (PLRAC) ensuring the carrying out of the strategic tasks of the Air Forces and maintaining the potential required by the national security concept.

In the front-line aircraft segment production and export supplies are planned for multi-purpose Su-27/30 planes, the MiG-29 of various modifications in series production, as well as the front-line Su-34 bomber. Implementation of new developments will be carried out, putting onto the market in 2010-2015 improved models of 4+ generation Su-35 and MiG-35 family aircraft and also of Yak-130 combat training aircraft.

R&D should be completed and serial production launched by 2015 of the promising front-line aircraft complex (PFAC). Creation of the PFAC and implementation of the Intergovernmental Agreement with India should serve as important prerequisites for buttressing Russia's positions in foreign markets. The PFAC scientific and technological groundwork will be developed in the projects of promising military aircraft equipment.

Defense transport aircraft equipment

A product line of ramp transport aircraft manufactured, modernized and developed by JSC UAC is based on implementation of a four-level base model concept.

Super-heavy transport aircraft (the An-124 family) are preserved in the Corporation's production line by formation of a consolidated order for maintenance and modernization of aircraft. Recommencement of production of aircraft of this class is envisaged in the instance of formation of a commercial project ensuring prevalence of the Corporation in this segment due to differentiation of use of aircraft in new areas of transportation.

In the segment of heavy transport aircraft it is envisaged to develop the Il-76 family, with the production (final assembly) stage to be transferred to the territory of the Russian Federation and launch of serial production in 2012 at Aviastar-SP (Ulyanovsk). Implementation of this project will result in transfer to modern design and production technologies and achievement of up-to-date technical standards for models of this class, and this will offer opportunities for pricing and market repositioning.

Expansion of the market of heavy transport aircraft will ensure an economically efficient production program for the output of 10-12 aircraft per annum starting from 2012, with the Corporation's positions in this class of aircraft retained for the long-term perspective. In order to keep the market at the same level and to expand it, we will implement a program of modernization of the Il-76 family fleet operating in Russia and abroad.

In the medium transport aircraft group it is planned to enter the market as the system integrator of the MTA international project. Implementation of this project presupposes implementation of provisions of the Intergovernmental Agreement with the Republic of India, including carrying out joint R&D and ensuring the production program for aircraft manufacturing.

In order to meet the demand of the Russian Air Force and to ensure efficient introduction to the market for the new light military-transport aircraft developed on the Il-112 platform, it is envisaged to form a risk-divided partnership, with Ukrainian companies acting as partners. By attracting partners it is planned to obtain additional financial resources with simultaneous increase of financing by the Ministry of Defense of Russia.

5.2. Development of Production Base

Main activities for development of the production base in the Corporation are carried out in the following areas:

- *Specialty of productions of the JSC UAC enterprises;*

Goals: to increase returns on assets; to improve labor efficiency; to optimize technical re-equipment costs; to reduce costs for production area maintenance.

- *Transfer of existing production of the Corporation enterprises to specialized enterprises;*

Goals: to increase efficiency of production of the JSC UAC enterprises; to decrease labor-intensiveness of product manufacturing and production cost at the Corporation enterprises; reduction of need for technical re-equipment; release of main production workers and production areas.

- *Technical re-equipment of the Corporation enterprises;*

Goals: to increase returns on assets of productions; to improve labor efficiency; to optimize technical re-equipment costs; to reduce costs for production area maintenance.

- *Development of the draft concept of the Federal Target Program "Development of Defense-Industrial Complex of the Russian Federation in 2011 – 2020" (hereinafter referred to as FTP DMC).*

In order to ensure implementation of the tasks of the Corporation it is necessary to acquire and to commission within the next 3-5 years over 4,000 units of up-to-date highly efficient equipment.

No less critical is the issue of wide introduction of end-to-end information technologies without which it is impossible to ensure cardinal change of the required personnel and their organizational structure, creation of conditions for broad cooperation and participation in important international projects. It is necessary to create over 5,000 modern automated workplaces for designers and production engineers and to perform complete information system development for processes of inventory supply, production, economy and finance management.

In order to ensure efficient use of acquired equipment it is envisaged to form a number of specialized production units focusing on production tasks of manufacturing of civil and military transport aircraft on the basis of the existing enterprises. After necessary re-equipment such production units should ensure implementation of the product program with minimum expense and at a competitive level.

At creation of specialized production units the following principles will be implemented:

1. Specialized production (SP) – manufacturing of products used in creation and repairs of aircraft including production of other types of equipment.
2. SP are investment attracting production units allowed to raise funds for development including budget funds. They have their own infrastructure, management systems, their operations do not depend on functioning of power supply and public utility facilities located close to other manufacturing.
3. SP are organizational structures methodically managed and financially controlled on the part of JSC UAC.
4. Technologies and efficiency of manufacture created in SP should ensure their competitiveness in respect to similar production units inside Russia and abroad.
5. Products and manufacturing facilities of SP should be focused on supplying products to the JSC UAC enterprises, enterprises of adjacent industries of Russia, and CIS and foreign enterprises.

Main indicators for technical re-equipment are the Plan of Activities for Production of Domestic Aircraft in 2007-2015 and the Federal Target Program “Development of Defense-Industrial Complex of the Russian Federation in 2007-2010 and for the Period up to 2015” envisaging implementation of the state armaments program.

Besides that a number of enterprises are developing and implementing programs of technical re-equipment in order to ensure fulfillment of contracts for supply of aircraft equipment.

In order to ensure stable serial production of civil and military transport aircraft the Corporation enterprises have developed complex plans of Activities for Production Development; that will allow, taking into account the necessity to develop one and the same technological conversions, to optimize expenses for technical re-equipment and to utilize efficiently financial resources from all sources.

5.3. International Activity

International activity of JSC UAC is carried out in accordance with the Main Provisions of the Corporate Development Strategy up to 2025 and is aimed at:

- meeting needs of foreign partners for supplies of military and civil aircraft;
- marketing of civil aircraft manufactured by JSC UAC in order to win positions in the world aviation market;
- expansion of corporate relations with foreign aircraft-building companies within the framework of joint production of aircraft and components to them.

A wide range of activities is carried out in the interests of promotion of Russian aircraft in foreign markets. Thus, in 2008 JSC UAC participated in preparation and negotiations on the corresponding issues within the framework of foreign visits of Russian leaders at the highest and high levels. These include visits of President of the Russian Federation Dmitry Medvedev to the People's Republic of China (PRC) (April 2008); to Peru, Brazil, Venezuela (November 2008), to Uzbekistan (December 2008), his summit with the head of state of Bahrain (November 2008), as well as visits of Deputy Chairman of the Government of the Russian Federation Igor Sechin to Venezuela (October 2008) and Minister of Industry and Trade of the Russian Federation Victor Khristenko to Greece (November 2008). Arrangements achieved at the political level provide preconditions for strengthening international positions of the Russian aircraft industry.

Special significance is assigned to preparation and participation of representatives of JSC UAC in activities of intergovernmental bodies for economic and military-technical cooperation of Russia with foreign countries including Ukraine, India, PRC, Argentina and Indonesia, which took place in 2008. In the course of this activity a number of practical issues of international cooperation in aircraft-building were considered and solved (export supplies of aircraft, warranty and after-sale services for Russian aircraft, etc.), and new prospective cooperation projects were proposed.

Active exhibition activity is being carried out. Russian aircraft products are widely presented in expositions of JSC UAC and its subsidiaries at large international air shows. In 2008 enterprises of JSC UAC participated in ILA-2008 (June 2008, Berlin, Germany), Hydroaviasalon - 2008 (July 2008, Gelendzhik), Farnborough International – 2008 (July 2008, London, Great Britain), Airshow China – 2008 (December 2008, Zhuhai, PRC), India Aviation – 2008 (October 2008, Hyderabad, India).

Programs of production cooperation with European aircraft company Airbus are being developed with participation of JSC Irkut Corporation and JSC VASO. Within the framework of technical re-equipment these Russian enterprises purchased the most modern equipment; the Irkutsk Aircraft Plant and JSC VASO were the first Russian enterprises which received certificates of compliance with the standards of Airbus and EN9100. Within the framework of joint work with Airbus the program of conversion of passenger A320/321 aircraft into a cargo version is in progress.

Interaction with aircraft manufacturers of the Republic of Uzbekistan is being developed in accordance with “Plan of Activities to the Program of Economic Cooperation between the Government of the Russian Federation and the Government of the Republic of Uzbekistan for 2008-2012” dated 02.09.2008 on the basis of bilateral agreements between JSC UAC and GAO TAPOiCh (Tashkent) concerning production of Il-76 and Il-114 aircraft.

Negotiations are being held with heads of the aircraft industry of China for wide cooperation with the PRC in civil aircraft-building.

5.4. Corporate Restructuring

The existing corporate structure including the share capital structure of majority of companies integrated into JSC UAC, in many aspects is inherited from the 1990s and not in all its elements complies with the defined system of production and technological relationships among the enterprises. First of all it relates to the companies engaged in production of civil and military transport aircraft.

In the conditions of change within the competitive, legal and business environment it is necessary to simplify the corporate structure. Analysis of activities of the enterprises and existing restrictions demonstrates the reasonability of increasing intra-group efficiency in decision making and implementation (manageability) and to optimize the production and technological model (value chains) consisting of:

- Consolidation of the share capital in the parent company (JSC UAC) and established business units in order to facilitate coordination between JSC UAC and SAC.
- Structuring, concentration and specialization of programs and development management including concentration of resources in priority areas in order to eradicate duplication of functions of the organizational structure.
- Improvement of interaction with large counterparties (buyers, suppliers, state authorities, etc.) through concentration of functions of purchase and sale of products and services.
- Concentration of engineering and production resources, transfer from the cost-based production model to distribution among centers of competence.
- Separation of investment centers (manufacture in the new technological model).

Taking into account the technological specifics of designing, production and lifecycle maintenance of aircraft of various types the Corporation enterprises, within the framework of transfer to the target model, may unite in basic groups implementing business tasks in the following areas: civil aviation, transport aviation, and military aviation.

Formation of the target corporate structure in 2008-2010 will be carried out through use of the following mechanisms:

1. Placement of additional shares of JSC UAC in 2009-2010, in the course of which nongovernmental shareholders of SAC will be offered to become shareholders of JSC UAC, including by way of payment for JSC UAC shares with SAC shares.
2. Reorganization of certain SAC (affiliation, separation).
3. Purchase and sale and exchange of shares – intra-group transactions including purchase and sale – acquisition of SAC shares in the result of corporate procedures (major transactions, reorganization of SAC) for additional structuring.
4. Sale of excessive, non-core or inefficiently utilized assets to third parties.
5. Incorporation of new companies (separation of non-core functions of SAC, with participation of partners (in technological conversions), etc.).

5.5. National Aircraft Construction Center

The National Aircraft Construction Center is a unique territorial and industrial complex (cluster) being formed in the territory of Zhukovsky municipal district (Moscow Oblast) on the basis of JSC UAC structures organized on an essentially new concept (corporate center – Headquarters, engineering complex, testing and certification complex, corporate training center,

corporate scientific center) and the Russia Transportation and Exhibition Complex created under the auspices of SC Rostekhnologii. One of the key elements of the NAC will also be Ramenskoye airfield which today is a part of FSUE Flight-Research Institute named after M.M. Gromov.

The NAC will also include structures forming the unified scientific, educational and innovative environment oriented, first of all, towards aircraft-building – the state scientific and research aviation center, united educational center, and Zhukovsky science park. Within the framework of creation of the NAC special attention is paid to development of housing, social, commercial and transport infrastructure.

Creation of the NAC was based on Decree of the President of the Russian Federation #217 dated 20.02.2008. In order to implement the Decree of the President of the Russian Federation “On National Aircraft Construction Center” nonprofit partnership “National Aircraft Construction Center” (NP NAC) was established on July 28, 2008. Founders of the partnership were JSC UAC, SC Rostekhnologii and the Government of the Moscow Oblast.

The goal of the partnership is to ensure efficient management of the process of creation and development of the NAC in the interests of its participants and the Russian Federation as a whole.

In August 2008 at the meeting of the Board of Directors of JSC UAC, in the process of discussion of preparation for creation of the Center, it was decided that the supervisor of the project would be First Deputy Chairman of the Government of the Russian Federation, member of the Board of Directors of JSC UAC Igor Shuvalov.

The objective of the partnership in 2008 was to develop the Concept of the NAC, coordination of activities of all participants in the project in the part of development of the Concept of the National Aircraft Construction Center as well as necessary preparatory, land organization and design and survey activities.

August 01, 2008 is the date of official beginning of activities for formation of the Concept of the NAC. The nonprofit partnership determines the structure of the Concept, approaches to its formation, the procedure of attraction of necessary experts and consultants, and mechanisms of subsequent implementation.

On August 15, 2008 design commenced on the UAC facilities in Zhukovsky. In coordination with JSC UAC top priority facilities of the NAC were determined to be created first of all in the interests of the Corporation – the Headquarters building, the multi-purpose complex (MPC), and the engineering complex premises. Active cooperation with SUE MO NIiPI of Town Building is in taking place linked with the development of the General Plan of Zhukovsky and preparation of town planning solution for the NAC territory. The nonprofit partnership actively cooperates with governmental authorities in order to provide the NAC project with land resources and other necessary assets.

Well-known companies such as Deloitte&Touche, Ernst&Young, Cushman Wakefield Stiles and Riabokobylko, Erick van Egeraat as well as Russian ABD Architects and NIiPI of Town Building of the Moscow Oblast are taking part in development of the Concept of the National Aircraft Construction Center.

The plan of priority activities of NP NAC (2009 – 2010):

- 1) Development of the NAC Complex Development Program including: development programs for particular facilities: complex of UAC facilities; complex of TVK facilities; Ramenskoye airfield complex; production site infrastructure complex; science park; united educational complex; SSRC of Aviation; housing complex.
- 2) Development and fulfillment of the program of land plots inclusion.
- 3) Development of territory layout designs.

- 4) Participation in development of the General Plan of Zhukovsky.
- 5) Implementation of projects of priority facilities of the NAC.

The above activities will allow creation of the priority facilities of the NAC and to continue with further expansion of the project.

5.6. Personnel Situation at JSC UAC Enterprises, Main Changes in 2008

In 2008 the dynamic of changes in personnel of the enterprises integrated into JSC UAC in whole may be characterized as positive.

