



**ANNUAL REPORT**

**of Joint Stock Company**  
**United Aircraft Corporation**  
**for 2009**

**Moscow**

2010

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## 1. ADDRESS TO SHAREHOLDERS AND INVESTORS

**Dear Sirs!**

The last year of 2009 was successful for JSC UAC notwithstanding the global financial crisis. The Corporation continued with and practically completed the consolidation of its subsidiaries. The Corporation integrated PJSC RAC MiG and JSC KAPO named after S.P. Gorbunov, in so doing fulfilling the Decree of the President of the Russian Federation No.140 dated February 20, 2006 “Joint-Stock Company United Aircraft Corporation”. Last year more than 700 private shareholders became shareholders of JSC UAC by way of exchanging their shares in subsidiaries of the Corporation for shares of JSC UAC. The charter capital of JSC UAC was increased by 26,634,755,005 roubles. Since November 16, 2009 shares of JSC UAC have been allowed to be traded in RTS.

The Corporation continued to increase sales and production volumes. Notwithstanding the effects of the global financial crisis in 2009 the Corporation delivered 96 aircraft for civil and military customers in the Russian Federation and abroad.

In the segment of military aircraft (front-line aircraft, long-range aircraft, military transportation and specialized aircraft, combat trainer aircraft) 84 new aircraft and knockdown kits were delivered. Over 60 aircraft underwent overhaul and/or modernization. In 2009 sales of products for military purposes increased by 19.6% and amounted to about 86.0 billion roubles. The volume of state defense orders increased considerably, its share in deliveries was around 40%.

In 2009 sales of commercial aircraft increased by 8.7% and reached 12.5 billion roubles. Financing of R&D activities by the Russian Federation and commercial customers rose by 18.3%. Proceeds totaled 114 billion roubles, rising by 18.1% in comparison with 2008.

The prospects of JSC UAC remain positive – in 2009 deliveries of An-148 short-haul aircraft started and a considerable part of the testing and certification process of the Sukhoi SuperJet 100 were completed. Deliveries of Il-96-400 cargo aircraft started. In the sphere of combat aviation the first deliveries of the Yak-130 combat trainer aircraft were carried out.

In November 2009 a restructuring of the Corporation was approved by way of the establishing of three business units: UAC – Combat Aviation, UAC – Commercial Aviation and UAC – Special Aviation. The setting up of these structures within the framework of corporate restructuring of the group is scheduled for 2010-2012.

In 2009 the Government of the Russian Federation took and implemented a number of decisions about provision of governmental support to JSC UAC enterprises in order to replenish the working capital of the enterprises concerned and settlement of their financial deficits accumulated in the years of insufficient financing of the industry. By way of contribution of funds into the authorized capital necessary for financing the main activity of PJSC RAC MiG, JSC KAPO named after S.P. Gorbunov and JSC Sukhoi Company, an amount exceeding 37.3 billion roubles was guaranteed resulting in financial stability of the enterprises and the necessary long-term investment into priority projects. Likewise in the course of additional issues of shares at the expense of budget

sources JSC UAC received funds for maintaining the necessary level of working capital, long-term investments and a reduction of the debt burden of both the corporation itself and its enterprises.

In December 2009 the Government of the Russian Federation took a decision about restructuring of consolidated debt of JSC UAC to the total amount of about 70.5 billion roubles. In particular, funds to the amount of 21 billion roubles allocated by the Government of the Russian Federation to SC Vnesheconombank are to be directed to these purposes. The decisions about refinancing of the remaining part of the debt are to be implemented during 2010.

Expanding its product line and using the groundwork laid in 2009 JSC UAC will continue dynamic development for the benefit of all its shareholders – the growth rate achieved will be maintained in 2010.

**Chairman of the Board of Directors**

**S.B. Ivanov**

## 2. KEY CORPORATE EVENTS OF 2009

### JANUARY 2009

- On January 29 European Aviation Safety Authority (EASA) presented to JSC Tupolev the type certificate for the Tu-204-120SE medium-haul cargo aircraft. The type certificate was issued by EASA to a Russian aircraft for the first time, which means recognition of the Russian aircraft building industry in Europe.

### FEBRUARY 2009

- On February 6 President and Chairman of Executive Board of JSC UAC Alexey Fedorov was elected Chairman of the International Aviation Union (IAU)<sup>1</sup>. His candidacy was approved at the conference of the Union. IAU is an organization uniting all aviation sub-industries for coordination of schedules and work as well as for joint decision-making.
- On February 26 the Supervisory Council of the Nonprofit Partnership National Aircraft Construction Center approved the concept of creation of the National Aircraft Manufacturing Center (NAMC)<sup>2</sup>. The concept was developed in pursuance of the Ruling of the President of the Russian Federation No.217 dated February 20, 2008. Creation of NAMC will allow for the building up of an efficient infrastructure for development of the Russian aviation industry at a qualitatively new level.

### MARCH 2009

- On March 11 Russian Technologies State Corporation and JSC UAC signed a Cooperation Agreement. The Agreement is aimed at development of the existing production cooperation system and an increase in product competitiveness, together with concentration of production and financial resources for efficient implementation of programs of creation of prospective aviation equipment.
- On March 20 the Su-35 multi-purpose fighter performed its hundredth flight, during which final tests of the flight control system were carried out. All aircraft systems operated in accordance with required standards. Sukhoi Company started flight tests of the Su-35 in February 2008. The first flight took place on the airfield of M.M. Gromov Flight Research Institute in Zhukovsky, Moscow Region.
- On March 26 a meeting of the Coordinating Council of the Russian Aircraft Industry Workers' Trade Union (Profavia) for interaction of trade unions with JSC UAC took place. Participants in the meeting coordinated their positions on issues of continuing vocational training, labor protection and youth policy. Special attention in the discussion was paid to issues of the remuneration and social policy of the Corporation as well as interaction of UAC with the primary trade union organization and the trade union as a whole.
- On March 31 CJSC Aviastar-SP transferred to the customer – CJSC Red Wings airline (Airlines 400) – the 50<sup>th</sup> Tu-204-100V aircraft (side number RA-64050). Delivery was performed within the framework of the contract signed by the airline and leasing company JSC Ilyushin Finance C<sup>o</sup>, a member of JSC UAC.

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<sup>1</sup> Nonprofit partnership Aviation Union (before april 2009 – International Aviation Union) was established in July 2002 under the initiative of leading aviation enterprises of Russia and is an industry association coordinating interaction of aviation industry enterprises at all levels of legislative and executive power as well as in various international organizations.

<sup>2</sup> NP NAMC is a specialized structure established for managing the project of creation of the National Aircraft Constuction Center. NP NAMC represents interests of the initiators of the NAMC project: JSC UAC, Russian Technologies State Corporation and Moscow Region (Zhukovsky municipal entity), and ensures protection of state interests and plays an integration role in the project sin.

## **APRIL 2009**

- On April 1 two prototype Sukhoi SuperJet 100 aircraft, 95001 and 95003, landed successfully on the airfield of M.M. Gromov Flight Research Institute after flying along the route Komsomolsk – Novosibirsk – Zhukovsky. Both aircraft will continue the program of certification flight tests on the basis of the Flight Testing Complex of Sukhoi Civil Aircraft equipped with a full set of equipment and corresponding software products necessary for processing of flight data.
- On April 7, in the presence of Viktor Khristenko, Minister of Industry and Trade of the Russian Federation, and Claudio Skajola, Minister of Economic Development of Italy, Mikhail Pogosyan, Director General of JSC Sukhoi Company, and Pier Francesco Guarguaglini, Chairman and CEO of Finmeccanica, officially declared finalisation of the transaction of purchase by Alenia Aeronautica of 25% + 1 shares of Sukhoi Civil Aircraft. The total cost of shares purchased by Alenia Aeronautica exceeds \$183 million (€138 million), turning the Sukhoi SuperJet 100 project into the largest aviation alliance between Russia and Europe.
- On April 10 one more Tu-160 strategic bomber was transferred to the Air Forces of Russia. The aircraft transfer ceremony took place on the flight testing area of JSC KAPO named after S.P. Gorbunov.
- On April 23 leasing company JSC Ilyushin Finance C<sup>o</sup> and JSC VASO, members of JSC UAC, transferred to customers two new aircraft of the Il-96 family: passenger aircraft Il-96-300 (side number RA-96019) was delivered to the Special Flight Formation of the Presidential Property Management Department of the Russian Federation, and long-haul transport aircraft Il-96-400T (side number RA-96101) – to Voronezh Polyot airline. RA-96019 will be the fourth aircraft of the Il-96-300 type in the presidential flight formation. Il-96-400T is the newest modification of the Il-96 family with elongated fuselage, new engines, and the most up to date navigation system manufactured in Russia, allowing operation of the aircraft around the world without any restrictions.

## **MAY 2009**

- On May 19 the first of twelve Yak-130 aircraft ordered by the Air Force of Russia under governmental contract performed its first flight. The aircraft was transferred to the customer after completion of acceptance factory tests carried out at JSC NAZ Sokol.
- On May 27 a regular meeting of the Board of Directors of JSC UAC took place. The Board of Directors took decisions about consolidation of shares of subsidiaries and affiliates of JSC UAC and approved the exchange parameters.

## **JUNE 2009**

- On June 1 JSC Kazan Aviation Production Association named after S.P. Gorbunov (KAPO) transferred to the customer – the Special Flight Formation of the Presidential Property Management Department of the Russian Federation – two Tu-214SR aircraft (side numbers RA-64515 and RA-64516). The Presidential Property Management Department of the Russian Federation placed the order for manufacturing of six specialized aircraft at KAPO in 2005. Transfer of other four aircraft is scheduled for 2010-2011.
- On June 10 a Sukhoi SuperJet 100 medium-haul passenger aircraft landed in Le Bourget where it was shown for the first time within the framework of the 48<sup>th</sup> Paris Air Show. This event was one of the principal ones at the show, which was celebrating its one-hundred-year anniversary. The Sukhoi SuperJet 100 was the only new passenger aircraft shown to visitors during demonstration flights.
- On June 11 the first serial An-148 aircraft with factory index 40-03 was rolled out of the gates of Shop 7 of JSC VASO. On the same day a number of tests were performed on the open site of the

plant, including air pressure testing (high surplus pressure in the passenger compartment) and sprinkling.

- On June 25 an extraordinary general meeting of shareholders of JSC UAC took place. Shareholders of JSC UAC took a decision about the possibility of placement of up to one hundred and forty billion (140,000,000,000) ordinary registered shares by the Corporation with the nominal value of one (1) rouble each and about an increase of the charter capital of the Company by way of placement of additional ordinary registered non-certificated shares of JSC UAC. Increase of the charter capital will be performed by way of three additional issues.

## **JULY 2009**

- On July 19 the first An-148 aircraft assembled in Russia, registration number RA-61701, performed its first flight. In accordance with the results of the performed flight An-148-100V was recognized ready for the beginning of certification and acceptance testing. Later on presentation of the first serial An-148 aircraft assembled in Russia took place at Voronezh Joint-Stock Aircraft Manufacturing Company. The Aircraft was examined by representatives of the Presidential Property Management Department of the Russian Federation, airlines Polyot, Atlant-Soyuz, STC Russia, Kuban Airlines, Volga Aviaexpress and others.
- On June 25, 2009 the third experimental Sukhoi SuperJet 100 joined the flight testing program. Aircraft SN 95004 took off from the factory runway in Komsomolsk-on-Amur. Availability of the third aircraft allowed a higher intensity of flight testing in which only experimental aircraft took part previously.

## **AUGUST 2009**

- On August 18 FFMS of Russia performed state registration of the report about results of additional issue of shares of JSC UAC. In the course of this additional issue JSC UAC placed 6,000,000,000 registered non-certificated shares with the nominal value of 1 rouble each. These securities were placed under closed subscription for the benefit of the Russian Federation in the person of the Federal Property Management Agency (Rosimushchestvo).
- On August 18, within the framework of MAKS-2009 opened in Zhukovsky, Moscow Region, the largest transaction in Russia during the last decade for purchase of combat aircraft was concluded. The Ministry of Defense of the Russian Federation and JSC Sukhoi Company signed three governmental contracts for supply of aviation equipment, in accordance with which the aviation production holding will manufacture and supply to the Air Forces of Russia, within the period from 2010 to 2015 inclusive, 48 modern multi-purpose Su-35S air-superiority fighters, in 2009-2011 – twelve Su-27SM and before the end of 2011 – four Su-30M2. The documents were signed by Head of Armaments of Armed Forces, Deputy Minister of Defense of the Russian Federation Vladimir Popovkin and Director General of JSC Sukhoi Company Mikhail Pogosyan.
- On August 20 Irkut Corporation selected first level suppliers for a number of systems under the MC-21 program: undercarriage systems – offers of Hydromash (Russia); auxiliary power unit – offer of Hamilton Sundstrand (USA); complex air-conditioning system – offer of Nauka (Russia) jointly with Hamilton Sundstrand (USA) and joint venture Hamilton Sundstrand – Nauka; electricity system – joint offer of ECE (France), member of Zodiac Aerospace (France), and Hamilton Sundstrand (USA); interior – offer of C&D (USA), member of Zodiac Aerospace (France); fuel system – offer of Intertechnique (France), member of Zodiac Aerospace (France); oxygen system – offer of Intertechnique (France), member of Zodiac Aerospace (France); neutral gas system – joint offer of Intertechnique (France), member of Zodiac Aerospace (France), and Hamilton Sundstrand (USA); fire protection system – offer of L’Hotellier (France), member of Kidde Technologies (USA) and Hamilton Sundstrand (USA) correspondingly; hydraulic system – offer of Eaton (USA). From this Eaton will place orders for manufacturing of more than 50% of parts and units of the hydraulic system with Russian enterprises – PMZ Voskhod, PKO



Teploobmennik, MIZ Znamya, Tekhpribor; wing de-icing system – offer of Hamilton Sundstrand (USA). In respect of three first level system best two offers were selected and it was decided to continue negotiations: propulsion power plant – offers of Pratt&Whitney (USA) and Rolls-Royce (United Kingdom); avionics system – offers of Rockwell Collins (USA) and Concern Avionics (Russia); integrated aircraft control system – offers of Aviapribor Holding (Russia) jointly with Goodrich AS (France) and Moog (USA), and of Liebherr Aerospace (Germany).

- On August 21 the first Yak-130 combat trainer aircraft manufactured for a foreign customer at Irkutsk Aviation Plant, a branch of Irkut Corporation, took off for the first time. During the flight, which was 40 minutes long, flight and technical characteristics of the aircraft at various heights and speed, air superiority, control stability, functioning of all systems, and operation of the power unit were tested. Test pilots Roman Taskayev and Sergei Mikhailyuk gave high praise to the aircraft, pointing out that “in the course of the flight all systems operated in standard mode”.
- Within the framework of International Aviation and Space Show MAKS-2009 which took place in Zhukovsky from August 18 to August 23, 2009, JSC Ilyushin Finance C<sup>o</sup> (IFC) concluded agreements and precontractual agreements for delivery of 90 Il-96, An-148 and Tu-204 aircraft for a total amount exceeding \$2 billion. Besides that, within the framework of the show JSC IFC and the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) concluded an agreement for cooperation in the area of organization of financing of prospective investment programs of JSC IFC including in the area of development of joint strategies of sales of Russian Il-96, An-148 and Tu-204 aircraft in domestic and foreign markets using the mechanisms of leasing and export financing.

## **SEPTEMBER 2009**

- On September 4, 2009 the Board of Directors of JSC Tupolev appointed Alexander Petrovich Bobryshev President of JSC Tupolev.
- On September 25 the Il-96-400T aircraft with side number RA-96101 flew from Ulyanovsk to Moscow airport Domodedovo. And on September 27 with cargo aboard it flew from Moscow to Yakutsk. The start of commercial flights using the new aircraft type will allow full demonstration of the abilities of the Il-96-400T, and continuation of serial manufacturing will preserve the competence of UAC in production of wide-body aircraft.
- On September 29 PJSC RAC MiG performed successful flight testing on the aircraft-carrying heavy cruiser *Admiral Flota Sovetskovo Soyuzo N.G. Kuznetsov* of MiG-29K/KUB shipborne fighters manufactured serially under the order of the Indian Navy. During testing MiG-29K and MiG-29KUB fighters performed several touchdowns and take-offs on the deck of the cruiser in the Barents Sea. During the testing flights the fighters were piloted by test pilots of RAC MiG Mikhail Belyaev, Pavel Vlasov and Nikolai Diorditsa and test pilot of the Air Forces of Russia Oleg Spichka.

## **OCTOBER 2009**

- On October 1 leasing company JSC Ilyushin Finance C<sup>o</sup> and JSC VASO, members of JSC UAC, transferred two new aircraft to customers. Voronezh airline Polyot received a second Il-96-400T long-haul transport aircraft (side number RA-96102). FSUE STC Rossiya received its first serial An-148-100 aircraft (side number RA-61701). The transfer ceremony was attended by Deputy Chairman of the Government of the Russian Federation Sergey Ivanov, Governor of Voronezh Region Alexey Gordeyev and Chairman of the Executive Board of JSC UAC Alexey Fedorov. Implementation of serial manufacturing of the An-148 at JSC VASO and start of delivery of these airplanes to commercial customers became possible through direct assistance of JSC UAC.
- On October 2 the fleet of Transaero airline received its third Tu-214 aircraft manufactured at JSC Kazan Aviation Production Association named after S.P. Gorbunov. After the signing of the

acceptance statement for the aircraft by representatives of JSC FLC and JSC Transaero airline the plane with side number 518 headed to its basing airport.

- On October 17 the flying laboratory created on the basis of the Tu-204 aircraft (registration number RA-64048) performed a first flight with the PS-90A2 engine developed at JSC Perm Engine Company, a member of UIC Oboronprom. The aircraft flew for 1 hour and 25 minutes. During testing the characteristics of PS-90A2 were estimated at various flight modes.
- On October 26 PJSC RAC MiG and JSC KAPO named after S.P. Gorbunov joined JSC UAC. Within the framework of an additional issue of shares JSC UAC received share holdings of government-owned aviation enterprises (JSC VASO in the amount of 0.22% of charter capital; JSC Financial Leasing Company to the amount of 28.69% of charter capital; JSC Kazan Aviation Production Association named after S.P. Gorbunov to the amount of 100% of charter capital; PJSC Russian Aircraft Corporation MiG to the amount of 100% of charter capital; JSC Aviation Holding Company Sukhoi to the amount of 1.17% of charter capital and JSC Ilyushin Finance C<sup>o</sup> to the amount of 17.31% of charter capital). Inclusion of JSC Kazan Aviation Production Association named after S.P. Gorbunov and PJSC Russian Aircraft Corporation MiG completed the implementation of the Ruling of the President of the Russian Federation No.140 in accordance with which JSC UAC was established.

