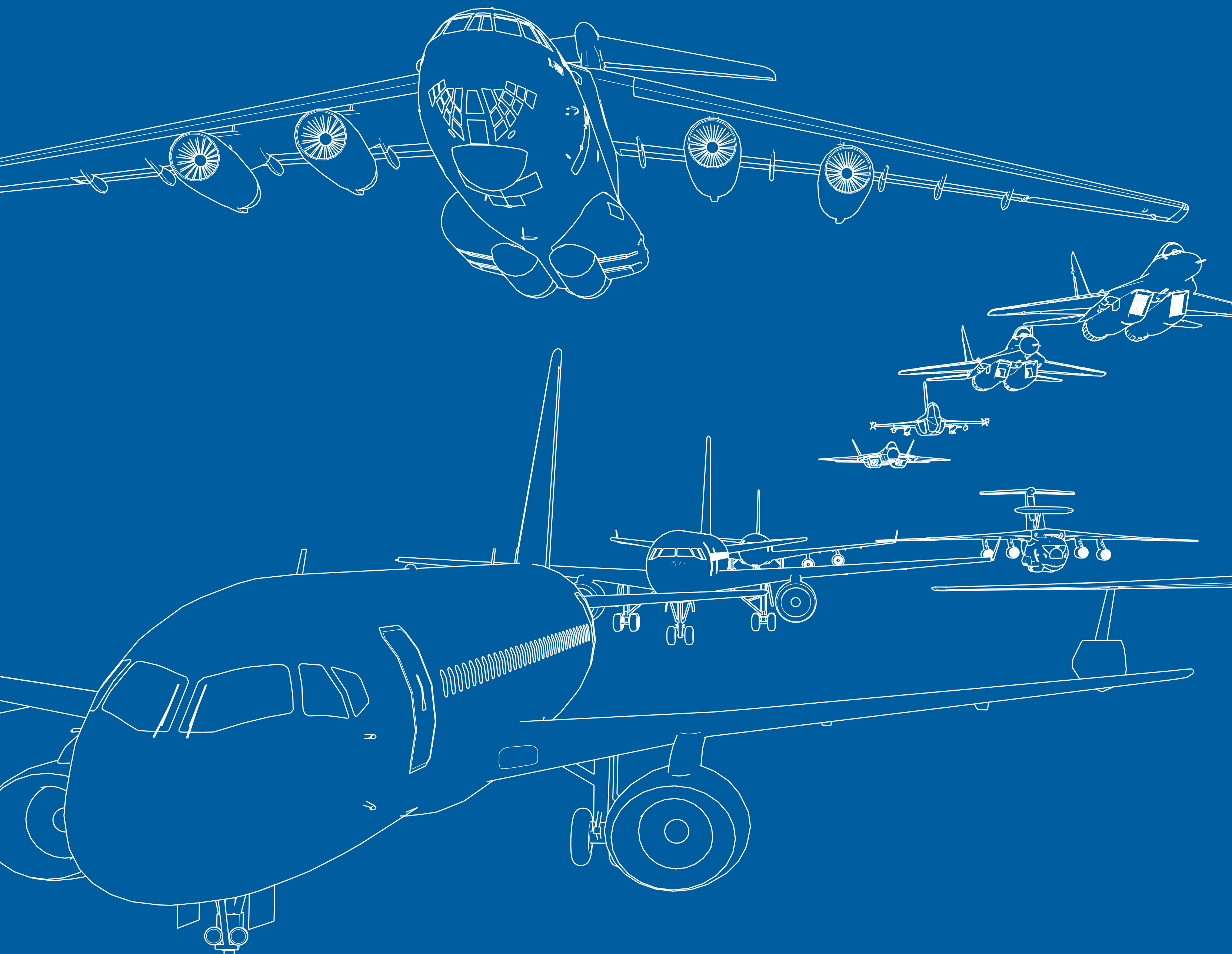
UAC
UNITED
AIRCRAFT
CORPORATION

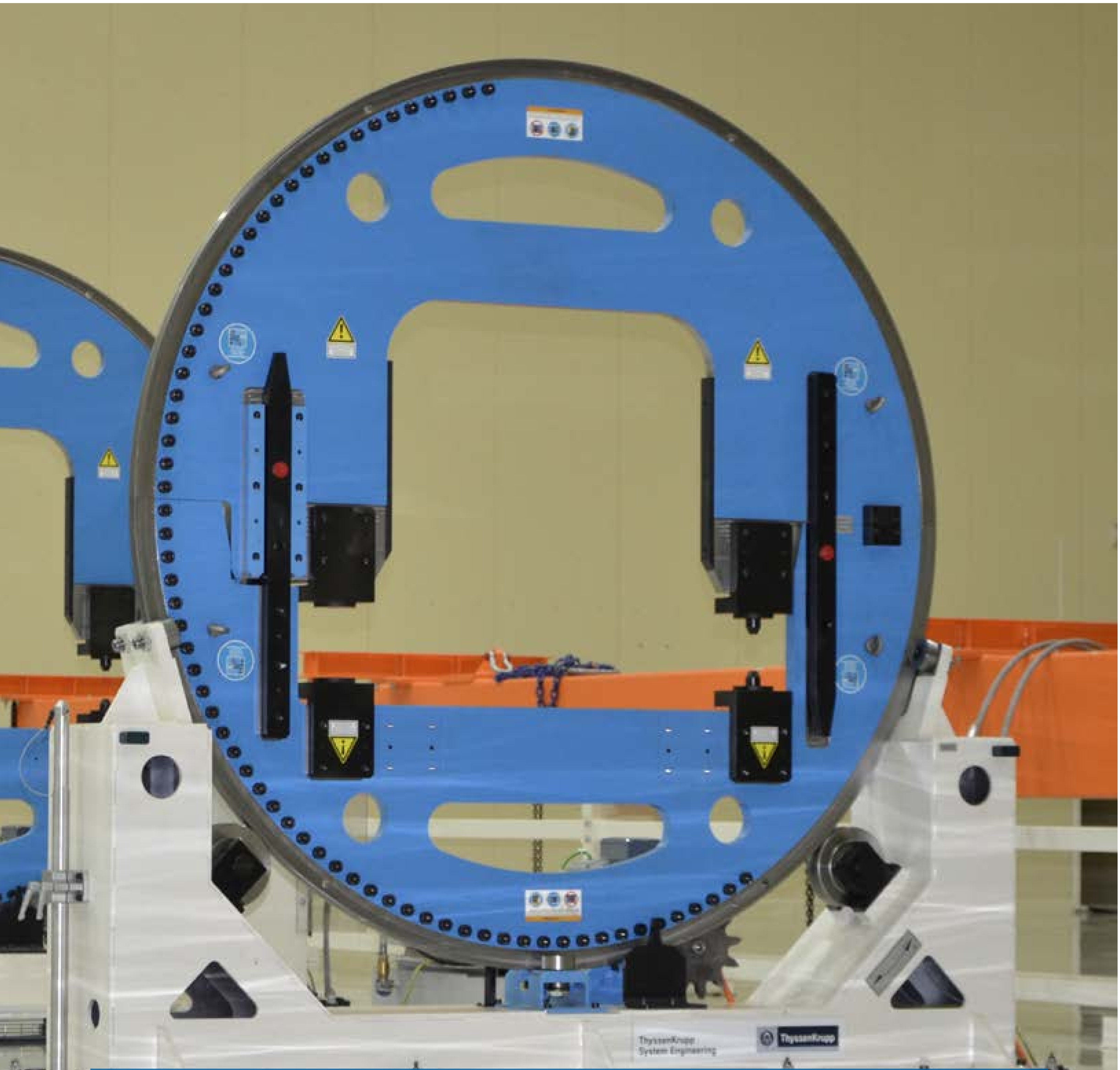


ANNUAL REPORT 2014

FLIGHT SYSTEM

Contents

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.



Notes:

In this annual report, the terms “PJSC UAC”, “JSC UAC”, “the Company”, “UAC” are used to refer to Public Joint Stock Company United Aircraft Corporation, the parent company of UAC Group.

“UAC Group” and “the Corporation” mean the aggregate of PJSC UAC and its subsidiaries.

After the end of the reporting period, on April 16, 2015, an entry was made into the Uniform State Register of Legal Entities for the purposes of state registration of amendments made to the constitutive documents of a corporate entity, in connection with the change of name as required by the provisions of Chapter 4 of the Civil Code of the Russian Federation. As of the date of amendments, the full corporate name of the Company in English is Public Joint Stock Company United Aircraft Corporation, the short corporate name in English is PJSC UAC.

Section for investors on corporate website:
http://www.uacrussia.ru/en/investors/

Corporation at a Glance

Profile

PJSC UAC was founded by virtue of a Presidential Decree dated February 20, 2006 No. 140 "On Open Joint-Stock Company United Aircraft Corporation" to preserve and achieve further development of the scientific and production potential of Russia's aviation industry, to contribute to safeguarding national security and defense capabilities and to ensure the concentration of intellectual, industrial and financial resources with a view to implementing prospective aircraft development programs.

Assets

Today the Corporation unites some 30 companies representing Russia's aviation industrial complex and has joint ventures with foreign partners operating in India and Italy. The Corporation holds titles to such universally renowned aircraft brands as Sukhoi, MiG, Ilyushin, Tupolev, Yak, Beriev as well as new brands — SSJ, SBJ and MS-21. As of year-end 2014 the Corporation employed some 100,000 people at its production facilities.

Key activity areas

The key activities of the Corporation are development, construction, testing and maintenance support, as well as service support, of military and civil aircraft. The Corporation's business scope expands to include aircraft equipment modernization, overhauling and recycling, training and retraining of human resources, and professional development of flying personnel.

Manufacturing and sales of military aircraft, both for the Ministry of Defense of Russia and foreign customers, accounts for the largest proportion of the Corporation's revenue. Since 2013 the bulk of JSC UAC's military supplies have been intended for the domestic market. At the same time, the global market of civil aircraft, as the broadest market, is a top priority for the Corporation. The product strategy envisages increasing the Corporation's share on the global civil aircraft market by creating a global product range consisting of the SSJ 100, MS-21, and other potential projects including the manufacture of wide-body aircraft in cooperation with COMAC.

Results

In 2014 the Corporation supplied 159 aircraft to its customers, including 124 military aircraft, 33 civil aircraft and 2 special-purpose aircraft. The revenue of the Corporation was RUB 295 bln and the EBITDA margin reached 8.1%.

Strategy

The key strategic goal of the Corporation is to achieve the status of the world's third largest aircraft manufacturer. In accordance with the long-term development program, the Corporation plans to increase its revenue to over RUB 800 bln by 2025, with net profit margin exceeding 10%.

Share capital

As of December 31, 2014, 85.3% of the total number of allotted ordinary shares of PJSC UAC are owned by the Russian Federation, 8.5% of shares are held by Vnesheconombank and 6.2% are held by private shareholders. The State Privatization Program provides for the sale of a part of the state-owned stake in PJSC UAC before 2024, with the state retaining ownership of 50% plus 1 share of the Corporation.

The shares of PJSC UAC are traded on the Moscow Exchange under ticker UNAC, they are included in the second level quotation list and the Innovation and Investment Market sector of the Moscow Exchange. As of December 31, 2014, the shares of PJSC UAC are included in the MICEX Innovation Index, the Manufacturing Index, the Second-Tier Index and the Broad Market Index of the Moscow Exchange.

159 aircraft

DELIVERED TO RUSSIAN AND FOREIGN CUSTOMERS IN 2014

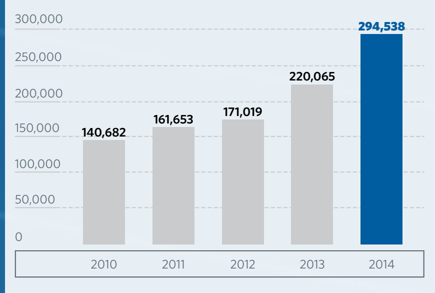
Key indicators

RUB 294,538 mln
UAC's revenue in 2014

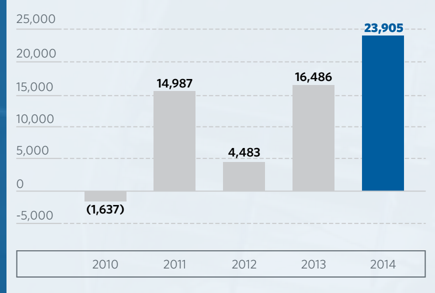
RUB 23,905 mln
EBITDA in 2014

8.1%
EBITDA margin in 2014

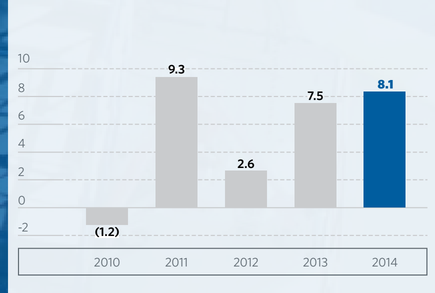
Revenue
RUB mln



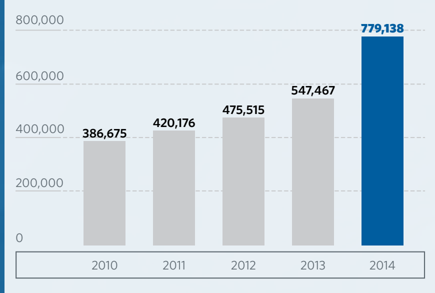
EBITDA
RUB mln



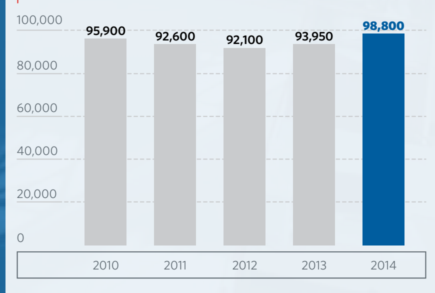
EBITDA margin
%



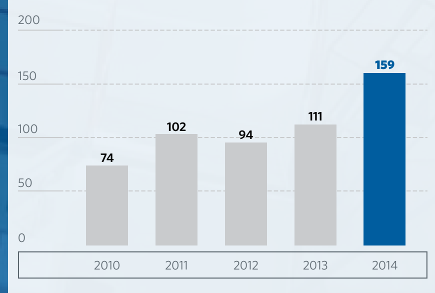
Book value of assets
RUB mln



Headcount
persons



Aircraft sales
units

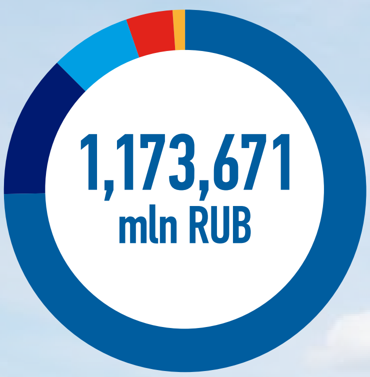


Key Indicators

Key indicators table

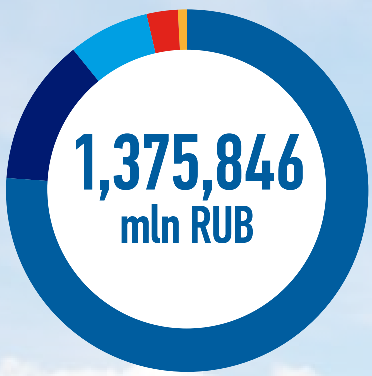
Indicator	Unit	2010	2011	2012	2013	2014
Aircraft sales	units	74	102	94	111	159
Revenue	RUB mln	140,682	161,653	171,019	220,065	294,538
Gross profit (loss)	RUB mln	36,439	50,317	35,887	43,352	47,752
Gross margin	%	25.9	31.1	21.0	19.7%	16.2%
Profit (loss) from operations	RUB mln	(11,845)	3,0	602	1,135	4,212
Operating margin	%	-8.4	0.0	0.4	0.5%	1.4%
Profit (loss) for the year	RUB mln	(20,166)	(13,346)	(5,650)	(13,508)	(13,654)
Net profit margin	%	-14.3	-8.3	-3.3	-6.1%	-4.6%
EBITDA	RUB mln	(1,637)	14,987	4,483	16,486	23,905
EBITDA margin	%	-1.2	9.3	2.6	7.5%	8.1%
EBIT	RUB mln	(12,194)	(360)	217	401	2,119
EBIT margin	%	-8.7	-0.2	0.1	0.2%	0.7%
Net debt	RUB mln	106,887	148,983	162,746	201,682	262,346
Net debt /EBITDA		-65.29	9.9	36.3	12.2	11,0
Share capital	RUB mln	188,633	201,926	219,655	188,903	188,903
Total assets	RUB mln	386,675	420,176	475,515	547,467	779,138
Headcount	persons as of year-end	95,900	92,600	92,100	93,950	98,800