- 1) Personnel number and structure

As on 01.01.2009 the number of personnel of all enterprises, including JSC RSK MiG, JSC Kazan Aircraft Production Association named after S.P. Gorbunov, JSC IFC, JSC Finance Leasing as well as management companies, was 102,704 persons (in 2007 the number increased by 2% from 103,300 to 105,200 persons; in 2008 the number of personnel of the Corporation fell by 2.4% from 105,200 to 102,704 persons).

The personnel structure in design bureaus and plants only as on 01.01.2009 (% of the total number of personnel of the Corporation enterprises):

- managers – 14,877 persons (14%);
- specialists – 29,262 persons (29%);
- workers – 55,293 persons (54%), of them main production workers – 22,450 persons (22% of the total personnel number of the JSC UAC enterprises).

In 2008 the personnel structure changed as follows:

- share of specialists increased by 2%;
- share of workers dropped by 2%, but share of main production worker increased by 5%;
- number of top and middle managers did not change considerably.

It is planned that, taking into account the increase in the level of production process mechanization and automation and introduction of digital equipment, the share of main production workers in the personnel structure of the production enterprises will grow and make up at least 40% by the end of 2010.

In 2008, taking into account the financial crisis, there was a downwards trend in the personnel number, mainly due to fewer auxiliary workers and non-production personnel.

A small growth of the personnel number in 2008 was fixed at CJSC SCA (7%) as well as at JSC Yakovlev Design Bureau due to development of the MS-21 project (13%).

Personnel turnover (for all reasons for dropout) was 15% in 2006, 13% in 2007, and 16% in 2008. The highest turnover is recorded for workers (65% of the total number of discharged employees). 36% of the total number of discharged employees was young employees below 30 (a similar indicator was recorded in 2007). High personnel turnover (over 20%) was recorded at the following enterprises of JSC UAC: JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov, JSC Kazan Aircraft Production Association named after S.P. Gorbunov, and at JSC Yakovlev Design Bureau.

The total number of employees hired in 2008 (design bureaus and plants) – over 15,500 persons, 10,300 of them were workers. Employees hired from core educational institutions – 3,500 persons (23% of the total number of hired employees), 1,400 of them from higher educational institutions; 2,100 – from core secondary and primary vocational institutions. This

indicator substantially exceeds the similar indicator of 2007 (hired from educational institutions – 2,850 persons, constituting 15% of the total number of hired employees).

2) Age composition

The dynamics of change of age composition are characterized with both positive and negative indicators.

As on 01.01.2009 the share of employees below 30 at plants and design bureaus was 23%; from 30 to 39 – 14%; from 40 to 49 – 21%; from 50 to 59 – 30%, over 60 – 12%. The *dynamics of change of age composition in 2008 showed an increase of the share of employees under 30 (from 20% to 23%), a fall in the age group from 30 to 50 (from 37% to 34%) and preservation of the age group over 50 (42%).* The main skilled group aged from 30 to 50 continued to decrease. It is partially attributable to personnel ageing and partially to the high level of turnover in this age group.

3) Educational level of personnel

As on 01.01.2009 the number of personnel with higher education was 31% (increased by 2% since the beginning of 2008); the number of personnel with complete secondary and secondary vocational education was 62% and remained unchanged.

Professional continuing training of employees is carried out on a regular basis. In 2008 over 36,000 persons (36% employees of the total personnel of design bureaus and plants) improved their professional skills on the basis of the enterprises and external educational institutions, over 25,000 of them were workers.

In 2008 training under management personnel training programs was made more active (it was carried out at the enterprises: branch of the Irkutsk Aircraft Plant of JSC Irkut Corporation, JSC VASO, JSC Tupolev, JSC Sukhoi Company, JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov, and at JSC Komsomolsk-on-Amur Aircraft Production Association). This activity will be continued in 2009.

4) Remuneration

The average monthly remuneration at the Corporation enterprises in 2008 was about 18,700 rubles. Growth of the average monthly remuneration in 2008 over the year was 22.8%.

The average monthly remuneration at the Corporation enterprises located in Moscow in 2008 was 29,500 rubles.

Main activities in 2009 will include:

1. Optimization of expenses for personnel (in the part of remuneration) aimed at an increase of efficiency of operations in the conditions of the economic crisis (within the framework of a comprehensive approach to optimization of expenses for personnel).
2. Planning and control of fulfillment of decisions for change of the average monthly remuneration level at the enterprises in order to maintain this at least 3.5 (3.75) subsistence levels for the able-bodied population of the region.
3. Participation in regional, sector and industry revisions of remuneration.

5.7. HR Policy and Social Responsibility

The social responsibility of JSC UAC includes measures aimed at improvement of the quality of working life of employees of the enterprises integrated into JSC UAC: development of the social partnership system as well as control of fulfillment of collective agreements of the

enterprises and the Federal Industry Agreement of Aircraft Industry for 2008-2010 on issues of observance of social guarantees.

Development of the social partnership system

On March 28, 2008 within the framework of social partnership development, JSC UAC and the Russian Trade Union of Aviation Industry Workers (Profavia) concluded a corporate agreement of cooperation and interaction in the area of observance of social guarantees.

For more particular relations of trade union structures with the Corporation the Council of Chairmen of Primary Trade Union Organizations of the JSC UAC Enterprises was established; its main function is discussion with the JSC UAC management of key social issues, organization of conferences with the participation of trade unions, managers of enterprises, and managers of JSC UAC. Within the framework of the Council arrangements were made to conclude, starting from 2011, the Corporate Agreement containing minimum necessary industry standards of social guarantees.

Control of fulfillment of collective agreements of the enterprises and the Federal Industry Agreement of Aircraft Industry for 2008-2010 (FIA)

During 2008 JSC UAC coordinated activities aimed at joining of the JSC UAC enterprises to the FIA. The decision was taken to continue activity for working out uniform corporate approaches in the area of the most material provisions of the FIA relating to remuneration and social guarantees with the goal to conclude the Corporate Agreement on behalf of JSC UAC for 2011-2013 with subsequent conclusions of standard collective agreements.

In October and November 2008 JSC UAC and Profavia analyzed collective agreements of the enterprises for compliance with the provisions of the FIA. In the course of analysis it was revealed that collective agreements of a number of enterprises (JSC TAVIA, JSC "Beriev Aircraft Company", CJSC Aviastar-SP, JSC VASO, others) require amendments. This activity will be carried out in 2009.

Control of observance of social guarantees

Forecasts for fulfillment of social guarantees in 2009 will depend directly on the financial situation of the enterprises. At the present moment at many enterprises (JSC RSK MiG, JSC TAVIA, JSC "Beriev Aircraft Company", JSC VASO, JSC Kazan Aircraft Production Association named after S.P. Gorbunov, and CJSC Aviastar-SP) there is a substantial deficit of funds which may be worsened with the effects of the financial crisis.

Labor protection and social benefits

Due to insufficient funding it is difficult to fulfill certain provisions of collective agreements and the Industry Agreement connected with labor protection and social benefits (non-fulfillment related mainly to clauses of the FIA connected with payment of retirement benefits (except cases of staff redundancy); timely assignment of funds for mass-cultural and sports and health activity; sufficient funding (0.2% of the amount of expenses for product manufacturing) of activities for improvement of labor conditions and protection.

For the purpose of strengthening of social obligations in relation to employees of the enterprises integrated into JSC UAC the concept of creation of a corporate pension system for JSC UAC enterprises was developed. During 2009 the corporate pension system will be developed for each JSC UAC enterprise, and agreements with corporate nongovernmental pension funds will be concluded for servicing the corporate pension system of the JSC UAC enterprises and the system will be put into operation.

Housing program

In 2008 in accordance with fulfillment of the order of Chairman of the Government of the Russian Federation Vladimir Putin resulting from the meeting "On Development of Civil Aircraft Manufacturing in the Russian Federation" (Minutes dated September 09, 2008 #VP-P7-

19pr) JSC UAC has developed a draft Housing Program for employees of JSC UAC enterprises. The necessity for development of the program is preconditioned by the shortage of skilled employees (workers and specialists) at the enterprises, arising from high turnover of skilled personnel including main production workers (MPW) and specialists resulting from insufficiently attractive labor conditions. Implementation of the program is scheduled for 2009-2015.

The housing program includes construction of hostels for accommodation of employees during probation and adaptation, as well as apartments which will be transferred to ownership of aircraft enterprise employees under preferential subsidies, loans or own funds.

5.8. Quality Policy

1. The aim of JSC UAC in the sphere of quality is to achieve a competitive level of aircraft equipment, ensuring the satisfaction of consumers and other concerned parties.

The main means to achieve this aim is the system of quality guarantees based on the quality management system (QMS).

QMS in the JSC UAC enterprises must comply with standard AS/EN/JISQ 9100 (OCT 1 02773) taking into account additional requirements: in civil aviation – rules and requirements of the AR IAC, in military aviation – SRPP VT standards.

The quality policy of JSC UAC approved by the Board of the Company (Minutes #17 dated 17.12.2008) determines priority areas of activity of JSC UAC in the sphere of quality for 2009-2010:

- improvement of the existing system of regulatory documents on the basis of domestic and foreign best experience;
- formation of effective interaction of QMS of participants in the projects of JSC UAC;
- creation of a system of guarantees of quality of purchased products;
- improvement of business processes on the basis of wide application of modern methods of aircraft development and production (including information technologies and lean production);
- renewal of production assets, creation of efficient production system;
- development of a core personnel training and re-training system.

For the purpose of implementation of the approved Policy it was decided to develop a plan of actions aimed at ensuring compliance of the enterprises integrated into JSC UAC with the requirements of AS/EN/JISQ 9100 standards.

2. Within the framework of the existing corporate project “Creation of the Corporate Quality Management System” the following activities are being performed:

- meetings of the Quality Coordinating Committee established at JSC UAC with participation of representatives of UAC SAC.
- estimation of QMS of UAC SAC, determination of main insufficiencies and development of proposals for improvement of work.
- implementation of the project of improvement of the industry regulatory documents management system. The main goal of the project is to bring the regulatory

documents management system to a level enabling it to adequately respond to current and prospective needs of the industry in regulatory provision and to meet them timely.

3. Activity is being continued to coordinate experts of the Russian aircraft industry within the Project of Cooperation of Russia and the EU in Civil Aviation (ERAC) in the area of Air Worthiness (AW).

The goal of the project is to bring together the aircraft industries of Europe and Russia by way of harmonization of the regulatory base of the European Aviation Safety Agency (EASA) and the Aviation Register of the Interstate Aviation Committee (AR IAC) in respect of processes of development and production of civil aircraft, as well as to bring together approaches of civil aircraft manufacturers in order to facilitate joint work in existing and prospective projects (program of conversion of A320 from passenger into cargo aircraft, program of cooperation for A350 aircraft and others).

For these purposes the following working groups were established and are operating:

- Working Group “Certification of Developing Organization”;
- Working Group “Certification of Production”;
- Working Group “Certification of Systems”;
- Working Group “Qualification of Materials”;
- Working Group “Supply Chain Management”.

Completion of the project and execution of recommendations for aviation authorities of Europe and Russia are scheduled for 2009.

6. CORPORATE GOVERNANCE

6.1. Share Capital

1. JSC UAC was registered on 20.11.2006 in accordance with Decree of the President of the Russian Federation dated 20.02.2006 #140 “On Joint Stock Company United Aircraft Corporation” and a Resolution of the Government of the Russian Federation dated 20.04.2006 #224 “On Measures for Implementation of Decree of the President of the Russian Federation dated 20.02.2006 #140 “On Joint Stock Company United Aircraft Corporation”.

At incorporation the charter capital of the Company was formed in the amount of 96,724,000,000 rubles and consisted of 96,724,000,000 ordinary registered shares with the nominal value of 1 ruble each. The issue receives state registration number 1-01-55306-E.

The shares of Company were distributed among the founders as follows:

Founder	Number of shares	Share in the charter capital, %
Russian Federation in the person of Rosimushchestvo	87,174,000,000	90.13
CJSC FTK Company	6,723,904,062	6.95
Oditres LLC	2,107,240,264	2.18
CJSC Fin-Market	718,855,674	0.74

On the part of the Russian Federation the charter capital of JSC UAC was paid in accordance with Appendix 1 to Decree of the President of the Russian Federation dated 20.02.2006 #140 with shares of the following companies:

Company	Number of shares
Joint Stock Company Aviation Holding Company Sukhoi	17,915,457
Joint Stock Company Tupolev	7,173,580,445
Joint Stock Company Interstate Aircraft Company Ilyushin	1,750,954,000
Joint Stock Company Financial Leasing Company	40,521,660
Joint Stock Company Ilyushin Finance Co.	68,953
Joint Stock Company Nizhny Novgorod Aircraft Building Plant Sokol	5,798,440
Joint Stock Company Komsomolsk-on-Amur Aircraft Production Association named after Yu.A. Gagarin	5,312,023
Joint Stock Company Novosibirsk Aircraft Production Association named after V.P. Chkalov	263,898
Joint Stock Company Foreign Trade Association Aviaexport	12,015

Other founders paid the charter capital of JSC UAC with shares of Joint Stock Company Scientific and Production Corporation Irkut in the quantity of 373,824,489 shares.

2. The first issue of additional ordinary shares of the Company was registered by the Federal Financial Markets Service of Russia on December 6, 2007; the issue received state registration number 1-01-55306-E-001D. The securities in the quantity of 8,246,603,100 shares with the nominal value of 1 ruble each were placed under closed subscription for the benefit of the Russian Federation in the person of Rosimushchestvo.

Payment for placed shares was carried out with money in the amount of 6,040,000,000 rubles and in accordance with Appendix 1 to Decree of the President of the Russian Federation February 3, 2007 #122 with holdings of shares of the following joint stock companies:

Company	Number of shares
Joint Stock Company Financial Leasing Company	13,640,340
Joint Stock Company Ilyushin Finance Co.	15,176
Joint Stock Company Taganrogskaya Aviatsiya	114,048
Close Joint Stock Company Aviastar-SP	59,990,000

The report of results of the issue (of the first additional issue of shares of the Company) was registered by the Federal Financial Markets Service of Russia on March 20, 2008.