## **NOVEMBER 2009**

- On November 16 ordinary registered shares of JSC UAC were permitted to be traded in JSC RTS and were included into the List section “Securities Allowed to Be Traded without Listing Procedure”. The code of shares of JSC UAC in non-anonymous trading – UNAC, the code of shares of JSC UAC in exchange trading with settlement T+0 – UNACG.
- On November 19 FFMS of Russia registered a report about the results of an additional issue of shares of JSC UAC (state registration number 1-01-55306-E-004D). In the course of the additional issue performed during the period from September 30 to October 28 2009, 15,325,020,492 registered non-certificated shares with the nominal value of 1 rouble each were placed. The securities were placed under closed subscription for the benefit of the Russian Federation in the form of the Federal Property Management Agency (Rosimushchestvo) and non-governmental shareholders of subsidiaries and affiliates of JSC UAC. Payment for shares placed by JSC UAC was carried out with shares of subsidiaries and affiliates of JSC UAC. Upon completion of the additional issue the charter capital of JSC UAC became 131,605,358,105 registered non-certificated shares, the share of the Russian Federation in the charter capital decreased to 89.04%, and the share of private shareholders increased to 10.96% of the charter capital of JSC UAC. More than 700 individuals and legal entities became shareholders of JSC UAC.
- On November 19 a regular meeting of the Board of Directors of JSC UAC took place in the building of the Government of the Russian Federation. The key agenda issues were stabilization of the financial and economic situation of JSC UAC and its affiliates, corporate restructuring of JSC UAC group and change to the organizational structure of JSC UAC. The priorities of corporate restructuring of JSC UAC group for 2010-2012 will be the creation of integrated structures (business units) – UAC – Combat Aviation, UAC – Commercial Aviation and UAC – Special Aviation. In order to ensure constructive interaction between JSC UAC and the business units to be established the Board of Directors approved the revised organizational structure of the Company. The positions of Senior Vice President, Commercial Aviation, and Senior Vice President, Strategic and Special Aviation, were introduced to be occupied, accordingly, by President – Chairman of the Board of Irkut Corporation O.F. Demchenko and President of JSC Tupolev A.P. Bobryshev. First Vice President, Programs Management, General Director of JSC Sukhoi Company, General Director-General Designer of PJSC RAC MiG M.A. Pogosyan will simultaneously head business unit UAC – Combat Aviation.

- On November 25 President of India Pratibha Patil flew in the most modern aircraft of the national air forces – the Su-30MKI multi-purposes fighter manufactured by Irkut Corporation. After the flight the 74-year-old head of the state, being also Supreme Commander-in-Chief of India Armed Forces, said to representatives of mass media awaiting her at Lohegaon airbase near Pune that she had experienced no discomfort while flying the Russian combat aircraft.

## **DECEMBER 2009**

- On December 8 the first shipment of shipborne MiG-29K/KUB aircraft developed and manufactured by PJSC RAC MiG was delivered to the Republic of India.
- On December 10 Irkut Corporation completed selection of suppliers of main systems for the MC-21 program. For the avionics system the joint offer of Concern Avionics (Russia) and Rockwell Collins (USA) was selected. Irkut Corporation will perform the function of avionics system integrator. For the complex aircraft control system the joint offer of Aviapribor Holding (Russia), Goodrich AS (France) and Rockwell Collins (USA) was selected. For the propulsion power plant the offer of Pratt&Whitney (USA) was selected with the promising PW1000G geared turbofan engine. It is expected that United Engine-Building Corporation (Russia) will participate in development and manufacturing of the engine. Russian engines being developed by United Engine-Building Corporation in accordance with the Federal Target Program will be also used in the MC-21 program.
- On December 21 the first Russian-assembled An-148-100V aircraft, registration number RA-61701, performed the first commercial flight with passengers aboard. Flight FV135 (PL135) in accordance with the central schedule was performed by State Transport Company Rossiya from Pulkovo-1 airport of St. Petersburg to Moscow international airport Sheremetyevo. In this flight this modern domestic airplane replaced the previously used Boeing 737-500.
- On December 22 Commander-in-Chief of Air Forces of Russia Colonel General Alexander Zelenin signed the Statement of Completion of State Joint Testing of Yak-130 Combat Trainer Aircraft. This document permits operation of the Yak-130 in military units of Air Forces of Russia for both training and combat purposes.

### 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 to the amount of 96,724,000,000 roubles and was divided into 96,724,000,000 ordinary registered shares with a nominal value of one (1) rouble each.

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

During the period from 2006 up to the present date JSC UAC has placed, under closed subscription, four additional issues of securities of the Company with the nominal value of 1 rouble each, of them:

- three additional issues for the benefit of the Russian Federation;
- one additional issue – for the benefit of the Russian Federation and owners of registered securities of subsidiaries and affiliates of JSC UAC.

On December 08, 2009 FFMS of Russia registered the fifth issue of additional ordinary shares of the Company. In accordance with the terms and conditions of the issue the subject of placement is additional ordinary shares of JSC UAC in the volume of 43,000,000,000 shares with the nominal value of 1 rouble for the benefit of the Russian Federation in the person of Rosimushchestvo (up to 23,000,000,000 shares) and State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) (up to 20,000,000,000 shares). Payment for placed shares will be in cash. Date of the end of placement is 31.03.2010.

At on 31.12.2009 the Company's charter capital was 131,605,358,105 roubles and was divided into 131,605,358,105 ordinary registered shares with the nominal value of 1 rouble each.

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

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

e-mail: rost@rrost.ru

**Information of the JSC UAC auditor for 2009:**

Name: Close Joint-Stock Company HLB Vneshaudit (CJSC HLB Vneshaudit)

INN: 7706118254

KPP: 770601001

Location (address and postal code): 12 Krasnopresnenskaya Nab., entrance 3, office 701, Moscow, 123610

License for Audit Activity No U000548 issued by the Ministry of Finance of the Russian Federation on 25.06.2002 valid until 25.06.2012.

**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).

## **3.2. Organizational Structure**

### **3.2.1. Management Structure**

In 2009 the Board of Directors of JSC UAC took two decisions about change of the organizational structure of the Company. These changes were implemented for consecutive adjustment of the management system of JSC UAC in accordance with the volume of tasks of the Corporation in reforming the Russian aircraft industry.

The characteristic features of the organizational structure of JSC UAC approved on April 29, 2009 (minutes of the meeting of the Board of Director dated 29.04.2009 No.20) are:

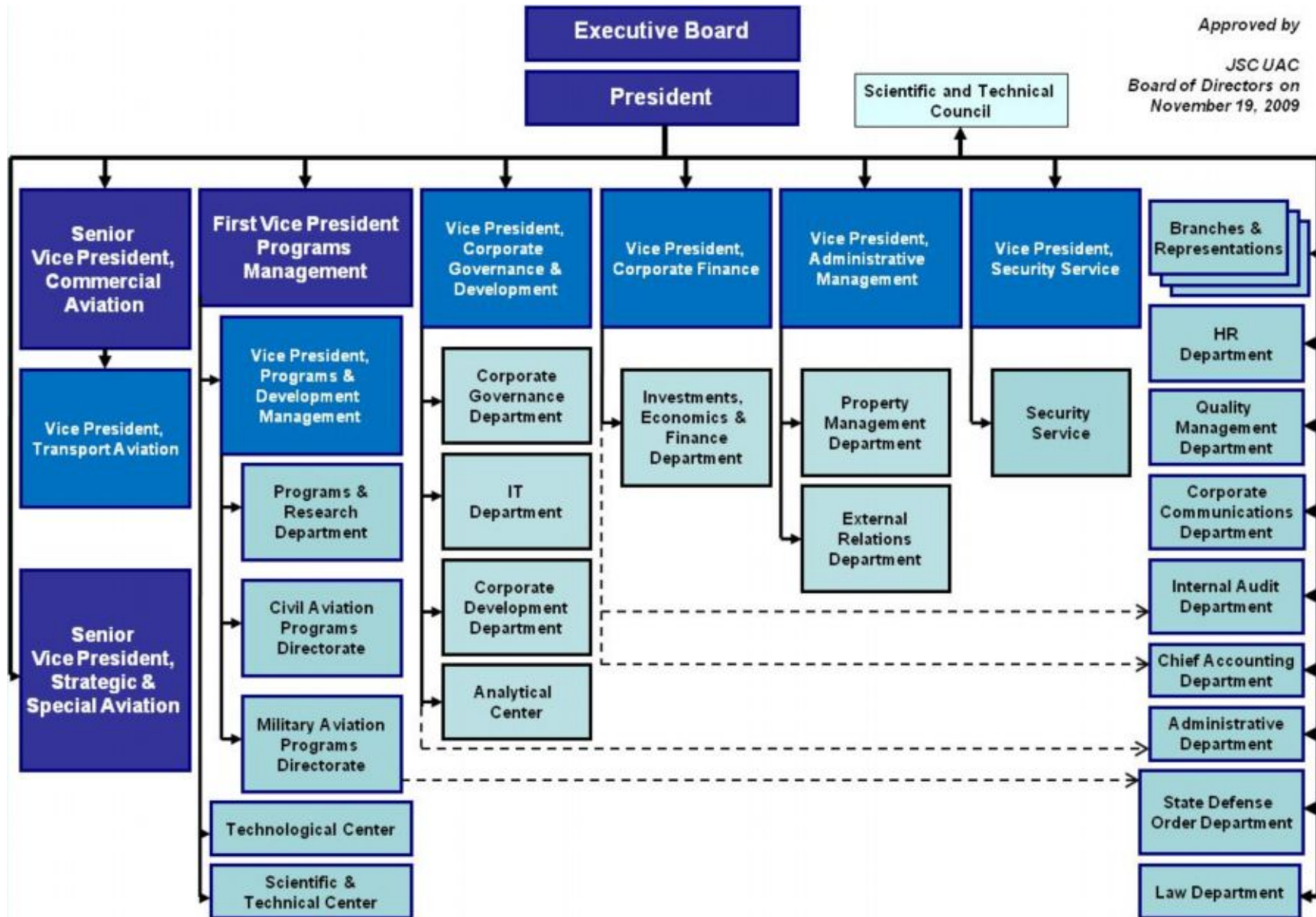
- introduction of positions of Vice Presidents of JSC UAC in functional directions aimed at enhanced elaboration of managerial decisions for various aspects of activity of the Company, and the efficiency of their enaction and implementation;
- optimization of the functional load of divisions of JSC UAC with a simultaneous decrease of their headcount taking into account the standards of manageability.

The transition from centralized management characteristic for JSC UAC at the stage of formation to a more flexible scheme based on wide delegation of powers and more optimal to the existing business requirements, did not breach the matrix principle of the Company's management system at the level of executive bodies, in which:

- Direct authority of the President of JSC UAC includes divisions performing typical managerial functions (accounting, HR management, etc.);
- First Vice President, Program Management, heads the design block;
- Vice Presidents in specific areas ensure achievement of tasks in the corresponding functional areas.

The decision about formation of business units specializing in development, production and after-sale maintenance of aircraft of various purposes was reflected in the organizational structure of JSC UAC approved on November 19, 2009 (minutes of the meeting of the Board of Directors of JSC UAC dated 20.11.2009 No.30). Thus in order to ensure constructive interaction of JSC UAC with newly created business units the positions of Senior Vice Presidents for the corresponding aviation segments were introduced and the competence of First Vice President in management of business unit UAC – Combat Aviation was specified.

### Organizational structure of JSC United Aircraft Corporation in 2009



### 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, #122 dated 03.02.2007 and #69 dated 19.01.2009.

In 2009 both governmental shareholdings of aircraft manufacturing enterprises and shares owned by private shareholders were introduced into the charter capital of JSC UAC.

In result of this as on 01.01.2010 JSC UAC owns share holdings of the following companies: JSC Sukhoi Company, JSC UAC-TS, 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 NAZ Sokol, CJSC Aviastar-SP, JSC VASO, JSC KAPO named after S.P. Gorbunov, PJSC RAC MiG, JSC Yakovlev Design Bureau, JSC Beriev Aircraft Company, JSC Sukhoi Design Bureau and JSC IL.

After the government-owned holding of shares of PJSC RAC MiG was introduced into the charter capital of JSC UAC (100% as at the moment of introduction) an additional issue of shares of PJSC RAC MiG was carried out for the benefit of the Russian Federation for the amount of 15 billion roubles. The total volume of additional issue of shares of PJSC RAC MiG was 15 million shares with the placement price of 1,000 roubles per share. Funds were transferred to the account of JSV RAC MiG on 29.12.2009, and the placed shares to the account of the Russian Federation – on 11.01.2010. In the result of placements of this additional issue the share of JSC UAC in the charter capital of PJSC RAC MiG became 58.42%

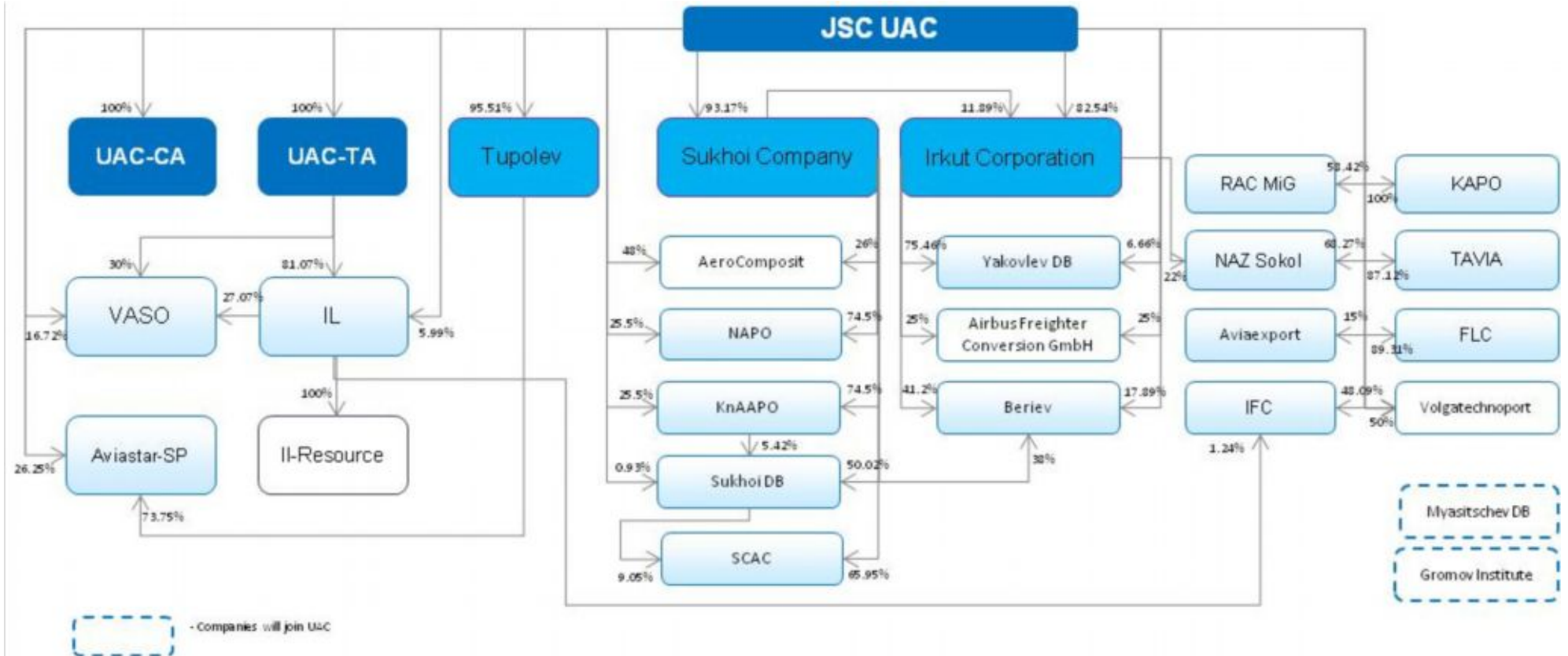
In accordance with Decree of the President of the Russian Federation dated 20.02.2008 No.217 FSUE Myasishchev Experimental Machine-Building Plant and FSUE M.M.Gromov Flight Research Institute are to be transformed into joint-stock companies with subsequent introduction of 100% of shares of both companies into the charter capital of JSC UAC, As on 01.01.2010 both companies are undergoing the procedures of preparation for corporatization.

The structure of ownership of shares of aircraft manufacturing companies by JSC UAC established as on 01.01.2010 is presented in the diagram below:



### Enterprises integrated into JSC United Aircraft Corporation

(as of December 31, 2009)



### 3.3. Situation in the Industry

#### Overview of key markets:

##### Foreign market:

The economic crisis interrupted stable and dynamic development of air transportation observed in the previous years. According to IATA:

- In 2009 the volume of passenger air transportation in the world decreased by 3.5% with the average load coefficient 75.6%. Cargo air transportation decreased by 10.1% with the average load coefficient 49.1%.
- In 2009 losses of airlines were about \$11 billion. In 2010 forecasted losses are expected to amount to \$5.6 billion.
- In 2009 customers of leading world manufacturers cancelled about 200 orders for delivery of new aircraft. In particular, customers of Boeing revoked orders for 120 aircraft, delivery of 270 more aircraft being postponed to later periods. In the result of the year Airbus and Embraer both lost about 40 previously placed orders.

According to IATA forecasts restoration of the pre-crisis volume of passenger air transportation will take 2-2.5 years, cargo transportation – 3.5 years. Therefore the world air transportation market will overcome the effects of the crisis and return to a growth path in 2012 only. Average rate of growth of passenger turnover will be 4.5-5% a year.

In long-term forecasting world market demand for passenger aircraft up to 2028 will be 28 – 29 thousand units. The economic crisis resulted in growth of competition among main aircraft manufacturers as well. Aside from traditional manufacturers of long- and medium-haul aircraft Airbus and Boeing, China announced plans for creation and introduction to the market in 2016 of the long-haul aircraft S919, which will be a competitor to the most popular aircraft of the A-320 and B-737 families as well as to the MC-21 project being implemented by UAC. In order to keep their share of the market in this segment both Airbus and Boeing plan to re-engine their aircraft family by 2015, i.e. one year prior to market entry by potential competitors.

China also plans to speed up testing and certification of the regional ARJ-21 aircraft and Canadian Bombardier will launch by 2014 serial manufacturing of the CSeries family which will compete with the SSJ 100.

In the world market of sale of combat aircraft Russia maintains a strong position and supplies (modernizes and repairs) products in more than twenty countries. The share of Russia in the world market is about 11%.

In 2009 36 front-line aircraft and 11 technical kits for their subsequent local assembly were supplied to foreign markets (Algeria, India, Malaysia, etc.). Repairs and modernization of 45 military aircraft were also performed.

Today Russia is practically not represented in the world market of military transport aircraft. The main activity was repair and modernization of heavy Il-76 aircraft (India, Algeria). The competitive situation in the market of ramp transport aircraft may be changed with the beginning of manufacturing of the new European A-400 aircraft and a transport version of the Brazilian Embraer KC-390 aircraft. Along with that, possibilities of expansion of supplies of new transport aircraft to

the traditional markets of India, Asian and Latin American countries are estimated positively in connection with replacement of outdated Russian-made aircraft.

### **Domestic market:**

The Russian market of civil aircraft responded to the crisis with a sharper drop in the volume of air transportation in comparison with the world level. Decrease of passenger turnover in 2009 was about 9%, with the average load coefficient of 73.4%. The share of idle aircraft was 39% in the long-haul passenger fleet, 43% in the regional and 51% in the cargo air transportation fleet.

In the crisis conditions use of efficient Western aircraft types became more significant. In 2009 69% of cargo turnover and 74% of passenger turnover was accounted for by such aircraft, including 62% of internal turnover. In 2008-2009 Russian airlines purchased and imported into the country 118 previously ordered foreign-made aircraft.

Due to advantages in operational characteristics and preferable financing conditions foreign companies focus on furthering their positions in the Russian market. Due to existing customs regulations and preservation of duties for particular aircraft classes in the Russian market there is a tendency to purchase foreign aircraft using leasing schemes. In result of this structure the fleet of Russian companies will likely see the return (export) of a considerable number of operating aircraft in 2015-2018. In this period one should expect intensification of competition with foreign suppliers for the new projects of UAC (first of all – MC-21) in the domestic market.