Firm Order backlog in 2013 by types of activity (exclusive of VAT)



	%	RUB mln
Aircraft production and /or sale	73.95 %	867,906
Modernization, maintenance and overhaul of aircraft services	12.83 %	150,620
Research and development	7.00 %	82,114
Spare parts, units and components manufacturing	4.13 %	48,452
Other aviation-related works and services	0.99%	11,621

Firm Order backlog in 2014 by types of activity (exclusive of VAT)

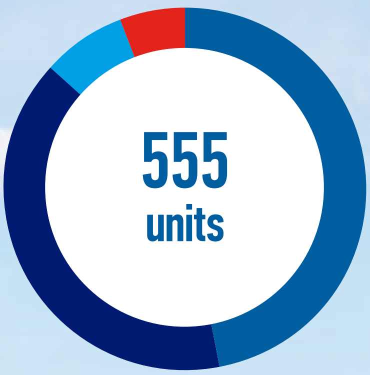


	%	RUB mln
Aircraft production and /or sale	76.15 %	1,047,666
Modernization, maintenance and overhaul of aircraft services	13.04 %	179,428
Research and development	7.24 %	99,562
Spare parts, units and components manufacturing	2.75 %	37,809
Other aviation-related works and services	0.83 %	11,380

Aircraft supplies in 2010–2014

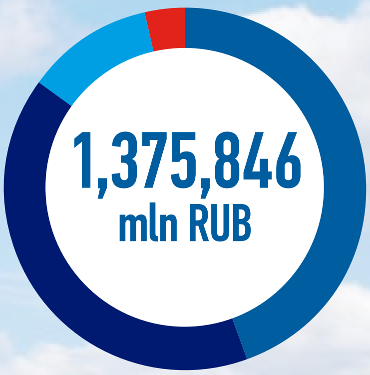
Aircraft type	2010	2011	2012	2013	2014
Military aircraft					
Domestic market	21	19	35	54	102
Export	44	69	36	25	22
TOTAL: military aircraft	65	88	71	79	124
Civil aircraft					
Domestic market	6	6	15	15	24
SSJ 100	–	4	9	11	18
An-148	4	2	4	4	6
Tu-204	2	–	2	–	–
Export	–	1	3	14	9
SSJ 100	–	1	3	14	9
TOTAL: civil aircraft	6	7	18	29	33
Transport aircraft					
Domestic market	1	1	2	–	–
Il-96-400	–	–	1	–	–
Il-76	1	1	1	–	–
Export	–	2	–	–	–
Il-76	–	2	–	–	–
TOTAL: transport aircraft	1	3	2	–	–
Special aircraft					
Domestic market	2	4	3	3	2
Export	–	–	–	–	–
TOTAL: special aircraft	2	4	3	3	2
TOTAL: supplies	**74**	**102**	**94**	**111**	**159**

Firm order backlog as of December 31, 2014 by business areas



	%	units
Military aircraft	47.03 %	261
Civil aircraft	39.82 %	221
Transport aircraft	7.57 %	42
Special aircraft	5.59 %	31

Firm order backlog as of December 31, 2014 by business area (exclusive of VAT)



	%	RUB mln
Military aircraft	44.52 %	612,573
Civil aircraft	40.49 %	557,076
Transport aircraft	11.45 %	157,567
Special aircraft	3.53 %	48,630

Civil Aircraft

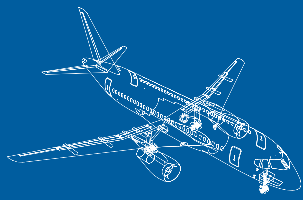
24 aircraft

delivered to domestic customers in 2014

9 aircraft

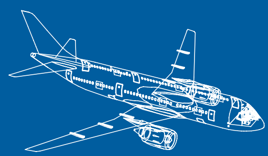
exported in 2014

Global product range



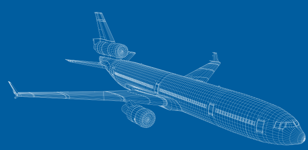
Sukhoi Superjet 100

- Short and medium range narrow-body airliner
- Seat capacity: 98 seats
- First delivery: 2011
- Serial production



MS-21

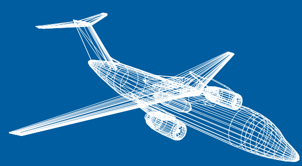
- Medium-range narrow-body airliner
- Seat capacity: 150–180 seats
- First delivery: 2018
- First fight model assembly



Wide-body airliner

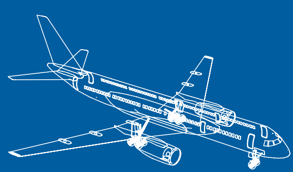
- Seat capacity: 210–350 seats
- First delivery: to be determined
- Initiation. Agreeing on the partnership format with COMAC

Local product range



An-148

- Short-range narrow-body airliner
- Seat capacity: 75 seats
- First delivery: 2009
- Serial production



Tu-204/214/204SM

- Medium-range narrow-body airliner
- Seat capacity: 210 seats
- First delivery: 1994
- Serial production

Il-96

- Long-range wide-body airliner
- Seat capacity: 257–289 seats
- First delivery: 1993
- Serial production

Military Aircraft

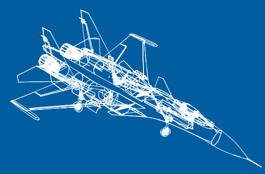
102 aircraft

delivered to domestic customers in 2014

22 aircraft

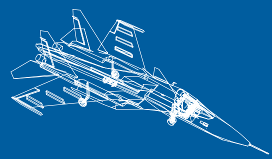
exported in 2014

Model range



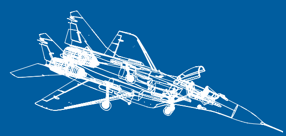
Su-30

- Heavy multirole generation 4+ fighter
- Maximum payload – 8 tonnes
- Serial production



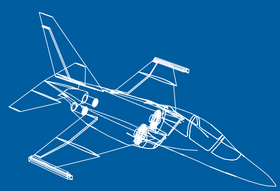
Su-34

- Heavy tactical generation 4+ bomber
- Maximum payload – 8 tonnes
- Serial production



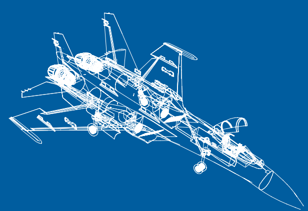
MiG-29K/M

- Medium multirole generation 4+ fighter
- Maximum payload – 4,5 tonnes
- Serial production



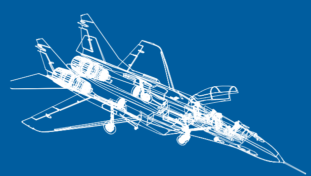
Yak-130

- Combat trainer
- Maximum payload – 3 tonnes
- Serial production



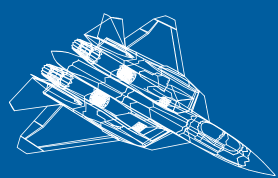
Su-35

- Heavy multirole generation 4++ fighter
- Maximum payload – 8 tonnes
- Serial production



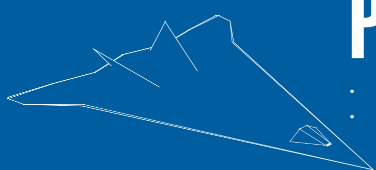
MiG-35

- Medium multirole generation 4++ fighter
- Maximum payload – 4,5 tonnes
- Production deployment



PAK FA

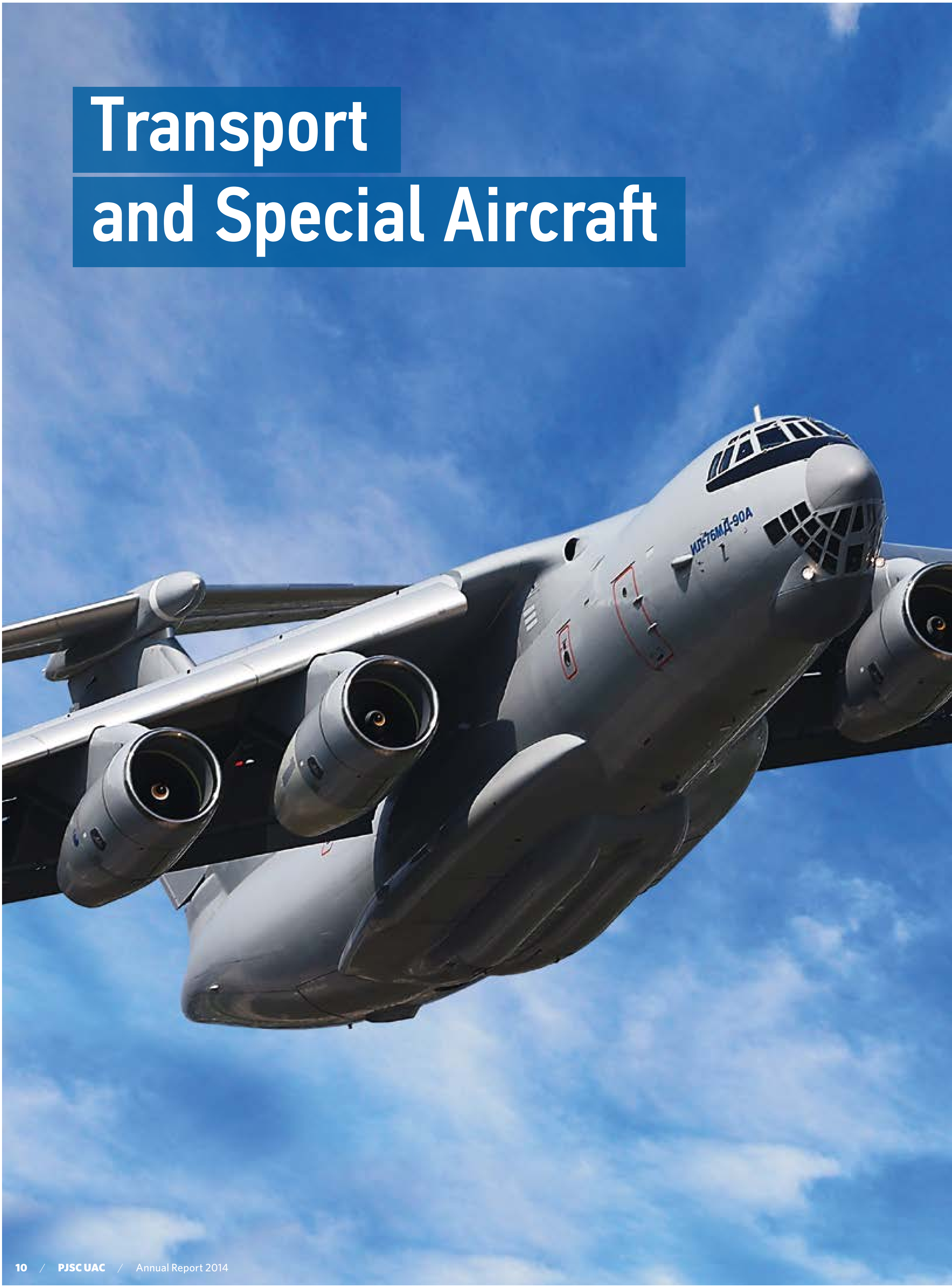
- Heavy multirole generation 5 fighter
- Development and testing



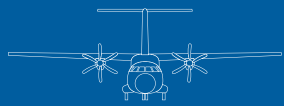
PAK DA

- Strategic bomber and missile carrier
- Initiation

Transport and Special Aircraft

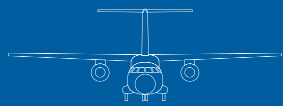


Transport aircraft



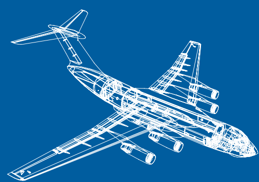
Il-112V

- Light military transport aircraft
- Maximum payload – 5 tonnes
- Design



MTA

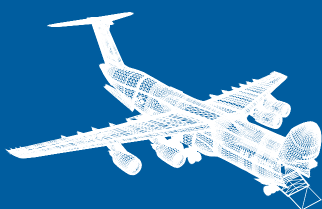
- Medium military transport aircraft
- Maximum payload – 20 tonnes
- Design



Il-76MD-90A

- Heavy military transport aircraft
- Maximum payload – 60 tonnes
- First delivery: 2014*
- Serial production

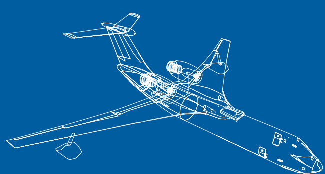
** Two Il-76MD-90A aircraft manufactured in 2014 are not included in the delivery statistics. As a result of a decision taken by the Russian Ministry of Defense these aircraft will be used as a platform for special aircraft.*



PTA

- Super heavy military transport aircraft
- Maximum payload – 80, 160, 240 tonnes
- Initiation

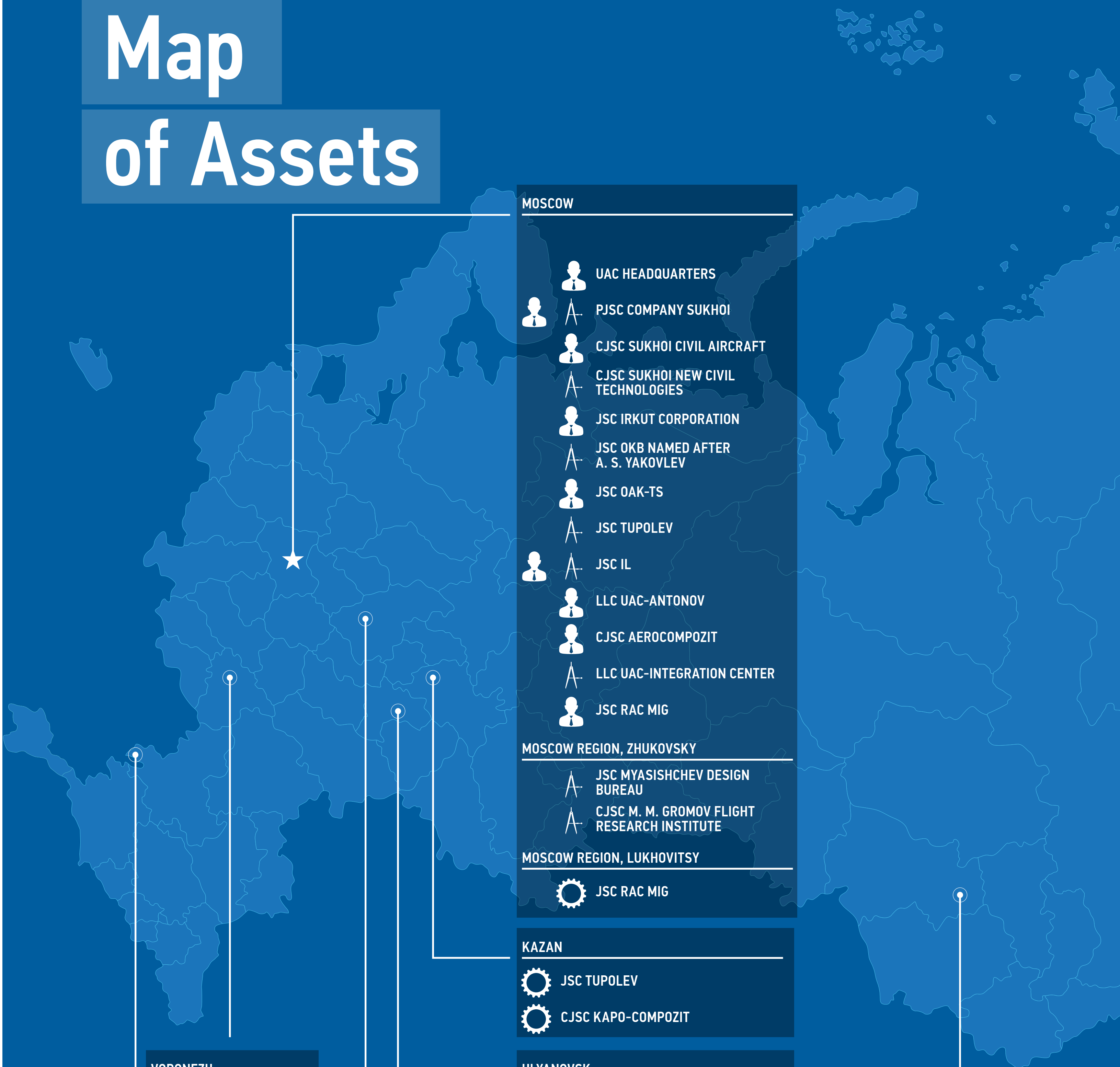
Special aircraft



Be-200

- Multipurpose amphibian aircraft
- Maximum payload – 12 tonnes
- Serial production