In the result of placement the charter capital of the Company was 104,970,603,100 rubles and consisted of 104,970,603,100 ordinary shares with the nominal value of 1 ruble.

In accordance with clause 24 of order of the Federal Financial Markets Service of Russia dated July 1, 2008 #08-1470/pz-i individual number (code) 001D of state registration number 1-01-55306-E-001D was cancelled.

3. The second issue of additional ordinary shares of the Company was registered by the Federal Financial Markets Service of Russia on July 17, 2008; the issue received state registration number 1-01-55306-E-002D. The securities in the quantity of 5,309,734,513 shares with the nominal value of 1 ruble each were placed under closed subscription for the benefit of the Russian Federation in the person of Rosimushchestvo.

Payment for the placed shares was carried out with money in the amount of 5,999,999,999.69 rubles.

The report of results of the issue (of the second additional issue of shares of the Company) was registered by the Federal Financial Markets Service of Russia on September 18, 2008.

In the result of placement the charter capital of the Company is 110,280,337,613 rubles and consists of 110,280,337,613 ordinary shares with the nominal value of 1 ruble. State registration of amendments to the Charter of the Company resulting from the placement was carried out on February 6, 2009.

In accordance with clause 13 of order of the Federal Financial Markets Service of Russia dated January 15, 2009 #09-52/pz-i individual number (code) 002D of state registration number 1-01-55306-E-002D was cancelled.

4. At the present moment the charter capital of the Company is paid in full and is 110,280,337,613 rubles; it consists of 110,280,337,613 ordinary shares with the nominal value of 1 ruble with state registration number 1-01-55306-E.

6.2. Management Bodies

The General Meeting of Shareholders is the Company's supreme management body.

The Board of Directors is the Company's management body which, in accordance with the Federal Law on Joint Stock Companies and with its Charter, provides general guidance to the Company, except decisions on issues within the jurisdiction of the General Meeting of Shareholders.

The Executive Board is the Company's collective executive body.

The President is the Company's sole executive body.

6.3. Board of Directors

6.3.1. Composition of the Board of Directors

During the period from January 1, 2008 and to the annual General Meeting of Shareholders for the results of 2007 fiscal year which was held on June 30, 2008, the Board of Directors of the Corporation had the composition elected at the General Meeting of Shareholders held on November 15, 2006.

On June 30, 2008 the Board of Directors of JSC UAC was elected with the following membership:

1. **Sergey Borisovich Ivanov, Chairman of the Board of Directors**

First Deputy Chairman of the Government of the Russian Federation.

Born on January 31, 1953 in Leningrad.

Education:

In 1975 graduated from Leningrad State University (philology department).

Positions occupied in the past five years at the main place of employment:

From March 28, 2001 – Minister of Defense of the Russian Federation;

From November 14, 2005 – Deputy Chairman of the Government of the Russian Federation – Minister of Defense of the Russian Federation;

From February 16, 2007 – First Deputy Chairman of the Government of the Russian Federation;

From May 12, 2008 up to the present moment – acting Deputy Chairman of the Government of the Russian Federation.

2. **Andrey Removich Belousov, Member of the Board of Directors**

Director of Economics and Finance Department of the Government of the Russian Federation.

Born on March 17, 1959 in Moscow.

Education:

In 1981 graduated from the economic department of Lomonosov Moscow State University;

PhD (Economics), corresponding member of the Russian Academy of Economic Sciences.

Positions occupied in the past five years at the main place of employment:

In 2000-2006 – CEO of the Center for Macroeconomic Analysis and Short-term Forecasts;

From February 2006 to May 2008 – Deputy Minister of Economic Development and Trade of the Russian Federation.

From May 2008 up to the present moment – Director of Economics and Finance Department of the Government of the Russian Federation.

3. **Vladimir Alexandrovich Dmitriyev, Member of the Board of Directors**

Chairman of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)".

Born on August 25, 1953 in Moscow.

Education:

In 1975 graduated from Moscow Financial Institute, specializing in International Economic Relations.

PhD (Economics), corresponding member of the Russian Academy of Natural Sciences.

Positions occupied in the past five years at the main place of employment:

From July 2002 to May 2004 – Deputy President-Chairman of the Board of JSC Bank for Foreign Trade.

From May 2004 to June 2007 – Chairman of the USSR Bank for Foreign Economic Affairs (Vnesheconombank).

On June 18, 2007 appointed to the position of the Chairman of State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”.

4. Mikhail Arkadyevich Dmitriyev, Member of the Board of Directors

Director of the Federal Service for Military-Technical Cooperation.

Born on April 25, 1947 in Moscow.

Education:

In 1970 graduated from the Moscow State Institute of International Relations of the USSR Ministry of Foreign Affairs, specializing in International Economic Relations.

Positions occupied in the past five years at the main place of employment:

From November 2000 – Deputy Minister of Defense of the Russian Federation;

From November 2000 – Chairman of the Committee of the Russian Federation for Military-Technical Cooperation with Foreign States (KVTS of Russia);

From April 2004 up to the present moment – Director of the Federal Service for Military-Technical Cooperation.

5. Alexander Nikolayevich Zelin, Member of the Board of Directors

Commander-in-Chief of the Russian Federation Air Force.

Born on May 6, 1953 in Perevalsk, Voroshilovgrad Oblast, Ukrainian SSR

Education:

In 1976 graduated from Kharkov Higher Military Aviation Pilot School (cum laude).

In 1988 graduated from Air Force Academy named after Yu.A. Gagarin, in 1997 – from Military Academy of the General Staff of the Armed Forces of the Russian Federation.

Positions occupied in the past five years at the main place of employment:

2002 - 2007 – Chief of Aviation – Deputy Commander-in-Chief of Air Force for Aviation.

On May 9, 2007 appointed to the position of Commander-in-Chief of Air Force.

6. Andrey Leonidovich Kostin, Member of the Board of Directors

President – Chairman of the Board of VTB Bank (Vneshtorgbank).

Born on September 21, 1956 in Moscow.

Education:

In 1979 graduated from the economic department of Lomonosov Moscow State University.

Specialty – economist in the sphere of international affairs.

PhD (Economics).

Positions occupied in the past five years at the main place of employment:

In 2000 was the Chairman of Vnesheconombank

On June 11, 2002 was assigned to the position of President and Chairman of the Board of Vneshtorgbank

On April 4, 2007 the VTB Supervisory Council extended A.L. Kostin’s powers until 2012.

7. Igor Yevgenyevich Levitin, Member of the Board of Directors

Minister of Transport of the Russian Federation.

Born on February 21, 1952 in Tsebrikovo, Odessa Oblast.

Education:

In 1973 graduated from the college of military railway troops and military transportation in Leningrad.

In 1983 graduated from the Military Rear and Transport Academy. Specialty – engineer of railways.

PhD (Politics), assistant professor.

Positions occupied in the past five years at the main place of employment:

From 1996 to 2004 was employed at ZAO Severstaltrans, from 1998 – deputy CEO of the company.

On May 20, 2004 appointed to the position of the Minister of Transport of the Russian Federation.

8. Denis Valentinovich Manturov, Member of the Board of Directors

Deputy Minister of Industry and Trade of the Russian Federation

Born on February 23, 1969 in Murmansk

Education:

In 1994 graduated from Lomonosov Moscow State University, specialty – sociology.

In 1994 completed postgraduate course in the MSU, Ph.D. (Economics).

2000-2002 – doctoral candidacy in Moscow Aviation Institute.

In 2006 graduated from the Russian Public Service Academy under the President of the Russian Federation, specialty – jurisprudence.

From 2003 to September 2007 – CEO of JSC OPK Oboronprom.

On September 11, 2007 appointed to the position of Deputy Minister of Industry and Trade of the Russian Federation.

Since May 19, 2008 – Deputy Minister of Industry and Trade of the Russian Federation.

9. Valery Lvovich Nazarov, Member of the Board of Directors

Born on September 11, 1955 in Michurinsk, Tambov Oblast

Education:

In 1975 graduated from the Tallinn Navigation College.

In 1985 – Leningrad Electrotechnical Communications Institute named after M.A. Bonch-Bruyevich, specialty – multi-channel electrical communications.

In 1993 – Public Service Institute of SZKTs under the Government of the Russian Federation, specialty – state and municipal administration.

In 1998 – Russian Public Service Academy under the President of the Russian Federation, specialty – jurisprudence.

PhD (Economics).

Positions occupied in the past five years at the main place of employment:

From January 1999 to March 2004 – Chairman of the City Property Management Committee of St. Petersburg (in the rank of Vice-Governor of St. Petersburg).

In January-March 2004 – Deputy Head of the Administration of the President of the Russian Federation – Head of the Central Control Department of the President of the Russian Federation.

From March 2004 to May 2008 – Head of the Russian Federation Property Management Agency.

10. Vladislav Nikolayevich Putilin, Member of the Board of Directors

First Deputy Chairman of the Military-Industrial Commission under the Government of the Russian Federation.

Born on February 1, 1947 in Listopadovka, Griбанov District, Voronezh Oblast

Education:

In 1969 graduated from the Kharkov Commander-Engineering School, in 1979 – Lenin Military-Political Academy (gold medal).

Specialty – engineer-mechanic, officer with higher education – political instructor.

PhD (Philosophy), PhD (Economics).

Positions occupied in the past five years at the main place of employment:

2002-2004 – Deputy Minister of Economic Development and Trade of the Russian Federation.

2004-2006 – Director of the Department for Economics of Defense and Security Programs of the Ministry of Economic Development and Trade of the Russian Federation.

From 2006 – First Deputy Chairman of the Military-Industrial Commission under the Government of the Russian Federation – Minister of the Russian Federation.

In June 2008 appointed to the position of First Deputy Chairman of the Military-Industrial Commission under the Government of the Russian Federation – Minister of the Russian Federation.

11. Alexey Innokentyevich Fedorov, Member of the Board of Directors

President, Chairman of the JSC UAC Board.

Born on April 14, 1952 in Ulan-Ude.

Education:

In 1974 graduated from the Irkutsk Polytechnic Institute, specialty – aircraft construction engineer-mechanic.

In 1989 graduated from the Business School of Oklahoma State University (USA).

Positions occupied in the past five years at the main place of employment:

1998–2005 – Irkutsk Aircraft Production Association (today – Irkut Corporation) – President.

2004–2007 - FSUE (Federal State Unitary Enterprise) Russian Aircraft Construction Corporation MiG – CEO - General Designer.

From 2006 up to the present moment – President, Chairman of the Board of JSC UAC.

12. Sergey Viktorovich Chemezov, Member of the Board of Directors

CEO of the State Corporation for Development, Production and Export of Hi-Tech Products Rostekhnologii.

Born on August 20, 1952 in Cheremkhovo, Irkutsk Oblast.

Education:

In 1975 graduated from the Irkutsk Institute of National Economy

Higher Courses of the Academy of the General Staff of the Armed Forces of the Russian Federation.

Full member of the Academy of Military Sciences, PhD (Economics), head of the military-technical cooperation chair of the Research and Educational Center of Defense Problems of the Academy of Military Sciences.

Positions occupied in the past five years at the main place of employment:

From November 2000 – First Deputy CEO of FSUE Rosoboronexport.

From April 2004 – CEO of FSUE Rosoboronexport.

In November 2007 appointed to the position of CEO of State Corporation Rostekhnologii.

Member of the commission for military-technical cooperation of the Russian Federation with foreign states.

13. Igor Ivanovich Shuvalov, Member of the Board of Directors

Assistant to the President of the Russian Federation.

Born on January 4, 1967 in Bilibino, Magadan Oblast

Education:

In 1992 graduated from the law department of Lomonosov Moscow State University, specialty – jurisprudence.

Positions occupied in the past five years at the main place of employment:

On May 18, 2000 appointed to the position of Head of the Central Staff of the Government of the Russian Federation – Minister of the Russian Federation.

From May 2003 to October 2003 – assistant to the President of the Russian Federation.

From October 2003 – Deputy Head of the Administration of the President of the Russian Federation.

From March 2004 to May 2008 – assistant to the President of the Russian Federation.
In May 2008 appointed to the position of First Deputy Chairman of the Government of the Russian Federation.

The following committees have been formed under the Board of Directors of the Company:

1) Audit Committee:

Committee Chairman – V.A. Dmitriyev.

Committee Members: A.R. Belousov, V.L. Nazarov.

2) HR and Remuneration Committee:

Committee Chairman – A.L. Kostin.

Committee Members: V.N. Putilin, D.V. Manturov.

3) Strategy Committee:

Committee Chairman – D.V. Manturov.

Committee Members: A.R. Belousov, V.A. Dmitriyev, A.N. Zelin, I.Ye. Levitin, V.L. Nazarov, V.N. Putilin, A.I. Fedorov, S.V. Chemezov.

6.3.2. Information about Activities of the Board of Directors of JSC UAC in 2008

In June 2008 representatives of the state were included into the Board of Directors of JSC UAC, including heads (deputy heads) of core ministries and departments, Central Office of the Government of the Russian Federation, head of state corporation Rostechnologii, independent directors (heads of Vnesheconombank and Vneshtorgbank) as well as the President of the Company.

During 2008 10 meetings of the Board of Directors were held, 4 of them – in the form of joint attendance, for discussion of the most important issues of activity and development of JSC UAC and the aircraft industry as a whole. 6 meetings were held in the form of absentee ballot.

In this composition of the Board of Directors Sergey Borisovich Ivanov, Deputy Chairman of the Government of the Russian Federation was elected Chairman of the Board of Directors of JSC UAC.

The most significant decisions of the Board of Directors of the Company in the reporting period were as follows.

On February 12, 2008 the Board of Directors adopted the main provisions of the JSC UAC Development Strategy up to 2025. It was preceded by consideration of this document by the Strategy Committee of the Board of Directors.

At the same meeting:

the Board of Directors approved the agreement between JSC UAC, Government of the Moscow Oblast and state corporation Rostechnologii about cooperation in creation of the National Aircraft Construction Center – the largest inter-industry project aimed to ensure transition to a qualitatively new level of organization and management of processes of development, testing and production of aircraft as well as regular international exhibitions of prototype aircraft and cargo transportation in the interests of military-technical cooperation of the Russian Federation with foreign states;

the Board of Directors approved incorporation of limited liability company Management Company UAC – Civil Aircraft which started consolidation of production and the scientific

potential of the industry in business units in three main areas – combat, civil and transport aviation.