In 2009 the shrinkage of industrial production in Russia as a whole was 10.8% and manufacturing of transportation means and equipment was only 62% of the 2008 level. At the same time in 2009 in the aircraft manufacturing industry production and sales of products for military purposes increased by 19.6% and amounted to about 86.0 billion roubles. In 2009 sales of commercial aircraft increased by 8.7% and reached 12.5 billion roubles.

In 2009 the enterprises of JSC UAC manufactures and transferred to customers 95 aircraft in comparison with a little more than 70 aircraft in 2008.

The share of state defense orders was 41% of the total volume of supplies of products for military purposes. 36 combat and combattrainer aircraft were supplied for the Ministry of Defense of Russia. Repairs and modernization of long-range, naval and transport aircraft were also performed.

In 2009 17 civil aircraft were manufactured and 12 civil aircraft were delivered to customers. Three aircraft participated in flight testing of the new SSJ 100 family of regional aircraft, first international presentation of which took place in June 2009 in the Paris aviation show in Le Bourget. The volume of delivery of commercial aircraft increased from 9 to 12 aircraft in comparison with 2008.

Basing on macroeconomic forecasts of development of the country, recovery of the air transportation market in Russia may be expected in 2012-2013. In future the average rate of growth of air transportation up to 2025 will be approximately 4.7% a year. By that point passenger turnover will increase by 2.3 - 3 times – up to 250-400 billion passenger-kilometers. The share of Russian

companies in world passenger turnover will increase to 4%. The capacity of the prospective Russian market will be up to 5.5-6% of that of the world market of passenger aircraft.

### **3.4. Development Strategy**

The main provisions of the JSC UAC development strategy up to 2025 approved by the Board of Directors of the Company in February 2008 determine 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 introduce new models of commercial aircraft to foreign markets in segments of regional and short- and medium-haul aircraft as well as to organize the manufacturing and delivery of the main transport aircraft types.

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;
- to restore industrial capacity and launch production of principal models of military transport aircraft under the control of national industry;
- to preserve and to strengthen leading positions in the combat aviation segment, to ensure national security priorities.

The threefold growth of volume of activity 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 segments. Simultaneously, due to R&D intensification in 2015-2020 the model range of manufactured products must be renewed in all segments.

The aviation industry is one of the priority sectors of the Russian economy, state support to which through various federal target programs in 2011-2020 will be aimed at intensive development of priority programs and technological modernization. In this period the aircraft fleet both in governmental and commercial sectors will be renewed more rapidly.

During the transition period of 2010-2015 medium-term objectives of the management are:

- to preserve the 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 due to supplies of new aircraft models;
- 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 keep financial stability and to increase operational efficiency of all structures included into JSC UAC;
- to implement the program of formation of business units in key business segment – combat, commercial and special aviation;
- to develop the system of after-sales aircraft maintenance, to ensure a modern services level for aircraft operation.

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.

The interim result scheduled for 2011-2013 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 design bureaus integrated into JSC UAC, the restructuring of assets of JSC UAC, integration of resources of aircraft-building complexes through implementation of joint projects with foreign companies including the ones from CIS countries, and rational use of outsourcing.

The creation of necessary resources will be phased. Achievement of the competitive level of a number of resources – labor and engineering and technical – 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 take place in line with higher investment in new programs and technological re-equipment, and creation of 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 concentration of key integration functions in head structures of business units, and development of the system of centers of competences and specialized production units.

Implementation of the Strategy should ensure the contribution of the aircraft industry to the solution of nationwide issues at the present stage of the economic development of Russia: diversification of industrial growth, modernization of both aircraft manufacturers and related industries, and an additional increase in the economic growth rate of the contry over the indicators which may be achieved in the primary raw materials structure of the economy.

## 4. PERFORMANCE RESULTS OF 2009

### 4.1. Main Financial Indicators of JSC UAC Performance

#### *Main financial indicators of JSC UAC in 2009*

JSC UAC carries out accounting in accordance with the financial reporting standards accepted in the Russian Federation, including 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 2009.

JSC UAC key financial indicators of 2009 reflect the current financial status of JSC UAC as the Company managing the companies of the group.

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

JSC UAC key financial indicators of 2009 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) – 3,414,582 thousand roubles;
- Gross profit – 15,893 thousand roubles;
- Income from participation in other organizations and other income – 1,190,584 thousand roubles;
- Net loss – 10,067,697 thousand roubles;
- Debt (the sum of long-term and short-term loans and credits as well as short-term accounts receivable) – 24,506,632 thousand roubles.

The growth of proceeds of JSC UAC from 2.47 billion roubles in 2008 to 3.41 billion roubles in 2009 was conditioned by participation of JSC UAC in the fulfilment of scientific and research activities ordered by the Ministry of Industry and Trade of the Russian Federation.

The losses of JSC UAC in the reporting period, which were 10.1 billion roubles, were connected mainly with creation of provision for depreciation of financial investments for the volume of difference between the book value and calculated value of such financial investments to the amount of 9.5 billion roubles, as well as with the translation difference for operations with foreign currency to the amount of 1.1 billion roubles.

#### *Net assets of the company:*

In accordance with the results of 2009 net assets of the Company were less than the amount of the charter capital taking into account additionally issued shares. The information below shows the amount of net assets of the Company for the period from 2007 to 2009.

**Table 2. Dynamics of net assets of JSC UAC (thousand roubles)**

<b>Indicator</b>	<b>31.12.07</b>	<b>31.12.08</b>	<b>31.12.09</b>	<b>forecast for 30.06.10</b>
Charter capital	96,724,000	104,970,603	131,605,358	174,605,358
Additionally issued shares	-	6,000,000	23,518,423	-
including nominal value of shares	-	5,714,286	22,398,498	-
including net issuing income	-	285,714	1,119,925	-
Additional capital	-	659,728	2,416,245	4,566,245
Reserve capital	-	12,103	12,103	12,103
Retained profit (uncovered loss)	121,034	(905,692)	(10,973,389)	(10,496,023)
<b>Total capital and reserves</b>	<b>96,845,034</b>	<b>110,736,742</b>	<b>146,578,740</b>	<b>168,687,683</b>
<b>Net assets in accordance with calculation recommended by the Ministry of Finance of Russian Federation</b>	<b>96,845,034</b>	<b>110,736,742</b>	<b>146,578,740</b>	<b>168,687,683</b>
<b>Difference between net assets and charter capital without taking into account additionally issued shares</b>	<b>121,034</b>	<b>5,766,139</b>	<b>14,973,382</b>	<b>(5,917,675)</b>
<b>Difference between net assets and charter capital taking into account additionally issued shares</b>	<b>121,034</b>	<b>51,853</b>	<b>(7,425,116)</b>	<b>(5,917,675)</b>

The line Additionally Issued Shares in the section Capital and Reserves of the balance sheet shows shares placed (transferred to shareholders and paid by them) within the framework of placement of additional shares at the increase of the charter capital of the Company. These shares will be booked in the line of charter capital (in the part of the nominal value of shares) and of the additional capital (in the part of issuing income) after registration of amendments in the charter of the company. Placement of additional issue of shares to the total amount of 45,150,000 thousand roubles was completed in March 2010. Taking into account events after the reporting date, the table demonstrates the forecast of correlation between net assets and the charter capital as on June 30, 2010.

In accordance with the accounting reports of JSC UAC for 2009 losses in the reporting period were 10,067,687 thousand roubles. Such losses were due to the following main reasons:

- in quarter IV of 2009 JSC UAC performed checks for depreciation of financial investments in accordance with the requirements of AR 19/02 Accounting of Financial Investments. It resulted in the revealing of indicators of depreciation of a number of financial investments (namely, JSC Finance Leasing, JSC Tupolev, JSC Sukhoi Company, JSC NAZ Sokol, JSC KnAAPO named after Yu.A. Gagarin, and CJSC Aviastar-SP), on the basis of which the book value was calculated of the financial investments to the cost determined by the independent appraiser. The total volume of depreciation was 9,547,885 thousand roubles;

- in 2009, due to the negative profitability of operational activity, a loss was formed to the amount of 519,812 thousand roubles.

Beyond that the accumulated loss of previous periods was 905,692 thousand roubles. Therefore at the end of 2009 the total accumulated loss of the Corporation was 10,973,389 thousand roubles.

### *Consolidated indicators of activity*

The financial indicators of the JSC UAC group of companies are determined mainly by the results of financial activity of its subsidiaries and affiliates. Preliminary (not audited) consolidated financial indicators of JSC UAC of 2009 are:

- Proceeds (net) – 114,000,000 thousand roubles;
- Operational profit – 1,026,000 thousand roubles;
- Net loss – 20,837,000 thousand roubles;
- Consolidated debt (without balances of cash accounts) – 157,000,000 thousand roubles.

JSC UAC is planning to prepare its 2009 consolidated financial reports in accordance with International Financial Reporting Standards (IFRS).

In 2009 the enterprises included into business unit UAC – Commercial Aviation demonstrated results various in character. Irkut Corporation preserved a high production and sales level which ensured profitability. Enterprises carrying out aircraft design (JSC II; JSC Yakovlev Design Bureau; JSC UAC-Transport Aircraft) had positive results due to maintained high levels of orders for new developments. Meanwhile the activity of enterprises at the stage of restoration of serial aircraft production, the current volume of load of which is much less than existing production capacities (CJSC Aviastar-SP, JSC VASO) was as planned unprofitable.

On the whole the enterprises of Sukhoi Group demonstrated during 2009 stability of main financial and economic indicators. The results of activity of other enterprises of business unit UAC Combat Aviation were influenced by the costs accumulated in the previous period and a high level of debt burden. Stabilization of the financial condition of a number of enterprises of the defense industry complex (PJSC RAC MiG, JSC NAZ Sokol) will be possible only after 2010 as a result of governmental support provided to these companies.

The enterprises included into business unit UAC – Special Aviation were under considerable pressure of excess production capacity, especially of expenses for maintenance and operation of industrial facilities. The provision of sufficient governmental orders for aircraft manufacturing and repairs for the enterprises of the business unit will be essential to the future improvement of financial indicators of these enterprises along with the successful implementation of the investment project of serial production of Be-200 aircraft..



**Main indicators of the corporation enterprises performance in 2009**

thousand roubles

#	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)	
		2009	2008	2009	2008	2009	2008	2009	2008
<b>Business unit UAC – Commercial Aviation</b>									
1.	Irkut Corporation	36,806,689	<b>31,242,811</b>	13,977,218	<b>9,704,037</b>	1,637,056	<b>315,702</b>	32,812,802	31,115,513
2.	CJSC Aviastar-SP	5,066,238	<b>5,789,756</b>	(587,029)	<b>(2,671,514)</b>	(1,763,572)	<b>(3,175,323)</b>	15,618,149	10,751,325
3.	JSC II	4,261,447	<b>2,604,772</b>	150,256	<b>362,237</b>	2,555	<b>6,222,791</b>	740,997	150,264
4.	JSC VASO	4,234,093	<b>1,280,130</b>	(1,298,588)	<b>(692,249)</b>	(2,760,360)	<b>(1,020,533)</b>	9,553,500	7,045,427
5.	JSC Yakovlev Design Bureau	2,198,056	<b>2,344,220</b>	105,593	<b>68,237</b>	24,941	<b>(119,176)</b>	-	100,000
6.	JSC UAC-TA	1,935,142	<b>1,774,000</b>	144,975	<b>206,144</b>	173,401	<b>146,123</b>	-	20,000
7.	JSC MC UAC-CA	142,550	34,508	58,530	12,265	(1,456)	833	-	-
<b>Business unit UAC – Combat Aviation</b>									
8.	JSC Sukhoi Company	34,098,280	<b>38,777,086</b>	12,399,538	<b>13,749,452</b>	611,682	<b>(1,585,097)</b>	12,689,807	16,708,967
9.	PJSC RAC MiG	24,857,768	1,806,311	1,215,233	3,802	(7,908,631)	(10,838,001)	31,018,090	48,417,063
10.	JSC Sukhoi Design Bureau	10,808,244	<b>11,466,184</b>	1,090,028	<b>1,789,995</b>	916,589	<b>1,247,263</b>	Not disclosed	Not disclosed
11.	JSC Komsomolsk-on-Amur Aircraft Production Association	6,014,130	<b>15,618,670</b>	289,027	<b>1,100,846</b>	6,488	<b>16,890</b>	1,507,700	1,013,128
12.	JSC Nizhny Novgorod Aircraft-building Plant Sokol	5,517,857	<b>3,044,574</b>	(579,006)	<b>314,338</b>	(1,493,251)	<b>(142,024)</b>	5,280,638	7,524,205
13.	CJSC SCAC	3,420,008	1,329,900	1,161,245	416,338	(841,220)	(1,538,398)	23,746,061	23,349,782
14.	JSC Novosibirsk Aircraft Production Association named	3,346,009	<b>3,312,308</b>	(320,422)	<b>195,127</b>	(473,628)	<b>(20,261)</b>	3,878,496	2,686,376

	after V.P. Chkalov								
<b>Business unit UAC – Special Aviation</b>									
15.	JSC Tupolev	3 509 751	<b>2,436,191</b>	116,912	<b>148,838</b>	(129,642)	<b>20,157</b>	679,485	694,549
16.	JSC KAPO named after S.P. Gorbunov	3 754 373	1,562,208	(1,567,525)	(126,738)	(1,474,334)	(226,986)	595,523	441,576
17.	JSC Beriev Aircraft Company	1 363 849	<b>1,893,189</b>	126,196	<b>275,294</b>	(328,952)	<b>(108,832)</b>	3,327,244	2,264,370
18.	JSC TAVIA	547 024	<b>379,887</b>	40,979	<b>23,988</b>	206	<b>1,019</b>	991,981	29,662
<b>Other companies</b>									
19.	JSC IFC	6 984 239	<b>3,052,610</b>	1,523,985	<b>1,084,006</b>	48,669	<b>(743,515)</b>	11,941,198	10,267,357
20.	JSC Finance Leasing	1 781 538	<b>858,689</b>	380,110	<b>85,634</b>	(2,353,534)	<b>(1,683,047)</b>	13,925,758	7,179,038
21.	CJSC AeroComposit	995 783	-	29,672	-	33,503	-	-	-
22.	CJSC II-Resource	241 971	-	(127,627)	-	(267,167)	(830)	155,265	9,006
23.	JSC V/O Aviaexport	100 360	<b>91,226</b>	72,978	<b>50,686</b>	(11,671)	<b>25,168</b>	-	-
24.	Volga Technoimport LLC	-	-	-	-	(2,408)	-	-	-

**Notes:**

- Information is given in accordance with the preliminary data of accounting reports subject to approval by annual general meetings of shareholders of corresponding enterprises.
- Losses from operational activity of plants (JSC VASO, CJSC Aviastar-SP, JSC KAPO named after S.P. Gorbunov) are conditioned by, on the one hand, an insufficient use of production capacities, on the other hand, with use of old technologies as well as high costs for supply of systems and components.
- The additional factor conditioning increased costs at plants (JSC VASO, NAPO named after V.P. Chkalov) is the current stage of putting new products into manufacture which creates additional expenses for adjustment of technical processes as well as increased labor expenses reflected in the training curve.
- Non-operational losses (CJSC Aviastar-SP, JSC VASO, PJSC RAC MiG, JSC NAZ Sokol) are conditioned with high obligations of interest payments for raised loans as well as revaluation of foreign currency articles of the balance sheet.
- High debt load of plants (CJSC Aviastar-SP, JSC VASO) is constituted by intra-group loans received from JSC UAC for target use of state financing within the framework of the federal target program Development of Civil Aviation in Russia in 2002 – 2010 and for the period up to 2015 and ensuring technical re-equipment of plants.

- High debt load of PJSC RAC MiG and JSC NAZ Sokol is conditioned with high external (bank) loans received by the companies for replenishment of working capital. In 2009 their debt load decreased, due, in particular, to state support.

## 4.2. Main Non-Financial Results of JSC UAC Activity

In 2009 the Company received the following results in main areas of activity.

### *Coordination of aircraft development and manufacturing*

#### In the segment of front-line aircraft.

In the domestic market, under orders of the Ministry of Defense of Russia, new Su-34, MiG-29SMG and Yak-130 aircraft were supplied, and Su-27SM, Su-24M2, and MiG-31BM models were overhauled and modernized. A number of long-term contracts for supply of large shipment of Su aircraft were signed.

The R&D schedule for development of prospective aviation complexes was completed in full.

Export deliveries of aircraft to Malaysia and Algeria were completed. Fulfilment of contracts for supply of defense products to India (Su-30MKI, MiG-29K/KUB aircraft) is in progress. A number of new contracts for supply of Su aircraft were signed.

#### In the segment of long-range aircraft.

Scheduled overhauls of Tu-160 and Tu-95MS aircraft for the Ministry of Defense of Russia were carried out. Complex work of modernization and prolongation of flight life of long-range aircraft was performed for the Ministry of Defense of the Russian Federation.

#### In the segment of military transport and specialised aircraft.

Scheduled repairs of Il-62, Tu-142MR and An-124 aircraft for the Ministry of Defense of Russia were carried out. Scheduled R&D stages of projects of development of the Il-112 and Il-476 were completed. Preparation of production under the Il-476 project started at the plants of Aviastar-SP (Ulyanovsk) and VASO (Voronezh).

Repairs and/or modernization of Tu-142MR, Il-76MD/78 and Il-38SD were carried out for a foreign customer. The new AI (A-50) AWACS aircraft was delivered.

Taking into account domestic and foreign markets a considerable amount of product manufacturing was ensured. In total 145 aircraft of various types and purposes (new, modernized, overhauled, knockdown kits) were released.

#### In the segment of civil aircraft.

In 2009 12 aircraft were delivered to customers, including, by types, Il-96 – 4 aircraft, Tu-204 – 3 aircraft, Tu-214 – 3 aircraft, An-148 – 2 aircraft. In addition manufacturing of 5 aircraft assigned for transfer to customers and use in certification testing in 2010 was completed.

### *Coordination of research and developments*

In 2009 JSC UAC continued fulfillment of a number of R&D activities in prospective projects. Activities were carried out in the following areas:

- Comprehensive modernization of the Tu-204 aircraft (Tu-204SM). Improvement of technical and operating economy characteristics of Tu-204 aircraft applying the results for comprehensive modernization (Tu-204SM). Transfer started of working documents to the manufacturing plant (Aviastar-SP). Agreements with main suppliers of components were concluded in respect of completion and supply of modernized systems. The PS-90A2 engine received an AR IAC type certificate.
- Complex marketing research and forecast analysis of macroeconomic indicators aimed at formation of requirements for a new family of short-haul and medium-haul aircraft (MC-21), formation of the basis of certification basis and system of integrated logistic support of MC-21 aircraft. Documents for passing the “quality gate” (Gate3) – stage Draft Design were prepared. Tenders were held and suppliers of main systems of the MC-21 aircraft were determined. A first consultation council with airlines relating to MC-21 project was held.
- Development of the concept of the program of creation of wide-body short-haul and medium-haul aircraft (ShF BSMS). The concept of the ShF BSMS, including a technical proposal, competitiveness estimation, and marketing research of the market of wide-body aircraft was developed.
- Complex research was performed for determination of the required appearance of civil aircraft of new generation in order to ensure their competitiveness, including increase of the level of aircraft electrification in order to ensure their competitiveness in flight technical and operational characteristics, and use of alternate fuels.
- Coordination of priority areas of activity in nanotechnologies was carried out. 8 seminars titled Development of Aviation Technologies on the Basis of Nanoscience Achievement were held.
- A scientific and technical council of JSC UAC was established (it first meeting was held at which standard documents and work schedules were approved).
- A cooperation agreement between JSC UAC and RRC Kurchatov Institute was prepared and signed, and priority areas of joint activity were determined.
- A Russian – German conference on prospective technologies was organized and held.
- Interaction was organised of JSC UAC with the institutes of Fraunhofer Society and Belarusian State University on prospective areas of research.