Map of Assets



MOSCOW

- UAC HEADQUARTERS
- PJSC COMPANY SUKHOI
- CJSC SUKHOI CIVIL AIRCRAFT
- CJSC SUKHOI NEW CIVIL TECHNOLOGIES
- JSC IRKUT CORPORATION
- JSC OKB NAMED AFTER A. S. YAKOVLEV
- JSC OAK-TS
- JSC TUPOLEV
- JSC IL
- LLC UAC-ANTONOV
- CJSC AEROCOMPOZIT
- LLC UAC-INTEGRATION CENTER
- JSC RAC MIG

MOSCOW REGION, ZHUKOVSKY

- JSC MYASISHCHEV DESIGN BUREAU
- CJSC M. M. GROMOV FLIGHT RESEARCH INSTITUTE

MOSCOW REGION, LUKHOVITSY

- JSC RAC MIG

KAZAN

- JSC TUPOLEV
- CJSC KAPO-COMPOZIT

ULYANOVSK

- CJSC AVIASTAR-SP
- CJSC AEROCOMPOZIT-ULYANOVSK

VORONEZH

- JSC VASO

TAGANROG

- CJSC BETA-IR
- JSC TANTK NAMED AFTER G. M. BERIEV

NIZHNY NOVGOROD

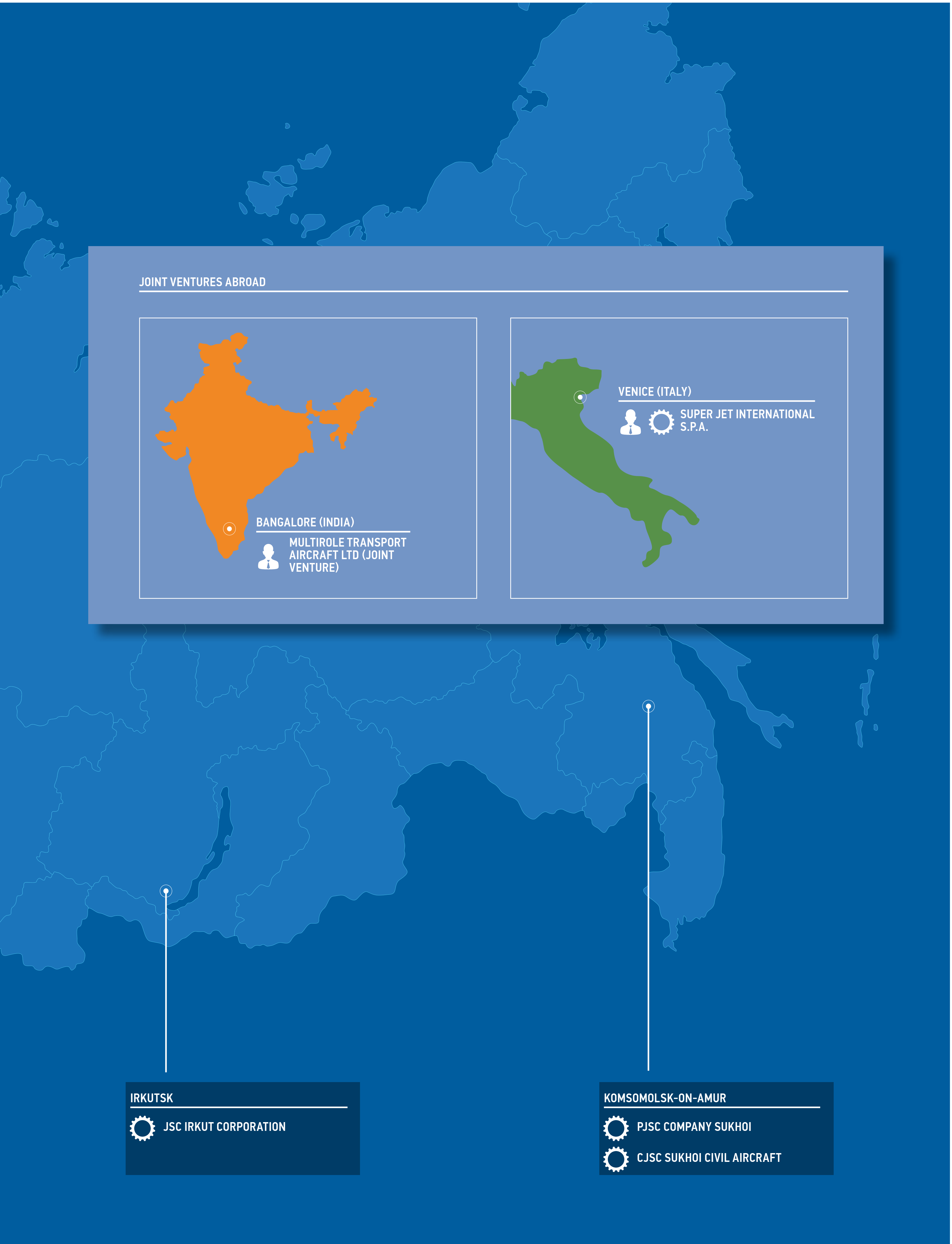
- PJSC NAZ SOKOL

NOVOSIBIRSK

- CJSC SUKHOI CIVIL AIRCRAFT

NOTES

DESIGN BUREAU   PLANT   MANAGEMENT COMPANY


JOINT VENTURES ABROAD
BANGALORE (INDIA)
MULTIROLE TRANSPORT AIRCRAFT LTD (JOINT VENTURE)
VENICE (ITALY)
SUPER JET INTERNATIONAL S.P.A.
IRKUTSK
JSC IRKUT CORPORATION
KOMSOMOLSK-ON-AMUR
PJSC COMPANY SUKHOI
CJSC SUKHOI CIVIL AIRCRAFT

KEY EVENTS

Aircraft deliveries and performance of contracts

The second Tu-214ON aircraft intended for observation flights under the international Treaty on Open Skies was delivered to the Ministry of Defense of Russia.

An official ceremony was held to deliver 12 Su-35S multirole fighters to the Russian Air Force.

12.02

The Su-34 heavy tactical bomber was put into service in the Russian Air Force.

20.03

04.07

The second Tu-214ON aircraft intended for observation flights under the international Treaty on Open Skies was delivered to the Ministry of Defense of Russia.

15.07

Russian Naval Aviation received the first modernized anti-submarine Il-38N.

24.11

CJSC Aviastar-SP successfully completed the three-year program of the government defense order for modernization of the An-124–100 heavy transport aircraft, which required the modernization of six aircraft.

26.11

The seventh Sukhoi Superjet 100 long-range aircraft was delivered to GAZPROMAVIA, a Russian airline. In total, 4 Sukhoi Superjet 100 aircraft were supplied to GAZPROMAVIA during the year.

19.12

The Tu-160 supersonic variable-sweep wing missile-carrying bomber was delivered to the Ministry of Defense of Russia after overhaul and modernization.

24.12

The 16th Sukhoi Superjet 100 aircraft was delivered to the airline Aeroflot. In total, 12 aircraft were delivered to Aeroflot during the year.

KEY EVENTS

Aircraft development and modernization

05.02

LLC UAC-Integration Center obtained an international certificate of compliance of quality management system with defense and aerospace industry standards for the design, development and integration of avionics and structural components for civil and military aircraft.

21.02

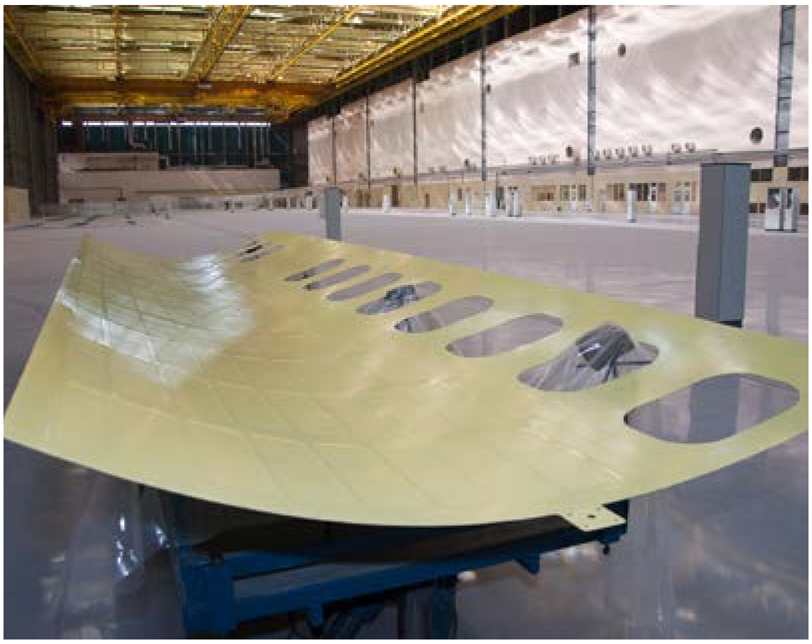
A test model of the prospective T-50-2 fifth-generation aircraft was transported to the airfield of the 929 State Flight Center of the Russian Air Force named after V.P. Chkalov in Akhtubinsk for official joint testing.

19.03

Aviation Register of the Interstate Aviation Committee (IAC AR) issued a Supplement to the Type Certificate for Sukhoi Superjet 100, confirming that this aircraft is capable of flights using the RNAV 1 and P-RNAV precision area navigation systems.

09.04

CJSC Aviastar-SP manufactured the first body panels for the MS-21 test aircraft.



15.04

CJSC KAPO-Compozit obtained an international certificate of compliance of quality management system (QMS) with BS EN ISO 9001:2008 & EN 9100:2009 following a QMS certification audit carried out by an international certification authority, Bureau Veritas Certification.

CJSC Aerocompozit-Ulyanovsk started manufacturing full-size spars for wing box and center section panels from polymeric composite materials as part a program for the creation of the prospective MS-21 medium range airliner.

17.06

The first Il-76MD-90A production transport aircraft was driven out in Ulyanovsk.

20.06

IAC AR confirmed the ICAO CAT IIIa auto-landing capability of the Sukhoi Superjet 100 aircraft.

17.10

The Presidents of UAC and the Russian Academy of Sciences approved the Program of Work in Priority Areas of Fundamental, Predictive and Exploratory Research as Part of the Development of PAK DA.

23.10

JSC Tupolev completed the front-end engineering stage of R&D for the Tu-160M.

25.11

IAC AR issued a Supplement to the Type Certificate for the Sukhoi Superjet 100, which allows the use of the vertical navigation function (VNAV) at all flight stages.

18.12

CJSC Aviastar-SP completed the manufacturing of the first fin box from composite materials for the MS-21 aircraft.

KEY EVENTS

New contracts and promotion of products in the Russian and foreign markets

29.01

SuperJet International S.p.A. and GAZPROMAVIA signed a contract for the aftersales service of its Sukhoi Superjet 100 long-range aircraft fleet.

11.02–16.02

The Sukhoi Superjet 100 and Yak-130 were presented for the first time at the Singapore Airshow 2014.

25.03–30.03

The Corporation's companies presented their products at one of the major air shows in Latin America, FIDAE 2014 in Santiago, Chile.

15.04

UAC entered into a contract for the supply of 16 MiG-29SMT medium multirole fighters for the Russian Air Force until the end of 2016.

22.05–25.05

The MiG-35 fighter was presented at the International Exhibition of Weapons Systems and Military Equipment KADEX-2014 in Astana.

17.08

JSC Tupolev signed a contract with the Ministry of Defense of Russia for the R&D of the Tu-22M3M in 2014–2018.

04.09–06.09

The Sukhoi Superjet 100 aircraft in VIP configuration was presented for the first time at the Jet Expo international business aircraft exhibition in Moscow.

04.09–07.09

The Corporation took part in Hydroaviasalon-2014, the 10th International Exhibition and Scientific Conference on Hydroaviation in Gelendzhik. The Corporation's key hydro-aviation products, the Be-200 and Be-103 airplanes, were featured in the flight program of the exhibition.

05.09

JSC Irkut Corporation signed a contract with the Ministry of Defense of Russia for the supply of 7 Su-30SM aircraft in 2015–2018.

08.09

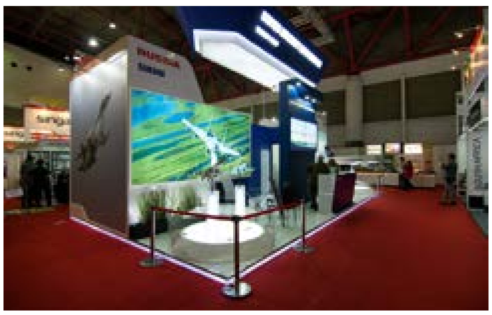
UAC signed a contract with EMERCOM of Russia for the supply of two Sukhoi Superjet 100 aircraft in 2015 and an agreement of intent, which provides for the supply of another 8 Sukhoi Superjet 100 airplanes, 6 Il-76MD-90A transport airplanes and 10 Be-200 airplanes in 2016–2025.

08.10

A contract for lease of three Sukhoi Superjet 100 aircraft was signed with Red Wings, a Russian airline.

05.11–08.11

The Corporation's subsidiaries presented military and special aircraft projects at the international exhibition INDO Defence Expo & Forum in Jakarta, Indonesia.



11.11–16.11

During the international exhibition Airshow China in Zhuhai, UAC signed a memorandum on the expansion of a partnership in the civil, transport and special aircraft industries with the Chinese corporation AVIC.

14.11

UAC entered into a government contract for research and development for the purposes of creation of the Il-112V light military transport aircraft for the Ministry of Defense of Russia.

21.11

UAC entered into a contract with the Ministry of Defense of Russia for repairs and modernization of 53 MiG-31 aircraft in 2015–2018.

08.12

UAC entered into a contract with the Department of Presidential Affairs of Russia for the delivery of two Sukhoi Superjet 100 aircraft.

KEY EVENTS

Corporate development, governance changes, activities in the capital markets

30.01

UAC's shares were included in Quotation List "B" of the Moscow Exchange. On June 9, 2014 UAC's shares were moved from Quotation List "B" to the second level quotation list of the Moscow Exchange as part of a listing reform.

04.03

The Board of Directors of JSC TANTK named after G.M. Beriev resolved to appoint Igor Garivadsky as the General Director of JSC TANTK named after G.M. Beriev.

17.04

MOSCOW EXCHANGE

UAC's shares were listed in the Innovation and Investment Market sector of the Moscow Exchange, which serves as a platform for attracting investment to Russian innovation companies.

22.05

For the purposes of further consolidation of the Corporation's companies within the Transport Aircraft business area, a decision was made to transfer the function of the sole executive body of JSC Myasishchev Design Bureau to JSC Il.

01.06

Within the Special Aircraft business area, JSC Tupolev completed the acquisition of the Kazan Aviation Production Association named after S.P.Gorbunov JSC.

Dmitry Eliseev was appointed as the Vice President for Economy and Finance of UAC.

02.06

19.06–30.06

PJSC UAC entered into contracts for the transfer of the powers of the sole executive body of six aircraft repair plants including JSC 31 ZATO, JSC 32 RZ SOP, JSC 170 RZ SOP, JSC 680 ARZ, JSC 720 RZ SOP, JSC VZ RTO.