In addition in February 2008 the Corporation organizational structure as a main industry holding was adopted.

On February 29, 2008 the Board of Directors approved the report of the results of an additional issue of JSC UAC securities carried out in 2007 for the benefit of the Russian Federation (under closed subscription).

Questions of an additional issue of the Company shares in 2008 (under closed subscription for the benefit of the Russian Federation as well) were considered by the Board of Directors on May 8, 2008 and were submitted for consideration of the General Meeting of Shareholders (held on May 29, 2008).

In May 2008 the Board of Directors considered, in accordance with the procedure established by the law, a set of issues connected with preparation to the annual General Meeting of Shareholders.

On August 29, 2008 the Board of Directors approved and submitted for approval of the General Meeting of Shareholders a number of transactions for ensuring organization of serial production of civil aircraft and technical re-equipment of major manufacturing plants.

In December 2008 the Board of Directors took decisions about participation of JSC UAC in incorporation of close joint stock company Aerocomposite (design and organization of aircraft components out of composite materials) and limited liability company Management Company VolgaTechnoport (development of airfield and airport complexes in free economic zone of Ulyanovsk and the Ulyanovsk Oblast).

On December 30, 2008 the Board of Directors considered and took necessary decisions on a number of key issues connected with sustainable development of the aircraft industry in the conditions of global economic stagnation and worsening of the financial market situation:

measures for financial rehabilitation of CJSC Aviastar-SP, JSC Voronezh Aircraft Manufacturing Company, JSC Kazan Aircraft Production Association named after S.P. Gorbunov and for raising funds for financing priority programs,

a program of technical re-equipment and specialisation of the enterprises integrated into JSC UAC,

the main directions of corporate restructuring of JSC UAC group for 2008-2010,

as well as proposals about an additional issue of shares of JSC UAC.

In the reporting period the Board of Directors of JSC UAC considered issues of approval of transactions of close interest which were submitted to approval of the General Meeting of Shareholders in cases envisaged in the legislation (list of transactions contains in Appendix 1 to this Annual Report).

In the reporting period the members of the Board of Directors did not own shares of the Company.

In the reporting period there were no transactions concluded between the members of the Board of Directors and the Company.

6.4. President and Members of the Executive Board of JSC UAC

6.4.1. Composition of the Executive Board

During the period from 01.01.2008 to 28.08.2008.

The Executive Board of JSC UAC acting from the beginning of 2008 was formed on December 12, 2006 by the Board of Directors of JSC UAC; 9 persons were elected upon recommendation of President, Chairman of the Board of the Company A.I. Fedorov:

- 1) **Alexei Innokentyevich Fedorov** (President, Chairman of the Board of JSC UAC).
- 2) **Valery Borisovich Bezverkhny, Member of the Executive Board** (Executive Vice President of JSC UAC, Corporate Development).
- 3) **Oleg Fedorovich Demchenko, Member of the Executive Board** (President, Chairman of the Board of JSC Irkut Corporation).
- 4) **Victor Vladimirovich Livanov, Member of the Executive Board** (CEO of JSC UAC-TA, CEO – General Designer of JSC Ilyushin Aviation Complex).
- 5) **Mikhail Aslanovich Pogosyan, Member of the Executive Board** (First Vice President of JSC UAC, Programs Management, CEO of JSC Sukhoi Company).
- 6) **Vasily Borisovich Prutkovsky, Member of the Executive Board** (Director of Corporate Governance Department of JSC UAC).
- 7) **Alexander Ivanovich Rubtsov, Member of the Executive Board** (CEO of JSC Ilyushin Finance Co).
- 8) **Oleg Anatolyevich Skorik, Member of the Executive Board;**
- 9) **Igor Sergeyeovich Shevchuk, Member of the Executive Board** (President, General Designer of JSC Tupolev).

During the period from 29.08.2008 to 31.12.2008.

In accordance with the decision of the Board of Directors dated August 29, 2008, the Executive Board of JSC UAC was formed of the following 10 persons:

- 1) **Alexei Innokentyevich Fedorov**
President, Chairman of the JSC UAC Board.
Born on April 14, 1952 in Ulan-Ude.
Education:
1974 – Irkutsk Polytechnic Institute, specialty – aircraft construction engineer-mechanic.
1989 – Business School of Oklahoma State University (USA).
Positions occupied in the past five years at the main place of employment:
1998–2005 – JSC Irkutsk Aircraft Production Association (today – Irkut Corporation) – President.
2004–2007 - FSUE Russian Aircraft Construction Corporation MiG – CEO - General Designer.
From 2006 up to the present moment – President, Chairman of the Board of JSC UAC.
- 2) **Valery Borisovich Bezverkhny, Member of the Executive Board**
JSC UAC Executive Vice President on Corporate Development.
Born on May 1, 1959 in Novaya Ushitsa, Khmel'nitsk Oblast, Ukrainian SSR.
Education:
1981 – Ukrainian Institute of Water Conservancy Engineers.
1991 - All-Union Friendship of the People's Order Academy of Foreign Trade.
PhD (Economics).

Positions occupied in the past five years at the main place of employment:

2001 – 2007 – JSC Irkut Corporation, Vice-President, Senior Vice-President for Business Planning and Development, First Vice-President;

2005 – 2007 – NP United Aircraft Consortium, President;

From 2007 up to the present moment – JSC UAC, Executive Vice-President for Corporate Development.

3) Anatoly Georgiyevich Belov, Member of the Executive Board

Born on May 10, 1952 in Chelyabinsk.

Education:

1975 – Tomsk Institute of Automated Control Systems and electronics, specialty – radio-electronic devices.

1994 – Business and Management School of California State University (USA).

Positions occupied in the past five years at the main place of employment:

1998 – 2007 – JSC Irkutsk Aircraft Production Association (today – Irkut Corporation) consecutively occupied positions: Director of License Programs Directorate; Vice President, head of Su-30MK project service.

2007 – 2008 – CEO – General Designer of JSC Russian Aircraft Company MiG.

4) Oleg Fedorovich Demchenko, Member of the Executive Board

President, Chairman of the Board of Irkut Corporation.

Born on October 13, 1944 in Presnovka, Severo-Kazakhstanskaya Oblast, Kazakh SSR.

Education:

1968 – Kuibyshev Aviation Institute.

1987 – Academy of National Economy under the Government of the Russian Federation.

Positions occupied in the past five years at the main place of employment:

From 2003 up to the present moment – CEO – General Designer of JSC Yakovlev Design Bureau;

From 2005 up to the present moment – JSC Irkut Corporation, President, Chairman of the Board.

From 2008 up to the present moment – JSC UAC, Vice President, MS-21 Project.

5) Viktor Vladimirovich Livanov, Member of the Executive Board

CEO JSC UAC-TA, CEO – General Designer of JSC Ilyushin Aviation Complex.

Born on September 17, 1943 in Khabarovsk

Education:

1967 – MATI named after K.E. Tsiolkovsky, qualification – engineer-mechanic

1989 – Oklahoma City University (USA), qualification – MBA.

PhD (Economics).

Positions occupied in the past five years at the main place of employment:

From 1997 up to the present moment – JSC Ilyushin Aviation Complex, CEO - General Designer;

From 2002 up to the present moment – JSC UAC-TA (JSC Ilyushin IAC), CEO.

From 2008 up to the present moment – JSC UAC, Vice President, Transport Aviation.

6) Nail Anvarovich Malyutin, Member of the Executive Board

CEO of JSC Finance Leasing.

Born on January 18, 1968 in Kuvasai, Fergana Oblast, Uzbek SSR.

Education:

1992 – Tashkent State University of Friendship of Peoples, specialty – engineer-economist.

Positions occupied in the past five years at the main place of employment:

2002 – 2007 – Deputy CEO of JSC Finance Leasing;

From 2007 up to the present moment – CEO of JSC Finance Leasing.

7) Mikhail Aslanovich Pogosyan, Member of the Executive Board

JSC UAC First Vice President on Programs Management, CEO of JSC Sukhoi Company.

Born on April 18, 1956 in Moscow.

Education:

1979 – Moscow Lenin Order Aviation Institute named after S. Ordzhonikidze (MAI), qualification – engineer-mechanic.

PhD. (Technology), corresponding member of the Russian Academy of Sciences.

Positions occupied in the past five years at the main place of employment:

1999 – 2007 – JSC Sukhoi Design Bureau, CEO;

From 1998 up to the present moment – JSC Sukhoi Company, CEO;

From 2007 up to the present moment – JSC UAC, First Vice President, Programs Coordination.

8) Vasily Borisovich Prutkovsky, Member of the Executive Board

Director of JSC UAC Corporate Governance Department.

Born on November 1, 1955 in Khimki, Moscow Oblast.

Education:

1978 – Moscow Energy Institute, specialty – applied mathematics.

1988 – Marxism-Leninism Institute under the CPSU Moscow City Committee (theory and methods of ideological struggle).

1998 – Business and Business Administration Institute (MBA), specialty – strategic management.

PhD (Technology).

Positions occupied in the past five years at the main place of employment:

1997 – 2004 – CJSC BDO Unicon Consulting, Deputy CEO;

2004 – 2005 – JSC Irkut Corporation, Vice-President;

2005 – 2007 – NP United Aircraft Consortium, Vice-President;

From 2007 to the present moment – Director of JSC UAC Corporate Governance Department.

9) Alexander Ivanovich Rubtsov, Member of the Executive Board

CEO of JSC Ilyushin Finance Co.

Born on January 3, 1958 in Moscow.

Education:

1980 – MGIMO (Moscow Institute of International Relations) of the USSR Ministry of Foreign Affairs (MEO department).

PhD (Economics).

Positions occupied in the past five years at the main place of employment:

1997 – 1999 – AKB National Reserve Bank, Deputy Chairman of the Board

From 1999 up to the present moment – JSC Ilyushin Finance Co, CEO.

10) Igor Sergeyeovich Shevchuk, Member of the Executive Board

President – General Designer of JSC Tupolev.

Born on January 30, 1953 in Moscow.

Education:

1977 – Moscow Lenin Order Aviation Institute named after S. Ordzhonikidze (qualification – engineer – designer)

Positions occupied in the past five years at the main place of employment:

1997 – 2000 – Tupolev ANTK, CEO – General Designer, Chairman of the Board of Directors;

From 2001 up to the present moment – JSC Tupolev, President – General Designer, Chairman of the Board.

From 2008 up to the present moment – JSC UAC, Vice President, Strategic Aviation.

In the reporting period the members of the Executive Board did not own shares of the Company.

In the reporting period there were no transactions concluded between the members of the Executive Board and the Company.

6.4.2. Report of Activities of the Company and Executive Bodies of the Company in 2008

During 2008 the current activities of JSC UAC were managed by the Executive Board and President of the Company in accordance with allocation of their competences fixed in the Charter of JSC UAC.

In connection with this the attention of executive bodies of JSC UAC during the reporting period was focused on development of decisions on priority areas of activity of the Company, control of implementation of prospective plans and major programs of activities of the Company and enterprises integrated into JSC UAC, and development of economic policy and coordination of operation of subsidiaries and affiliates and units of JSC UAC.

During the period from January to December 2008 18 meeting of the collective executive body – the Executive Board of JSC UAC – were held, at which both strategic development and planning issues and operational issues requiring prompt decisions of management bodies of the Company were considered. The Executive Board considered issues of implementation of approved product programs of JSC UAC, technical provision and re-equipment of existing production assets.

The following issues should be noted among the most important and significant issues considered by executive bodies of JSC UAC:

1) Control of fulfillment of the approved plan of activities ensuring production of domestic aircraft in 2007-2015 as well as regular consideration of particular product programs.

The programs which had particular attention of executive bodies of JSC UAC include civil aviation programs among them the SSJ-100, Tu-204SM, An-148, and Be-200.

Besides that the particular meeting of the Executive Board of the Company held in December 2008 was focused on consideration of military transport aircraft programs implemented by the JSC UAC enterprises, including the Il-76, Il-112, and An-124.

2) Formation and control of activities in accordance with commissions for creation of the National Aircraft Construction Center.

The Executive Board considered preliminary activities for creation of the National Aircraft Construction Center in Zhukovsky (NAC) and the current tasks to be fulfilled. The Executive Board approved the Extended Schedule of activities for creation of the NAC for 2008-2009, among them issues of formation of the NAC Concept, including stages and dates of formation of the engineering center and coordination of this process with design bureaus of the industry.

3) Consideration of fulfillment of the State Defense Order and export supply plan. Planning of activities of the JSC UAC enterprises under the State Defense Order and Military-Technical Cooperation in 2009.

4) Technical re-equipment of aircraft enterprises, optimization of production, reduction of costs (including optimization of prices for purchased components and basic materials).

5) Consideration of the concept and plan of activities for improvement of the corporate structure of JSC UAC group and the complex of activities connected with this.

The Executive Board of JSC UAC approved draft Main Directions of Corporate Restructuring of JSC UAC Group in 2008-2010. Approved activities included main parameters and proposals for increase of the charter capital of JSC UAC by way of placement of additional shares of the Company which may be paid with shares of subsidiaries and affiliates of JSC UAC.

6) Cooperation of JSC UAC within the framework of international aviation programs including programs of the European Union, interaction and cooperation with international aviation bodies.

7) Financial rehabilitation of the enterprises integrated into JSC UAC.

The Executive Board considered the actual situation and proposals aimed at stabilization of the financial and economic situation of the aircraft-building enterprises, including in the conditions of the financial crisis.

In accordance with the Charter of JSC UAC executive bodies of the Company prepared materials and recommendations for the Board of Directors of the Company on key issues submitted for its consideration including proposals concerning:

- 1) new organizational structure of JSC UAC;
 - 2) approval of transactions of close interest;
 - 3) parameters of increase of the charter capital of JSC UAC by way of issue of additional shares of the Company placed in 2008;
 - 4) formation of financial and economic plan (budget) for 2008 and report of its fulfillment;
 - 5) incorporation and participation in other legal entities;
- etc.

In 2008 the Executive Board prepared necessary proposals to the Board of Directors of JSC UAC concerning staff composition of representatives of the Company in SAC management bodies which were formed at annual general meetings of shareholders of SAC in 2008.