### ***Management of production capacities and technical re-equipment***

- The aggregate program of technical re-equipment of enterprises of the Corporation, which was presented at the meeting of the Board of Directors of JSC UAC, was adjusted in accordance with the production program of JSC UAC and with proposals for specification of volumes and dates of financing of core federal target programs up to 2020. Activity for its optimization and actualization on the basis of analysis of the current situation and feasibility studies is being performed in order to improve the efficiency of capital investments. The previously developed production model of the Corporation is being completed and actualized.
- Proposals for actualization and adjustment of the draft Concept of Federal Target Program Development of the Defense and Industry Complex of the Russian Federation for 2011-2020 for ensuring the programs of technical re-equipment of enterprises of the

Corporation were prepared and transferred to the Ministry of Industry and Trade of the Russian Federation.

- Within the framework of the programs of technical re-equipment and reconstruction:
  - Survey activities were organized in 8 units of capital construction with preparation of corresponding requirements specifications, fulfilment of selection procedures, and conclusion of trilateral agreements with the Ministry of Industry and Trade of the Russian Federation and agreements with contractors. In the result of these activities design specifications and estimates were prepared and undergo state expert examination.
  - The complex of work started in 3 units of capital construction. It will result in launch of modernized manufacturing of parts, units and assemblies of polymer and composite materials, and preparatory, galvanic and mechanical processing production at JSV VASO and CJSC Aviastar-SP.
- Monitoring of current activity and technical equipment composition was expanded to all enterprises of the Company.
- Activity of monitoring of the technological equipment market and formation of the database of potential suppliers of technological equipment continues.

#### *Development of suppliers of purchased components and main materials*

- A Cooperation Agreement with Russian Technologies State Corporation was signed within the framework of implementation of the Program of Development of Suppliers between JSC UAC and Russian Technologies State Corporation with the corresponding Joint Activities Plan for 2009-2010.
- Within the framework of implementation of the Joint Activities Plan with Russian Technologies State Corporation, existing problems with suppliers and possible solutions are analyzed, issues of transfer of production of some assemblies from CIS enterprises to domestic enterprises are settled, and proposals for improvement of technical characteristics and aircraft quality are developed and implemented.
- Investment mechanisms for development of suppliers of components and systems were determined and preliminarily approved in R&D, technical re-equipment, HR development, and after-sales services.
- Activities of selection, replacement, localization and consolidation of suppliers for the SSJ 100 and MC-21 are carried out.
- Activities of consolidation of purchase volumes, conclusion of long-term agreements with price formulae and payment and order guarantees are carried out allowing reduction of the cost of aircraft configuration with main systems by 5-10% in average in comparison with the announced parameters.

#### *Costs management*

- Plans of activities and power effectiveness programs are developed and implemented at the enterprises of JSC UAC.

- An expended power audit was performed at a part of enterprises of JSC UAC with execution of corresponding reports, actualization of power passports and formation of programs for increase of power effectiveness with corresponding feasibility studies.
- Activities for reducing power consumption in a part of enterprises of JSC UAC were implemented within the framework of existing plans of activities and programs in the area of power effectiveness. In particular, at JSC VASO, in accordance with the results of performed infrared research, building structures, glazing, and clear-stories were heat insulated, and a procedure of replacement of compressor equipment was initiated, that would allow cutting power costs by 8% in the future.
- Activity in the area of increase of power effectiveness and formation of power effectiveness programs was carried out.
- Activities in training and sharing experience in the effective use of electric power resources among representatives of the enterprises of JSC UAC were carried out.
- At 7 enterprises there were projects of introduction of lean technologies.
- At JSC VASO, JSC KAPO named after S.P. Gorbunov subsidiaries were established, business plans were developed, and personnel were transferred previously performed non-core functions and production support functions, and service agreements are being concluded. The rationale was appraised of the formation of Customer Services and integrated control centers in order to ensure efficiency of operations of service companies.

### ***Ensuring financing of current programs***

Financing 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 35.4 billion roubles.

Construction of An-148 and Tu-204 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 2009 JSC UAC started a program of financial rehabilitation of subsidiaries and affiliates including through settlement of financial deficits of the enterprises of the group.

In addition state support was received for financial rehabilitation of JSC RAC MiG and JSC KAPO named after S.P. Gorbunov to the amount of 34 billion roubles by way of contribution into the charter capitals of these Companies.

The effective expenditure of funds was inspected regularly by the financial service of the Company and JSC UAC-TA.

### ***Corporate activity***

In order to consolidate the assets of JSC UAC a regular issue of shares was placed for the attraction of additional holdings of shares of subsidiaries and affiliates, for the benefit of the Russian Federation and owners of shares of subsidiaries and affiliates.. In the course of this issue shares of subsidiaries and affiliates were consolidated by way of exchanging them for the shares of JSC UAC

being placed. The Russian Federation introduced shares of JSC VASO (0.22%), JSC IFC (17.31%), JSC Finance Leasing (28.69%), JSC Sukhoi Company (1.17%) as well as JSC RAC MiG (100%) and JSC KAPO named after S.P. Gorbunov (100%).

Thereby the corporate procedures for implementation of the Decree of the President of the Russian Federation #140 dated 20.02.2006 were completed.

In order to fulfill Decree of the President of the Russian Federation #217 dated 20.02.2008 a set of activities was performed for preparation to corporatization of FSUE Myasishchev Experimental Machine-Building Plant and FSUE M.M. Gromov Flight Research Institute. The order of Rosimushchestvo about the terms and conditions of corporatization of FSUE Myasishchev Experimental Machine-Building Plant was signed on 31.12.2009.

In the part of formation of business unit and corporate restructuring in 2009 was developed the concept of the structuring of business of JSC UAC by way of formation of three business units (UAC – Combat Aviation, UAC – Commercial Aviation and UAC – Special Aviation) in the form of sub-holdings. Head companies of each business unit (JSC Sukhoi Company, Irkut Corporation and JSC Tupolev accordingly) were determined as well as the list of companies consolidated within each business unit. The concept of business unit formation was approved by the Board of Directors on 19.11.2009 (minutes No.30).

#### ***National Aircraft Manufacturing Center (NAMC)***

Management of the NAMC project is carried out by the Nonprofit Partnership National Aircraft Manufacturing Center (NP NAMC) established by JSC UAC, SC Russian Technologies and the Government of Moscow Region.

In 2009 the Concept of Creation of the National Aircraft Manufacturing Center in Zhukovsky prepared by the Nonprofit Partnership was approved by the Supervisory Council and General Meeting of Members of NP NAMC and was taken into consideration by the Board of Directors of JSC UAC.

On the basis of the Concept of Creation of National Aircraft Manufacturing Center the Nonprofit Partnership started development of industry sub-programs of the Complex Program of NABC creation including:

- JSC UAC objects in NAMC;
- Ramenskoye Airfield;
- Development of the Property Complex and Engineering Infrastructure of FSUE M.M. Gromov Flight Research Institute and FSUE Myasishchev Experimental Machine-Building Plant in the Interests of NAMC;
- Special Economic Zone of Port Type in the Territory of Zhukovsky.

Within the framework of MAKS-2009 a number of agreements of cooperation were signed in the area of creation of NAMC with leading defense enterprises and the main aircraft manufacturing regions of Russia.



### ***Port special economic zone on the basis of Ulyanovsk Vostochny international airport***

In accordance with Decree of the Government of the Russian Federation dated 30.12.2009 No.1163 a port special economic zone will be established in the territory of Ulyanovsk Region with in the municipal entity Cherdaklinsky District on the basis of Ulyanovsk Vostochny international airport.

In order to develop the PSEZ in 2008 the management company VolgaTechnoport LLC was incorporated with founders JSC UAC and JSC Corporation for Development of Ulyanovsk Region (100% of shares of the company are owned by Ulyanovsk Region).

VolgaTechnoport LLC has developed preliminary concepts and a master plan for PSEZ, and has looked for tenants, as a result of which a number of agreements with potential residents have been achieved, a feasibility study of development of the zone has been completed, and its borders and the territory of possible development were determined.

Participation of JSC UAC in this project will allow a reduction in the cost price of aircraft manufactured at Aviastar-SP. In 2010 development of the concept of creation and development of the SEZ port will be continued, including the architectural and construction concept, approval of the design of the port and the plan of corresponding material and technical equipment of the port SEZ and adjacent territory.

### ***Projects in the area of HR development***

In 2009 in human resources JSC UAC continued implementation of projects in the area “System of Training, Re-training and Professional Improvement of Employees”. In this context experts of JSC UAC participated in development and expert examination of educational standards (by areas) and in basic EMA (MAI, MSTU), for joint work on such standards and on development of the system of training of specialists for the aircraft industry.

Educational programs were reformed in accordance with the developed professional standards in professional competencies: Designing, Durability, Dynamics.

For development of the vocational guidance system an agreement was concluded with MAI for the holding of a competition, and development of the Regulations and set of documents for the All-Russian Core Contest for pupils and students.

Within the framework of MAKS-2009 a conference was held called “Creation of NAMC and System of Personnel Training for the Aircraft Industry”. The contest "Young Scientists for Aircraft Manufacturing” was organized and held among young scientists and students of universities and specialized secondary schools of Russia.

The Executive Board of JSC UAC approved the concept and plan of activities of the Corporate University. Main activities of the Corporate University in 2009 were:

- Training of a personnel reserve for subsidiaries and affiliates. Individual development plans for succession candidates were executed, and training programs in system corporate training of managerial competencies, in professional and technical areas, and

in project management were started. In 2009 the internal training specialist of JSC UAC carried out training sessions for candidates for the reserve.

- Youth program. The initiative youth team was organized for the purpose of revival of the youth movement. At meetings of the team urgent issues of development of the domestic aircraft industry are discussed.

In 2009 international study courses of 30 young specialists were organized and arranged (jointly with Rosmolodezh) in Toulouse (Institut Aéronautique et Spatial, Airbus, SAFRAN, A-380 assembly site) and Hamburg (Hamburg University of Technology and Helmut Schmidt University, Airbus, Hamburg Airport, CFK Valley Stade Lufthansa Technik).

- Study courses of students and teachers of universities and specialized secondary schools among 4 regions were organized and held (Moscow – MAI; Kazan – KAI, KATC; Novosibirsk – NSTU, NATC; Irkutsk – ISU, IrSTU, IAT). In 2009 international study courses for students from 4 regions (Moscow, Kazan, Novosibirsk, Irkutsk) as well as teachers and tutors were organized and held in Toulouse at foreign enterprises of high tech industries.

Professional development at the enterprises of JSC UAC is carried out on a regular basis and includes 2 main areas:

- organization of training of managers, specialists and other office workers;
- organization of training of workers.

In 2009 over 34,000 employees, over 20,000 of them workers, advanced their skills on the basis of the enterprise and at external educational institutions.

#### **4.3. 2009 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 on the results of 2008 fiscal year which was held on June 29, 2009, a dividend was not paid due to losses of the Company in 2008 to the amount of 956,714 thousand roubles.

#### **4.4. Crisis management**

In connection with the financial and economic crisis the Government of the Russian Federation carries out activities ensuring priority development of domestic aircraft manufacturing. In 2009 the amount of funding from the federal budget to Federal Target Programs and other forms of state support were increased considerably. The mechanisms of state support were put into effect, envisaging an increase of the capital of JSC UAC and its subsidiaries, funding of interest payments on loans raised for leasing companies and for enterprises of JSC UAC in the process of technical re-equipment.

In 2009 in various areas of financing enterprises of JSC UAC received about 70 billions of roubles of budget funds without taking into consideration financing under FTP Development of Civil Aviation in the Russian Federation and FTP Development of Defense Industrial Complex of the Russian Federation. JSC UAC itself received 29,112,523 thousand roubles as contribution to the charter capital.

In accordance with target areas of use of funds state financing ensured achievement of the following results in stabilization of activity and development of the aircraft manufacturing complex of the Russian Federation.

In terms of financing of costs for manufacturing of civil aircraft in production (types of aircraft: Tu-204, Il-96 and An-148), the funds envisaged in the state budget to the amount of 9.04 billion roubles were transferred to enterprises of JSC UAC (JSC VASO and CJSC Aviastar-SP) and for the purchase of components; this ensured fulfillment of the production plan and transfer of 4 Il-96 aircraft, 3 Tu-204 aircraft and 2 An-148 aircraft to customers. In addition, state investment ensured groundwork for the An-148 program for 2010 for 10 aircraft and 7 Tu-204 aircraft. The total volume of commodity output in 2009 in these programs exceeded 12 billion roubles.

Aside from investments into working capital, these funds from the federal budget were used for preparation of manufacturing of the An-148 at JSC VASO and the first serial Russian-manufactured aircraft was transferred to the customer – STC Rossiya – in September 2009.

In December 2009 in accordance with the decision of the Government of the Russian Federation, in the order of implementation of crisis management, JSC UAC received additional financing to the amount of 13.6 billion roubles. The main area of utilization of these funds was replacement of working capital in order to ensure the manufacturing of civil and special aircraft.

Allocation of additional governmental financing in the conditions of restriction of availability of loan capital and its high cost and decrease of repayment capacity of commercial customers of aircraft manufacturing in 2009 and in the beginning of 2010 ensured and continues to ensure stable production rates of previously in-production aircraft models and fulfillment of investment programs of enterprises. As a result of this in 2009 the consolidated proceeds of JSC UAC increased by more than 15% in comparison with 2008 in a situation of a general decrease of production indicators in industry as a whole. At all enterprises of JSC UAC working production was preserved and the personnel levels of main production and engineer categories were maintained.

In 2009 within the framework of crisis management additional state support was provided to PJSC RAC MiG and JSC KAPO named after S.P. Gorbunov to the amount of 30 billion roubles and 4,128 billion roubles accordingly.

For the purposes of financial rehabilitation of enterprises of JSC UAC the Government of the Russian Federation took the decision to allocate additional financing to the amount of 21 billion roubles through SC Vnesheconbank by way of contribution into the charter capital of JSC UAC for settlement of a part of the deficit accumulated by aircraft manufacturing enterprises. In 2009 the restructuring of indebtedness of enterprises of JSC UAC to commercial banks was coordinated to the total amount of 70.5 billion roubles using direct repayment of the debt and issues of bonds under guarantees of the Government of the Russian Federation.

## 5. DEVELOPMENT PROSPECTS AND PRIORITY ACTIVITIES

### 5.1. Main Activity

#### *Civil aircraft*

##### Current projects.

It is planned to perform modernization and to start serial manufacturing of aircraft of the Tu-204/214, An-148 and Il-96 families, to raise the rate of production of An-148 aircraft in accordance with growing demand for these aircraft, and to transfer manufacturing of An-140 aircraft to the competence of JSC UAC.

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 are being implemented to ensure higher efficiency.

##### Promising niche positioning projects.

It is planned to develop and organize the serial production of aircraft designed and manufactured with the use of new technologies that are not only technical but also informational, administrative and other. This category of projects include aircraft of the SSJ family (SSJ 100 and those succeeding it), and the Tu-204SM.

In May 2010 it is planned to receive a type certificate for the SaM-146 engine; after that it will be possible to receive a type certificate for the SSJ 100 aircraft and by the end of the year – to begin shipping the aircraft to launch customers. This group of projects should ensure entrance to new world markets and positioning of 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.

In the process of implementation of the projects of the above two groups the basis for market positioning in the most popular segments of the world market. During the period up to 2015 it is necessary to complete development of the family of MC-21 narrow-body aircraft with capacity from 150 to 210 seats (the upper border of the family is determined by the maximum carrying capacity of aircraft with a single aisle).

Promising designs are aimed to achieve technical characteristics that would exceed the parameters of aircraft produced by the main competitors. Superiority of technical characteristics should favor overcoming of objective barriers for a new player entering the market.

The total volume of the portfolio of orders in the segment of civil aircraft is more than 150 aircraft of all types. Before the end of 2010 it is necessary to determine starting customers for aircraft of the MC-21 family and to sign necessary agreements.

## *Military aircraft*

### Long-range aviation

Modernization and overhauling of Tu-160, Tu-95MS and Tu-22M3 aircraft will be ensured for the medium-term perspective. In the long-term perspective the main projects will be creation of an advanced fighter aircraft for long-range aviation (PAK DA) and advanced tanker aircraft (PSZ).

### Combat aircraft of front-line (tactical) aviation.

Analysis of domestic and foreign markets of aircraft of front-line aviation demonstrates that in the future supplies of advanced models should be one of the main sources of income of JSC Sukhoi Company and PJSC RAC MiG. At that, notwithstanding the expected sharp growth of income from supplies to the Ministry of Defense of Russia, at least half of income may be received from export of front-line aircraft (planned indicators for 2015-2020 are 40%-60%).

The growth of production volume is connected with aircraft generation change (3<sup>rd</sup> and 4<sup>th</sup>), mass production of multi-purpose fighters of the 4+ and 5 generations, and an increase in the cost of aviation systems.

In the long-term perspective (up to 2025) the main product in military aviation will be advanced aircraft of the 5<sup>th</sup> generation – the PAK FA/PMI models necessary for rearmament of the Air Forces of Russia, of our allies, and of strategic partners as well as traditional and advanced partners of Russia in military-A technical cooperation.

With the creation of PAK FA/PMI it will be possible to strengthen the position of Russia in the period up to 2025 (15%-16% of volumes of the world market).

### Military transport aircraft.

During the period 2011-2016 JSC UAC plans to complete development and start serial manufacturing of new or thoroughly modernized aircraft, light class – Il-112, medium class – MTA, heavy class – Il-76MD-90. Such a product portfolio and high demand for ramp aircraft will allow to occupy 10%-12% of the world market of military transport aircraft and to reinstate competences in this segment.

A breakthrough product in transport aviation is the MTA aircraft (a joint Russian-Indian development). In order to decrease the costs of this product it is necessary to envisage technological community with the MC-21 project.

For implementation of the plans of Russia in the segment of aircraft of military transport aviation it is possible to cooperate scientifically and technically with Ukraine in the MTA project and in the An-124-300, which will require settlement of issues of rights for intellectual activity and possible integration of JSC UAC and SC Antonov.

## 5.2. Development of Production Base

In order to increase aircraft production volumes, to improve the competitiveness of manufactured products and to increase aircraft sales share JSC UAC will continue to develop the production base of its enterprises in the following directions:

- *Transformation of the production model of the Corporation.*

The new production model of the Corporation is being formed on the basis of production models of the business units which have been created, allowing more efficient cooperation schemes and specialization of enterprises of the aircraft manufacturing industry, which will result in an increase of production effectiveness, decrease labor-intensiveness and product cost price, ensure a balance of production capacities, and allow more efficient implementation of the aircraft manufacturing program.

- *Introduction of new technologies.*

Implementation of technical re-equipment programs is aimed at renovation and optimization of production capacities.

In 2009 materials and project documents were prepared, along with planning of production being developed for manufacturing of civil and military transport aircraft. Production layouts to be developed in master plans of plants were specified, and the selection procedures for contractors and suppliers were carried out for projects of development of mechanical processing, preparatory and stamping and polymer-composite production. Corresponding agreements were signed, the necessary work of contractors was organized, manufacturing, and delivery and commissioning of equipment is being performed.