28.08

Vnesheconombank purchased 10,234,199 additionally issued shares of PJSC Company Sukhoi (28.14% of all allotted shares as of the date of transaction) for RUB 25.1 billion. On December 25, Vnesheconombank increased its stake in PJSC Company Sukhoi to 29.81% by purchasing 897,702 additionally issued shares for RUB 2.2 bln.

23.10

The Board of Directors of PJSC UAC approved the Development Strategy of UAC until 2025.

08.12

The Board of Directors of PJSC UAC approved the Long-Term Development Program of PJSC UAC until 2025, pre-approved by the Government of the Russian Federation, which includes a system of key performance indicators.

Statement by the Chairman of the Board of Directors

Dear Shareholders and Investors,

Throughout 2014 UAC continued its active development. The Corporation's revenue amounted to RUB 295 bln, operating profit totalled RUB 4 bln, and growth was achieved both in civil and military aircraft manufacturing.

UAC subsidiaries successfully executed the government defense order, increasing aircraft supplies to the Russian Air Force and maintaining high levels of military aircraft exports. Similar growth was observed in civil aircraft manufacturing, primarily driven by demand for the SSJ 100 aircraft.

In 2014 the UAC Board of Directors continued with its active approach. Over 20 meetings were held, focusing on key issues of the Corporation's development. Decisions were made on changes in the Corporation's executive staff, restructuring was pursued, and there was a continuation of processes to enhance managerial efficiency and to consolidate the Corporation's business and financial performance.

In 2014 the Board of Directors approved the Long-Term Development Program of JSC UAC for the period up to 2025. The Program implies both growth of production and of financial indicators in all segments as well as a three-fold increase in revenue up to RUB 800 bln, an increase in the share of revenue from civil aircraft sales up to 40% of total revenue, and an increase in exports, with net profit margin reaching at least 10% in 2025. The Program's priorities include the execution of the state defense order, the extension of international cooperation with Chinese and Indian aircraft corporations, and continued scientific and technical development.

Furthermore, to ensure the effective performance of the Corporation throughout 2015–2016, in the midst of a rapidly changing environment, UAC will develop a stabilization package to account for new geopolitical risks which arose during 2014. These measures will aim to implement actions related to, amongst other things, import replacement and cost reduction, increased labor productivity and a decreased debt load. The measures will help to achieve the target indicators stipulated in the Russian State Program of the Aviation Industry Development in 2013–2025 under the new macroeconomic environment, and help to increase sales of aircraft manufactured by the Corporation in domestic and global markets.

Vladimir Dmitriev

Statement by the President

Dear colleagues,

United Aircraft Corporation's 2014 results show that the Corporation has sustained the upward trend of recent years, achieving an all-time high in both revenue generated and aircraft delivered. Over the reporting period the Corporation's revenue increased significantly to RUB 295 bln, and it delivered a total of 159 aircraft to its customers. While production of military aircraft remains the key growth driver of the Corporation, total sales of civil aircraft are steadily growing. Over the year, the Corporation supplied 124 military aircraft under the State Defense Procurement program and via exports, resulting in a 57% increase compared to 2013.

In 2014, 27 SSJ 100 aircraft were supplied to customers, including 9 exported aircraft. In addition, the Corporation continued its efforts to expand its global product portfolio of civil aircraft including the creation of the new MS-21 airliner, which is set to roll off the production line for the first time in December 2015.

In May, UAC and COMAC, China, signed a Memorandum of Cooperation under a program for the creation of a prospective long-range wide-body passenger airliner. The program is intended to be one of the largest international projects in the aircraft and hi-tech industries of both countries. The airliner has the potential to take a significant market share in both Russia and China, as well as in other markets. A joint Russian-Chinese working group is currently actively engaged in the implementation of the project.

Furthermore, strong support from government authorities has enabled UAC to make great progress in establishing a competitive civil aircraft sales system specifically through the introduction of a mechanism for guaranteeing the residual value of aircraft, creating a spare parts warehouse, providing ground handling and personnel training facilities and through the development of operational leasing. The transport aircraft industry is also making progress. Just as planned, CJSC Aviastar-SP's Ulyanovsk plant has started serial production of the Il-76MD-90A aircraft. The first aircraft have been transported from the factory to be used as special aircraft platforms.

Owing to a vigorous marketing policy and product presentations at leading air shows, the Corporation has procured new orders in all of its business areas and provided assignments for its subsidiaries in the medium-term.

Aircraft repairs for the Russian Air Force have become one of the key business areas for the Corporation since 2013. Today all 15 aircraft repair plants are successfully operating under the Corporation's control to fulfil orders from the Russian Ministry of Defense.

The Corporation continued to restructure its assets in 2014. JSC Tupolev's acquisition of Kazan Aviation Production Association marked the next step towards the creation of specialized business units focused on the Corporation's key business areas.

The Corporation places a strong emphasis on scientific and technical development, innovative solutions and its own R&D. A new paperless design center is being established at the site of the Tupolev Design Bureau, creating one of the world's largest aviation centers. The center is equipped with one of the most powerful supercomputers in Russia. The Corporation's designers are working on dozens of projects aimed at creating new aircraft models and retrofitting existing ones. State-of- the-art technologies enable 3D design and facilitate training for the operation of complex components and assemblies.

The Corporation intends to expand its presence in the capital markets. In April 2014, UAC's ordinary shares were listed in the Innovation and Investment Market sector of the Moscow Exchange.

The key objectives for 2015 include sustaining the growth rates of aircraft production and sales, reducing the debt burden and implementing a number of programs targeted at minimizing costs and increasing labor efficiency. The Corporation plans to increase output to approximately 170 aircraft and increase revenue to RUB 400 bln. In 2015–2017 the Corporation intends to recruit some 17,000 new employees to help it achieve its strategic goals.

We expect 2015 to be an eventful year for the Corporation. This year the Government has placed an extensive order under the State Defense Procurement program compared to recent years, and the Corporation is fully equipped to fulfil the order. We look to the future with confidence and believe that UAC has all the resources necessary to carry out its plans.

Yury Slyusar

STRATEGY

10.9%

Corporation's target share of the global military aircraft market by 2025

3.2%

Corporation's target share of the global civil aircraft market by 2025

Corporation's Position in the Market

The Corporation is among the key players in the global aircraft market. According to the results of 2014, UAC with revenue of RUB 295 bln took fifth/sixth place among the largest companies of the sector.

The Corporation's competitors are the leading aircraft manufacturers, including Airbus Group, Boeing, Bombardier, Embraer, Lockheed Martin, COMAC.

The Corporation's long-term strategy envisages becoming one of the three largest aircraft producers by 2025, along with Boeing and Airbus. It is planned to increase revenue to over RUB 800 bln and make 3.2% of the civil and 10.9% of the military aircraft markets by 2025.

The Corporation's long-term strategy is aimed at ensuring UAC enters the top three global aircraft manufacturers by 2025

Civil Aircraft

International market

The development of the civil sector of the aircraft market is defined by GDP trend and demand for air transportation. The fastest growth in transportation volume is between Europe and Asia, North America and Asia, Europe and Latin America, North America and Latin America. The liberalization of the global air transportation market creates new players, makes the competition tougher, thus lowering ticket prices and increasing passenger traffic. Keeping this in mind, aircraft market globalization and merging of major carriers are becoming important trends.

In 2014, the global air transportation market kept on developing according to the recent trends. According to IATA, as of January 2015, commercial passenger traffic grew 5.9% YoY, with the seat occupancy rate being 79.7%, which is 0.1% higher than in 2013. According to the results of 2014, all the world air carriers combined made a net revenue of USD 19.9 bln — 87.7% more than in 2013. The industry's profit margin rate grew 1.6%, to 5.1% in 2014.

The structure of the world route network and the growing proportion of low-cost carriers are forming a stable demand for narrow-body aircraft. Today, it is the most sought-after segment of the market. The age of more than 50% of aircraft in the segment is less than 10 years. Another significant portion of the world short-haul fleet is 60-seat aircraft. However, such aircraft are rarely used on high-profit routes and demand for them heavily depends on the demand for air transportation and fuel price. Small narrow-body (60–120 seats) and wide-body aircraft account for no more than 30% of the current fleet combined, with the capital intensity of each of the markets being significantly higher than the results of the up to 60-seat segment. The wide-body aircraft fleet has a very inhomogeneous age structure, however, most major airline companies tend to use more up-to date aircraft. The age of 45% of the wide-body aircraft fleet is not more than ten years.

Growing transportation volumes in 2014 led to an increase in demand for new civil aircraft. In 2014, customers received 1,558 new passenger aircraft with a 30+ seat capacity . The leaders among the manufacturers were Boeing, Airbus, Bombardier, Embraer, and ATR.

3.2%

Corporation's target share of the global civil aircraft market by 2025

UAC at Farnborough Airshow (UK)

In 2014, Airbus Group, along with speeding-up of the A319-321, A330 and A380 series manufacture, continued its prospective programs, A350XWB and A320NEO. Airbus also promoted the A330 Regional wide-body aircraft.

Throughout the year, Boeing continued to develop its B-737NG with new engines, codenamed B-737MAX. The company also announced the start of the 787-10 programs and clarified the design of the 777-8X/9X models.

Brazil's Embraer increased its order portfolio for the second generation of the E series short-haul jets.

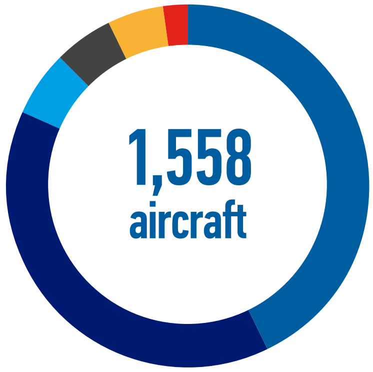
Bombardier (Canada), along with the delivery of existing models, continued to develop the CS100 aircraft, with first deliveries planned for the second half of 2015. 2015 will also see the maiden flight of the 135-seat CS300.

COMAC from China was developing the ARJ21 short-haul jet and the narrow body C919.

According to IATA estimates, as of January 2015, air traffic growth will reach 6.6% this year. The net profit of all the world's carriers will be around USD 25 bln, with profit margin increasing to 6%.

According to a UAC long-term forecast, the average annual growth of passenger traffic will be 5% in the next 20 years. The global passenger fleet is to increase 1.7 fold. The total number of new passenger aircraft with more than 30 seats is expected to reach about 38 thousand, with 120+ seat aircraft comprising about 23.4 thousand, wide bodies — 7.1 thousand and short-haul narrow-body aircraft with a 120-passenger capacity — 7.5 thousand.

Delivery of passenger aircraft with 30+ capacity in 2014



	%	units
Boeing	42.81%	667
Airbus	39.09%	609
Embraer	5.78%	90
ATR	5.13%	80
Bombardier	5.07 %	79
UAC	2.12 %	33

Source: ACAS database

Source: ACAS database

Russian market

Average annual growth of passenger traffic transported by Russian companies was averagely 11.7% in 2000–2013, approximately two times higher than the global market. In 2014, passenger traffic growth fell to 7.2%, still staying ahead of the global market (5.9%). In 2014, Russian air carriers transported 93.2 mln passengers, 10.2% more than the previous year, with 241.4 passenger-kilometers. The seat occupancy rate increased by 0.3%, reaching 79.8%. The Russian market is characterized by concentration of main transportation volumes around major hubs, including, primarily, the Moscow air hub. Five largest air carriers account for 66% of passenger traffic and 63% of passengers in the industry.

Airline companies from Russia and the CIS are active consumers in the secondary aircraft market. In spite of this, the continuing liberalization process, growth of air transportation volumes and increasing rate of fleet renewal generate demand for deliveries of new aircraft. In recent years, airline companies have begun to purchase and order more aircraft in the primary market. The most sought-after category is narrow-body aircraft.

In 2008–2013, 614 foreign and 69 new Russian civil aircraft were delivered to the fleets of Russian carriers. In 2014, 65 foreign and 18 Russian aircraft were delivered.

According to a UAC long-term forecast, annual growth rate of air transportation in Russia will be about 5.8% in the next 20 years. Russian carriers' demand for new passenger aircraft will reach approximately 1,250–1,350 aircraft of different passenger capacity until 2035.

By 2035, the Corporation plans to take about 60% of the domestic market of new aircraft, not less than 80% of the short-haul aircraft segment and not less than 50% of the long-range narrow-body aircraft segment.


Sukhoi Superjet 100 aircraft operated by Aeroflot (Russia)

18 aircraft

manufactured in Russia were added to the Russian commercial aircraft fleet in 2014

60%

The share of the domestic new civil aircraft market the Corporation plans to acquire by 2035

Strengthening the Corporation's positions in the global and Russian civil aircraft markets

In the last five years, the Corporation has significantly advanced in implementing the key product programs. The priority is given to forming a line of civil aircraft, possessing high technical and economic characteristics, and to building a sales and complex aftersales service system.

The Russian market is given a top priority by the Corporation, however, its volumes are insufficient to ensure the efficient utilization of production capacity and reaching a breakeven point for the SSJ 100 and MS-21 programs, which conditions the need to increase the presence of the Corporation in the international market too.

To form a competitive offer and satisfy the market needs, the Corporation has focused on developing new types of aircraft, beginning with low-capacity ones. The first program was the production of the SSJ 100 short-haul narrow-body aircraft, which is currently successfully produced and delivered to Russian and foreign customers. The SSJ 100 project has shown that the Corporation is able to develop a modern civil aircraft meeting the most stringent international requirements.

Currently, the active work on launching the production of the MS-21 middle-range narrow-body aircraft is underway, which is intended for the largest segment of the global and Russian markets. Moreover, the Corporation is considering a possibility to complement its product line with a wide-body aircraft. The Corporation seeks to unify its global product line to help lower production costs and aircraft maintenance costs.

Sukhoi Superjet 100 operated by Yakutia Airlines (Russia)


Fuselage assembly of MS-21 prototype aircraft

The Corporation's product line in the global market

Segments	Average annual deliveries for the last 3 years, units	Market forecast for 20 years, units
Wide-body		
>425	30–35	440
175–425	215–265	6,450
Narrow-body		
>120	850–900	24,500
61–120	130–170	4,100
Turboprops		
>30	100	2,600


Foreign aircraft
UAC aircraft
Boeing 747
Airbus 380
Not intended within the UAC strategy
Boeing 787
Airbus 350
Wide-body aircraft
Airbus 320
Boeing 737
MS-21
Embraer E jets
Bombardier CRJ
SSJ 100
Bombardier Q400
ATR 42
Final choice of aircraft option has not been made

SSJ 100

In 2014, the Corporation delivered 27 SSJ 100 aircraft, including 18 units for Russian and 9 for foreign customers.

Within the SSJ 100 project, as of the end of the reporting year, an EASA certificate was obtained for the aircraft; the operation certificate was expanded, including for China. The Corporation's plans include expanding the SSJ family by high-capacity and long-range versions and a business version (Sukhoi Business Jet).

An important element of product marketing is a formed and smoothly operating aftersales service system that includes spare parts storage facilities, training centers and service organizations in all operation regions. That is why, along with the promotion of the SSJ 100 in the Russian and international markets, the Corporation is working to develop an efficient aftersales service system. Based on the specially developed Customer Support Center, the Corporation provides engineering and analytical support of aircraft operation. There are information centers, including a specialized website; aircraft maintenance and repair by the producer, airline companies, and providers are in place. The Corporation created training centers to prepare pilots, cabin crew and technicians, and a full set of simulators is at their disposal.

Largest customers of SSJ 100

Aeroflot, the undisputable leader of the Russian air transportation market and one of the most successful airline companies in the world. In 2014, the company received 12 aircraft of this type. Taking into account the already signed contracts, Aeroflot might become the operator of 50 SSJ 100. The successful operation experience of the SSJ 100 in Aeroflot is crucial for promoting the model in the Russian and European markets.

Interjet, a Mexican company and the largest foreign initial customer of the SSJ 100. Nine aircraft were delivered to the carrier in 2014. Taking into account the signed contracts, Interjet will operate a fleet of 30 SSJ 100 aircraft. Operation of the aircraft by Interjet helps expand the market potential of the model in Latin America.

"We are proud of the new SSJ 100. The aircraft meets our expectations and needs: high reliability, comfort and low operation costs. We are satisfied to have chosen the SSJ 100".