6.4.3. Criteria of Determination and Total Amount of Remuneration (Compensation for Expenses) Paid or To Be Paid to Persons Included into the Management Bodies of the Company, in Accordance with the Results of the Reporting Year

Payment of remuneration to the President of JSC UAC in the reporting period was carried out in accordance with the Labor Contract approved by the Board of Directors of the Company.

Remuneration to members of the Executive Board of JSC UAC is set in accordance with labor contracts concluded with each of them, as follows:

1. Official salary (monthly).
2. Bonus on the basis of year results. It is paid under the decision of the Board of Directors after approval of annual reports and annual accounting reports by the annual General Meeting of Shareholders.

Criteria for evaluation of activities of a member of the Executive Board are:

- achievement of scheduled economic indicators of the Corporation;
- fulfillment of production programs of the Corporation.

In 2008 the total amount of remuneration paid by JSC UAC to members of the Executive Board was 5,396,533.70 rubles. Bonuses to members of the Executive Board and President of the Company in 2007 and 2008 were not paid.

In the reporting year remunerations and compensations to members of the Board of Directors of the Company connected with fulfillment of their functions of members of the Board of Directors of JSC UAC were not paid.

7. BASIC RISK FACTORS ASSOCIATED WITH THE COMPANY ACTIVITIES

The activities of JSC UAC and its subsidiaries and affiliates are subjected to the effect of a number of risks that may introduce substantial changes in the forecast results. The Company takes required efforts to prevent occurrence and to reduce possible consequences of negative factors of various origin on its production and commercial activities.

Risk management makes it possible to reduce the possibility of their effect on JSC UAC activity and is aimed to ensure stable, safe and most efficient functioning of the Company and optimization of the risk cost-to-effect ratio. The Company's Board of Directors provides strategic guidance in the risk management sphere. The strategy approved by the Board of Directors is implemented in current activity through Board decisions and issue of corresponding orders and instructions of the President of the Company.

The main risk groups for the Company are: business, financial, technical, political and legal risks.

Business risks

Main business risks are connected with:

- 1) existing low demand for products manufactured by subsidiaries and affiliates and insufficient demand for newly developed products;
- 2) reduction of demand from traditional foreign customers for combat aircraft manufactured by subsidiaries and affiliates;
- 3) possibility of circumstances preventing sales of products manufactured by subsidiaries and affiliates under both state and commercial orders for supply of military and civil products;
- 4) the fact that the state is practically the only and main customer for scientific research carried out by subsidiaries and affiliates. In the case of a decrease of state funding the Company will not be able to implement independently the plans of aircraft development and modernization;
- 5) the fact that a considerable quantity of aircraft components (including engines, avionics systems and cabins) is purchased from partner enterprises, and in the instance that partners of the Company disrupt dates and volumes of component supplies the Company will not be able to fulfill its contractual obligations in due time;
- 6) unpreparedness (expired lifetime) of production capacities of civil aircraft-building enterprises which may result in the impossibility of manufacturing the required quantity of aircraft in full.

The Company takes every necessary effort to lower business risks, namely:

- 1) long-term contracts were concluded with the Ministry of Defense of the Russian Federation; owing to this the level of business risks was reduced connected with supplies of military aircraft by subsidiaries and affiliates under the State Military Order;
- 2) the Company provides support to all-round promotion of military and civil products both in traditional markets and at winning markets with new customers looking for diversification of their existing military and civil equipment portfolio. In the framework of these activities market needs are being studied, consultations with potential and existing customers are being held;
- 3) the range of products is being expanded: new types and modifications of military products that are competitive and readily purchased in Russia and in foreign markets are being developed;
- 4) considerable attention is paid to after-sales services and to rendering general services, and this adds to the products' attractiveness to customers;

- 5) risk-divided partnership with colleagues in cooperation in development of new equipment. Through such partnerships related producers become financially interested in the commercial success of the project and assume partial financing of the project as a whole;
- 6) the Company, with federal budget financial support, is carrying out an all-round program of technical modernization at its subsidiaries and affiliates. The Company is also implementing a program of creation of specializations; this will enable the Company to increase efficiency of manufacturing enterprises and to strengthen technological cooperation both inside the Company and with external customers for manufactured products.

Financial risks

The financial risks of the Company may be divided into currency, credit, inflationary and liquidity risks.

Currency risks originate in the result of unfavorable changes in the value of some currency used in relations with customers, suppliers, against the currency which is used by the Company for its financial operations. Export supplies of the products of the Company, its subsidiaries and affiliates are, as a rule, denominated in US dollars. In order to lower the risk of currency fluctuations the Company, its subsidiaries and affiliates raise credit resources connected with fulfillment of export contracts in the form of foreign currency loans. The considerable weakening of ruble in relation to the American currency observed from the end of 2008 may result in growth of the volume of planned currency revenues of the Company. At the same time under a number of contracts for supply of civil aircraft concluded in rubles, it is possible to expect a decrease in profitability due to the considerable volume of purchase of foreign aircraft components denominated in foreign currency. In the mid-term perspective the Company plans to take adjustment measures in the form of a turning away from use the US dollar or other foreign currencies as reference units for determination of the value of the Company's products (works, services) and in the process of budgeting of the Company's expenditures.

Credit risks are possible due to an unfavorable change in interest rates that may have a negative effect on the Company's financial indicators. The company's financial status is sufficiently stable. In 2008 the Company promptly repaid its loan debts, and this allowed it to avoid charges or penalty fees, fines or additional interest rates. As a result of the world financial crisis which started in 2008 interest rates on loans raised or to be raised by subsidiaries and affiliates grew. In connection with this increase of financial load some affiliates defaulted on fulfillment of debt obligations. The Company provides financial support to its subsidiaries and affiliates for working capital financing and for investing in order to implement the Company's strategy. For implementation of current large-scale projects for production of new types of products and for technical modernization the Company requires long-term financial resources. State budget funds serve as the main source of financial resources. Targeted financing by the state of the Company expenditures allows the Company to add to its reliability as a recipient of credits and to lower rates of interest on raised loan resources. Additional support to activities of the Company was provided in 2007 in the form of inclusion of the Company into the list of strategic enterprises of the Russian Federation as well as the provision of the potential for a commercial bank to refinance loan obligations of the Corporation in the Central Bank of the Russian Federation.

Inflation risks exist as the result of the effect of inflation processes on financial and economic activity of the Company and on the financial results of the Company. Situations are possible in the Company's economic activity when the Company, its subsidiaries and affiliates ship products (transfer results of works, services, etc.) under deferred payment terms. This produces a time gap between the time of shipment of products (works, services) to the consumer and the time full payment for them. In 2008 the inflation rate was about 13.5%, in 2009 the Ministry of Finance of the Russian Federation expects a fall in the inflation rate to 13.0%. In order to minimize this risk

the Company adopted adjustment actions aimed at receiving consumer advance payment for products (works, services) to be supplied and also at shortening settlement periods.

Liquidity risks are possible if financial resources are insufficient for repayment of financial obligations. Today the current financial status allows us to downplay such risks. Nevertheless, in order to minimize this risk, procedures of budgeting, cash flow forecasting and execution of production plans are used making it possible to reveal facts of insufficient liquidity and to attract or redistribute the required financial resources in due time. A lower level of buyers' nonpayment risk, a situation that may also lead to liquidity problems, is ensured by use of advance payments. The Company is planning to act as a guarantor for a number of loan obligations of its subsidiaries and affiliates. In order to minimize the risk of the Company's financial obligations for repayment of loans raised by its subsidiaries and affiliates, the Company controls the intended use of funds and the payment position of these companies and participates in the work of executive bodies of these companies.

Technical risks

Technical risks are understood as the risk of losses (damage inflicted) to the Company, its subsidiaries and affiliates, and third parties as a result of violation of the normal (planned) course of the production process. These risks are largely associated with the level of technical development of subsidiaries and affiliates themselves and also of partner enterprises. For compliance of the Corporation enterprises' equipment with the requirements of production of modern aircraft equipment, production units are being modernized and re-equipped on a large scale. Information technologies are being introduced in the practice of enterprise management and design of aircraft equipment. Information technologies are widely introduced into enterprise management and aircraft design practice. In recent years the risk has originated of Russia landing in a situation of trailing behind modern standards in the sphere of production technologies for onboard equipment, aircraft engines and munitions. In order to improve the level and quality of products supplied by partner enterprises, suppliers including foreign ones are selected through tenders, with audit of the quality management system used by technological cooperation partners.

Political risks

Political risks are among the key risks for sale of military equipment. They are connected with the state internal policy in the sphere of development of military capability, the foreign policy of the Russian Federation as well as the policy of foreign countries – the main suppliers and customers of aircraft equipment in the world market. Changes of political regimes in the countries that import military aircraft equipment is of special importance. The US and the European Union countries have imposed embargos on supplies of armament and military equipment to certain countries acting as customers for the Company's products due to political reasons. A possible lifting of such embargos may involve these states' reorientation in military and technical cooperation and lead to a lower level of demand for Russian arms respectively. On the other hand, the embargo imposed on some countries may lead to the need to terminate Russia's military and technical cooperation with those countries in order to avoid sanctions. Changes in the internal political situation may encourage countries to shift toward other military equipment suppliers. In order to avoid reduction of demand for the Company's products, the Company is looking for new customers, offers broader cooperation terms, and, in particular, licensed production in the customer's territory and the customer's participation in manufacturing of components in its own production base.

Legal risks

Legal risks are associated with possible adoption of regulatory documents which may affect tax, customs and currency modes of activities of the Company. One of such risks is the risk of reduction of customs duties on foreign aircraft equipment imported into Russia, which may result

in growth of competition in the sphere of civil aircraft equipment produced by the Company and its subsidiaries and affiliates. These risks also include unresolved problems in the sphere of intellectual property rights. In order to reduce the effect of the above risks the Company submits corresponding proposals to authorities and administrative bodies, and actively participates in discussion and adoption of legal solutions relating to the prospects of Russian aircraft industry.

LIST OF MAJOR TRANSACTIONS AND TRANSACTIONS OF CLOSE INTEREST CONCLUDED BY JSC UAC IN 2008

Transactions of close interest

Transaction	Material terms and conditions	Ground for interest	Management body that took decision about approval
Loan agreement with JSC VASO	Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount of 420,281,669 rubles for the period up to 31.12.2008.	1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).	Board of Directors
Loan agreement with JSC VASO	Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount up to 97,474,640 rubles for the period up to 31.12.2008.	1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).	Board of Directors
Loan agreement with JSC VASO	Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount up to 499,259,377 rubles for the period up to 31.12.2008.	1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).	Board of Directors
Loan agreement with JSC VASO	Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount of 9,438,672 rubles for the period up to 31.12.2008.	1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).	Board of Directors

<p>Loan agreement with JSC VASO</p>	<p>Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: granting loan for 12.5% per annum in the amount of 100,000,000 rubles for the period up to 01.07.2008.</p>	<p>1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).</p>	<p>Board of Directors</p>
<p>Loan agreement with JSC VASO</p>	<p>Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: granting loan for 9% per annum in the amount up to 450,000,000 rubles for the period up to 31.12.2008.</p>	<p>1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).</p>	<p>Board of Directors</p>
<p>Loan agreement with JSC VASO</p>	<p>Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: granting loan for 9% per annum in the amount up to 650,000,000 rubles for the period up to 31.12.2008.</p>	<p>1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).</p>	<p>Board of Directors</p>
<p>Loan agreement with JSC VASO</p>	<p>Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount up to 79,865,106 rubles for the period up to 3 years</p>	<p>1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).</p>	<p>Board of Directors</p>
<p>Loan agreement with JSC VASO</p>	<p>Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: granting loan for at least 12% per annum in the amount up to 1,500,000,000 rubles</p>	<p>1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).</p>	<p>Board of Directors</p>

<p>Loan agreement with CJSC Aviastar-SP</p>	<p>Borrower - CJSC Aviastar-SP Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount of 174,304,080 rubles for the period up to 31.12.2008.</p>	<p>1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares</p> <p>2. Persons with a close interest in transaction:</p> <ul style="list-style-type: none"> - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). 	<p>Board of Directors</p>
<p>Loan agreement with CJSC Aviastar-SP</p>	<p>Borrower - CJSC Aviastar-SP Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount of 90,695,921.78 rubles for the period up to 31.12.2008.</p>	<p>1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares</p> <p>2. Persons with a close interest in transaction:</p> <ul style="list-style-type: none"> - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). 	<p>Board of Directors</p>
<p>Loan agreement with CJSC Aviastar-SP</p>	<p>Borrower - CJSC Aviastar-SP Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount of 198,005,241.02 rubles for the period up to 31.12.2008.</p>	<p>1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares</p> <p>2. Persons with a close interest in transaction:</p> <ul style="list-style-type: none"> - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). 	<p>Board of Directors</p>
<p>Loan agreement with CJSC Aviastar-SP</p>	<p>Borrower - CJSC Aviastar-SP Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount of 212,009,336.10 rubles for the period up to 31.12.2008.</p>	<p>1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares</p> <p>2. Persons with a close interest in transaction:</p> <ul style="list-style-type: none"> - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same 	<p>Board of Directors</p>

		time is member of the Board of Directors of CJSC Aviastar-SP).	
Loan agreement with CJSC Aviastar-SP	Borrower - CJSC Aviastar-SP Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount of 90,000,000 rubles for the period up to 31.12.2008.	1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP).	Board of Directors
Loan agreement with CJSC Aviastar-SP	Borrower - CJSC Aviastar-SP Lender - JSC UAC Subject and amount of transaction: interest-free loan in the amount of 225,641,897.76 rubles for the period up to 31.12.2008.	1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP).	Board of Directors
Loan agreement with CJSC Aviastar-SP	Borrower - CJSC Aviastar-SP Lender - JSC UAC Subject and amount of transaction: granting loan for 9% per annum in the amount of 50,583,189.6 rubles for the period up to 31.12.2008.	1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP).	Board of Directors