According to forecast estimates of scheduled financing of technical re-equipment programs about 2 thousand units of up-to-date production machine-tools are to be purchased by 2012. With that, due to the higher productivity of the modern equipment, writing off of idle and no longer utilised equipment and modernization, the total quantity of technical equipment must decrease by 1.3-1.5 times approximately in comparison with 2008. The share of new highly-productive equipment meeting modern requirements should be about 12%-15%. The average age of equipment in use must decrease and be 20-23 years. With that, according to expert forecasts, the volume of manual labor must decrease and be 42-45% on average, and labor-intensiveness must also decline by 1.5 times on average.

Technical re-equipment programs are being implemented in accordance with 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". Technical re-equipment activities are financed at the expense of the said programs as well as with internal and borrowed funds of the Corporation.

According to preliminary estimates the actual total volume of financing of enterprises of JSC UAC for technical re-equipment and reconstruction programs in 2009 was around 7.5 billion roubles, and about 350 units of modern technological equipment were delivered during this period, about 330 units were commissioned, and contracting was carried out for some of the equipment to be delivered in 2010.

In order to provide financing of technical re-equipment projects with state budget funds proposals were prepared for actualization and adjustment of draft Concept of Federal Target Program Development of the Defense and Industry Complex of the Russian Federation for 2011 – 2020, and the aggregate plan of technical re-equipment of enterprises of JSC UAC was actualized with proposals for specifying volumes and dates of financing.

- *Production capacities management.*

The main principles and uniform requirements to formation of technical re-equipment programs were developed and are being implemented at the enterprises of JSC UAC within the framework of standardization of activity in the sphere of production capacities management in order to ensure efficiency of implementation of technical re-equipment programs and projects, and a system of regular reporting about technical re-equipment programs is being introduced.

In the 4<sup>th</sup> quarter of 2009 a system for monitoring of information about available production capacities, and their conditions and dynamics, was introduced for managerial decision-making in the fulfilment of the production program of JSC UAC and in development of production potential as well as a system of monitoring of results of production activity of enterprises, allowing analysis of production workload, evaluation efficiency of use of resources, and control of fulfilment of production programs.

JSC UAC continues to transfer production of some components from enterprises of JSC UAC to enterprises of suppliers in order to increase production effectiveness, to decrease labor-intensiveness and the cost price of manufactured products, and to optimize technical re-equipment programs.

### **5.3. International Activity**

The 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 in current projects for supplies of military and civil aircraft;
- marketing of civil aircraft manufactured by JSC UAC in order to win positions in the world market;
- expansion of cooperation relations with foreign aircraft-manufacturing companies within the framework of joint production of aircraft.

A wide range of activities is carried out in the interests of promotion of Russian aircraft products in foreign markets. 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 (Yemen, Italy, Uzbekistan, Ukraine, African countries, China, etc.). Special significance was assigned to participation of representatives of JSC UAC in activities of intergovernmental bodies for economic and military-technical cooperation of Russia with foreign countries (France, Germany, Italy, India, Indonesia, Malaysia, Israel, Uzbekistan, Ukraine, Argentina, Greece, Turkey, Armenia, Brazil, Nicaragua, Ecuador, Egypt, Yemen, Nigeria, Namibia, Angola, Peru, Syria, Libya, China, South Korea, etc. More than 40 countries in total).

Programs of production cooperation with the European aircraft manufacturing company **Airbus (France)** were developed with participation of the Irkutsk and Voronezh aircraft manufacturing plants. Within the framework of production of components for aircraft of the A-320/321 family Irkut Corporation optimized the production process allowing a reduction in labor-intensiveness by two times, increased efficiency and scope of production. Negotiations were held for an increase of contractual prices for components supplied by Irkut Corporation taking into account changes in market factors and the current Airbus aircraft production program. For 2010 it is scheduled to increase production of components for A-320/321 aircraft by one and a half times.

Important steps were made in fulfillment of the program of conversion of passenger A-320/321 aircraft into a cargo version. In 2009 in accordance with the project implementation schedule the engineering stage was carried out, and the main suppliers of components and systems were determined. An agreement was reached with Airbus for purchase of materials for component production from existing suppliers of this company and on the terms and for the prices to Airbus. A similar agreement was concluded with suppliers of standard equipment. It is anticipated that complete selection of suppliers will be achieved in the beginning of 2010.

Active cooperation with **Alenia Aeronautica (Italy)** continued in the SSJ 100 project. In April 2009 certification testing of the SSJ 100 started (including within the framework of the EASA certification program). During the year the flutter testing program, the first and second stages of the large A/A and stall program, the high mountain and icing testing were completed. Receipt of AR IAC and EASA type certificate is scheduled for 2010.

In June 2009 at the Paris Aviation Show the first world presentation of the SSJ 100 took place. The total value of firm orders for this aircraft received by Russian-Italian joint venture Superjet International reached approximately \$300 million. Delivery of the aircraft to first customers is scheduled to the end of 2010. The shift of the SSJ 100 program dates resulted from delay in certification and the supply of SaM146 engines.

Cooperation with **Ukraine** in joint aircraft design and manufacturing was developing. Serial manufacturing of the An-148 started at Voronezh aircraft manufacturing plant on the basis of production cooperation with Antonov Concern. A portfolio of orders for 110 An-148 aircraft was achieved (56 firm agreements and 54 options).

Negotiations were completed and the Protocol to the Intergovernmental Russian-Ukrainian Agreement of 1993 was signed for joint development and production of An-70 and An-70T aircraft.

The Government of the Russian Federation received the proposals of JSC UAC for recommencement of manufacturing of the heavy transport aircraft An-124 on the basis of industrial cooperation with Ukrainian aircraft manufacturers. Starting from 2014 JSC UAC will be able to start supplies of revised An-124 aircraft with increased carrying capacity. President of the Russian Federation D.A. Medvedev commissioned the Government to include purchase of the An-124 into the state armaments program for the period up to 2020.

Interaction with aircraft manufacturers of the **Republic of Uzbekistan** was performed on the basis of bilateral agreements with TAPOiCh (Tashkent) in accordance with the "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 2008. In cooperation with GAO



TAPOiCh (Tashkent) activities for production and supplies of components for Il-76 and Il-114 aircraft (special modifications) are being carried out.

In December 2009 the Protocol to the Intergovernmental Russian-Indian Agreement for Cooperation in Development and Production of Multi-Purpose Transport Aircraft dated November 2007 was signed with the **Republic of India**, comprising JSC UAC-Transport Aircraft and authorized Russian organizations. The parties started coordination of documents of incorporation, mechanism of incorporation and financing of a joint venture in India.

Russian-Indian cooperation in development and manufacturing of an advanced multi-function fighter is being carried out within the framework of the Intergovernmental Agreement dated 2007. Partner in the project from the Indian side is Hindustan Aeronautic Limited Corporation (hereinafter referred to as HAL Corporation), from the Russian – FSUE Rosoboronexport and JSC Sukhoi Company. In accordance with the project implementation schedule the configuration of export aircraft was approved, the general contract for general terms and conditions of work was signed, technical requirements for the aircraft were coordinated, and the Indian party was provided with cost characteristics of R&D and a draft contract for development of a preliminary technical design.

In 2009 HAL Corporation, FSUE Rosoboronexport and JSC Sukhoi Company continued their participation in implementation of the program of licensed manufacturing of Su-30MKI aircraft, envisaging transfer of licensing and technical documents to the Indian party and supply of technical kits for aircraft manufacturing.

Jointly with IAI (Israel) JSC UAC worked on the project of creation of airborne early warning and control aircraft on the basis of the Il-76 for the Air Forces of India. In May 2009 the first aircraft was accepted, and delivery of the second and third aircraft is scheduled to 2010.

MC UAC-Civil Aircraft LLC and the Organization of Aviation Industry of **Iran** continued negotiations concerning the project of licensed manufacturing of Tu-204-100E and Tu-204SM planes in Isfahan. Since the Iranian party showed its interest in the An-148 as well, the draft contract includes also the provision for licensed manufacturing of this aircraft in cooperation with ASTC named after O.K. Antonov (Ukraine). By the end of 2009 practically all articles of the contract and the schedules for it were coordinated and initialed.

In 2009 JSC UAC continued negotiations with the management of aircraft industry of the **PRC** and Chinese aircraft manufacturing companies about possible joint production of commercial transport and wide-body short-haul and medium-haul aircraft.

Within the framework of **coordination of international scientific activity** under the European Union FP7 program management of the scientific team in the CREAM project (Innovative Technological Platform for Compact and Reliable Electric Integrated Drives and Power Units) was carried out. Materials on possible interaction with European organizations and manufacturers in SVETLANA project (development of automated system for increase of safety of operation of passenger aircraft on the basis of complex evaluation of aircraft technical conditions, existing technical maintenance, evaluation of crew actions using algorithms of intellectual data analysis and adaptive prediction of developments).

#### 5.4. Corporate Restructuring

The program of organizational consolidation and structuring of JSC UAC is of a stage character. The stage of assets consolidation will be completed after receipt of additional aircraft manufacturing assets determined in Decree of the President dated 20.02.2008 No.217 (M.M. Gromov Flight Research Institute, Myasitshev Experimental Machine-Building Plant).

In 2010-2012 it is planned to carry out formation of corporate structures (business units), the transfer of corresponding assets to them and local integration of aircraft manufacturing enterprises within business units.

The process of formation of business units is based on the following main principles:

- receipt of joint-stock control over main manufacturing and development companies;
- stage character of fulfillment and controllability of corporate actions (transformations);
- preservation of governmental control over implementation of the development program and priority directions of activity, restructuring program management by JSC UAC;
- minimization of influence of restructuring processes on implementation of product programs;
- outsourcing of non-core assets and functions;
- mutual consideration of interests of shareholders of JSC UAC and minority shareholders of subsidiaries and affiliates;
- minimization of restructuring costs while meeting the requirement of capitalization increase.

In accordance with the concept of restructuring of JSC UAC group approved at the meeting of the Board of Directors of JSC UAC dated 19.11.2009 it is planned to form three specialized business units in segments of combat, commercial and special aviation.

Business unit UAC – Combat Aviation The area of activity of business unit UAC - Combat Aviation includes projects connected with development, putting into production, serial production and after-sales servicing of military equipment in the segment of front-line aviation.

7 main joint-stock companies are subject to inclusion into business unit UAC – Combat Aviation: JSC Sukhoi Company, JSC Sukhoi Design Bureau, JSC Komsomolsk-on-Amur Aircraft Production Association; JSC Novosibirsk Aircraft Production Association named after V.P. Chkalov; PJSC RAC MiG, JSC NAZ Sokol, and their subsidiaries (more than 40) as well as CJSC SCAC which is implementing the SSJ 100 project (before certification of aircraft typical construction and stabilization of serial deliveries of aircraft). The decision about transfer of the SSJ 100 project for management by business unit UAC – Commercial Aviation and change of the structure of joint-stock capital of CJSC SCAC will be taken with a separate decision after 2012.

At this stage it is planned to create the business unit in the form of two independent integrated structures of branch type and CJSC SCAC, subordinate to the management (head) company. These integrated structures:

- are formed on the basis of JSC Sukhoi Company and PJSC RAC MiG by way of the joining of design bureaus and serial production plants traditionally working for Su and MiG accordingly;
- ensure the full cycle of development, manufacturing and after-sale servicing of military aircraft;
- possess an individual range of products and are self-sufficient from the point of view of provision with engineering, technical and production resources.

Business unit UAC – Commercial Aviation The aim of business unit UAC - Commercial Aviation is commercialization of existing products and introduction of new models of civil and transport aircraft to the market.

The perimeter of consolidation of the business unit include: Irkut Corporation, JSC Yakovlev Design Bureau; JSC Il; JSC VASO, CJSC Aviastar-SP, JSC OAC-TA and MC UAC-CA LLC as well as more than 30 of their subsidiaries and affiliates.

The head company is Irkut Corporation; it was selected due to its financial stability, availability of positive expertise in restructuring aircraft construction enterprises, development of production capacities, cost management and forming of efficient business.

Business unit UAC – Specialized Aviation The subject matter of specialized aviation is a wide range of unique global projects connected with the creation of strategic and amphibian aviation as well as specialized aircraft (command post, AWACS, etc.). The peculiarity of specialized aviation is its low level of series production and limited commercialization, presupposing focusing on work under state orders.

The following companies are subject to inclusion into business unit UAC – Specialized Aviation: JSC Tupolev, JSC Beriev Aircraft Company, JSC TAVIA, JSC KAPO named after S.P. Gorbunov and JSC Myasishchev EMZ and their subsidiaries and affiliates.

The head company is JSC Tupolev as the most experienced organization in development of strategic and specialized aviation.

At the first stage of corporate restructuring business units will be formed as sub-holdings. In the process of establishment of sub-holdings JSC UAC will give over shares of its subsidiaries for the benefit of the subsidiaries which are determined as head companies of business units. As a result of the procedures of this stage JSC UAC will possess shares of the head companies of business units (JSC Sukhoi Company, Irkut Corporation, JSC Tupolev).

In future it is expected to carry out reorganization within each business unit and transformation into integrated structures of branch type with transition to a uniform share.

Consolidation and structuring of assets with formation of business units will ensure improvement of the activity of companies included into JSC UAC:

- optimization of the production and technological model (value chains);
- decrease of risks in the activity of the group;

- increase of financial stability;
- increase of business profitability;
- shortening of period for development of new equipment and introduction to the market due to more efficient concentration of resources.

Due to the increase of the scope of activity, purposeful concentration of resources, restructuring within business units and optimization of the system; by 2015 are forecast higher sales of aircraft and an increase of production profitability:

- in the segment of combat aviation: annual proceeds – from 105 billion roubles up to at least 200 billion roubles while achieving average operational profitability of at least 20%;
- in the segment of commercial aviation: annual proceeds – from 22 billion roubles up to at least 140 billion roubles while achieving average operational profitability of at least 2%;
- in the segment of specialized aviation: annual proceeds – from 7 billion roubles up to at least 20 billion roubles while achieving average operational profitability of at least 15%.

### 5.5. HR Policy and Social Responsibility

The average number of workers and office workers of JSC UAC in 2009 was 176 persons.

The dynamic of changes in personnel of the enterprises of the Corporation in 2009 as a whole may be characterized as positive.

Notwithstanding the 2008-2009 financial crisis it was possible:

- to preserve the main HR resource pool of enterprises;
- to ensure growth of average salary in the majority of our enterprises;
- to keep the interest of young people in the industry and to ensure inflow of young specialists to our enterprises;
- to continue implementation of activities aimed at preservation and development of the HR potential of the industry.

#### 1. Personnel number and structure

As on 01.01.2009 the total headcount of all enterprises of the Corporation including leasing and management companies was 97,500 persons. The dynamics of headcount during the period 2006-2009 is presented in Table 1.

Table 1.

Period	Total headcount	Plants	Design bureaus	Management and leasing companies
2006	103,300	91,150	11,590	560
2007	105,130	93,210	11,130	790

2008	102,700	90,600	11,130	970
2009	97,500	85,500	11,100	900

In connection with the effects of the financial crisis in 2008-2009 the tendency for a fall in the number of personnel of enterprises of the Corporation is pointed out (first of all – at production enterprises except Irkut Corporation), mainly due to a scheduled decrease of headcount of auxiliary workers, non-industrial personnel, and employees of pensionable age as well as transfer of personnel of non-core divisions onto other legal entities. The procedures of personnel reduction were performed in accordance with the existing legislation.

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 2015.

The structure of personnel of JSC UAC enterprises as on 01.01.2010 (design bureaus and plants) was as follows: managers – 14,000 persons; specialists – 29,200 persons (30%); office workers – 2,200 persons (2%); manual workers – 51,200 persons (53%), of them main production workers – 23,450 persons (24% of the total headcount of all enterprises of the Corporation). During 2009 the personnel structure changed as follows: the share of specialists grew from 29% to 30%; the share of workers dropped from 54% to 53%, while the share of main production workers remained unchanged. The number of top and middle managers as well as office workers did not change considerably.

The total number of employees hired in 2009 (design bureaus and plants) – over 12,700 persons, 8,000 of them were workers. Accepted from core educational institutions – 3,450 persons (27% of the total amount of hired personnel), of them 1,650 persons from higher educational institutions; 1,800 persons – from core secondary and primary educational institutions. This indicator corresponds to the similar indicator of 2008.

## 2. Age composition

As on 01.01.2010 share of employees at the enterprises of the Corporation (design bureaus and plants) below 30 was 24%; from 30 to 39 – 15%; from 40 to 49 – 19%; from 50 to 59 – 29%, over 60 – 13%. The age composition in 2009 showed an increase in the share of employees under 30 (from 23% to 24%), a fall in the age group from 30 to 50 (from 35% to 34%) and preservation of the age group over 50 (42%).

The average age is:

- At production enterprises of JSC UAC – 44 years (from 40 to 47)
- In design bureaus of JSC UAC – 49 years (from 47 to 53).

## 3. Educational level of personnel

As on 01.01.2010 the number of personnel of enterprises of the Corporation with higher education was 34% (increased by 3% since the beginning of 2009); the number of personnel with complete

secondary and secondary vocational education at enterprises of UAC was 61% (remained unchanged).

#### 4. Social responsibility

The social responsibility of JSC UAC includes measures aimed at the improvement of quality of working life of employees of the enterprises integrated into the Corporation: the development of the social partnership system as well as control of fulfilment of collective agreements of the enterprises of the Corporation and the Federal Industry Agreement of Aircraft Industry for 2008-2010 on issues of observance of social guarantees.

##### 4.1. Remuneration

The average monthly remuneration at enterprises of the Corporation in 2009 was about 20,700 roubles. Growth of the average monthly remuneration in 2009 was 11.2% in comparison with the level of the previous year.

The average monthly remuneration at enterprises of the Corporation located in Moscow in 2009 was 29,900 roubles.

Positive dynamics in growth of the average monthly remuneration was observed in 13 of 18 enterprises of the Corporation.

At the present moment the level of the average monthly remuneration of employees of the majority of enterprises of the Corporation corresponds to the similar indicator in the geographic region.

In 2010 it is planned to ensure planning and control of fulfilment of decisions relating to change of the level of the average monthly remuneration at enterprises at the level determined in the Federal Industry Agreement of Aircraft Industry and other regulatory documents; and to continue participation of enterprises of the Corporation in regional, industry and industrial overviews of remuneration.

##### 4.2. Corporate pension program

In accordance with previously taken decisions of the Executive Board of JSC UAC, in March-April 2010 corporate pension systems will start functioning (signing of agreements and adoption of corresponding provisions) in the first group of enterprises of JSC UAC included into business units, Commercial Aviation and Specialized Aviation (Irkut Corporation, JSC Tupolev, etc.).

##### 4.3. Development of the social partnership system

In 2009 within the framework of social partnership development, JSC UAC and the Russian Trade Union of Aviation Industry Workers (Profavia) approved the Concept of Social Partnership; in accordance with it in 2010 activity will continue for conclusion of the Federal Industry Agreement of Aircraft Industry of the Russian Federation (FIA) and Corporate Agreement between JSC UAC and Russian Trade Union of Aviation Industry Workers (Profavia) for 2011-2013. These documents of social partnership will contain both basic principles of regulation of social and labor relations and particular measures and advanced indicators which are to be achieved and applied at enterprises of JSC UAC in the sphere of labor remuneration and protection, and the provision of social benefits and guarantees. At the present moment bilateral commissions consisting of representatives of

enterprises of JSC UAC and Profavia have been established for formation of the draft FIA and the Corporate Agreement for 2011-2013.