Jose Luis Garza,
Interjet CEO

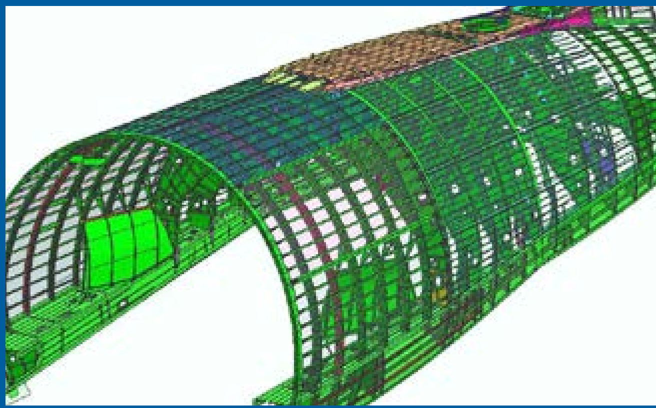
MS-21

The Corporation is continuing to implement the MS-21 program — creating a narrow-body for the most important (in numeric terms) segment of the Russian and global markets. The work under the program is being performed according to the approved schedule.

The Corporation has developed the design documentation for the MS-21-300 and is preparing documentation for the MS-21-200. A cockpit procedure trainer has been made and the creation of a motion simulator is underway.

The Corporation has developed and tested new-generation engines: PD-14 (Russia) and PW-1400G (the USA). The design of the composite wing box installed on the MS-21 has been improved. Flight tests of the first plane are scheduled for 2016. An initial order portfolio was formed. UAC plans to have the MS-21 certified in Russia and internationally

Wide-body aircraft



The Corporation is developing a project to create a prospective wide-body aircraft with China's COMAC. Within the project, a business concept of the program was prepared and its first stage (gate) completed, as well as an engineering site was organized in Russia. In 2015–2016, the Corporation is planning to make decisions on the design and economic concept of the plane, its passenger capacity and range, as well as on vendors and the detailed cooperation scheme.

Building an efficient sales system

To market products around the globe successfully, not only improved flight performance is important but also the formation of an efficient sales system, including financial and operational leasing, export lending tools, residual value guarantees, competitive rates for lease financing schemes.

Currently, Russian authorities are implementing different measures to support aircraft sales, including the following:

- Providing subsidies to Russian leasing companies to compensate part of the costs (up to 90% of the key interest rate of the Bank of Russia) when paying interest under loans obtained in Russian credit institutions and in Vnesheconombank in 2008–2015 for purchasing aircraft with further transfer thereof to Russian airline companies under lease and rental (operating lease) contracts, as well as to the indicated companies and aircraft producers (Russian Government Decree No. 1073 dated October 22, 2012).

- Providing lump sum grants from the federal budget to compensate Russian airline companies for the part of costs for lease payments for aircraft provided by lease companies under lease contracts for domestic regional and local transportation (Russian Government Decree No. 1212 dated December 30, 2011).

- Providing grants to compensate the interest rate for export deliveries to improve competitiveness of Russian products in the global market (Russian Government Decree No. 1302 dated December 13, 2012).

Besides, as part of the government support of the Russian aircraft industry, work is being done to implement prospective measures for sales support, such as:

- Residual value guarantee mechanism for new aircraft, which provides for the guarantor's obligation to compensate the buyer for the difference in costs within the limit agreed by the parties, in case the price of an aircraft in the secondary market is lower than the residual value under the contract after the end of the contract period. A fund to guarantee the residual value is expected to be formed based on the subsidiary of PJSC UAC — UAC Capital. The new structure will be capitalized using state subsidies.

- Forming the producer's spare parts and ground support equipment storage facilities for new aircraft. Within this area, UAC expects compensation from state budgetary funds for interest under loans provided for their development.

Military Aircraft

International market

According to the Center for Analysis of Strategies and Technologies, in 2014, the most popular aircraft in the international market were the Su-30, MiG-29 and Yak-130. The largest importers of the Russian military aviation equipment continued to be India, Algeria, Vietnam and Indonesia.

In 2008–2014, the companies forming part of the Corporation's structure (PJSC Company Sukhoi, JSC Irkut Corporation, JSC RAC MiG) delivered about 270 aircraft to their customers in 12 countries. The average production of military aircraft in this period was up to 40 units per year, which is approximately 12–13% of the global market in monetary or 15–16% in quantitative terms. In 2014, the Corporation exported 22 military aircraft.

According to Forecast International, in 2014–2023, 5,771 military aircraft worth USD 347.3 bln will be produced globally, including 2,907 tactical fighters (fighters, fighters-bombers and attack aircraft under the Russian classification). The value of this market is estimated at USD 178.7 bln. Lockheed Martin with its F-35 is expected to lead the market. The Corporation is to produce 729 aircraft, which is 12.6% of the global market in quantitative terms or 8.5% in monetary terms. Particularly, 356 Sukhoi, 131 MiG, 205 Yak-130 and 37 Il-76 are expected to be made.

10.9%

The Corporation's target share of the global military aircraft market by 2025

UAC at Airshow China international exhibition in Zhuhai (China)

Russian market

One of the priority goals of UAC establishment in 2006 was to ensure the national security and defense capability, and today, production of military equipment for the state needs is the key area of the Corporation's activity. The military aircraft product line is being developed according to the needs of the Russian Armed Forces.

In 2014, the Corporation delivered 102 military aircraft to the Russian Ministry of Defense. Procurement process for the Ministry of Defense is planned according to the State Arms Program until 2020 and the State Defense Order for 2013–2015, which provide for a substantial increase in both volumes and assortment of warplanes delivered to the armed forces.

Su-35 fighters

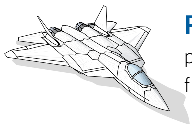
Strengthening the Corporation's positions in the global and Russian military aircraft markets

The Corporation prioritizes meeting the Russian Government's needs in military equipment. Meanwhile, the work is underway to expand the Corporation's presence in foreign markets. Currently, the capacity of the Corporation's production sites is loaded with warplanes of the operational and tactical purpose, delivered to the Russian Ministry of Defense (Su-30, Su-34, Su-35,MiG-29) and to foreign customers (Su-30 and MiG-29). In the training aircraft segment, the key product is the Yak-130. In the military transport aviation area, two first Il-76MD-90A aircraft were made, intended, according to the decision of the Russian Ministry of Defense, for use as platforms for special-purpose aircraft.

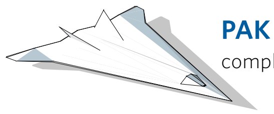
Along with serial production, the Corporation is working to create an efficient aftersales service system for military equipment. Thus, the Corporation is repairing and modernizing the MiG-31BM, Tu-160, Tu-95MS and Tu-22M3. Within the area of military aircraft servicing, 15 aircraft repair plants of the Russian Ministry of Defense joined the UAC management contour.

The order portfolio for the delivery of new aircraft, repair and retrofitting work can load the capacities of the Corporation's production sites in the years ahead.
Alongside with this factor, to strengthen the Corporation's long-term positions, ensure the performance of the State Defense Procurement and increase aircraft competitiveness in the global market, a series of prospective military aircraft building programs is implemented

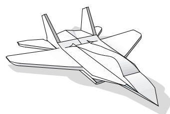
In 2014, the Corporation made progress in implementing key product programs, including the following:



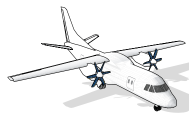
PAK FA — fifth-generation prospective airborne complex of frontline aviation;



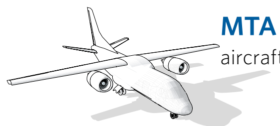
PAK DA — prospective airborne complex of long-range aviation;



PMI — fifth-generation prospective multi-purpose fighter (Russian-Indian project);



Il-112V — light military transport aircraft;



MTA — medium military transport aircraft (Russian-Indian project).

Military aircraft demostration during Victory Day Parade on May 9

Business Model

key elements

MARKET

CIVIL AIRCRAFT

The passenger aircraft market is dynamic and the largest in terms of capacity.
Aircraft performance and operational characteristics, sales system and aftersales support, and brand and manufacturer's stability all play a key role in the successful promotion of products.

MILITARY AIRCRAFT

The military aircraft market is characterized by wavelike demand, which is related to the cyclicality of aircraft generation development and the intensely political nature of orders. Currently major manufacturers offer generation 4+ products, while the fifth generation products are becoming more and more popular.
Aircraft production decreases by volume with each subsequent generation, at the same time the market keeps growing by value due to a surge in manufacturing costs.

TRANSPORT AIRCRAFT

In the transport aircraft market supplies go to two separate groups of customers: government institutions and commercial air companies, transporting oversize cargoes.
Upon the rearming of the Air Force of the Russian Federation, the class of heavy military transport aircraft was recognized as the main segment, i.e. the segment where the first deliveries must be made.
The biggest increase in demand for heavy transport aircraft is expected in 2015–2017, for light and medium aircraft — in 2018–2020, and for super heavy aircraft — after 2020.
The main increase in the requirements of commercial air companies in ramp transport aircraft will be after 2020–2023, due to the decline in durability of aircraft built in the Union of Soviet Socialist Republics.

SPECIAL AIRCRAFT

In the special aircraft segment aircraft are primarily supplied to government customers to meet the specific needs of some state authorities.

ELABORATION OF REQUIREMENTS FOR AIRCRAFT

UAC

AIRCRAFT BUILDING STAGES

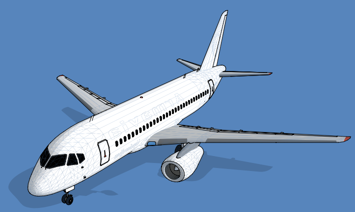
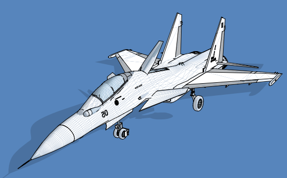
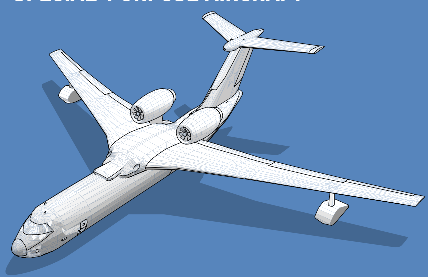
0	Drafting the business idea
1	Conceptual study. Business opportunity confirmed
2	The concept is feasible. Readiness "to demonstrate"
3	Selecting suppliers, identifying investors and launch customers. Detailed design
4	Program ready for launch. Contract for launch supplies.
5	Aircraft configuration approved
6	Prototype manufacturing. Aircraft maiden flight
7	Aircraft put into operation
8	Serial production is increased to the rated capacity. Aftersales support

RESOURCES

- RESEARCH AND DEVELOPMENT
- PROCUREMENT AND SUPPLIER RELATIONSHIP SYSTEM
- INDUSTRIAL COMPLEX
- SALES SYSTEM AND AFTERSALES SERVICE
- STAFFING SUPPORT
- FINANCIAL RESOURCES

ELABORATION OF REQUIREMENTS

MARKET VOLUME DEFINITION

UAC PRODUCTS	SALES SCHEME	OPERATOR
CIVIL AIRCRAFT LINEUP OF GLOBAL PRODUCTS WITH PASSANGER CAPACITY OVER 50 SEATS 	• FINANCIAL LEASING • OPERATIONAL LEASING • DIRECT SALES	• AIRLINES • GOVERNMENT • AGENCIES • PRIVATE INDIVIDUALS / FINANCIAL INDUSTRIAL GROUPS
MEDIUM AND HEAVY 4+, 4++ AND 5 GENERATION FIGHTERS, COMBAT TRAINERS, LONG-RANGE AIRCRAFT 	• STATE DEFENSE ORDERS • SALES TO PARTNER-NATIONS IN THE FIELD OF MILITARY AND TECHNICAL COLLABORATION (VIA JSC ROSOBORONEXPORT)	• ARMED FORCES OF THE RUSSIAN FEDERATION • ARMED FORCES OF PARTNER-NATIONS IN THE FIELD OF MILITARY AND TECHNICAL COLLABORATION
LINEUP OF RAMP TRANSPORT AIRCRAFT 	• STATE DEFENSE ORDERS • FINANCIAL LEASING • OPERATIONAL LEASING • SALES TO PARTNER-NATIONS IN THE FIELD OF MILITARY AND TECHNICAL COLLABORATION (VIA JSC ROSOBORONEXPORT)	• ARMED FORCES OF THE RUSSIAN FEDERATION • AIRLINES • ARMED FORCES OF PARTNER-NATIONS IN THE FIELD OF MILITARY AND TECHNICAL COLLABORATION
SPECIAL-PURPOSE AIRCRAFT 	• STATE ORDERS AND STATE DEFENSE ORDERS • DIRECT SALES • SALES TO PARTNER-NATIONS IN THE FIELD OF MILITARY AND TECHNICAL COLLABORATION (VIA JSC ROSOBORONEXPORT)	• GOVERNMENT • AGENCIES OF THE RUSSIAN FEDERATION • FOREIGN OPERATORS

MARKET VOLUME DEFINITION

FOR AIRCRAFT

MARKET VOLUME DEFINITION

Strategy Overview

Main Aspects of Strategic Planning

As the main shareholder of PJSC UAC, the government defines goals, limitations and possibilities for implementing the Corporation's development strategy.
On April 1, 2012 the President of the Russian Federation adopted the "Basic Principles of State Policy of the Russian Federation in the Area of Aviation Activity for the Period up to 2020". These principals acknowledge high aviation potential as a condition for socioeconomic and innovative development, and for the security of the Russian Federation.

INDUSTRY AND STATE LEVEL	BASIC PRINCIPLES OF STATE POLICY OF THE RUSSIAN FEDERATION IN THE AREA OF AVIATION ACTIVITY FOR THE PERIOD UP TO 2020	
	• FORECASTS OF THE SOCIAL AND ECONOMIC DEVELOPMENT OF THE RUSSIAN FEDERATION AND SPECIFIC ECONOMIC SECTORS • STATE PROGRAM "DEVELOPMENT OF THE AVIATION INDUSTRY IN 2013–2025" ADOPTED BY DECREE OF THE RUSSIAN FEDERATION GOVERNMENT NO 303 DATED APRIL 15, 2014 • FEDERAL TARGET PROGRAM "DEVELOPMENT OF THE RUSSIAN MILITARY-INDUSTRIAL COMPLEX IN 2011–2020" • GOVERNMENT ARMAMENTS PROGRAM FOR A PERIOD UP TO 2020 • DRAFT OF THE FEDERAL LAW ON BUDGET FOR THE SCHEDULED PERIOD • TRANSPORT STRATEGY OF THE RUSSIAN FEDERATION FOR THE PERIOD UP TO 2030	
COMPANY LEVEL	DEVELOPMENT STRATEGY OF JSC UAC FOR THE PERIOD UP TO 2025 (APPROVED BY THE BOARD OF DIRECTORS OF JSC UAC ON OCTOBER 23, 2014, MINUTES NO 106 DATED OCTOBER 24, 2014)	**Planning horizon:** from 7 to 10 years **Reviewed once in** 2–3 years
	• LONG-TERM DEVELOPMENT PROGRAM OF JSC UAC FOR THE PERIOD UP TO 2025 (APPROVED BY THE BOARD OF DIRECTORS OF JSC UAC ON DECEMBER 8, 2014, MINUTES NO 110 DATED DECEMBER 8, 2014) • INVESTMENT PROGRAM • INNOVATIVE DEVELOPMENT PROGRAM	**Planning horizon:** from 3 to 5 years **Reviewed** annually **KPI** for the Corporation and management
	BUDGET OF CERTAIN SUBSIDIARIES AND AFFILIATES AND ACTION PLANS	**Planning horizon:** from 1 to 3 years **Tactical** management tool

Subject to approved strategic guidelines, by 2025 the Corporation must become a leader in the international aircraft construction industry with its product niche in main segments of the international market.