<p>Loan agreement with CJSC Aviastar-SP</p>	<p>Borrower - CJSC Aviastar-SP Lender - JSC UAC Subject and amount of transaction: granting loan in the amount of 400,000,000 rubles for the period up to 31.12.2008.</p>	<p>1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP).</p>	<p>Board of Directors</p>
<p>Loan agreement with CJSC Aviastar-SP</p>	<p>Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: granting loan for at least 12% per annum in the amount up to 1,500,000,000 rubles</p>	<p>1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP).</p>	<p>Board of Directors</p>
<p>Loan agreement with JSC Beriev Aircraft Company</p>	<p>Borrower - JSC Beriev Aircraft Company Lender - JSC UAC Subject and amount of transaction: granting loan for 12.5% per annum in the amount up to 100,000,000 rubles for the period up to 01.07.2008</p>	<p>1. JSC UAC and JSC Beriev Aircraft Company are members of one group of entities. 2. Persons with a close interest in transaction: - O.F. Demchenko (Member of the Board of JSC UAC, at the same time is member of the Board of Directors of JSC Beriev Aircraft Company).</p>	<p>Board of Directors</p>
<p>Loan agreement with JSC Beriev Aircraft Company</p>	<p>Borrower - JSC Beriev Aircraft Company Lender - JSC UAC Subject and amount of transaction: granting loan for at least 10.5% per annum in the amount up to 650,000,000 rubles for the period up to 15.11.2008</p>	<p>1. JSC UAC and JSC Beriev Aircraft Company are members of one group of entities. 2. Persons with a close interest in transaction: - O.F. Demchenko (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC Beriev Aircraft Company).</p>	<p>Board of Directors</p>
<p>Credit agreement with Vnesheconombank</p>	<p>Borrower - JSC UAC Lender - Vnesheconombank Loan amount – 7,500,000,000 rubles. Interest rate – 9.45% per annum, period – 5 years, interest amount – 3,543,750,000 rubles</p>	<p>1. Persons with a close interest in transaction: - S.B. Ivanov (Chairman of the Board of Directors of JSC UAC, at the same time is member of the Supervisory Council of Vnesheconombank). - I.Ye. Levitin (member of the Board of Directors of JSC UAC, at the same time is member of the Supervisory Council of Vnesheconombank). - D.V. Dmitriyev (member of the Board of Directors of JSC UAC, at the same</p>	<p>General Meeting of Shareholders</p>

		time is member of the Supervisory Council of Vnesheconombank).	
Loan agreement with JSC VASO	Borrower - JSC VASO Lender - JSC UAC Subject and amount of transaction: granting loan for at least 12% per annum in the amount up to 5,000,000,000 rubles	1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).	General Meeting of Shareholders
Loan agreement with CJSC Aviastar-SP	Borrower - CJSC Aviastar-SP Lender - JSC UAC Subject and amount of transaction: granting loan for at least 12% per annum in the amount up to 6,000,000,000 rubles	1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP).	General Meeting of Shareholders
Loan agreement with JSC IFC	Borrower - JSC IFC Lender - JSC UAC Subject and amount of transaction: granting loan for at least 12% per annum in the amount up to 4,300,000,000 rubles	1. JSC UAC and JSC IFC are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC IFC). - A.I. Rubtsov (Member of the Executive Board of JSC UAC, at the same time is CEO and member of the Board of Directors of JSC IFC).	General Meeting of Shareholders
Purchase and sale agreement with JSC VASO	Transaction amount – 17,637,500,000 rubles UAC purchases from VASO 34 An-148-100 aircraft. Price of one aircraft – 518,750,000 rubles maximum	1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).	General Meeting of Shareholders
Agency agreement with NP NAC	Transaction amount – 25,000,000 rubles Principal – JSC UAC Agent – NP NAC Organization of selection and attraction of consultants for the Concept of Formation of the National Aircraft Construction Center in the territory of municipal district Zhukovsky	1. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of OAO NP NAC).	Board of Directors

<p>Purchase and sale agreement with JSC Irkut Corporation</p>	<p>Transaction amount – 86,203,600 rubles UAC purchases from JSC Irkut Corporation 13% of shares of JSC Beriev Aircraft Company for the price of 2,800 rubles per 1 share</p>	<p>1. JSC UAC owns more than 20% of voting shares of JSC Irkut Corporation. 2. Persons with a close interest in transaction: - A.I. Fedorov (member of the Board of Directors, Chairman of the Executive Board, President of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - M.A. Pogosyan (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - S.V. Chemezov (member of the Board of Directors of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - V.N. Putilin (member of the Board of Directors of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - O.F. Demchenko (Member of the Executive Board of JSC UAC, at the same time is the President, member of the Board of Directors, member of the Board of JSC Irkut Corporation). - A.G. Belov (Member of the Executive Board of JSC UAC, at the same time is member of the Board of JSC Irkut Corporation).</p>	<p>Board of Directors</p>
<p>Loan agreement with JSC Irkut Corporation</p>	<p>Borrower - JSC UAC Lender - JSC Irkut Corporation Subject and amount of transaction: interest-free loan in the amount of 241,994,000 rubles for the period up to 5 years.</p>	<p>1. JSC UAC owns more than 20% of voting shares of JSC Irkut Corporation. 2. Persons with a close interest in transaction: - A.I. Fedorov (member of the Board of Directors, Chairman of the Executive Board, President of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - M.A. Pogosyan (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - S.V. Chemezov (member of the Board of Directors of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - V.N. Putilin (member of the Board of Directors of JSC UAC, at the same time is member of the Board of Directors of JSC Irkut Corporation). - O.F. Demchenko (Member of the Executive Board of JSC UAC, at the same time is the President, member of the Board of Directors, member of the Board of JSC Irkut Corporation). - A.G. Belov (Member of the Executive Board of JSC UAC, at the same time is member of the Board of JSC Irkut Corporation).</p>	<p>Board of Directors</p>

<p>Additional agreement to the surety agreement with AKB Absolut Bank</p>	<p>Lender under principal obligation - AKB Absolut Bank Guarantor – JSC UAC Beneficiary – JSC VASO Subject and amount of transaction: obligation of joint liability to the Lender for fulfillment of JSC VASO under the Loan Agreement. Amount of contractual obligations – 177,750,000 rubles for 18% per annum</p>	<p>1. JSC UAC and JSC VASO are members of one group of entities. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).</p>	<p>Board of Directors</p>
<p>Surety agreement with Sberbank of Russia</p>	<p>Guarantor Bank – Sberbank of Russia Guarantor – JSC UAC Beneficiary – JSC RSK MiG JSC UAC is liable to Sberbank for fulfillment by JSC RSK MiG of all obligations under the bank guarantee agreement dated 10.12.2008. Guarantee amount 11,307,921 US dollars for 9.5% per annum</p>	<p>1. Persons with a close interest in transaction: - A.I. Fedorov (member of the Board of Directors, Chairman of the Executive Board, President of JSC UAC, at the same time is the Chairman of the Board of Directors JSC RSK MiG). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC RSK MiG). - M.A. Pogosyan (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC RSK MiG). - A.G. Belov (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC RSK MiG). - D.V. Manturov (member of the Board of Directors of JSC UAC, at the same time is member of the Board of Directors of JSC RSK MiG). - M.A. Dmitriyev (member of the Board of Directors of JSC UAC, at the same time is the President, member of the Board of Directors of JSC RSK MiG).</p>	<p>Board of Directors</p>
<p>Surety agreement with Sberbank of Russia</p>	<p>Lender – Sberbank of Russia Guarantor – JSC UAC Borrower – CJSC Aviastar-SP JSC UAC is liable to Sberbank of Russia for fulfillment by CJSC Aviastar-SP of obligations under agreement for non-revolving line of credit #466/85/2007 dated 29.05.2007. Line of credit limit – 462,600,000 for 16% per annum</p>	<p>1. JSC UAC together with its affiliate JSC Tupolev own more than 20% of voting shares of CJSC Aviastar-SP. 2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP). - I.S. Shevchuk (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of CJSC Aviastar-SP).</p>	<p>Board of Directors</p>

<p>Surety agreement with AKB Absolut Bank</p>	<p>Lender under principal obligation - AKB Absolut Bank Guarantor – JSC UAC Beneficiary – JSC VASO Subject and amount of transaction: obligation of joint liability to the Lender for fulfillment of JSC VASO under the Loan Agreement. Amount of contractual obligations – 150,000,000 rubles for 11.5% per annum</p>	<p>1. JSC VASO is the beneficiary in the transaction and is a member of the same group of entities with JSC UAC.</p> <p>2. Persons with a close interest in transaction: - V.B. Bezverkhny (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO). - V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time is member of the Board of Directors of JSC VASO).</p>	<p>Board of Directors</p>
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In the reporting period JSC UAC did not conclude major transactions.

INFORMATION ABOUT COMPLIANCE OF JSC UAC WITH THE CORPORATE CONDUCT CODE

I. General Meeting of Shareholders

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
1.	Notification of shareholders about a general meeting of shareholders not later than 30 days prior to its date notwithstanding issues included into its agenda, unless the legislation envisages a longer period	Yes	Clause 13.5 of the Company Charter
2.	Opportunity for shareholders to become acquainted with the list of persons entitled to participate in the general meeting of shareholders starting from the date of notification about the general meeting of shareholders and up to termination of the general meeting of shareholders in presentia, and in case of the default general meeting of shareholders – up to the date of termination of acceptance of ballot papers	Yes	Clause 3.8 of the Regulations of the General Meeting of Shareholders. Clause 3.2 of the Company Corporate Behavior Code
3.	Opportunity for shareholders to become acquainted with information (materials) subject to provision at preparation to the general meeting of shareholders, through electronic communication facilities including the Internet	No	The Charter envisages delivery of information through the Internet about the general meeting of shareholders only.
4.	Opportunity for shareholders to enter an issue into the agenda of the general meeting of shareholders or to demand calling of the general meeting of shareholders without provision of an extract from the register of shareholders, if his rights for shares are accounted in the system of the register of shareholders, and in case of accounting of his rights for shares in a custody account – sufficiency of an extract from the custody accounts for exercising the above rights	Yes	Clauses 2.2 and 2.3 of the Regulations of the General Meeting of Shareholders
5.	Availability, in the charter or internal documents of a company, of the requirement for mandatory presence of the President, members of the Executive Board, members of the Board of Directors, members of the Inspection Committee and Auditor of the joint-stock company at the general meeting of shareholders	No	Clause 3.6 of the Company Corporate Behavior Code stipulates that the Company shall take every effort to ensure attendance of the General Meeting of Shareholders by managers of the company's management bodies and inspection commission and by the external auditor's representative.
6.	Mandatory presence of candidates at consideration of issues of election of members of the Board of Directors, President, members of the Executive Board, members of the Inspection Committee and the issue of approval of Auditor of a joint-stock company at the general meeting of shareholders	No	Clause 3.6 of the Company Corporate Behavior Code stipulates that the company shall take every effort to ensure attendance of the General Meeting of Shareholders by candidates to members of the company's management and control bodies.
7.	Availability, in internal documents of a joint-stock company, of the procedure of registration of participants in the general meeting of shareholders	Yes	Clauses 6.2, 6.3, 6.4, 6.5, 6.6 of the Regulations of the General Meeting of Shareholders

II. Board of Directors

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
8.	Availability, in the charter of a joint-stock company, of the authority of the Board of Directors to approve financial and economic plan of a joint-stock company	Yes	Sub-clause 33 of clause 16.1 of the Company Charter
9.	Availability of the procedure of risk management in a joint-stock company, approved by the Board of Directors	No	Approval of the company's internal procedures for risk management belongs to the competence of the Board of Directors (sub-clause 50 of clause 16.1 of the Company Charter). The company carries out risk management in the process of its current activity.
10.	Availability, in the charter of a joint-stock company, of the right of the Board of Directors to take a decision about suspension of powers of the President appointed by the general meeting of shareholders	–	In accordance with clause 3 of Article 69 of the Federal Law on Joint-Stock Companies, the right of the Board of Directors to take the decision on suspension of the President's powers may be stipulated in the Company Charter <u>only</u> if the President is elected by the general meeting of shareholders. In accordance with the Company Charter, formation of executive bodies shall be in competence of the Board of Directors (sub-clause 19 of clause 16.1 of the Charter)
11.	Availability, in the charter of a joint-stock company, of the right of the Board of Directors to set requirements towards qualification and amount of remuneration of the President, members of the Executive Board, heads of main structural units of a joint-stock company	Yes	Sub-clause 25 of clause 16.1 of the Company Charter
12.	Availability, in the charter of a joint-stock company, of the right of the Board of Directors to approve terms and conditions of contracts with the President and members of the Executive Board	Yes	Sub-clause 23 of clause 16.1 of the Company Charter
13.	Availability, in the charter or internal documents of a joint-stock company, of the requirement concerning not taking into account votes of members of the Board of Directors who are the President and members of the Executive Board at the count of votes at approval of terms and conditions of contracts with the President (management organization, manager) and members of the Executive Board	No	
14.	Availability in the Board of Directors of a joint-stock company of at least 3 independent directors complying with the requirements of the Corporate Conduct Code	Yes	
15.	Absence in the Board of Directors of a joint-stock company of persons who have been pleaded guilty in economic crimes or crimes against state authority, interests of government service and local authorities, or who have been punished for delinquency in entrepreneurship or in the sphere of finance, taxes and levies, securities market	Yes	According to information available to the Company