In November 2009 the Coordination Council of Trade Unions was held with participation of the management of JSC UAC, at which information about fulfilment of the FIA and collective agreements at enterprises of JSC UAC was presented:

- 70% of enterprises of JSC UAC fulfill IAF from 76-100%;
- 86% of enterprises of JSC UAC fulfill collective agreements from 76-100%.

In 2010 activities for improvement of these indicators will be continued.

## **5.6. Product quality management**

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

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

The main directions of activity of JSC UAC in the area of quality is implementation of corporate projects in the sphere of quality:

- creation of a system of guarantees of quality (on the basis of the project of creation of corporate QMS);
- reorganization of the system of management of regulatory documents in aircraft manufacturing;
- development of the automated centralized information and analytical system of reliability and safety of aircraft equipment.

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

In accordance with the accepted Policy of JSC UAC in the sphere of quality Programs of Quality Management System (QMS) Improvement were developed for enterprises of JSC UAC, aimed at ensuring compliance of enterprises with the requirements of AS/EN/JISQ 9100 standards.

In accordance with these requirements:

- In 2009 QMS of CJSC Aviastar-SP was certificated by CJSC Bureau Veritas Certification Rus for compliance with the requirements of international standard EN 9100:2003.
- Irkut Corporation underwent audit (assessment) of AR IAC as Aircraft Developer.
- CJSC SCAC received licenses for development and manufacture of aircraft including dual-purpose aircraft.
- The AR IAC Certificate for Approval of Manufacturing of Aircraft Model was extended for JSC KAPO named after S.P. Gorbunov for production of Tu-214 aircraft.

Within the framework of the existing corporate project “Creation of the Corporate Quality Management System” the Quality Coordinating Committee was established at JSC UAC with participation of authorized representatives of subsidiaries and affiliates of UAC SAC; its aim is to fulfill the following tasks:

- Development of regulatory documents and organization of the All-Russian unified system of collection, processing and provision of information about aircraft reliability between operating organizations, developers and manufacturers.
- Development, manufacturing and application of basic elements (electric radio products (ERP)) in on-board aircraft equipment.
- Settlement of issues (at a governmental and legislative level) of shortening of the delivery period for certified technical equipment to foreign customers, of during the warranty period replacing failed equipment for restoration of aircraft delivered under state export supplies.
- Organization of centralized purchase of industry instructions in connection with their high cost.
- Development of a regulatory base for aircraft maintenance during the whole life cycle of the aircraft.
- Introduction of aircraft subscription maintenance in the out-of-warranty period by manufacturing enterprises on a contractual basis.
- Development of methodological documents setting typical structure and functions of quality services for enterprises developing and manufacturing aircraft.

Development of activity for harmonization of the system of standards and quality assurance will be carried out in cooperation with International Aerospace Quality Group IAQG and the Aerospace and Defense Industries Association of Europe ASD.

Activity in the area of Air Worthiness (AW) was completed within the Project of Cooperation of Russia and the EU in Civil Aviation (ERAC). A booklet of recommendations to aviation authorities of Europe and Russia was executed for amendment of aviation rules in the following areas:

- Certification of developing organization (DOA);
- Certification of producing organization (POA);
- Certification (qualification) of systems;
- Qualification of materials;
- Suppliers chain management.

The proposals of JSC UAC for improvement of quality are combined in the List of Long-Term Activities for Implementation of Main Areas of Work in Solving the Problem of Improvement of Quality of Defense Products and will be implemented within the framework of the general schedule of work of the Ministry of Industry and Trade of the Russian Federation.



## 6. CORPORATE GOVERNANCE

### 6.1. Charter 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 No.140 “On Joint-Stock Company United Aircraft Corporation” and Resolution of the Government of the Russian Federation dated 20.04.2006 No.224 “On Measures for Implementation of Decree of the President of the Russian Federation No.140 dated February 20, 2006 “On Joint-Stock Company United Aircraft Corporation”.

At incorporation the charter capital of the Company was formed to the amount of 96,724,000,000 roubles and consisted of 96,724,000,000 ordinary registered shares with the nominal value of 1 rouble each (state registration number 1-01-55306-E).

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

Founder	Quantity 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	Quantity 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
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Other founders paid the charter capital of JSC UAC with shares of Joint Stock Company Scientific and Production Corporation Irkut to 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 (state registration number 1-01-55306-E-001D). The securities to the quantity of 8,246,603,100 shares with the nominal value of 1 rouble 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 cash in the amount of 6,040,000,000 roubles 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	Quantity 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 roubles and consisted of 104,970,603,100 ordinary shares with the nominal value of 1 rouble.

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 (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 rouble 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 cash to the amount of 5,999,999,999.69 roubles.

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 was 110,280,337,613 roubles and consists of 110,280,337,613 ordinary shares with the nominal value of 1 rouble. State registration of amendments to the Charter of the Company resulting from the placement was carried out on February 6, 2009.

4. The third issue of additional ordinary shares of the Company was registered by the Federal Financial Markets Service of Russia on July 16, 2009 (state registration number: 1-01-55306-E-003D). The securities to the quantity of 6,000,000,000 shares with the nominal value of 1 rouble

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 cash in the amount of 6,300,000,000 roubles.

The report of results of the issue (of the third additional issue of shares of the Company) was registered by the Federal Financial Markets Service of Russia on August 18, 2009.

In the result of placement the charter capital of the Company was 116,280,337,613 roubles and consists of 116,280,337,613 ordinary shares with the nominal value of 1 rouble. State registration of amendments to the Charter of the Company resulting from the placement was carried out on September 03, 2009.

5. The fourth issue of additional ordinary shares of the Company was registered by the Federal Financial Markets Service of Russia on September 11, 2009 (state registration number 1-01-55306-E-004D). The securities in the quantity of 15,325,020,492 shares with the nominal value of 1 rouble each were placed under closed subscription for the benefit of:

- Russian Federation in the person of Rosimushchestvo (10,456,615,885 shares);
  - owners of ordinary and preferred shares of the following companies: Irkut Corporation, JSC Sukhoi Design Bureau, JSC TAVIA, JSC Beriev Aircraft Company, JSC Tupolev, CJSC Aviastar-SP, JSC UAC-TA, JSC II, JSC VASO, JSC NAZ Sokol, JSC Yakovlev Design Bureau; JSC Finance Leasing.

Payment for the placed shares was carried out in a non-cash form to the total amount of 16,091,271,516.69 roubles including:

- The Russian Federation in accordance with Decree of the President of the Russian Federation dated 20.02.2006 No.140 and Appendix #1 to Decree of the President of the Russian Federation dated 19.01.2009 No.69 introduced as payment holdings of ordinary shares of the following joint-stock companies: JSC RAC MiG (100% of the charter capital), JSC KAPO named after S.P. Gorbunov (100%), JSC Sukhoi Company (1.17%), JSC IFC (17.31%), JSC VASO (0.22%), JSC Finance Leasing (28.69%).
- owners of shares of the above subsidiaries and affiliates of JSC UAC in accordance with Appendix 2 to Decree of the President of the Russian Federation dated 20.02.2006 No.140 (in version of Decree of the President of the Russian Federation dated 19.01.2009 No.69) introduced as payments holdings of:
  - ordinary shares of the following companies: Irkut Corporation (1.65% of the charter capital of the company), JSC Sukhoi Design Bureau (0,93%), JSC TAVIA (36.12%), JSC Beriev Aircraft Company (4.89%), JSC Tupolev (4.72%), CJSC Aviastar-SP (25%), JSC UAC-TA (14.07%), JSC II (5.99%), JSC Finance Leasing (7.8%), JSC VASO (7.6%), JSC NAZ Sokol (25.81%), JSC Yakovlev Design Bureau (3.97%);
  - preferred shares of the following companies: JSC VASO (8,9%), JSC NAZ Sokol (4.46%), JSC Yakovlev Design Bureau (2.69%).

The total number of concluded agreements for placement of additional shares – 1,334.

The report of results of the issue (of the fourth additional issue of shares of the Company) was registered by the Federal Financial Markets Service of Russia on November 19, 2009.

In the result of placement the charter capital of the Company was 131,605,358,105 roubles and consists of 131,605,358,105 ordinary shares with the nominal value of 1 rouble. State registration of amendments to the Charter of the Company resulting from the placement was carried out on December 03, 2009.

6. On December 08, 2009 the Federal Financial Markets Service of Russia registered the fifth issue of additional ordinary shares of the Company (state registration number 1-01-55306-E-005D).

In accordance with the terms and conditions of the issue the subject of placement is additional ordinary shares of JSC UAC in the quantity of 43,000,000,000 shares with the nominal value of 1 rouble for the benefit of the Russian Federation in the person of Rosimushchestvo (up to 23,000,000,000 shares) and State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) (up to 20,000,000,000 shares).

Payment for placed shares will be in cash.

Date of the end of placement is 31.03.2010.

7. As on 31.12.2009 the charter capital of the Company was 131,605,358,105 roubles and consisted of 131,605,358,105 ordinary shares with the nominal value of 1 rouble.

## **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 included into the competence 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, 2009 and to the annual General Meeting of Shareholders for the results of 2008 fiscal year (held on June 29, 2009), the Board of Directors of the Corporation acted the composition elected at the annual General Meeting of Shareholders held on June 30, 2008.

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

First 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.

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

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.

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

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

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

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

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

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

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

**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.

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

President, Chairman of the JSC UAC Board.

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

CEO of the State Corporation for Development, Production and Export of High-Tech Products Russian Technologies.

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

Assistant to the President of the Russian Federation.

On June 29, 2009 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.

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

**2. Valery Borisovich Bezverkhiy, Member of the Board of Directors**

Executive Vice President of JSC UAC.

**Born** on May 1, 1959 in Novaya Ushitsa, Khmel'nitsk Region, Ukrainian SSR.

**Education:**

In 1981 graduated from Ukrainian Institute of Water Transport Engineers, in 1991 – All-Union Academy of Foreign Trade decorated with Order of People's Friendship.

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

In 2001– 2007 Irkut Corporation: Vice-President, Senior Vice-President for Business Planning and Development, First Vice-President.

In 2005 – 2007 – NP United Aircraft Consortium, President.

2007 – 2009 Executive Vice President of JSC UAC.

**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. 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 Region, 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.

**5. Andrey Nikolayevich Klepach, Member of the Board of Directors**

Deputy Minister of Industry and Trade of the Russian Federation

**Born** on March 4, 1959 in Moscow.

**Education:**

In 1981 graduated from the economics department of Lomonosov Moscow State University.

PhD (Economics).

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

After 2004 – Head of the Department of Macroeconomic Forecasting of the Ministry of Economic Development and Trade of the Russian Federation.

In 2008 appointed to the position of the Deputy Minister of Industry and Trade of the Russian Federation.

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

President – Chairman of the Board of JSC VTB Bank.

**Born** on September 21, 1956 in Moscow.

**Education:**

In 1979 graduated from the economics department of Lomonosov Moscow State University, specializing in international economics.

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 Region, Ukrainian SSR.

**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 – railway engineer.

PhD (Political Studies).

**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 1997 completed postgraduate course in 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.

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

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

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

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

**9. Yuri Alexandrovich Petrov, Member of the Board of Directors**

Head of the Federal Property Management Agency.

**Born** on April 10, 1947 in Leningrad.

**Education:**

In 1971 graduated from the law department of Leningrad State University, specialty – jurisprudence.

PhD (Jurisprudence).

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

From 2002 to 2008 was employed in the Russian Fund of Federal Property (advisor to the chairman, head of the Legal Department, acting chairman).

Since April 12, 2006 – chairman of Russian Fund of Federal Property.

On May 26, 2008 appointed to the position of head of the Federal Property Management Agency.

**10. Mikhail Aslanovich Pogosyan, Member of the Board of Directors**

JSC UAC First Vice President on Programs Management and Combat Aviation.

**Born** on April 18, 1956 in Moscow.

**Education:**

In 1979 graduated from 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:**

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

In 1999 – 2007 – JSC Sukhoi Design Bureau, CEO.

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

2009 up to the present moment – PJSC RAC MiG, General Director-General Designer.

**11. Vasily Mikhailovich Popik, Member of the Board of Directors**

Deputy Chairman of the Expert Department of the President of the Russian Federation.

**Born** on June 10, 1970 in Uzhgorod, Ukrainian SSR.

**Education:**

In 1994 graduated from Lomonosov Moscow State University (economics department).

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

In 2004 – 2007 – Expert Department of the President of the Russian Federation, adviser.

In 2007 appointed to the position of the head of the Expert Department of the President of the Russian Federation.

**12. 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 Region.

**Education:**

In 1969 graduated from Kharkov Higher Commander-Engineering School.

In 1979 – Lenin Military-Political Academy (gold medal).

Specialty – officer with higher military 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.

In 2006 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.

Since 2008 – First Deputy Chairman of the Military-Industrial Commission under the Government of the Russian Federation.

### **13. Alexey Innokentyevich Fedorov, Member of the Board of Directors**

President, Chairman of the Executive Board of JSC UAC.

**Born** on April 14, 1952 in Ulan-Ude.

#### **Education:**

In 1974 graduated from 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 – JSC Irkutsk Aircraft Production Association (today – Irkut Corporation), President.

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

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

### **14. Sergey Viktorovich Chemezov, Member of the Board of Directors**

CEO of the State Corporation for Development, Production and Export of High-Tech Products Russian Technologies.

**Born** on August 20, 1952 in Cheremkhovo, Irkutsk Region.

#### **Education:**

In 1975 graduated from Irkutsk Institute of National Economy.

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

PhD (Economics).

Full member of the Russian Academy of Sciences.

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

2000 – 2004 – 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 Russian Technologies.

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

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For estimation of independence of director the Company, aside from criteria stated in clause 3 of article 93 of Federal Law “On Joint-Stock Companies”, applies additional criteria of independence contained in regulatory documents of the federal executive securities market authority.

In accordance with the additional criteria independent directors should meet the following requirements:

- not to be, at the moment of election and during 3 years prior to election, officers or employees of the Company as well as officers or employees of the management company of the Company;
- not to be officers of other business entity in which any officer of the Company is a member of HR and remuneration committee of the board of directors;
- not to be spouses, parents, children, brothers and sisters of officers of the Company (an officer of the management company of the Company);
- not to be affiliates of the Company (except members of the Board of Directors) and affiliates of such affiliates;
- not to be parties in obligations of the Company, in accordance with which they may acquire property (receive funds) the cost of which exceeds 10 per cent and more of the aggregate annual income of such parties, except receipt of remuneration for participation in activity of the Board of Directors of the Company;
- not to be representatives of the state, i.e. persons elected to the Board of Directors from candidates proposed by the Russian Federation or a subject of the Russian Federation, in case such members of the Board of Directors must vote on the basis of written directions (orders, etc.) of the Russian Federation or a subject of the Russian Federation;
- not to be members of the Board of Directors of the Company for more than 5 years.

On the basis of the above requirements the Board of Directors of JSC UAC as on 01.01.2010 did not include independent directors.

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**The following committees were formed under the Board of Directors:****1. Audit Committee:**

Chairman of the Committee – V.A. Dmitriev, Chairman of State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”.

Committee Members: V.B. Bezverkhniy, Yu.A. Petrov.

## **2. HR and Remuneration Committee:**

Chairman of the Committee – F.L. Kostin, President – Chairman of the Board of JSC VTB Bank.

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

## **3. Strategy Committee:**

Chairman of the Committee – D.V. Manturov, Deputy Minister of Industry and Trade of the Russian Federation.

Committee Members: V.B. Bezverkhniy, A.N. Zelin, A.N. Klepach, I.Ye. Levitin, M.A. Pogosyan, V.M. Popik, V.N. Putilin, A.I. Fedorov, S.V. Chemezov.

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### **6.3.2. Information about Activities of the Board of Directors of JSC UAC in 2009**

In June 2009 representatives of the Russian Federation were included into the Board of Directors of JSC UAC, including heads (deputy heads) of core ministries and departments, a representative of the Presidential Property Management Department of the Russian Federation, the Commander-in-Chief of Air Forces, the head of state corporation Russian Technologies, the heads of Vnesheconombank and Vneshtorgbank as well as the President and Vice Presidents of the Company.

During 2009 14 meetings of the Board of Directors were held, 2 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. 12 meetings were held in the form of absentee ballot.

In the existing 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 April 29, 2009 the aircraft production plan for 2009-2012 prepared by the Corporation was considered taking into account the monitoring of demand carried out and orders for production and delivery of domestic aircraft.

Taking into account the complication of the financial situation of many aircraft customers in the general financial and economic recession, the related decrease of volumes of orders and cancellations of consumers of a number of previously achieved arrangements for aircraft delivery, it was decided to consider the plan annually, specified as necessary, as well as a report about fulfilment of the plant of the previous year at meetings of the Board of Directors.

The same meeting considered the program of technical re-equipment of JSC UAC enterprises and proposals for financial rehabilitation and raising of funds for financing priority programs of aircraft construction, which form the basis for subsequent decisions about additional state financial support for the Russian aircraft industry.

As a result the total amount of state support funds received for payment of shares of JSC UAC issued additionally for the benefit of the Russian Federation in 2009 was 29.1 billion roubles including 3.2 billion roubles as advance financing for 2010.

This meeting of the Board of Directors also approved adjustments to and the current organizational structure of JSC UAC.

On November 19, 2009 the Board of Directors considered in detail the issue of measures for the stabilization of the financial and economic conditions of JSC UAC and enterprises of the Group including the level of debt burden and the ways to reduce it. It was determined that in 2009-2011 the main directions to decrease the debt burden should be:

- maximum efficient use of own capital;
- repayment and/or restructuring of indebtedness using non-core assets (property) of enterprises;
- priority use of funds of received state support for restructuring and repayment of bad debts.

This activity is now actively being carried out in cooperation with the Ministry of Industry and Trade of Russia, Ministry of Economic Development of Russia and Ministry of Finance of Russia.

The decisions of the Board of Directors dated November 19, 2009 lead to the corporate restructuring of JSC UAC group planned for 2010-2012, the main goal of which is to establish uniform management structures (business units) in commercial, combat and specialized aviation. It was determined that key companies would be: in commercial aviation – Irkut Corporation, in combat aviation – JSC Sukhoi Company, in specialized aviation – JSC Tupolev.

In the reporting year the Board of Directors took all necessary decisions aimed at consolidation of shares of subsidiaries and affiliates by the Company.

The Board of Director considered preliminarily the issue of inclusion into the Corporation of Aviacor plant (Samara) owned today by JSC Russian Machines. The requirements to be met for possible inclusion of the Samara plant into JSC UAC were determined.

The Board of Directors also considered the Concept of Creation of National Aircraft Manufacturing Center (NAMC) in Zhukovsky.

Due to the large quantity of transactions concluded in 2009 in connection with financing of subsidiaries and affiliates of the Corporation, the Board of Directors paid special attention to the procedure and principles of financing of subsidiaries and affiliates.

It was acknowledged reasonable to conclude loan agreements, purchase and sale agreements, agreements of surety of JSC UAC to third parties for obligations of subsidiaries (affiliates) of JSC UAC and agreements for performance of work (provision of services) as main types of transactions concluded between JSC UAC and its subsidiaries and affiliates in the process of current business activity.

In accordance with the decision of the Board of Directors, at preparation of draft decisions on issues of financing in main areas of activity within JSC UAC group, the main principles should be:

- centralization of financing at the head company level;
- granting funds received by JSC UAC from the federal budget to subsidiaries and affiliates as interest-free loans for the corresponding period for financing particular objectives (work, services) performed by subsidiaries and affiliates;
- observance of market terms and conditions at conclusion of agreements (paid and repayable basis) except agreements using funds of the federal budget;
- ensuring capital profitability at the level not lower than the cost of capital;
- meeting mutual interests of JSC UAC and the corresponding subsidiary (affiliate).