Key areas of the Corporation's activity are determined by decree of the President of the Russian Federation No 140 "On Open Joint-Stock Company United Aircraft Corporation" dated February 20, 2006:

- maintenance and development of scientific and production potential of aircraft construction complex of the Russian Federation;
- securing national safety and defense capability;
- concentration of intellectual, industrial and financial resources to implement promising programs of aircraft production;
- development, manufacturing, implementation, maintenance, warranty and aftersales service, upgrading, repair and disposal of military and civil aircraft in the interest of the state and other (including foreign) customers;
- implementation of new technologies in the area of aircraft construction.

Development Strategy for the Period up to 2025

New development strategy of JSC UAC for the period up to 2025 (Minutes No 106 dated October 24, 2014) was adopted at 2014. The document includes strategic analysis of internal and external environment and specifies the following aspects of the Corporation's development:

- Mission.
- Target strategic indicators;
- Key strategic objectives and initiatives on functional areas:
  - -Market and product strategy;
  - -Operational strategy;
  - -Organizational strategy;
- Human resources strategy;
- Provision of resources (scenario financial modeling) and analysis of efficiency of reaching target indicators.

The Corporation's mission — development, production and aftersales servicing of military and civil aircraft with priority to needs of state customers, reaching and maintaining long-term competitiveness of aircraft construction complex of the Russian Federation on the global market of aviation equipment.

Key strategic objective of the Corporation — to obtain the status of the third world center of aircraft construction with a strong position on the global market by 2025.

Quantitative indicators of the development strategy implementation include inter alia:

- presence in accessible (without considering closed segments, NATO countries) market of military aircraft with participation interest not less than 18%;
- becoming the third player in the world market of aviation equipment with a share not less than 3.2% and 10.2% in civil and military aircraft building respectively;
- getting not less than 40% proceeds from sales of civil aircraft;
- securing net profit margin of sales of not less than 10.8% in 2025;
- increasing labor efficiency to up to RUB 19.2 mln per employee.

Qualitative indicators of implementation of the development strategy of PJSC UAC for the period up to 2025 include inter alia:

- ensuring competitive level of development and production of aviation equipment, forming system of reproduction of key industrial competences;
- forming full-fledged public-private partnership based on balanced amount of state support.

Market and product strategy

For the purposes of becoming the world's third largest center for aircraft construction, the Corporation implements a balanced market and product strategy, prioritizing the preservation of its position in the military aircraft market, and the expansion and consolidation of positions in the commercial aircraft market.

In accordance with the market and product strategy, the Corporation works on the market launch of an efficient line-up of commercial aircraft and customer base extension. Simultaneously, the Corporation continues to fulfill the state order and seeks to maintain proceeds from exports of military aircraft.

Principles of the Corporation's market and product strategy:

- maximum satisfaction of state needs in aircraft to ensure the state security;
- optimization of the product line-up to minimize resources required to overcome the market entry barriers;
- expansion of market presence, increase of portfolio and maximization of global market sales.

The Corporation prioritizes increasing the competitiveness of its product line-up by enhancing the following parameters:

- technical specifications of products;
- price and promptness of maintenance and repairs;
- availability of financial instruments to support sales;
- offer of the whole range of dimensions of long-range aircraft forming a product line-up without "gaps".

The Corporation's high-priority markets:

CIVIL AIRCRAFT
Aircraft with more than 50 seats.

World market of civil aircraft, being the largest one, is top-priority for development of the Corporation.

The Corporation seeks to expand its presence in this market by forming a global products line-up.

Development of a promising product line-up of the Corporation is focused on the expansion of the standard series, providing better economy and family-making of a product line-up.

MILITARY AIRCRAFT
Medium and heavy 4+, 4++ and 5 generation fighters, combat trainers and other programs.

Market of military aircraft is the second important market for the Corporation. Today the Corporation holds 12–13% in quantitative and 15–16% in monetary terms of the global market. The strong position is a result of sales of the fourth generation technology and its derivatives. The Corporation's strategy in based on maintenance of the existing positions by developing the fifth generation products.

TRANSPORT AIRCRAFT
Line-up of ramp transport aircraft.

Renewal of military transport aircraft fleet is a priority of the adopted state armaments program — 2020. This sets a target for the Corporation to launch production of ramp transport aircraft of all main classes. More than 80% of expected supplies within the market will be to state customers. At the same time, the Corporation is working to expand amount of supplies to commercial customers and countries that are strategic partners.

CIVIL AIRCRAFT

For the purposes of formation of a global products line-up and creation of a strong brand, the Corporation selected the segment of aircraft with 75–120 seats as the starting one, where the Corporation has been delivering SSJ 100 aircraft since 2011. It is planned to expand the SSJ line-up to increase its flying range and dimensions (SSJ SV), and to create a business version (SBJ).

In the segment of narrow-body long-range aircraft with a capacity of 150–180 seats, the largest segment in the market, the Corporation plans supplies of MS-21. The Corporation considers the possibility to create a wide-body aircraft on principles of risk-shared partnership with Chinese aircraft manufacturer COMAC.

Moreover, for the purposes of forming a global products line-up, the Corporation considers maximizing the commonality of its aircraft to provide commonality in:

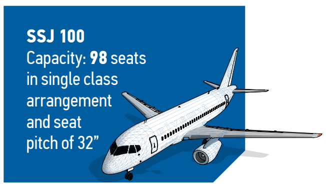
- flying personnel training;
- ground personnel training;
- systems and equipment on the list of spare parts required for repairs and maintenance;
- tools;
- equipment and facilities for servicing at airports.

Before the development of mass serial production of new promising domestic aircraft the Corporation will continue to implement the programs of manufacturing Il-96, An-148, Tu-204/204SM/214. The programs allow for:

- load production capacities before the commencement of large-scale production of global products;
- satisfy the needs of Russian state customers;
- support related aircraft construction industries.

Global products line-up

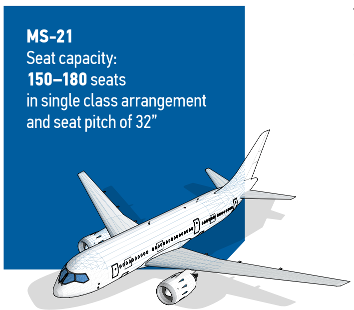
Short-haul
narrow-body jets



The Corporation has been supplying of SSJ 100 aircraft since 2011

The main advantage of SSJ 100 aircraft is low operating costs combined with a high level of comfort of the passenger cabin. The aircraft received EASA certification. Operational documentation is regularly expanding in line with operational conditions.

Medium-range
narrow-body airliners



The supplies of MS-21 are scheduled to commence in 2018.

Competitive advantages of the aircraft include:
- lower operating costs (by 12–15% lower than that of foreign analogs);
- enhanced comfort in passenger cabin;
- reduced time of transit service in airport;
- advanced characteristics in terms of deployment and flying range;
- reasonable commonality within the family members;
- compliance with future requirements for environmental impact, extensive use of composite materials.

Wide-body
airliners

The Corporation considers the possibility to implement a project for creating a wide-body aircraft based on new technological platform on principles of risk-shared partnership with Chinese aircraft manufacturers. Establishing the risk-shared partnership will make it possible to optimize required amount of investments, and reduce investment, technological and temporal risks of the project.

MILITARY AIRCRAFT

The Corporation performs serial production of military aircraft, which are transferred to Russian customers for the purposes of the state defense order, and shipped to foreign markets.

Ensuring Russia's defense capability is one of the key strategic priorities of the Corporation. Thus, the product strategy for the following ten years will be formed depending on the situation on the domestic market of the Russian Federation, the main customer for the Corporation's combat aircraft.

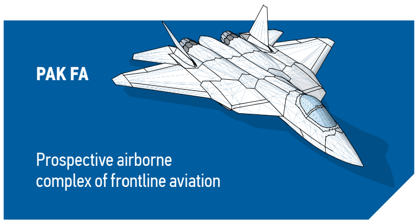
Upon development of the strategy for expansion of the Corporation's presence in the military market the following factors are taken into account:

- main manufacturers: Russia (PJSC UAC), USA (Lockheed Martin and Boeing) and EU (Airbus Group, Dassault Aviation and Saab) offer 4+ generation products;
- fluctuation of demand in military aviation market related to cyclical development of aircraft generations, and high political dependency of supplies;
- tendencies to transfer the Air Forces of purchasing countries to fifth generation aircraft, which, in the long term, will shorten the list of combat aircraft producers;
- decrease in production volume from generation to generation upon the monetary growth of the market due to drastic increase in the price of new generation combat aircraft.

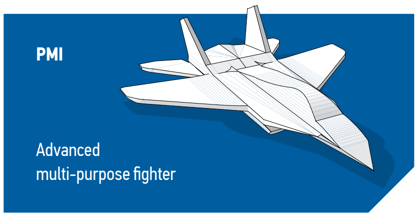
Current Corporation's product line-up in the military aircraft market includes 4+/4++ generation aircraft (Yak-130, Su-30, Su-34, Su-35, MiG-29, MiG-35), helping to ensure basic utilization of the Corporation's production capacities for the period until 2025.

Strategy of UAC is aimed at maintenance of current positions in both domestic and foreign markets through the development of next-generation products: PAK FA (and PMI version for export) will enable the Corporation to meet the demand of the Air Forces of the Russian Federation and partner countries.

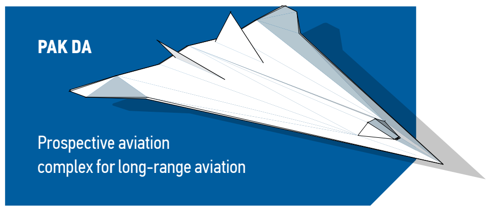
Promising product line-up



Construction of PAK FA for the Ministry of Defense of the Russian Federation goes according to schedule. The first stage of the preliminary tests is completed and the second stage is commenced

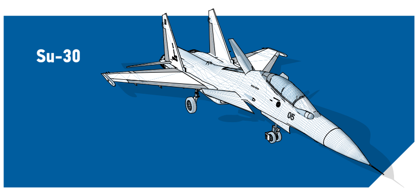


The project is being implemented by Russia and India collectively. As of December 31, 2014, the parties agreed upon the technical concept of the aircraft and completed detailed design works. Consultations on the schedule and cost of research and development are underway.

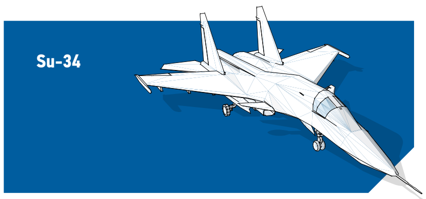


Work on the first stage of project design development is carried out in accordance with the approved schedule.

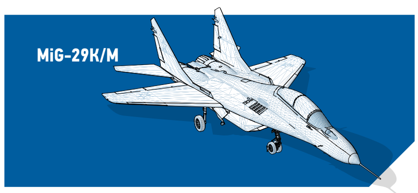
4+/4++ generation product line-up



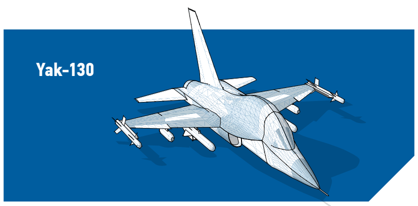
Heavy multirole 4+ generation fighter
Max. payload — 8 t
First delivery — 1996
Serial production



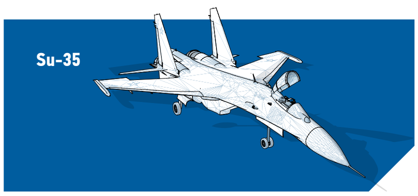
Heavy tactical 4+ generation bomber
Max. payload — 8 t
Firstdelivery — 2008
Serial production



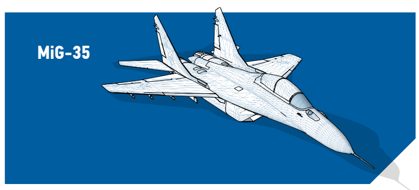
Medium multirole 4+ generation fighter
Max. payload — 4.5 t
First delivery — 2010
Serial production



Combat trainer
Max. payload — 3 t
First delivery — 2009
Serial production



Heavy multirole 4++ generation fighter
Max. payload — 8 t
First delivery — 2011
Serial production



Medium multirole 4++ generation fighter
Max. payload — 4.5 t
Commercialization

TRANSPORT AIRCRAFT

Supply for two separate groups of customers: government institutions (primarily the Air Force) and commercial air companies transporting oversize cargoes is the feature of the market of ramp transport aircraft.

Corporation's product portfolio in the market of ramp transport aircraft is primarily determined by the assortment of aircraft purchased in accordance with the state armaments program for the period until 2020. Upon rearming of the Air Force of the Russian Federation, class of heavy military transport aircraft was recognized as the main segment, i.e. the segment deliveries whereto must begin in the first place.

The strongest increase in demand for heavy transport aircraft is expected in 2015–2017, for light and medium — in 2018–2020, for super-heavy — after 2020.

The main increase in the needs of commercial air companies in ramp transport aircraft will be after 2020–2023, due to the depletion of durability of aircraft built in the Union of Soviet Socialist Republics.

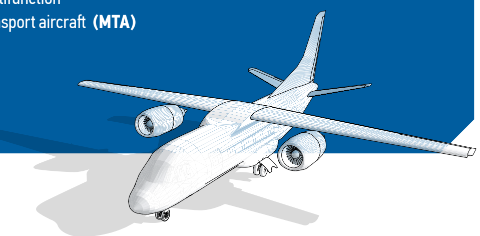
The Corporation continues to implement programs in the field of transport aircraft, including serial production, research and development work, organization of aftersales service. The priority projects include development of Il-112V, MTS, Il-76MD-90A aircraft, series of super-heavy military transport aircraft.

Product line-up

Light military transport aircraft **Il-112**

In 2014, the Corporation entered into a state contract for research and development of Il-112V together with JSC Il. Preparation of design documentation has been started.

Multifunction transport aircraft **(MTA)**

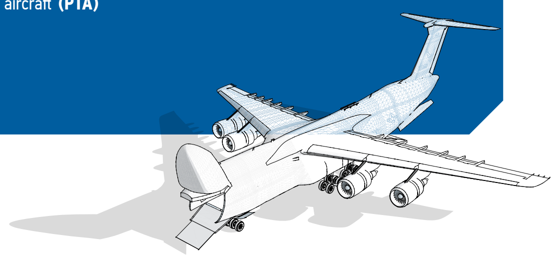


For the purposes of the Russian-Indian MTA program, preliminary design of the aircraft was negotiated in 2014.

Il-76MD-90A

Production schedules of CJSC Aviastar-SP for the implementation of contract for delivery of the first batch of Il-76MD-90A aircraft were developed and approved in 2014. Two Il-76MD-90A were manufactured, designed to be used as a platform for special aircraft.

Super-heavy military transport aircraft: family of prospective transport aircraft **(PTA)**



The aircraft project is under initiation. The first delivery is scheduled for 2025. Maximum load of this aircraft type will be 80 t, 160 t and 240 t depending on modification.

Operating strategy

The Corporation's operating strategy is based on the construction of a new industrial model and provision of scientific and technical development.

Current industrial model, developed in the Union of Soviet Socialist Republics (USSR), requires full-cycle plants performing all technological aircraft production processes and focused on the release of final products with minimal intra-industry cooperation ties.

The creation of a new corporate industrial model contemplates switching from the full-cycle plant model to the development of competitive technologies and competences, the establishment of final production plants, competence and specialization centers, technoparks on the basis of PJSC UAC production facilities. The new approach involves decreasing the number of final production plants to 5–6, reengineering of technological processes for the purposes of domestic production development, minimization of duplicate facilities.

By 2025, the Corporation will act mainly as a top level integrator while maintaining within the perimeter of the Corporation a part of the lower operations, critical to the business stability.

Positive effects of the new industrial model:

- concentration of engineering and production resources;
- reduction of costs by introduction of straight-line or group production management principles;
- reduction of investment expenses for introduction of advanced technological solutions;
- upgrade of the existing technological platforms.

Elements of the Corporation's purpose-oriented industrial model

FINAL STAGE-MANUFACTURING PLANTS	perform final assembly of the products
INTERNAL PRODUCTION	production based on one of the company's business units making deliveries of semi-finished products within a single production site
SPECIALIZATION CENTER	production area with high concentration of special equipment covering the demand of all companies of the Corporation for certain products.
COMPETENCE CENTER	the highest form of specialized production development which comprises competences in the field of production as well as core product development. Mostly export-oriented and aimed at attracting the funds of strategic investors to the share capital.