16.	Absence in the Board of Directors of a joint-stock company of persons who are participants, President general (managers), members of managing bodies or employees of a legal entity competing with this joint-stock company	Yes	
17.	Availability, in the charter of a joint-stock company, of the requirement to elect the Board of Directors with cumulative vote	Yes	Clause 15.3 of the Company Charter
18.	Availability, in internal documents of a joint-stock company, of the obligation of members of the Board of Directors to refrain from actions which will result or may potentially result in a conflict between their interests and interests of this joint-stock company, and in case of occurrence of such conflict – the obligation to disclose information about this conflict to the Board of Directors	Yes	Sub-clauses 1 and 8 of clause 3.4 of the Regulations of the Company Board of Directors
19.	Availability, in internal documents of a joint-stock company, of the obligation of members of the Board of Directors to notify the Board of Directors in writing about intention to carry out transactions with securities of the joint-stock company members of the board of director of which they are, or of its subsidiaries (affiliates), and to disclose information about transactions with such securities carried out by them	Yes	Sub-clauses 8 of clause 3.4 of the Regulations of the Company Board of Directors
20.	Availability, in internal documents of a joint-stock company, of the requirement to hold meetings of the Board of Directors at least once in six weeks	No	In accordance with clause 5.2 of the Regulations of the Company Board of Directors meetings of the Board of Directors shall be held at least once in two months
21.	Holding meetings of the Board of Directors of a joint-stock company during the year for which the annual report of this joint-stock company is executed, with periodicity at least once in six weeks	No	
22.	Availability, in internal documents of a joint-stock company, of the procedure of meetings of the Board of Directors	Yes	Article 8 of the Regulations of the Company Board of Directors
23.	Availability, in internal documents of a joint-stock company, of the provision about necessity of approval by the Board of Directors of transactions for the amount of 10 and more per cent of the cost of assets of this company, except transactions executed in the course of routine business	Yes	Sub-clause 41 of clause 16.1 of the Company Charter
24.	Availability, in internal documents of a joint-stock company, of the right of members of the Board of Directors to receive information necessary for performance of their functions, from executive bodies and heads of main structural units of this joint-stock company, as well as responsibility for non-provision of such information	Yes	Sub-clause 5 of clause 3.1, sub-clause 7 of clause 4.6 of the Regulations of the Company Board of Directors (responsibility for non-supply of information is not stipulated in the Company internal documents and shall arise in accordance with the current legislation).
25.	Availability of a committee of the Board of Directors for strategic planning or assignment of functions of such committee to another committee (except audit committee and HR and remuneration committee)	Yes	Sub-clause 53 of clause 16.1 of the Company Charter
26.	Availability of the committee of the Board of Directors (audit committee) which recommends to the Board of Directors an auditor of a joint-stock company and interacts with it and the inspection committee of this joint-stock company	Yes	Clauses 1.4 and 2.1 of the Regulations of the Audit Committee of the Board of Directors of the Company

27.	Presence of independent and non-executive directors only in the audit committee	Yes	The committee includes members of the Board of Directors – state representatives. An independent director acts as the committee Chairman.
28.	Management of the audit committee by an independent director	Yes	
29.	Availability, in internal documents of a joint-stock company, of the right of all members of the audit committee to access to any documents and information of a joint-stock company under the condition of non-disclosure of confidential information	Yes	Clause 5.7 of the Regulations of the Audit Committee of the Board of Directors of the Company
30.	Formation of the committee of the Board of Directors (HR and remuneration committee) functions of which include determination of criteria for selection of candidates to members of the Board of Directors and development of the policy of a joint-stock company in remuneration	Yes	Clause 2.1 of the Regulations of the Audit Committee of the Board of Directors of the Company
31.	Management of the HR and remuneration committee by an independent director	Yes	
32.	Absence of officers of a joint-stock company in the HR and remuneration committee	Yes	
33.	Formation of the risk committee of the Board of Directors or assignment of functions of such committee to another committee (except audit committee and HR and remuneration committee)	Yes	The said functions have been entrusted to the Strategy Committee of the Board of Directors (clause 2.1 of the Regulations of the Strategy Committee of the Board of Directors, clauses 2.2 – 2.14 of the Appendix to the Regulations of the Strategy Committee of the Board of Directors)
34.	Formation of the committee of Board of Directors for settlement of corporate conflicts or assignment of functions of such committee to another committee (except audit committee and HR and remuneration committee)	No	
35.	Absence of officers of a joint-stock company in the committee for settlement of corporate conflicts	–	The committee has not been formed
36.	Management of the committee for settlement of corporate conflicts by an independent director	–	The committee has not been formed
37.	Availability of internal documents of a joint-stock company approved by the Board of Directors, envisaging the procedure of formation and activity of committees of the Board of Directors	Yes	The Company Board of Directors has approved the Regulations of the Strategy Committees of the Board of Directors and the HR and Remuneration Committee of the Board of Directors
38.	Availability, in the charter of a joint-stock company, of the procedure of determination of quorum of the Board of Directors, enabling to ensure mandatory participation of independent directors in meetings of the Board of Directors	No	Independent directors always attend meetings of the Board of Directors

III. Executive bodies

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
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39.	Availability of a collective executive body (the Executive Board) of a joint-stock company	Yes	Article 21 of the Company Charter
40.	Availability, in the charter or internal documents of a joint-stock company, of the provision about necessity for the Executive Board to approve transactions with real property, receipt of loans by this joint-stock company if such transactions are not major transactions and do not belong routine business of this joint-stock company	–	In accordance with the Company Charter approval of real estate transactions is in competence of the Board of Directors (sub-clause 42 of clause 16.1 of the Company Charter)
41.	Availability, in internal documents of a joint-stock company, of the procedure of approval of operations beyond the financial and economic plan of a joint-stock company	No	
42.	Absence, in executive bodies, of persons who are participants, President (manager), members of managing bodies or employees of a legal entity competing with this joint-stock company	Yes	
43.	Absence, in executive bodies of a joint-stock company, of persons who have been pleaded guilty in economic crimes or crimes against state authority, interests of government service and local authorities, or who have been punished for delinquency in entrepreneurship or in the sphere of finance, taxes and levies, or the securities market. In case the functions of a sole executive body are performed by a management company or a manger – compliance of the President and members of the Executive Board of the management company or the manager with the requirements produced to the President and members of the Executive Board of such joint-stock company	Yes	According to information available to the Company
44.	Availability, in the charter or internal documents of a joint-stock company, of the prohibition to a management organization (manager) to perform similar functions in a competing company and to have any other ownership relations with this joint-stock company except provision of services of a management company (manager)	No	
45.	Availability, in internal documents of a joint-stock company, of the obligation of executive bodies to refrain from actions which will result or may potentially result in a conflict between their interests and interests of this joint-stock company, and in case of occurrence of such conflict – the obligation to inform the Board of Directors about it	Yes	Clauses 4.1, 4.2, 8.4, 8.5 of the Regulations of the Company Executive Bodies
46.	Availability, in the charter or internal documents of a joint-stock company, of criteria for selection of a management company (manager)	No	
47.	Provision of monthly reports of activities of executive bodies of a joint-stock company to the Board of Directors	No	Sub-clause 28 of Clause 16.1 of the Company Charter envisages approval of reports of the Company management bodies' activity by the Board of Directors
48.	Stipulating liability for violation of provisions relating to use of confidential and official information in agreements concluded by a joint-stock company with the President (management organization, manager) and members of the Executive Board	Yes	

IV. Secretary of the Company

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
49.	Availability, in a joint-stock company, of a special officer (secretary of the company), the goal of whom is to ensure observance of procedure requirements guaranteeing implementation of rights and legal interests of shareholders of a company, by bodies and officers of this company	Yes	Sub-clause 27 of clause 16.1 and clause 18.4 of the Company Charter, clause 4.6 of the Regulations of the Company Board of Directors
50.	Availability, in the charter or internal documents of a joint-stock company, of the procedure of appointment (election) of the company secretary and duties of such company secretary	Yes	Sub-clause 27 of clause 16.1 of the Company Charter, clauses 4.5 and 4.6 of the Regulations of the Company Board of Directors, Article 9 of the Regulations of the Company Executive Bodies
51.	Availability, in the charter of a joint-stock company, of requirements to the candidacy of the company secretary	No	

V. Material corporate actions

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
52.	Availability, in the charter or internal documents of a joint-stock company, of a requirement about approval of a major transaction before it is executed	No	Sub-clause 18 of clause 11.1 and sub-clause 38 of clause 16.1 of the Company Charter
53.	Mandatory attraction of an independent appraiser for appraisal of the market value of property which is the subject of a major transaction	No	
54.	Availability, in the charter of a joint-stock company, of the prohibition, at purchase of a large shareholding of a joint-stock company (acquisition), of any actions aimed at protection of interests of executive bodies (members of these bodies) and members of the Board of Directors of a joint-stock company, as well as actions worsening condition of shareholders in comparison with the existing condition (in particular, prohibition to the Board of Directors to take decisions, before termination of the estimated period of purchase of shares, about issue of additional shares, issue of securities convertible into shares or securities entitling to purchase shares of this company, even if it has such right in accordance with the charter)	No	
55.	Availability, in the charter of a joint-stock company, of the requirement of mandatory attraction of an independent appraiser for appraisal of the current market value of shares and possible changes of their market value in the result of acquisition	No	
56.	Unavailability, in the charter of a joint-stock company, of release of the acquirer from the obligations to offer to shareholders to sell equities of this company (issuing securities convertible into equities) owned by them, at acquisition	Yes	
57.	Availability, in the charter or internal documents of a joint-stock company, of the requirement of mandatory attraction of an independent appraiser for determination of ration of conversion of shares at	Yes	Clause 8.1.2 of the Company Corporate Behavior Code

	reorganization		
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VI. Disclosure of information

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
58.	Availability of an internal document approved by the Board of Directors, determining rules and approaches of a joint-stock company to disclosure of information (information policy regulations)	No	Information is disclosed in accordance with Order of the Federal Financial Markets Service #06-117/pz-n dated October 10, 2006
59.	Availability, in internal documents of a joint-stock company, of the requirement of disclosure of information about the goal of placement of shares, about persons intended to purchase shares to be placed including large shareholding, and about possible participation of chief officers of this joint-stock company in purchase of shares of this company to be placed	No	
60.	Availability, in internal documents of a joint-stock company, of the list of information, documents and materials which are to be provided to shareholders for taking decisions on issues proposed for the general meeting of shareholders	Yes	Clauses 3.17-3.19 of the Regulations of the General Meeting of Shareholder
61.	Availability of a website of a joint-stock company in the Internet and regular disclosure of information about this joint-stock company in such website	Yes	www.uacrussia.ru
62.	Availability, in internal documents of a joint-stock company, of the requirement of disclosure of information about transactions of this joint-stock company with persons belonging, in accordance with its charter, to chief officers of this company, as well as about transactions of this joint-stock company with organizations in which chief officers of this joint-stock company directly or indirectly own at least 20 per cent of charter capital of the joint-stock company, or on which such persons may influence materially in other ways	No	Information is disclosed in accordance with Order of the Federal Financial Markets Service #06-117/pz-n dated October 10, 2006
63.	Availability, in internal documents of a joint-stock company, of the requirement of disclosure of information about all transactions which may influence the market value of shares of a joint-stock company	No	Information is disclosed in accordance with Order of the Federal Financial Markets Service #06-117/pz-n dated October 10, 2006
64.	Availability of an internal documents approved by the Board of Directors, concerning use of material information about activities of a joint-stock company, company shares and other securities and transactions with them, which is not generally accessible and disclosure of which may influence materially the market price of shares and other securities of this joint-stock company	No	

VII. Control of financial and economic activity

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
65.	Availability of the procedures of internal audit of financial and economic activities of a joint-stock company, approved by the Board of Directors	No	The Company carries out internal control over financial and economic activity, however, no formalized

			procedure of such control has been approved.
66.	Availability of the special unit of a joint-stock company ensuring observance of the internal audit procedures (supervision and auditing service)	Yes	Internal audit department
67.	Availability, in internal documents of a joint-stock company, of the requirement of determination of the structure and membership of the supervision and auditing service of a joint-stock company by the Board of Directors	No	
68.	Absence in the supervision and auditing service of persons who have been pleaded guilty in economic crimes or crimes against state authority, interests of government service and local authorities, or who have been punished for delinquency in entrepreneurship or in the sphere of finance, taxes and levies, securities market	Yes	
69.	Absence in the supervision and auditing service of persons who are members of executive bodies of this joint-stock company, as well as persons who are participants, directors general (managers), members of managing bodies or employees of a legal entity competing with this joint-stock company	Yes	
70.	Availability, in internal documents of a joint-stock company, of the term of presentation, to the supervision and auditing service, of documents and materials for evaluation of performed financial and economic operation, as well as responsibility of officers and employees of this joint-stock company for non-provision of these documents and materials in due time	No	
71.	Availability, in internal documents of a joint-stock company, of the obligation of the supervision and auditing service to inform the audit committee about revealed violations, and in case absence of the audit committee – to the Board of Directors of a joint-stock company	Yes	Clause 10.2.2 of the Company Corporate Behavior Code
72.	Availability, in the charter of a joint-stock company, of the requirement of preliminary estimation, by the supervision and auditing service, of reasonability of transactions not envisaged in the financial and economic plan of a joint-stock company (irregular transactions)	No	In accordance with clause 10.2.3 of the Company Corporate Behavior Code transactions not envisaged in the financial and economic plan require preliminary estimation by the control and inspection service of the Company
73.	Availability, in internal documents of a joint-stock company, of the procedure of approval of an irregular transaction by the Board of Directors	No	In accordance with clause 10.2.3 of the Company Corporate Behavior Code transactions not envisaged in the financial and economic plan require preliminary estimation by the control and inspection service of the Company (at that the control and inspection service is managed by the Audit Committee of the Board of Directors)
74.	Availability of the internal documents approved by the Board of Directors, determining the procedure of inspections of financial and economic activities of a joint-stock company by the inspection committee	No	

75.	The audit committee evaluates an audit report before presenting it to shareholders at the general meeting of shareholders	Yes	Clause 2.1 of the Regulations of Company Audit Committee of the Board of Directors of the Company and clause 2.2 of the Appendix to the Regulations of Company Audit Committee of the Board of Directors of the Company
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VIII. Dividends

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
76.	Availability of the internal documents approved by the Board of Directors, with which the Board of Directors is guided at taking recommendations relating to the amount of dividends (dividend policy regulations)	No	
77.	Availability, in the Dividend Policy Regulations, of the procedure of determination of the minimum share of net profit of a joint-stock company directed to payment of dividends and terms and conditions under which dividends are paid or partially paid on preferred shares, the amount of dividends on which is determined in the charter of this joint-stock company	–	Dividend policy regulations have not been adopted
78.	Publication of information about the dividend policy of a joint-stock company and amendments to it in a periodical envisaged in the charter of this joint-stock company for publication of information about general meetings of shareholders as well as placement of this information in the Internet website of this joint-stock company	–	Dividend policy regulations have not been adopted