In the reporting period the Board of Directors of JSC UAC considered issues of approval of a number of non-disinterested transactions which were submitted to approval of the General Meeting of Shareholders in cases envisaged in the legislation (list of transactions is contained in Appendix 1 to this Annual Report).

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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. President of JSC UAC**

#### **Alexey Innokentyevich Fedorov**

President, Chairman of the Executive Board of JSC UAC.

**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 – General Director - General Designer.

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

Share in the charter capital of JSC UAC: 0%.

In the reporting period there were no transactions for purchase or alienation of shares of JSC UAC.

#### 6.4.2. Composition of the Executive Board

##### During the period from 29.08.2008 to 19.11.2009.

The Executive Board of JSC UAC acting from the beginning of 2009 was formed on August 29, 2008 by the Board of Directors of JSC UAC; 10 persons were elected upon recommendation of President, Chairman of the Executive Board of the Company A.I. Fedorov:

- 1) **Alexey Innokentyevich Fedorov** (President, Chairman of the Executive Board of JSC UAC).
- 2) **Valery Borisovich Bezverkhniy, Member of the Executive Board.**
- 3) **Anatoly Georgiyevich Belov, Member of the Executive Board.**
- 4) **Oleg Fedorovich Demchenko, Member of the Executive Board** (President, Chairman of the Board of Irkut Corporation, Senior Vice President of JSC UAC, Commercial Aviation).
- 5) **Victor Vladimirovich Livanov, Member of the Executive Board** (CEO of JSC UAC-TA, General Director – General Designer of JSC Ilyushin Aviation Complex, Vice President of JSC UAC, Transport Aviation).
- 6) **Nail Anvarovich Malyutin, Member of the Executive Board** (CEO of JSC Finance Leasing).
- 7) **Mikhail Aslanovich Pogosyan, Member of the Executive Board** (First Vice President of JSC UAC, Programs Management and Combat Aviation, CEO of JSC Sukhoi Company, Director General of PJSC RAC MiG).
- 8) **Vasily Borisovich Prutkovsky, Member of the Executive board** ( Vice President of JSC UAC, Corporate Development and Governance).
- 9) **Alexander Ivanovich Rubtsov, Member of the Executive Board** (CEO of JSC Ilyushin Finance Co).
- 10) **Igor Sergeyevich Shevchuk, Member of the Executive Board** (General Designer of JSC Tupolev).

##### During the period from 20.11.2009 to 31.12.2009.

In accordance with the decision of the Board of Directors dated November 19, 2009 the Executive Board of JSC UAC was formed of the following 10 persons:

- 1) **Alexey Innokentyevich Fedorov**

President, Chairman of the Executive Board of JSC UAC.

**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 – General Director - General Designer.

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

## **2) Oleg Fedorovich Demchenko, Member of the Executive Board**

President, Chairman of the Board of Irkut Corporation, Senior Vice President of JSC UAC, Commercial Aviation.

**Born** on October 13, 1944 in Presnovka, Severo-Kazakhstanskaya Region, 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:**

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

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

2008 – 2009 – JSC UAC, Vice President, MC-21 Project.

2009 up to the present moment – JSC UAC, Senior Vice President, Commercial Aviation.

## **3) Viktor Vladimirovich Livanov, Member of the Executive Board**

CEO JSC UAC-TA, General Director – General Designer of JSC Ilyushin Aviation Complex, JSC UAC, Vice President, Transport Aviation.

**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:**

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

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

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

**4) Mikhail Aslanovich Pogosyan, Member of the Executive Board**

First Vice President of JSC UAC, Programs Management and Combat Aviation, CEO of JSC Sukhoi Company, Director General of PJSC RAC MiG.

**Born** on April 18, 1956 in Moscow.

**Education:**

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

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.

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

2009 up to the present moment – PJSC RAC MiG.

2007 – 2009 – JSC UAC, First Vice President, Programs Coordination.

From 2009 up to the present moment – JSC UAC, First Vice President, Programs Coordination, Combat Aviation.

**5) Vasily Borisovich Prutkovsky, Member of the Executive Board**

JSC UAC Executive Vice President on Corporate Development.

**Born** on November 1, 1955 in Khimki, Moscow Region.

**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 – Irkut Corporation, Vice-President;

2005 – up to the present moment – NP United Aircraft Consortium, Vice-President;

2007 – 2009 – Director of JSC UAC Corporate Governance Department;

2009 up to the present moment – JSC UAC, Vice President, Corporate Development and Governance.

**6) 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

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

**7) Alexander Petrovich Bobryshev, Member of the Executive Board**

JSC UAC Senior Vice President, Strategic and Specialized Aviation, President of JSC Tupolev.

**Born** on January 8, 1949 in Novokuznetsk, Kemerovo Region.

**Education:**

In 1969 graduated from Novosibirsk Aviation College.

In 1978 graduated from aircraft manufacturing department of Novosibirsk Electrotechnical Institute (in-service training).

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

2006 – 2009 – Deputy of Novosibirsk Region Council, deputy chairman of the Region Council of Deputies Committee of Science, Industry, Construction and Fuel and Energy Complex, deputy chairman of the youth policy commission. Active State Advisor of the Russian Federation, rank 3.

2009 up to the present moment – President of JSC Tupolev, Senior Vice President of JSC UAC, Strategic and Specialized Aviation.

**8) Leonid Naftolyevich Komm, Member of the Executive Board**

JSC UAC Vice President, Programs and Development Management.

**Born** in 1947 in Uman, Ukraine, Cherkassy Region.

**Education:**

1970 – Leningrad Polytechnic (specialty: engineer – economist).

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

2005 – 2007 – NP United Aircraft Consortium, Director, Advances Technologies.

2007 - up to the present moment – JSC UAC, Director of Programs and Developments Management Department, since 2009 – Vice President, Programs and Developments Management.

**9) Andrey Andreyevich Slivchenko, Member of the Executive Board**

JSC UAC Vice President, Corporate Finance.

**Born** on September 15, 1975 in Krasnogorsk, Moscow Region.

**Education:**

1996 – Moscow International University (specialty – finance).

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

2003 – 2009 – 36.6 Drugstore Chain, Director, Corporate Finance.

2007 – 2009 – JSC UAC, Director of Investment, Economics and Finance Department.

Since April 2009 – JSC UAC, Vice President, Corporate Finance.

**10) Alexander Vladimirovich Tulyakov, Member of the Executive Board**

JSC UAC Vice President, Administrative Issues.

**Born** on September 7, 1971 in Moscow.

**Education:**

2001 – Higher School of Economics and Business.

2003 – Institute of Economics and Finance “Synergy”.

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

2001 – 2006 – Director of Property Management Department.

2006–2008 – Deputy General Director – General Designer, Property and Economy Complex.

2008 to the present moment – JSC UAC, Director of Property Management Department.

Since April 2009 – Vice President, Administrative Issues.

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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.

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### **6.4.3. Report of Activities of Executive Bodies of the Company in 2009**

During 2009 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 advanced 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 2009 20 meetings of the collective executive body – the 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 Board considered issues of implementation of approved product programs of JSC UAC, the technical provision and re-equipment of existing production assets as well as corporate development and governance.

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

1) Approval and control of fulfillment of the approved plan of activities ensuring production of domestic aircraft 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.

In addition projects at the stage of preparation and design development were considered: MTA (MTS), MC-21, ShF BSMS, the project of restoration of An-124 manufacturing, and the Industrial Concept of Development of Unmanned Aircraft.

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

The Board considered preliminary activities for creation of the National Aircraft Manufacturing Center in Zhukovsky (NAMC) and the current tasks to be fulfilled. The concept of creation of NAMC was approved.

3) Consideration of fulfillment of the State Defense Order and export supply plan. Planning of activities of 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), the program of

development of suppliers for aircraft manufacturing (jointly with Russian Technologies State Corporation), introduction of technology of “economical production” at enterprises of JSC UAC, development of the program and policy of increase of power and resource effectiveness of JSC UAC.

- 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. Development of the concept of corporate restructuring with creation of three business units (approved by the Board of Directors 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) Development of the Program of Crisis Management and mechanisms of management of JSC UAC and subsidiaries and affiliates in the conditions of the financial and economic crisis. Financial rehabilitation of enterprises integrated into JSC UAC.

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

- 8) Restructuring of property complex of subsidiaries and affiliates and management of non-core assets and real property.
- 9) Development of proposals for draft concepts of federal target programs in the part of aircraft manufacturing: Development of Civil Aircraft in Russia for 2011-2015 and up to 2020, Development of Defense and Industrial Complex of Russia for 2011-2020.
- 10) Reorganization of the system of management of regulatory documents in the industry (the corporate project is approved), creation of a system of quality guarantee and ensuring airworthiness of aircraft supplied by JSC UAC to operating organizations.
- 11) Creation of the system of after-sales servicing of civil aircraft, development of the project of integrated logistics support of new Russian-made aircraft.

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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 non-disinterested transactions;
  - 3) parameters of increase of the charter capital of JSC UAC by way of issue of additional shares of the Company placed in 2009;
  - 4) formation of the financial and economic plan (budget) for 2009 and report of its fulfillment;
  - 5) incorporation and participation in other legal entities;
- etc.

In 2009 the 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 2009.

#### **6.4.4. 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.

A position salary is paid to the members of the Executive Board monthly.

In 2009 the total amount of remuneration paid by JSC UAC to the members of the Executive Board was 8,640,000 roubles. Bonuses were not paid to the members of the Executive Board and President of the Company in 2009.

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

Under the decision of the Board of Directors after approval of annual reports and annual accounting reports including profit and loss report, a member of the Executive Board may be paid a bonus in accordance with the result of work during the year.

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

- 1) Achievement of scheduled economic indicators of the Corporation.
- 2) Fulfillment of production programs of the Corporation.
- 3) High-quality and timely fulfilment of decisions of the Board of Directors of the Corporation.

## 7. BASIC RISK FACTORS ASSOCIATED WITH THE COMPANY ACTIVITIES

The activities of JSC UAC and its subsidiaries and affiliates are subject 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 the 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 Executive Board decisions and the 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) lack of preparedness (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, and consultations with potential and existing customers are being held; the company concludes long-term contracts for development and joint manufacturing of advanced aircraft models, thus allowing financing of production programs jointly with potential foreign



customers and increasing the level of interest of foreign customers in successful program implementation;

- 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) the company has prepared and plans implementation starting from 2011 of new mechanisms of financing of aircraft sales based on best world practice taking into account the standards of the OECD and WTO;
- 5) considerable attention is paid to after-sales services and to rendering general services, and this adds to the products' attractiveness to customers;
- 6) risk-divided partnership 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;
- 7) 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 the 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. Considerable fluctuations of the rouble in relation to the American dollar observed in 2008-2009 may result in changes in the planned volumes of currency revenues of the Company and changes to the planned cost price of the programs. In the mid-term perspective the Company plans to take adjustment measures in the form of a turning away from use of 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 2009 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 fulfilment 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 is provided in the form of inclusion of the Company into the list of strategic enterprises of the Russian Federation as well as the provision of opportunity for commercial banks to refinance loan obligations of the Corporation in the Central Bank of the Russian Federation. In 2009 the Government of the Russian Federation took decisions about restructuring of a part of the debt of the Company; implementation of these decisions is scheduled for 2010.

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 of full payment for them. In 2008 the inflation rate was about 13.5%; in 2009, according to the Federal State Statistic Service, inflation fell to 8.8%. 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 being 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 are 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 in 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 the Russian aircraft industry.

## 8. Contact information

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## 9. Appendices

### 9.1. Appendix #1. LIST OF MAJOR TRANSACTIONS AND NON-DISINTERESTED TRANSACTIONS CONCLUDED BY JSC UAC IN 2009

#### Non-disinterested transactions

#	Transaction	Material terms and conditions	Basis for interest in the transaction (at the date of conclusion of the transaction)	Management body that took decision about approval
1.	Surety agreement for CJSC Aviastar-SP	<p><b><i>Date of conclusion of the transaction: 20.04.2009</i></b></p> <p><b><i>JSC UAC – Surety,</i></b></p> <p><b><i>Sberbank of Russia JSC – Lender (Bank),</i></b></p> <p><b><i>CJSC Aviastar-SP – Beneficiary.</i></b></p> <p><b><i>The Surety guarantees to the Bank to be liable for fulfilment of obligations by the Beneficiary on the following terms and conditions:</i></b></p> <ul style="list-style-type: none"> <li>• line of credit limit – 600,000,000 roubles,</li> <li>• loan period – up to 28.10.2013,</li> <li>• interest rate – 16% per annum,</li> <li>• purpose of crediting – financing of costs within implementation of investment project "Technical re-equipment of existing production of Aviastar including purchase of equipment, construction, assembly and commissioning work, personnel training, payment of customs payments, transportation expenses".</li> <li>• payment for use of the line of credit limit – 0.2% per annum of not used tranche amounts,</li> <li>• payment for reservation of resources – 8% per annum of not used tranche amounts,</li> </ul>	<p>Persons with close interest in transaction:</p> <p>- V.B. Prutkovsky, V.B. Bezverkhniy, I.S. Shevchuk (members of the Executive Board of JSC UAC, at the same time members of the Board of Directors of CJSC Aviastar-SP).</p>	<p>Approved by the BD of UAC on 06.03.2009</p>

		<ul style="list-style-type: none"> <li>• compensation for early loan repayment – 5% per annum,</li> <li>• penalty for overdue repayment of contract obligations – in the amount of double re-financing rate on the overdue amount for each day of delay.</li> </ul>		
2.	Surety agreement with Bank VTB (Voronezh)	<p><b><i>Date of conclusion of the transaction: 01.06.2009</i></b></p> <p><b><i>JSC UAC – Surety,</i></b></p> <p><b><i>Bank VTB (Voronezh) – Lender (Bank),</i></b></p> <p><b><i>JSC VASO – Beneficiary.</i></b></p> <p><b><i>The Surety guarantees to the Bank to be liable for fulfillment of the following obligations by the Beneficiary:</i></b></p> <ul style="list-style-type: none"> <li>• amount of liabilities under the main agreement: <b><i>870,000,000 roubles</i></b> principal debt amount as well as loan interest amount on the basis of MosPrime Rate for 3 months increased by 5.56% per annum and reviewed and fixed by JSC Bank VTB, Voronezh, unilaterally every 3 months from the date of first use of the line of credit, for the period up to 25.02.2015 taking into account that for the period from 10.01.2009 until 09.01.2010 interest rate is set at the level of refinancing rate of the Bank of Russia plus 5% per annum, as well as commission for the obligation with rate 0.5% per annum, calculated on unused amount of the line of credit starting from the date following the date of effectiveness of the agreement.</li> <li>• purpose of the line of credit – financing of costs for purchase of equipment.</li> </ul>	<p>Persons with close interest in transaction:</p> <p><b><i>- A.L. Kostin – member of the Board of Directors of JSC UAC, at the same time Chairman of the Board, member of the Supervisory Council of Bank VTB (open joint-stock company).</i></b></p> <p><b><i>- V.B. Prutkovsky, V.V. Livanov (members of the Executive Board of JSC UAC, at the same time members of the Board of Directors of JSC VASO).</i></b></p>	<p>Approved by the BD of UAC on 29.04.2009</p>
3.	Loan agreement with PJSC RAC MiG	<p><b><i>Date of conclusion of the transaction: 30.07.2009</i></b></p> <p>Borrower – JSC RSK MiG</p> <p>Lender - JSC UAC</p> <p>Subject and amount of the transaction: granting loan in the amount of 70,000,000 roubles for 14.5% per annum.</p>	<p>Persons with close interest in transaction:</p> <p><b><i>- A.I. Fedorov (member of the Board of Directors, President, Chairman of the Executive Board of JSC UAC, at the same time Chairman of the Board of Directors of PJSC RAC MiG).</i></b></p>	<p>Approved by the BD of UAC on 19.10.2009</p>

		Purpose of the loan – fulfillment of obligations of the Borrower under the bonds purchase and sale agreement.	<p>- M.A. Pogosyan (member of the Board of Directors, member of the Executive Board of JSC UAC, at the same time member of the Board of Directors, General Director of PJSC RAC MiG).</p> <p>- V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time member of the Board of Directors of PJSC RAC MiG).</p>	
4.	Loan agreement with CJSC SCAC	<p><b><i>Date of conclusion of the transaction:</i></b> 06.08.2009</p> <p>Borrower - CJSC SCAC</p> <p>Lender - JSC UAC</p> <p>Agreement No.23-10-09/01 dated 07.10.2009</p> <p>Subject and amount of the transaction: granting loan in the amount of 5,000,000 roubles up to 11.01.2010 for 14% per annum.</p> <p>Purpose of the loan – replenishment of working capital including operation for the SSJ 100 project.</p>	<p>Person with close interest in transaction:</p> <p>- M.A. Pogosyan (member of the Executive Board, member of the Board of Directors of JSC UAC, at the same time member of the Board of Directors of CJSC SCAC).</p>	Approved by the BD of UAC on 19.10.2009
5.	Loan agreement with JSC VASO	<p><b><i>Date of conclusion of the transaction:</i></b> 10.08.2009</p> <p>Borrower - JSC VASO</p> <p>Lender - JSC UAC</p> <p>Agreement No.15—08-09/10 dated 10.08.2009</p> <p>Subject and amount of the transaction: granting loan in the amount of 1,000,000,000 roubles for 14.5% per annum for the period not later than 31.12.2010.</p> <p>Purpose of the loan – financing of expenses of the Borrower for manufacturing of a shipment of Il-96 aircraft, including payment for materials, tools, purchase of unfinished products, purchased components, etc.</p>	<p>Persons with close interest in transaction:</p> <p>- V.B. Prutkovsky, V.V. Livanov (members of the Executive Board of JSC UAC, at the same time members of the Board of Directors of JSC VASO).</p>	Approved by the BD of UAC on 19.10.2009
6.	Loan agreement with JSC VASO	<p><b><i>Date of conclusion of the transaction:</i></b> 12.08.2009</p>	<p>Persons with close interest in transaction:</p> <p>- V.B. Prutkovsky, V.V. Livanov (members of the</p>	Approved by the BD of