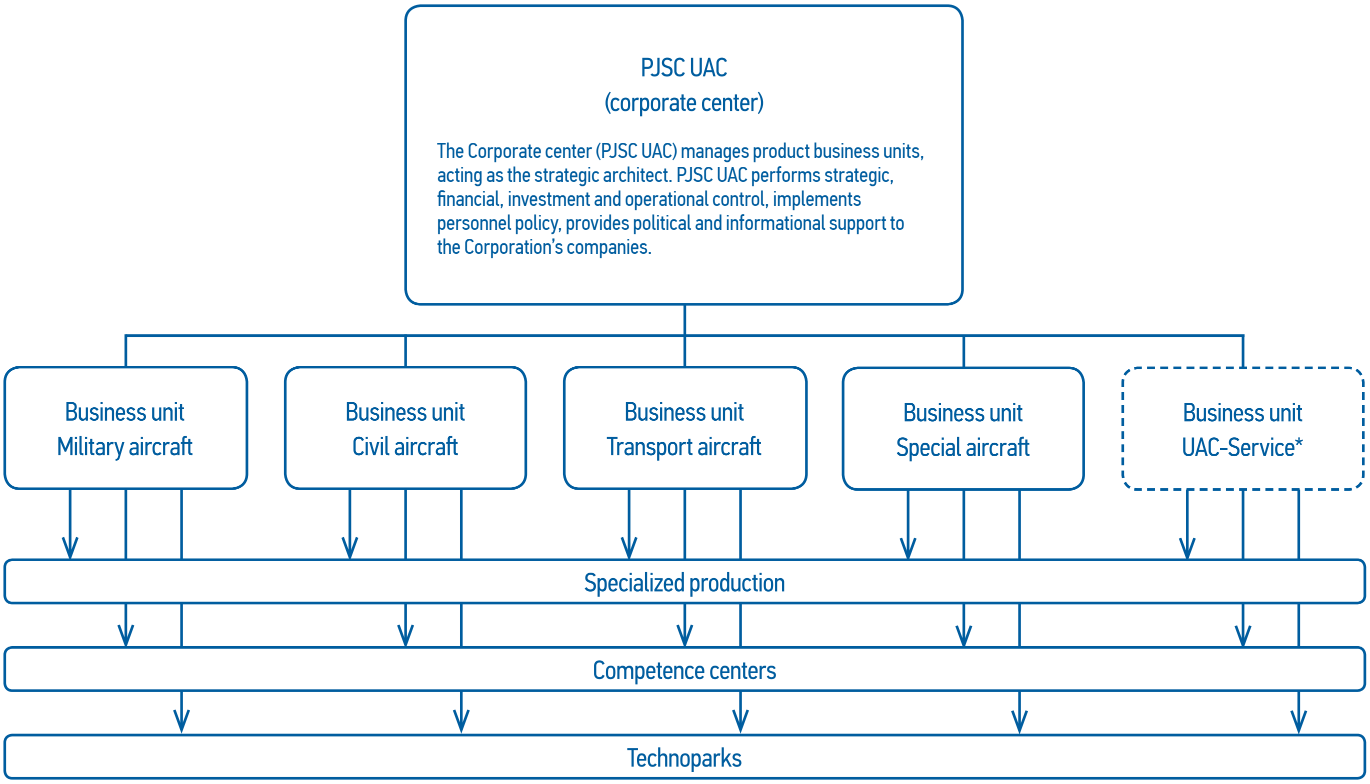
The Corporation's main areas of scientific and technical development

- large-scale implementation of composite materials to frame construction;
- implementation of innovative solutions in aircraft systems, including use of competitive power plants;
- implementation of an integrated complex of on-board equipment using the concept of integrated modular avionics (IMA);
- increasing combat effectiveness of military aircraft;
- use of supercomputer technologies;
- formation of advanced production environment;
- development of unique bench and experimental test basis;
- establishing systems of fully digital product life cycle support and aftersales service;
- cooperation with universities in the area of scientific research;
- development of aviation technologies for the purposes of Aircraft 2020 program.

Organizational strategy

Along with the formation of a new industrial model, UAC performs transformation of the corporate structure.

Target corporate structure:



*Resolution on separating a business area in the form of separate division is under consideration.

Human resources strategy

Being the national integrator of aircraft construction industry, UAC considers the implementation of programs for developing human capital as a priority. Human resources strategy of UAC is aimed at the development of principles and techniques of personnel management for the purposes of successful achievement of the Corporation's business objectives. The main priorities of human resources strategy include:

ENSURING IMPLEMENTATION OF THE CORPORATION'S BUSINESS STRATEGY	High-quality selection and efficient use of HR resources based on the best Russian and international HR management practices.
STRENGTHENING THE IMAGE OF THE CORPORATION AS AN ATTRACTIVE EMPLOYER	Creating conditions to attract and retain qualified personnel (modern equipment for working area, adequate remuneration and social policies, training and career development opportunities), development of new approaches to personnel training, including for the purposes of cooperation with educational institutions. Vocational guidance of high school students and students of specialized educational institutions.
DEVELOPMENT AS A SOCIALLY RESPONSIBLE EMPLOYER	Implementation of measures aimed at improving the work life of employees of PJSC UAC enterprises, maximum possible preservation of jobs at enterprises that are pivotal for their locations.
MANAGING LABOR EFFICIENCY	Creating a system of incentives based on key performance indicators (KPI).
REJUVENATION OF THE CORPORATION'S COMPANIES PERSONNEL	Attracting and retaining employees under 30 years of age, work with youth.

Financial strategy

Strategic financial objectives of the Corporation are the basis of long-term financial planning and are taken into account when making all strategic and investment decisions.

Strategic financial objectives

	STAGE I "BUSINESS STABILIZATION" 2013-2015	STAGE II "INNOVATIVE UPDATE" 2016-2020	STAGE III "ACCELERATED GROWTH" 2021-2025
INDICATOR			
Main financial objective	The Corporation's operating break-even	Financial support of innovative update	Maximizing of the Corporation's capitalization
Corporate financial objective	Achieving financial stability of the Corporation	Achieving stable self-repayment of the Corporation	Achieving full self-financing of the Corporation
Program financial objective	Providing investment support of high growth rates by budget financing	Optimization of the product portfolio and improving profitability programs	Investing in innovative and breaking through programs
Financial objective of subsidiaries and affiliates	Achieving stability by all subsidiaries and affiliates	Creating a new industrial model	Forming added value
INDICATOR			
Revenue, RUB bln	>370	>500	>800
Operating margin	>0%	>5%	>10%
Net profit margin	>-5%	>0%	>5%
Return on assets (ROA)	>-5%	>0%	>5%
Free cash flow, RUB bln	>-60	>0	>50
Credit portfolio at the end of the period, RUB bln	<450	<400	<200
Debt/revenue	<1.1	<0.7	<0.3
EBIT/interests	>0.5	>1.0	>2.0

Strategy update

Update and refinement of comprehensive development strategy of PJSC UAC have been started due to significant changes in external environment. A program for the implementation of measures aimed at overcoming the negative effects of sectoral trade and economic sanctions in the changed geopolitical situation. The changes will affect all main areas of the Corporation's activities, including product and market, industrial, human resources, organizational and financial development models of the Corporation. In addition, the planning horizon is expected to be increased until 2035.

Achieving Key Performance Indicators

The Corporation adopted key performance indicators (KPI), which determine the target parameters in main areas of activity. KPI are fixed in the long-term development program of JSC UAC, adopted by the Board of Directors on December 8, 2014 (Minutes No 110 dated December 8, 2014).

The long-term development program of PJSC UAC was developed in response to the List of instructions of the President of the Russian Federation dated December 27, 2013 No Pr-3086 (sub-clause 32 and sub-clause 33 of clause 1), Order of the Government of the Russian Federation No DM-P13-9589 dated December 31, 2013, and resolutions adopted at the meeting of the Government of the Russian Federation (Minutes No 3 dated January 1, 2014).

The long-term development program is one of the main elements of the strategic planning of joint stock companies with state participation. It is aimed at implementing the system of personal responsibility of heads of companies based on the extent to which the established KPIs of the company are met.

At the level of the industry the program makes it possible to agree upon progress in the development strategy of UAC implementation with the Ministry of Industry and Trade of Russia as a federal executive authority responsible for the supervision and coordination of the Corporation's activities. At the corporate level the program is a link between the development strategy of PJSC UAC, strategic planning and budgeting. The program and KPIs included thereto allow organizing monitoring and control over the performance of clear objectives of the Corporation for the projected period.

The key performance indicators of the Corporation include general indicators, investment program indicators and innovative development indicators.

Key Performance Indicators of the Long-term Development Program for the Period up to 2025

I. General KPIs and KPIs for JSC UAC's investment program

No	INDICATOR	UOM	FORECAST PERIOD				POST-FORECAST PERIOD		WEIGHING COEFFI-CIENT
			2014	2015	2016	2017	2018–2022 (5 years)	2023–2025 (3 years)	
General KPIs and KPIs for the investment program*									80%
1	Number of military and civil aircraft supplied	units	149	191	200	215	>1300 for the period	>990 for the period	25%
1.1	Number of military, special purpose and transport aircraft supplied to external market	units	22	34	60	41	>220 for the period	>130 for the period	
1.2	Number of military, special purpose and transport aircraft supplied to internal market	units	88	112	88	114	>540 for the period	>300 for the period	
1.3	Number of civil aircraft supplied to external market	units	9	15	30	51	>340 for the period	>380 for the period	
1.4	Number of civil aircraft supplied to internal market	units	30	30	22	9	>200 for the period	>180 for the period	
2	Revenue (net) from sales of goods, products, work and services	RUB bln	303.6	383.2	450.4	484.3	>500 by the end of the period	>800 by the end of the period	20%
3	Labor efficiency at aircraft construction facilities	RUB thousand	3,422	3,900	4,050	4,400	>10 100 by the end of the period	>19 100 by the end of the period	15%
4	Net profit margin (without currency translation difference and increase in borrowing value)	%	-2.40	1.30	3.40	3.50	>5 by the end of the period	>10 by the end of the period	5%
5	Return on equity (ROE)	%	-8	4	8	8	>10 by the end of the period	>15 by the end of the period	5%
6	Debt/revenue ratio		1.12	0.99	0.88	0.8	<0.7 by the end of the period	<0.3 by the end of the period	10%

II. Key Performance Indicators for Investments

No	INDICATOR	UOM	FORECAST PERIOD				POST-FORECAST PERIOD		WEIGHING COEFFI-CIENT
			2014	2015	2016	2017	2018–2022 (5 years)	2023–2025 (3 years)	
KPI for investments*									20%
7	Amount of R&D financing (percentage from revenue of the Corporation)	%	14.3	11.8	11.4	11.5	>13 by the end of the period	>13 by the end of the period	7%
8	Share of revenue from export in total revenue of the company, %.	%	20	20	25	27	>35 by the end of the period	>45 by the end of the period	7%
9	Number of patents and technical solutions implemented in production	Units	40	44	45	45	>45 by the end of the period	>50 by the end of the period	6%

As of April 30, 2015, report on achievement of the KPI in 2014 confirmed by an auditor's opinion is being prepared.

Priorities for 2015

PJSC UAC's business priorities for 2015, approved by the Board of Directors (Minutes No 110 dated December 8, 2014), include:

ACTIVITY	OBJECTIVES
IMPLEMENTATION OF THE LONG-TERM DEVELOPMENT PROGRAM OF JSC UAC	Performance of events of the long-term development program of JSC UAC scheduled for 2015. Audit implementation of the long-term development program of JSC UAC in accordance with the requirements of directive No 4955p-P13 dated July 17, 2014, approved by the First Deputy Chairman of the Government of the Russian Federation I. Shuvalov.
IMPLEMENTATION OF DEVELOPMENT STRATEGY OF JSC UAC	Development, adoption and performance of detailed action plan for the implementation of the development strategy of JSC UAC for the period until 2025.
DEVELOPMENT OF COOPERATION WITH ROSTEC CORPORATION.	Coordination of the approved development strategy of JSC UAC and strategies for the development of enterprises belonging to the SC Rostekhnologii and involved in industrial cooperation.
SUPPLY OF AVIATION EQUIPMENT	Unconditional fulfillment of contractual obligations to supply aviation equipment.
PERFORMANCE OF ACTIVITIES OF INNOVATIVE DEVELOPMENT PROGRAM	Implementing activities of medium-term plan for realization of Innovative Development Program for 2014–2016.
IMPLEMENTATION OF INVESTMENT PROGRAM	Opening of PJSC UAC's headquarters in Zhukovsky Implementation of activities aimed at developing social, scientific and innovative infrastructure of the National Center of Aircraft Construction.
INCREASING FINANCIAL STABILITY AND LIQUIDITY OF SUBSIDIARIES	Implementation of uniform system of the Corporation's Treasury in accordance with requirements of directive No 5110p-P13 dated August 8, 2014, approved by the First Deputy Chairman of the Government of the Russian Federation I. Shuvalov. Adoption and implementation of the regulation on key performance indicators of PJSC UAC in accordance with the letter of the Ministry of Economic Development and Trade of Russia and the Federal Agency for State Property Management No OD-11/18576 dated April 29, 2014 "On development of key strategic documents in state companies".

Investment Program

In terms of implementing its development strategy the Corporation is carrying out a large-scale investment program. A large portion of the investments is allocated for the development of civil aircraft and for aircraft programs of high priority for UAC, such as MS-21, which will ensure a strong market standing for the Corporation in civil aircraft industry in the future.

For the most part the investments are used for retrofitting and upgrading, and research and development, while the share of investments in the products of low value-added level is going down.

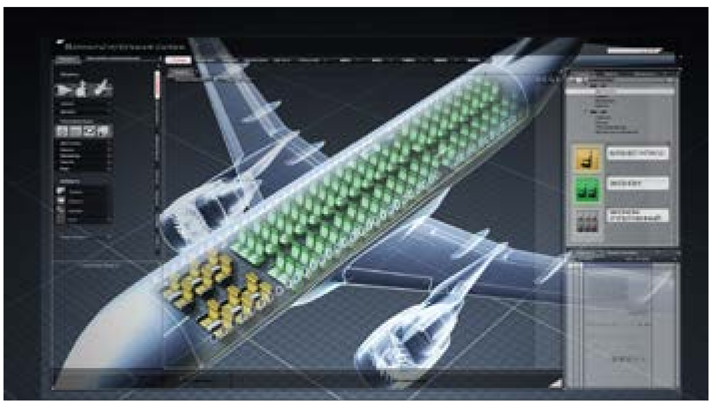
The investment portfolio for 2015–2017 exceeds RUB 247 bln.* The program embraces the Corporation's own projects and the projects being implemented as part of the Federal Target Program "Development of the Russian Military-Industrial Complex in 2011–2020" and the State Program "Development of the Aviation Industry in 2013–2025".

Structure of the investment program for 2015–2017 by business area

50% of all the investments throughout 2015–2017 is planned to be allocated for projects in the field of civil aircraft, 31% — for military aircraft programs.

In the civil aircraft division the most substantial portion of investments falls to the MS-21 aircraft project (over 30% of the Corporation's investment program) both for research and development and modernization. Currently the MS-21 aircraft program is in an active investment phase, it has passed Gate 5 stage, including the approval of the aircraft configuration. This stage included negotiating contracts with customers, signing agreements with suppliers, launching the detail design phase, approving the full-scale design and the funding sources. During current stage (Gate 6) the prototypes are manufactured and maiden flight will be performed. For the most part the investments under the program account for the period up to 2016.

In the military aircraft division the investments are allocated primarily for the programs to create and modernize PAK FA, Tu-160, MiG aircraft. As for the transport aircraft division the top-priority project of the investment program is the development of productions base for Il-76MD-90A aircraft and modifications on the basis of this aircraft.



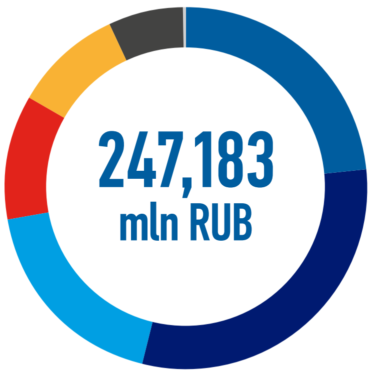
MS-21 aircraft cabin configuration (computer model)

*According to the updated management accounting information as of April 30, 2015.