FINANCIAL (ACCOUNTING) REPORTS OF JSC UAC FOR 2008
Balance Sheet (as on 31.12.2008)

thousand rubles

ASSETS	Indicator code	As at the end of the reporting period
I. Fixed Assets		
Intangible assets	110	709
Capital assets	120	30,504
Long-term financial investment	140	119,368,778
Deferred tax assets	145	217,874
Other fixed assets	150	126,826
Total in Section I	190	119,744,691
II. Current Assets		
Reserves	210	103,466
Input value-added tax	220	36,449
Noncurrent non-delinquent accounts receivable	230	798,259
Current non-delinquent accounts receivable, including:	240	1,352,882
Short-term financial investment	250	3,866,067
Cash funds	260	3,837,549
Total in Section II	290	9,994,671
BALANCE	300	129,739,362
LIABILITIES	Line code	As at the end of the reporting period
III. Capital and Reserves		
Charter capital	410	104,970,603
Additionally issued shares	412	6,000,000
Reserve capital	430	1,2103
Retained profit (uncovered loss)	470	(869,380)
Total in Section III	490	110,773,055
IV. Long-term Liabilities		
Loans and borrowings	510	18,000,713
Deferred tax liabilities	515	13
Total in Section IV	590	18,000,726
V. Short-term Liabilities		
Loans and borrowings	610	-
Accounts payable	620	965,581
Total in Section V	690	965,581
BALANCE	700	129,739,362

Profit and Loss Report
(for the period from January 1 to December 31, 2008)

thousand rubles

INDICATOR	In the reporting period
Ordinary activities income and expenditures	
Net income from sale of goods, products, works and services (less VAT, excise tax and similar compulsory payments) including:	2,471,905
Net cost of goods, products, works and services sold	(2,255,540)
Gross profit	216,365
Management expenses	(478,491)
Sales profit (loss)	(262,126)
Other income and expenditures	
Interest receivable	862,579
Interest payable	(796,126)
Income from participation in other organizations	495,014
Other income	180,919
Other expenses	(1,619,203)
Income (loss) before tax	(1,138,943)
Deferred tax assets	183,167
Deferred tax liabilities	(12)
Tax sanctions	(5)
Current income tax withheld by tax agent	(9,921)
Net profit (loss) for the reporting period	(965,714)
FOR REFERENCE:	
Permanent tax liabilities (assets)	90,191

BRIEF INFORMATION ABOUT MAJOR COMPANIES OF THE GROUP

JSC Sukhoi Company was established as a holding including the blocks of shares of the companies engaged in design and development, serial production and in rendering of post-sales services to aircraft. JSC Sukhoi Company includes: JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov, JSC Komsomolsk-on-Amur Aircraft Production Association, CJSC SCA, and JSC Sukhoi Design Bureau. The enterprise also holds blocks of shares of JSC Irkut Corporation and JSC Beriev Aircraft Company.

JSC Sukhoi Company plants produce Su-family combat, civil and sport aircraft, including ground- and ship-based fighters and bombers. JSC Sukhoi Design Bureau acts as an aircraft designer. The company supplies its products mainly for export (up to 85% of JSC Sukhoi Company proceeds).

Combat aircraft include the Su-27SK/Su-27SKM, Su-30MK/Su-30-MK2/Su-30MKI/Su-30MKM, Su-32, Su-33, Su-22M3, Su-22M4, Su-24MK, Su-25K and Su-27UBK. The company's civil aircraft include the Su-80, Su-26, Su-29, Su-31, Be-103 (amphibian aircraft) and also the up-to-date design of Sukhoi Superjet 100 (SSJ) regional aircraft. A project of drone aircraft is currently at the blueprint stage. Moreover, Sukhoi renders a number of accompanying services: after-sales services, repairs, modernization, aircraft restoration and increase of aircraft life, pilot training and aircraft technical diagnosis.

JSC Komsomolsk-on-Amur Aircraft Production Association is Russia's largest aircraft enterprise specializing in production of fighters and attack aircraft and also in rendering services in the sphere of repairs, technical maintenance and modernization of previously supplied fighters. JSC Komsomolsk-on-Amur Aircraft Production Association is the leading production enterprise of JSC Sukhoi Company and manufactures Su family aircraft (Su-27, Su-30, Su-33), and also takes part in the program of production of the SSJ civil airliner.

Other types of its activity include repairs and post-warranty services and aircraft equipment modernization.

JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov was established on the basis of the Novosibirsk Mining Equipment Plant which was converted in 1936 to aircraft manufacturing. Today the core activity of JSC Novosibirsk Aircraft Production Association is production of combat aircraft, aircraft components and provision of repair services and aircraft equipment modernization.

JSC Novosibirsk Aircraft Production Association manufactures the following types of products: the Su-34 front-line bomber, An-38-100/120 regional multi-purpose aircraft; and aircraft components (aircraft catapult devices, aircraft beam holders, aircraft containers, active jamming container stations, combined reconnaissance containers, freight suspension systems, nose radio-transparent cones for Su-30 aircraft and flight refueling probes).

Moreover, JSC Novosibirsk Aircraft Production Association performs repairs and modernization of Su-24M aircraft for the Russian Air Force and Su-24MK for foreign air forces, manufactures stand and auxiliary equipment for repairs and diagnosis of previously sold aircraft equipment, and supplies spare parts and operation-technical and repairs documents. Main customers for repairs and other after-sale services for Su-24 of all modifications are: the Ministry of Defense of the Russian Federation, Libya, Algeria, Iran and Syria.

JSC Sukhoi Design Bureau was established on the basis of Design Bureau of P.O. Sukhoi, founded on the basis of AGOS TsAGI Team No. 4. R&D and design works in the sphere of design and modernization of aircraft equipment, including civil aircraft, dual-purpose and military aircraft form the basis of activity carried out by JSC Sukhoi Design Bureau.

JSC Irkut Corporation was established in 2002 on the basis of JSC Irkutsk Aircraft Production Association (JSC IAPO), which, in its turn, was established in 1993 on the basis of the Irkutsk

Aircraft Plant. JSC Irkut Corporation is a vertically integrated holding activity of which is focused on designing, production, sales and after-sales services of military and civil aircraft equipment.

In the sphere of military aircraft manufacturing JSC Irkut Corporation specializes in production of Su-30MK heavy fighters. The Yak-130 combat trainer aircraft is currently at the stage of design and preparation for launch of production.

In addition JSC Irkut Corporation is taking part in a number of promising projects which, according to forecasts, will allow it to increase the share of proceeds from sale of civil and dual-purpose products. Within the framework of the International Industrial Cooperation project the company performs activities for production of components for Airbus A320 family aircraft. Since 2007 the company is the head contractor in the project for designing of the promising MC-21 short- and medium-haul aircraft.

JSC Yakovlev Design Bureau traces its history to A.S. Yaskovlev's design and production group. The main types of work performed by Joint Stock Company Yakovlev Design Bureau include development of design, technical, operation and technological documents for civil and military aircraft equipment. In addition the Design Bureau renders services to the Yak aircraft fleet, provides manufacturer's inspection, extension of life and calendar limits, and supports repairs and maintenance of these aircraft.

JSC Beriev Aircraft Company was established in 1998 on the basis of state enterprise Taganrog Aircraft Scientific and Technical Complex named after G.M. Beriev and founded in 1934. JSC Beriev Aircraft Company's main activity is research and development in the sphere of hydro-aviation and modernization of existing models of civil and military aircraft as well as creation of special-purpose airplanes (search and rescue, radiolocation patrol and detection). In the near future it is planned to launch serial production of Be-family aircraft on the basis of the company's production capacities.

JSC Beriev Aircraft Company performs a large volume of research and development and experimental activities for creation, use and operation of promising hydro-aircraft and amphibian aircraft. Its theoretical developments and experimental research are carried out in the sphere of aero- and hydrodynamics, liquid and gas mechanics, systems engineering and strength of aircraft construction materials.

JSC Taganrogskaya Aviatsiya was established on September 5, 1996 on the basis of the Dimitrov Taganrog Aircraft Plant, which in turn was founded in the late 1940s on the territory of State Union Experimental Plant of Sea Aircraft Construction No. 86. Over this period the enterprise mastered the production of reconnaissance aircraft and heavy and light bombers. Land-based and amphibian aircraft were produced depending on the nature of their location.

In 1973 the plant launched production of large land-based anti-submarine Tu-142 aircraft designed on the basis of the Tu-95. In 1981-1984 the enterprise produced the head series of Tu-95MS strategic rocket-carriers. From 1987 JSC Taganrogskaya Aviatsiy, being the lead contractor for Tu-142M aircraft construction, performed works under the order of the Indian Air Forces, supplying aircraft, ground equipment and other products.

Jointly with JSC Beriev Aircraft Company the company was in charge of experimental production of the world largest amphibian aircraft, the A-42 Albatros.

Today the company's main activity consists of provision of services of modernization and extension of life of Tu-95 bomber and Tu-142 anti-submarine aircraft. Besides that the company is the head manufacturer of strapdown parachute systems (SPS) used by Russian Airborne Forces for equipment and freight landing.

The company's specialization includes repairs of military aircraft equipment and manufacturing of landing equipment. The company is also engaged in serial production of speed patrol boats (Project 13987) and also of a number of civil products – gas-fueled boilers, sports complexes,

sledges and medical equipment. The consumer of the main volume of military products is the Ministry of Defense of the Russian Federation.

JSC Tupolev is an enterprise formed on the basis of the design bureau named after A.N. Tupolev. JSC Tupolev's main economic activity is R&D in the sphere of creation and modernization of aircraft equipment including civil, military and dual-purpose aircraft.

The results of the company's intellectual activity, including the results of R&D works performed under state-financed contracts, are the main products of JSC Tupolev. The sphere of JSC Tupolev activity includes creation and production of military and civil aircraft equipment and armaments, experimental aircraft; solution of problems of ensuring airworthiness and aircraft certification; scientific and technical services including repairs, manufacturer's inspection and warranty services to aircraft equipment, and scientific and technical support of operation of customer's items.

At the present moment JSC Tupolev performs work for further development of the Tu-204/214 family of aircraft and other models. Activities are also carried out in the area of practical commissioning of aircraft operating on alternative fuels. JSC Tupolev is also engaged in modernization of long-haul aircraft and naval aircraft.

The Ministry of Defense of the Russian Federation is the company's main customer in the military area. In the sphere of civil products, modernization and aircraft life extension and other activities works are performed both for Russian and foreign aircraft companies.

JSC UAC-TA (JSC Ilyushin IAC) was established in 2000 for management of holdings of shares in JSC VASO and JSC IL. In 2007 the process was launched for formation, on the basis of JSC Ilyushin IAC, of a management company for a business unit of JSC UAC for military transport aviation projects. The main project implemented immediately by JSC Ilyushin IAC is development and transfer of production of Il-76 heavy military-transport aircraft to the territory of the Russian Federation as well as development of a promising project of creation of medium military transport aircraft.

JSC Ilyushin Aviation Complex is one of the oldest enterprises in the sphere of aircraft design. JSC IL is engaged in development of Il family aircraft. At present it develops and supports operation of Il-114, Il-62, Il-86, Il-96-300, and Il-103 passenger aircraft; Il-76 transport-and-cargo aircraft and their modifications Il-114T, Il-96-400T as well as Il-38 anti-submarine aircraft.

JSC VASO was established in 1993 on the basis of the Voronezh Aircraft Plant. In 2002 the enterprise celebrated its 70th anniversary. OJSC VASO specializes in production of mainly civil aircraft products. Along with this the enterprise's production line includes medium-range military-transport aircraft.

OJSC VASO also carries out repairs, maintenance and replacement of engines of the entire model line of its products, besides that it has orders for production of individual units for major international aircraft producers.

Airplanes of the Il-96 family form the basis of the OJSC VASO production program. Today the company is engaged in assembly of units for SSJ-100 and assembly of An-148 aircraft, with preparation in progress for production of Il-112 aircraft and Il-476 units for subsequent assembly at the production unit of CJSC Aviastar-SP.

Moreover, OJSC VASO carries out activities for preparation for production of units for Airbus A380 airliner.

CJSC Aviastar-SP was established on the basis of the Ulyanovsk Aircraft Industrial Complex. At present CJSC Aviastar-SP specializes in production of modern Tu-204 passenger and cargo aircraft. The company also provides general services to aircraft in the after-sales period. Besides that, within the framework of the order of the Government of the Russian Federation to transfer

production of Il-76 family aircraft to Russian enterprises, preparations are in progress at the Aviastar-SP production facilities for serial production of Il-476 family aircraft.

JSC Ilyushin Finance Co was incorporated in 1999 under the initiative of JSC IIL. JSC IFC's primary activity is financial and operation leasing of Russian-made up-to-date civil aircraft, equipment for aircraft manufacturing enterprises and other equipment as well as technical support of operations of modern aircraft and equipment.

Besides that JSC IFC provides agency services in the sphere of supply of Russian-made civil aircraft and consulting services to aircraft construction enterprises and civil aviation.

JSC Financial Leasing Company is an aircraft-leasing company established in 1997 (initially in the form of close joint stock company). The main activity of JSC Finance Leasing Company is financial and operational leasing of up-to-date Russian-made civil aircraft, equipment for aircraft construction enterprises and other of equipment as well as technical support of operations of modern aircraft and equipment.

JSC Nizhny Novgorod Aircraft-Building Plant Sokol is one of Russia's oldest aircraft construction enterprises. During its 75-year history the plant has produced over 43,500 aircraft including about 13,500 MiG fighters. JSC Nizhny Novgorod Aircraft-Building Plant Sokol has supplied equipment to more than 30 countries around the world.

JSC Nizhny Novgorod Aircraft-Building Plant Sokol produces military aircraft (the MiG-31E fighter-interceptor; MiG-29UB ver. B combat trainer fighter; Yak-130 combat trainer aircraft) and civil aircraft (M-101T light passenger airliner, Accord amphibian aircraft). Besides that JSC Nizhny Novgorod Aircraft-Building Plant Sokol provides services in the sphere of modernization of MiG-21BIS fighters and manufactures speed vessels (Sokol titanium hydrofoil boats, Volga-2 boat-screen planes).

JSC V/O Aviaexport is an exporter of Russian-made aircraft and aircraft equipment. JSC V/O Aviaexport is engaged in organization and participates in implementation of projects in the aerospace area; export/import operations in the sphere of passenger and transport aircraft, spare parts, equipment and instruments. The organization is also engaged in organization of technical maintenance and repairs of operating aircraft; provides training for customers' flight and ground personnel; provides marketing services in the world aircraft equipment market and assists in performance of financial settlement operations.

In addition JSC V/O Aviaexport organizes participation of CIS enterprises and companies in international air shows and exhibitions and is engaged in projects of international scientific and technical cooperation.