		<p>Borrower - JSC VASO</p> <p>Lender - JSC UAC</p> <p>Agreement No.14-08-09/10 dated 10.08.2009</p> <p>Subject and amount of the transaction: granting loan in the amount of 1,200,000,000 roubles for 14.5% per annum for the period not later than 31.12.2010.</p> <p>Purpose of the loan – replenishment of working capital of the Borrower including financing of utility payments, taxes, payroll, interest for loan and borrowings.</p>	<p>Executive Board of JSC UAC, at the same time members of the Board of Directors of JSC VASO).</p>	<p>UAC on 19.10.2009</p>
7.	<p>Loan agreement with PJSC RAC MiG</p>	<p><b><i>Date of conclusion of the transaction: 14.08.2009</i></b></p> <p>Borrower – PJSC RAC MiG</p> <p>Lender - JSC UAC</p> <p>Agreement No.16-08-09/12 dated 14.08.2009</p> <p>Subject and amount of the transaction: granting loan in the amount of 600,000,000 roubles for 14.5% per annum for the period not later than 15.09.2009.</p> <p>Purpose of the loan – financing of business activity.</p>	<p>Persons with close interest in transaction:</p> <ul style="list-style-type: none"> <li>- A.I. Fedorov (member of the Board of Directors, President, Chairman of the Executive Board of JSC UAC, at the same time Chairman of the Board of Directors of PJSC RAC MiG).</li> <li>- M.A. Pogosyan (member of the Board of Directors, member of the Executive Board of JSC UAC, at the same time member of the Board of Directors, General Director of PJSC RAC MiG).</li> <li>- V.B. Prutkovsky (Member of the Executive Board of JSC UAC, at the same time member of the Board of Directors of PJSC RAC MiG).</li> </ul>	<p>Approved by the BD of UAC on 19.10.2009</p>
8.	<p>Loan agreement with CJSC SCAC</p>	<p><b><i>Date of conclusion of the transaction: 08.10.2009</i></b></p> <p>Borrower - CJSC SCAC</p> <p>Lender - JSC UAC</p> <p>Agreement No.23-10-09/01 dated 07.10.2009</p> <p>Subject and amount of the transaction: granting loan in the amount of \$5,000,000 for 14% per annum up to 11.01.2010.</p> <p>Purpose of the loan – replenishment of working capital</p>	<p>Person with close interest in transaction:</p> <ul style="list-style-type: none"> <li>- M.A. Pogosyan (member of the Executive Board, member of the Board of Directors of JSC UAC, at the same time member of the Board of Directors of CJSC SCAC).</li> </ul>	<p>Approved by the BD of UAC on 19.10.2009</p>



		including financing of operations for the SSJ 100 project.		
9.	Loan agreement with CJSC SCAC	<p><b>Date of conclusion of the transaction: 12.10.2009</b></p> <p>Borrower – CJSC SCAC, Lender – JSC UAC. Agreement No.22-10-09/01 dated 12.10.2009</p> <p>Subject and amount of the transaction: granting loan in the amount of 300,000,000 roubles for 14% per annum for the period not later than 11.01.2010. Purpose of the loan – replenishment of working capital including financing of operations for the SSJ 100 project.</p>	<p>Person with close interest in transaction:</p> <p>- M.A. Pogosyan (member of the Executive Board, member of the Board of Directors of JSC UAC, at the same time member of the Board of Directors of CJSC SCAC).</p>	<p>Approved by the BD of UAC on 19.10.2009</p>
10.	Surety agreement with JSC Bank St. Petersburg for JSC KAPO named after S.P. Gorbunov.	<p><b>Date of conclusion of the transaction: 26.10.2009</b></p> <p><b>JSC UAC – Surety,</b> <b>JSC Bank St. Petersburg – Lender (Bank),</b> JSC KAPO named after S.P. Gorbunov – Beneficiary.</p> <p><b>The Surety guarantees to the Bank to be liable for fulfillment of obligations by the Beneficiary under the loan agreement:</b></p> <p><b>- loan amount (limit of the line of credit): 1,000,000,000 roubles;</b></p> <p>- loan repayment period: 12 month after conclusion of the loan agreement;</p> <p><b>- interest rate: 17.75% per annum;</b></p> <p>In case of undue fulfillment of the obligation of JSC KAPO named after S.P. Gorbunov to repay the loan and/or payment of interest the Bank is entitled to change penalty calculated on the basis of 6.25% per annum of the overdue amount for each day of delay in payment.</p>	<p>Persons with close interest in transaction:</p> <p>- A.I. Fedorov (President, Chairman of the Executive Board of JSC UAC, at the same time Chairman of the Board of Directors of JSC KAPO named after S.P. Gorbunov);</p> <p>- V.B. Prutkovsky, I.S. Shevchuk (members of the Executive Board of JSC UAC, at the same time members of the Board of Directors of JSC KAPO named after S.P. Gorbunov).</p>	<p>Approved by the BD of UAC on 19.10.2009</p>

11.	Surety agreement for JSC NAZ Sokol	<p><b><i>Date of conclusion of the transaction: 28.12.2009</i></b></p> <p><b><i>JSC UAC – Surety,</i></b></p> <p>Joint-Stock Commercial Saving Bank of the Russian Federation (open joint-stock company) – Lender (Bank),</p> <p><b><i>JSC NAZ Sokol – Beneficiary.</i></b></p> <p><b><i>Agreement No.7339-POR dated 28.12.2009</i></b></p> <p><b><i>The Surety guarantees to the Bank to be liable for fulfillment of all obligations by the Beneficiary under the agreement for opening of non-revolving line of credit conclude between the Bank of JSC NAZ Sokol on the following material terms and conditions:</i></b></p> <p><b><i>- loan amount (limit of the line of credit): 1,300,000,000 roubles;</i></b></p> <p><b><i>- loan repayment period:</i></b> up to 01.04.2010, loan indebtedness (principal amount) becomes payable or may be declared payable partially or in full before 01.04.2010;</p> <p><b><i>- interest rate: 12.5% per annum.</i></b></p>	<p>Person with close interest in transaction:</p> <p><b><i>- M.A. Pogosyan – member of the Board of Directors, member of the Executive Board of JSC UAC, at the same time member of the Board of Directors of JSC NAZ Sokol</i></b></p>	<p>Approved by the BD of UAC on 12.02.2010</p>
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In the reporting period of 2009 JSC UAC did not conclude major transactions.

## 9.2. Appendix #2. 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	<i>Yes</i>	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 the case of the default general meeting of shareholders – up to the date of termination of acceptance of ballot papers	<i>Yes</i>	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	<i>No</i>	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 the 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	<i>Yes</i>	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 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	<i>No</i>	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 Board, members of the Inspection Committee and the issue of approval of Auditor of a joint-stock company at the general meeting of shareholders	<i>No</i>	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	<i>Yes</i>	Clauses 6.2 - 6.6 of the Regulations of the General Meeting of Shareholder

## 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	<i>Yes</i>	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	<i>No</i>	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 Board, heads of main structural units of a joint-stock company	<i>Yes</i>	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 Board	<i>Yes</i>	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 Board at the count of votes at	<i>No</i>	

	approval of terms and conditions of contracts with the President (management organization, manager) and members of the Board		
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	<i>No</i>	
15.	Absence in the Board of Directors of a joint-stock company of persons who have been pleaded guilty to 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, the securities market	<i>Yes</i>	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	<i>Yes</i>	
17.	Availability, in the charter of a joint-stock company, of the requirement to elect the Board of Directors with cumulative vote	<i>Yes</i>	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 the case of occurrence of such conflict – the obligation to disclose information about this conflict to the Board of Directors	<i>Yes</i>	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	<i>Yes</i>	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	<i>No</i>	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	<i>Yes</i>	13 meetings were held
22.	Availability, in internal documents of a joint-stock company, of the procedure of meetings	<i>Yes</i>	Article 8 of the Regulations of the Company

	of the Board of Directors		Board of Directors Regulations of preparation and holding of meetings of the 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	<i>Yes</i>	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	<i>Yes</i>	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)	<i>Yes</i>	Sub-clause 53 of clause 16.1 of the Company Charter envisages formation of the Committee. The committee was formed.
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	<i>Yes</i>	Sub-clause 53 of clause 16.1 of the Company Charter envisages formation of the Committee. The Committee was formed.
27.	Presence of independent and non-executive directors only in the audit committee	<i>No</i>	
28.	Management of the audit committee by an independent director	<i>No</i>	
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	<i>Yes</i>	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	<i>Yes</i>	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	<i>No</i>	
32.	Absence of officers of a joint-stock company in the HR and remuneration committee	<i>Yes</i>	A.L. Kostin, D.V. Manturov, V.N. Putilin
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)	<i>Yes</i>	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)	<i>No</i>	
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	<i>Yes</i>	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	<i>No</i>	

### III. Executive bodies

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
39.	Availability of a collective executive body (Board) of a joint-stock company	<i>Yes</i>	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 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	<i>No</i>	
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	<i>Yes</i>	

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 the case that the functions of a sole executive body are performed by a management company or a manger – compliance of the President and members of the Board of the management company or the manager with the requirements produced to the President and members of the Board of such joint-stock company	<i>Yes</i>	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)	<i>No</i>	
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	<i>Yes</i>	Clauses 4.1, 4.2, 8.4, 8.5 of the Regulations of the Company Executive Bodies Clause 5.4.3 of the Company Corporate Behavior Code
46.	Availability, in the charter or internal documents of a joint-stock company, of criteria for selection of a management company (manager)	<i>No</i>	
47.	Provision of monthly reports of activities of executive bodies of a joint-stock company to the Board of Directors	<i>No</i>	Sub-clause 7 of clause 20.6 of the Charter envisaged the obligation of the President to present <i>quarterly</i> for consideration of the Board of Directors reports about fulfilment of quarterly plans of activity of the Executive Board Sub-clause 28 of Clause 16.1 of the Company Charter envisages approval of <i>annual</i> 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 Board	<i>Yes</i>	

#### IV. Secretary of the Company

#	Provision of the Corporate Conduct Code	Observed / not observed	Note
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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	<i>Yes</i>	Sub-clause 27 of clause 16.1 and clause 18.4 of the Company Charter, clauses 4.5, 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	<i>Yes</i>	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	<i>No</i>	

#### 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	<i>Yes</i>	Clause 8.5.2 of the Company Corporate Behavior Code 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	<i>No</i>	In accordance with clause 8.5.3 of the Company Corporate Behavior Code "... for determination of terms and conditions of major transactions the Company shall use independent appraiser"
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 the position of shareholders in comparison with the existing position (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)	<i>No</i>	
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	<i>No</i>	

56.	Absence, 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	<i>Yes</i>	
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 ratio of conversion of shares at reorganization	<i>Yes</i>	Clause 8.1.2 of the Company Corporate Behavior Code

#### 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)	<i>No</i>	Information is disclosed in accordance with Order of the Federal Financial Markets Service dated October 10, 2006 #06-117/pz-n
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	<i>No</i>	Information is disclosed in accordance with Order of the Federal Financial Markets Service dated October 10, 2006 #06-117/pz-n
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	<i>Yes</i>	Clauses 3.17-3.19 of the Regulations of the General Meeting of Shareholders
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	<i>Yes</i>	<a href="http://www.uacrussia.ru">www.uacrussia.ru</a>
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	<i>No</i>	Information is disclosed in accordance with Order of the Federal Financial Markets Service dated October 10, 2006 #06-117/pz-n, clause 8.6
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	<i>No</i>	Information is disclosed in accordance with Order of the Federal Financial Markets Service dated October 10, 2006 #06-117/pz-n

64.	Availability of an internal document 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	<i>No</i>	Clause 9.9 of the Company Corporate Behavior Code determines that the Company controls use of insider information. Insider information is material information about activities of the Company, shares and other securities of the Company 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 the Company
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**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	<i>No</i>	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)	<i>Yes</i>	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	<i>No</i>	
68.	Absence in the supervision and auditing service of persons who have 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	<i>Yes</i>	
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	<i>Yes</i>	

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	<i>No</i>	
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 the case of absence of the audit committee – to the Board of Directors of a joint-stock company	<i>Yes</i>	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)	<i>No</i>	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	<i>No</i>	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	<i>No</i>	
75.	The audit committee evaluates an audit report before presenting it to shareholders at the general meeting of shareholders	<i>Yes</i>	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

### 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	<i>No</i>	

	dividends (dividend policy regulations)		
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

### 9.3. Appendix #3.

#### 9.4. FINANCIAL (ACCOUNTING) REPORTS OF JSC UAC FOR 2009

##### Balance Sheet (as on 31.12.2009)

thousand roubles

ASSETS	Indicator code	As at the end of the reporting period
<b>I. Fixed Assets</b>		
Intangible assets	110	690
Capital assets	120	62,722
Construction in progress	-	296
Long-term financial investment	140	116,488,743
Deferred tax assets	145	214,007
Other fixed assets	150	1,228
<b>Total in Section I</b>	<b>190</b>	<b>116,767,686</b>
<b>II. Current Assets</b>		
Reserves	210	266,842
Input value-added tax	220	37,664
Noncurrent non-delinquent accounts receivable	230	2,998,208
Current non-delinquent accounts receivable, including:	240	4,153,186
Short-term financial investment	250	25,569,573
Cash funds	260	21,292,235
<b>Total in Section II</b>	<b>290</b>	<b>54,317,708</b>
<b>BALANCE</b>	<b>300</b>	<b>171,085,394</b>

LIABILITIES	Line code	As at the end of the reporting period
<b>III. Capital and Reserves</b>		
Charter capital	410	131,605,358
Additionally issued shares	412	23,518,423
Additional capital	420	2,416,245
Reserve capital	430	12,103
Retained profit (uncovered loss)	470	(10,973,389)
<b>Total in Section III</b>	<b>490</b>	<b>146,578,740</b>
<b>IV. Long-term Liabilities</b>		
Loans and borrowings	510	17,597,452
Deferred tax liabilities	515	22

	<b>Total in Section IV</b>	<b>590</b>	<b>17,597,474</b>
<b>V. Short-term Liabilities</b>			
Loans and borrowings		610	6,060,441
Accounts payable		620	848,739
	<b>Total in Section V</b>	<b>690</b>	<b>6,909,180</b>
<b>BALANCE</b>		<b>700</b>	<b>171,085,394</b>

**Profit and Loss Report (for the period from January 1 to December 31, 2009)**

thousand roubles

INDICATOR	In the reporting period
<b>Ordinary activities income and expenditures</b>	
Net income from sale of goods, products, works and services (less VAT, excise tax and similar compulsory payments) including:	3,414,582
Net cost of goods, products, works and services sold	(2,255,540)
Gross profit	216,365
Management expenses	(3,398,689)
Sales profit (loss)	15,893
<b>Other income and expenditures</b>	
Interest receivable	2,953,790
Interest payable	(2,535,646)
Income from participation in other organizations	32,651
Other income	1,157,933
Other expenses	(11,113,166)
<b>Income (loss) before tax</b>	<b>(10,100,030)</b>
Deferred tax assets	32,445
Deferred tax liabilities	(10)
Tax sanctions	-
Current income tax withheld by tax agent	(102)
<b>Net profit (loss) for the reporting period</b>	<b>(10,067,697)</b>
FOR REFERENCE:	
Permanent tax liabilities (assets)	1,987,591

## 9.5. Appendix # 4

### 9.6. 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 SCAC, and JSC Sukhoi Design Bureau. The enterprise also holds blocks of shares of Irkut Corporation and JSC Beriev Aircraft Company.

Combat and civil Su family aircraft are manufactured at the plants of JSC Sukhoi Company. JSC Sukhoi Design Bureau acts as an aircraft designer. Products are supplied for export and for the Ministry of Defense of Russia.

Main combat aircraft include: Su-27SM, Su-30MK2/Su-30MKI, Su-34 and Su-35 planes. Civil aircraft include the up-to-date Sukhoi Superjet 100 (SSJ) regional aircraft. The advanced 5<sup>th</sup> generation (PAK FA) aircraft is at the stage of testing. A project of drone aircraft is currently at the development stage. JSC Sukhoi Company 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 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-35), and is also taking part in the implementation of the promising PAK FA and SSJ programs.

**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 NAPO named after V.P. Chkalov manufactures the Su-34 front-line bomber and participates in implementation of the advanced PAK FA and SSJ programs, and manufactures aircraft components (aircraft catapult devices, aircraft beam holders, aircraft containers, freight suspension systems, nose radio-transparent cones for Su-30 aircraft and flight refueling probes).

Moreover, JSC NAPO named after V.P. Chkalov 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 of JSC NAPO named after V.P. Chkalov for repairs and other after-sale services for Su-24 of all modifications are: the Ministry of Defense of the Russian Federation and Algeria.



**JSC Sukhoi Design Bureau** was formed on the basis of design bureau of P.O. Sukhoi, which in turn was based on team #4 of AGPS TsAGI. Main activity of JSC Sukhoi Design Bureau is to perform R&D in the sphere of creation and modernization of aircraft equipment including civil, dual-purpose and military aircraft.

**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. 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 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 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 A-320 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 technical 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-200 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. It carries out theoretical developments and experimental research in the spheres 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. Both land based and water based aircraft were manufactured.

The company's specialization includes repairs of military aircraft equipment and manufacturing of landing equipment.

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 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 customers' equipment.

At the present moment JSC Tupolev is performing 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 (name of company at incorporation – JSC MAK Ilyushin) for management of holdings of shares in JSC VASO and JSC IL. Since 2007 a management company is being formed on the basis of JSC Ilyushin IAC, for a business unit of UAC for military transport aviation projects. The main project implemented immediately by JSC UAC-TA 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 II** is one of the oldest enterprises in the sphere of aircraft design. JSC II 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; and Il-76 transport-and-cargo aircraft and their modifications, Il-114T and 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. In addition 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.

**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 services to An-124 aircraft in the after-sales period. 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 Il. 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.

In addition 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 NAZ Sokol manufactures combat trainer fighters and defensive air fighters – MiG-29UB and MiG-31BM as well as Yak-130 combat trainer aircraft. Besides that JSC NAZ Sokol provides services in aircraft modernization and repairs both for the Ministry of Defense of Russia and foreign customer.

**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.

**PJSC RAC MiG** is a fully integrated company in which all technologies of development, testing and serial manufacturing and improvement of the final product – aircraft – are accumulated together in one legally implemented structure. The corporation includes an Engineering Center (Mikoyan Design Bureau), Voronin Production Center with three sites (in Moscow, Lukhovitsy and Kalyazin), Center for Aircraft Logistics Support, Center of Marketing and Sales, Financial and Economic Center, Center for Strategic Development and Planning, and Flight Testing Center named after A.V. Fedotov.

The range of products of the company includes modern interceptors and multi-purpose combat aircraft including fighters of the unified MiG-29K/KUB and MiG-29M/M2 family and the latest MiG-35.

At the present moment PJSC RAC MiG carries out aircraft development, manufacturing and deliveries and ensures operations, repairs and modernization.

**JSC Kazan Aviation Production Association named after S.P. Gorbunov** is an aircraft manufacturing enterprise specializing in production of strategic aviation aircraft developed by Tupolev Design Bureau, and the long-haul passenger aircraft Il-62. At the present moment the company manufactures the medium-haul passenger Tu-214 aircraft and its special modifications in the interests of the Ministry of Defense and top leadership of the Russian Federation. It also performs repairs and modernization of long-range aircraft for the Air Forces of the Ministry of Defense of the Russian Federation.

**MC UAC-CA LLC** was established in 2008 as a 100% subsidiary of JSC UAC. 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.

**VolgaTechnoport LLC** was incorporated in 2008 under the initiative of JSC UAC and JSC Corporation for Development of Ulyanovsk Region (100% of shares of this company are owned by Ulyanovsk Region) in order to develop the project of the port special economic zone (PSEZ) in the territory of Ulyanovsk Region. In accordance with Decree of the Government of the Russian Federation dated 30.12.2009 PSEZ will be located in the territory of municipal entity Cherdaklinsky District of Ulyanovsk Region at Ulyanovsk Vostochny international airport.

At the present moment the main activity of VolgaTechnoport LLC is development of preliminary concepts and a master plan for PSEZ.

**CJSC AeroComposit** was incorporated in 2008 as the center of competence for development and manufacturing of products of composite materials for the aircraft industry. The main activities of the incorporated CJSC AeroComposit will be development, testing, manufacturing



and sale of parts, units and components of civil aircraft made of polymeric and composite materials. The company plans to increase design and production activities and the technological base for development and manufacturing of structures of composite materials.

CJSC AeroComposit is working on the creation of a wing fully made of composite materials for the advanced Russian MC-21 aircraft and new modifications of the Sukhoi Superjet 100 regional aircraft.