Structure of the investment program for 2015–2017 by business area

	%	RUB mln
Civil aircraft	49.75 %	122,976
Military aircraft	31.00 %	76,616
Transport aircraft	10.31 %	25,480
All Programs	6.67 %	16,476
Special aircraft	2.28 %	5,637

Sources of the investment program for 2015–2017



	%	RUB mln
Own / borrowed	23.53%	58,171
Budget funds of the SP DAI (revenue)	30.40%	75,142
Budget funds of the FTP MIC (share capital of UAC)	18.50%	45,739
Loan due to the FTP MIC (share capital of UAC)	11.15 %	27,550
Co-financing the SP DAI	9.48 %	23,426
Co-financing the FTP MIC	6.79 %	16,783
Budget funds (other)	0.15 %	373

Structure of the investment program for 2015–2017 by types of investment

Most of the investments go to research and development (45%), while 50% of them account for investments to R&D of the MS-21 aircraft, 24% — to Aircraft 2020.

40% of the three-year investment budget of the Corporation is spent on modernization. First and foremost investments are allocated for the development of the flight-test complex, including the construction of airfields, as well as components and aggregate-assembly plants.

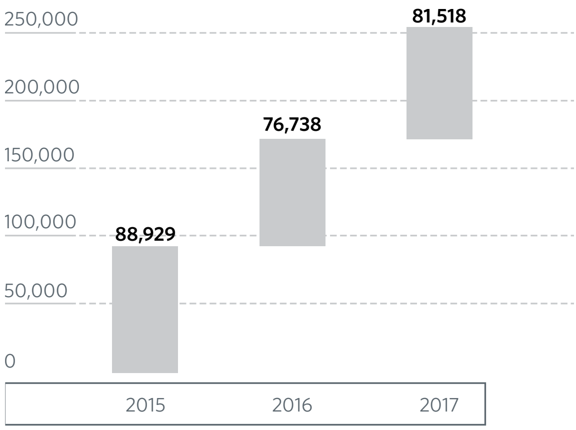
A substantial portion of investments falls on projects for the development of construction facilities, which for the most part refer to creating new production capacities.

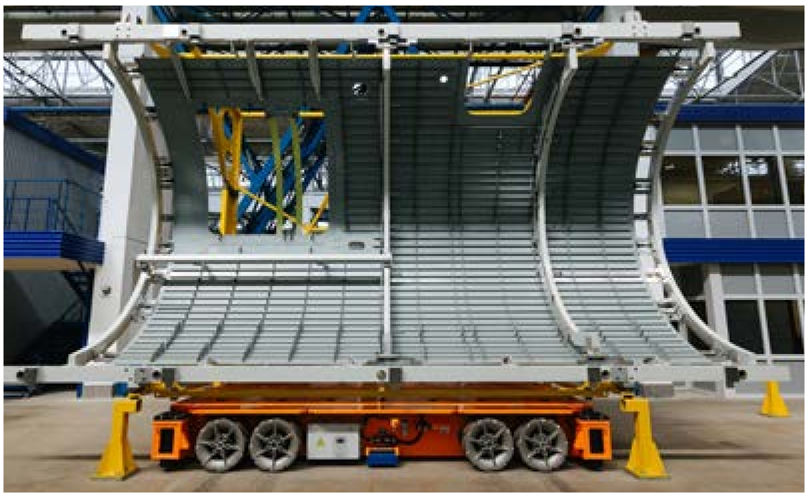
Other investment areas, inter alia, projects in information technologies, energy efficiency, security, logistics, constitute at most 5% of the total amount of the investment program.

Structure of the investment program for 2015–2017 by types of investment

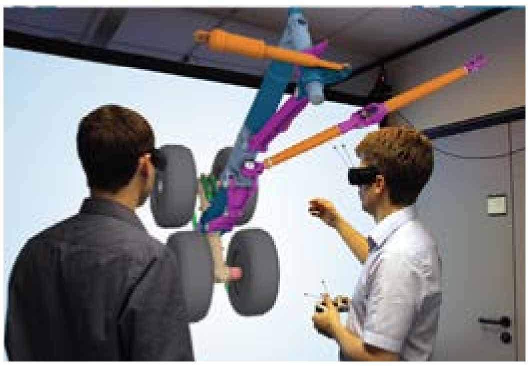
	%	RUB mln
Research and development	45.36 %	112,118
Technical retooling	39.88%	98,565
Projects for the development of construction facilities	11.05 %	27,302
Other projects	1.60 %	3,950
IT development projects	1.15 %	2,840
Projects for the development of power utilities	0.28 %	687
Creation of the competence center	0.24 %	587
Projects for the development of transport and logistics complex	0.19 %	461
Security projects	0.15 %	363
Quality projects	0.13 %	311

Investment portfolio for 2015–2017





MS-21 aircraft fuselage panel at new assembly line station



Virtual room project of JSC Tupolev

Technology, Innovation and Research & Development

Ensuring advanced technology development is the cornerstone of the Corporation's strategy. The creation of the third largest global aircraft-building center requires that resources are concentrated on implementing breakthrough solutions, developing innovative technologies and promoting intersectorial and international cooperation. The Corporation is implementing a number of promising projects for the development of new types of military and civil aircraft including the MS-21, PAK FA and PAK DA. Throughout 2014 the Corporation succeeded in achieving remarkable progress in most of its top-priority aircraft-building programs along with implementing interprogram projects and conducting research work.

Implementation of Aircraft-building Programs

SSJ 100

The work is under way to improve some performance characteristics of the aircraft in line with developing leading-edge technologies. For instance in 2014, the work was carried out to improve the quality of aircraft maintenance of CJSC Sukhoi Civil Aircraft and airline companies. More focus was put on enhancing the operational efficiency in failure elimination.

For the reporting period within the SSJ perfection stages the following results were achieved:

- The Aircraft Registry of the Interstate Aviation Committee (IAC AR) issued a Supplement to the Type Certificate for Sukhoi Superjet 100, which confirmed that this aircraft is capable of flights using RNAV 1 and P-RNAV precision area navigation systems. During flights in the P-RNAV or RNAV 1 airspace the true aircraft position should not deviate more than 1 nautical mile (1.85 km) from the assigned flight path for 95% of flight time.

- The IAC AR issued a Supplement to the Type Certificate for the Sukhoi Superjet 100 aircraft, confirming that this aircraft is capable of ICAO CAT IIIa auto-landing, which makes it possible for the Sukhoi Superjet 100 to carry out a bad-weather landing with the runway visibility to 175 m, including a landing under the conditions of crosswind, if the relevant certification of the airfield is available and the crews are certified to perform flights under CAT IIIa minimum.

- The IAC AR confirmed that the Sukhoi Superjet 100 aircraft can be operated on narrow 30-meter-wide runways.

- The modified door of main landing gear was certified.

- CJSC Sukhoi Civil Aircraft obtained a Supplement to the Type Certificate, confirming that the Sukhoi Superjet 100 aircraft is capable of a reduced thrust take off, which makes it possible to reduce the engine load and ensure its longer service life, which, in its turn, optimizes maintenance costs. Reduced thrust takeoff mode on the Sukhoi Superjet 100 aircraft can be used at airports with runways exceeding 2,000 meters in length.

- IAC AR issued a Supplement to the Type Certificate for the Sukhoi Superjet 100, permitting the usage of Vertical Navigation (VNAV) functionality at all stages of flight. The Sukhoi Superjet 100 represents the first Russian-built aircraft to achieve VNAV certification at all stages of flight. VNAV functionality of Sukhoi Superjet 100 significantly decreases crew workload and ensures compliance with all applicable restrictions.

- The IAC AR confirmed the possibility to equip the Sukhoi Superjet 100 aircraft with the enhanced comfort passenger cabin interior, which confirmed the possibility of safe operation of this aircraft type in the VIP configuration submitted for certification.

MS-21

Under the project to create a prospective medium-range narrow-body aircraft the following results were achieved in 2014:

- Design documentation transferred to the manufacturing plants;
- Agreements were signed with suppliers of third and fourth tiers.
- Experts responsible for the strength complex from the Central Aerohydrodynamic Institute (TsAGI) named after Professor N.E. Zhukovsky completed the endurance tests of the wing-box prototype made from polymeric composite materials; the work was also started on testing the composite fin-box.

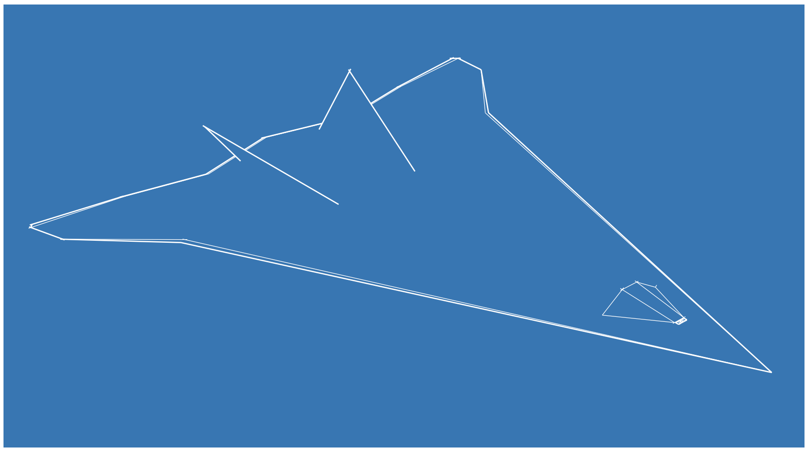
The Corporation plans to manufacture and assemble the aircraft, including the airframe structures joining in 2015.

PAK FA

The Corporation continues its work on creating a prospective airborne complex of frontline aviation (PAK FA T-50). The assembly and manufacturing of components for the prototypes of the second milestone are being carried out under the schedule. The preliminary testing milestone has been completed (PT-1), the milestone PT-2 has commenced.

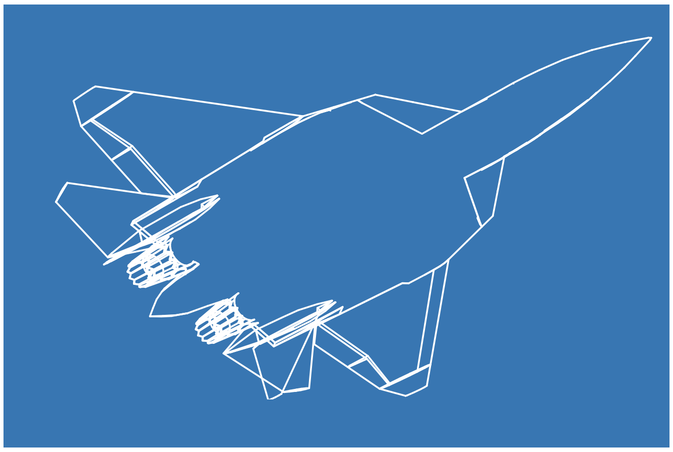
Throughout the year the activities to develop a wide range of technologies needed for creating a new aircraft were being conducted.

PAK DA



In 2014 the Corporation continued the work on creating a prospective aviation complex for long-range aviation (PAK DA). The works of the first stage of detailed technical design are carried out according the approved schedule.

PMI



The Corporation is conducting the development work on an export version of the fifth generation fighter aircraft as part of international collaboration with India. In 2014 the project participants agreed on the technical sketch of the aircraft; the detailed design work was completed. Consulting is under way on the testing schedule (introduction of milestones) and the economic aspect of the project (research and development costs).

Il-112V

In 2014 the Defense Ministry of Russia and JSC Il entered into a state contract for research and development work on the light military transport aircraft Il-112V. The technical project of the aircraft was defended before customer, the working design documentation is in preparation, the overall work plan for research and development work was developed; a tentative list of required innovation technologies was prepared. The completion of work and maiden flight of the first prototype are scheduled for 2017

MTA

In terms of the Russian-Indian program for MTA the works, consultations and negotiations on the aircraft preliminary design were conducted. Agreeing the costs of joint research and development and signing a contract for R&D performance are scheduled for 2015.

Il-76MD-90A

90AIn 2014 two Il-76MD-90A aircraft were manufactured, intended, according to the decision of the Russian Ministry of Defense, for use as platforms for special aircraft.

In 2014 the development of working design documentation for prospective tanker aircraft was continued. The manufacturing of a prototype aircraft is under way.

Competence Development

Aircraft 2020 Program (program for a new technological platform)

The Corporation is working on the implementation of Aircraft 2020 program providing for the development of technologies and innovative solutions, which would allow for improving the marketability of the Russian aircraft by 2020.

In 2014 a market research study was carried out and the requirements for products in core segments were defined. Following the study results the technical concepts of the following prospective aircraft were finalized:

- wide-body long-range aircraft;
- 120–140-seat narrow-body passenger aircraft;
- 180–220-seat narrow-body passenger aircraft;
- transport aircraft.

The list of key technologies required for the implementation of a wide-body long-range aircraft project was prepared by the Corporation. The project is recognized as the best one meeting the market requirements according to the study results. The Steering Committee was formed and the Program office for Aircraft 2020 project was organized.

Innovative Development Program

Research and development is one of the core business areas of the Corporation. PJSC UAC' Innovative Development Program was approved by the resolution of the Board of Directors on July 13, 2011 (Minutes No53).

Innovative projects, covered by the Innovative Development Program, are broken down by the most promising, breakthrough areas, whose implementation will enable the Corporation to develop the competencies of a commercially-viable organization and achieve its strategic objectives in the nearest future.

In 2014 the Corporation continued performing the medium-term plan for the implementation of the Innovative Development Program in the period of 2014–2016, which includes:

- 60 projects in learning how to use new technologies and their modernization by the following areas:
  - Improving the working environment,
  - Implementing composite materials,
  - Information technologies,
  - Energy efficiency and production ecology.

- 10 projects in the field of infrastructure changes and measures for interaction with external innovative environment in the following areas:
  - Joint projects with educational and research organizations,
  - International collaboration,
  - Actions related to aircraft program management and intellectual property.

A number of research programs are being implemented in the field of quality management, including programs for studying and implementing advanced technologies in the development, manufacturing, and aftersale service of aircraft equipment, as well as in perfecting the procedure for quality assessment.

European Research Framework Program

The Corporation was taking part in the implementation of European Framework Program, aimed at increasing the competitive edge of the European industry through supporting innovative activity, technological development, strengthening ties between research and economic activity. As part of the program the following works were conducted in 2014:

- Development of prospective electromechanical and electrohydrostatic actuators of the executive part of the prospective aircraft management system;
- Heat-balance calculation for the electric steering system, the steering control unit, electric wiring and other elements of the flight control actuation system;
- Development of proposals on reducing head load on the actuator elements;
- Development of design documentation for creating a modernized version of a mockup for the electrohydrostatic actuator with combined velocity control.

'More Electric Aircraft'

The Corporation is working on the 'More Electric Aircraft' program, designed to significantly increase the fuel efficiency of domestically manufactured aircraft (by 15–20%), to reduce an aircraft lifecycle cost by 5–10%, to increase the mean time to failure by 5–6%. Leading experts from over 20 companies of the sector are participating in the development of the comprehensive program.

Landing gear wheel actuator

The Corporation is actively participating in landing gear wheel actuator development, focused on providing the aircraft movement without the main engines startup. The solution implementation will make it possible to cut the maintenance costs, meet the prospective requirements of ICAO to reduce emissions release, increase the airport capacity, enhance the aircraft service time without overhaul.

Noise level reduction

The road map for acoustic perfection of the Corporation's products is being developed to meet the tightened prospective ICAO requirements for noise level inside the cabin and in the vicinity of airports. The work is carried out using the resources of FSUE TsAGI, CJSC M. M. Gromov Flight Research Institute, IMASH RAS, Andreyev Acoustics Institute, CJSC Sukhoi Civil Aircraft, JSC Irkut Corporation and is intended to reduce the interior noise level in SSJ aircraft family to 75 dBA and exterior noise at the level of 7 EPNdB.

Risk Management

The Corporation has an efficient system of internal control and risk management, aimed at preventing and mitigating the possible consequences of various negative factors affecting its production and business operations, improving the decision making related to responding to occurring risks.

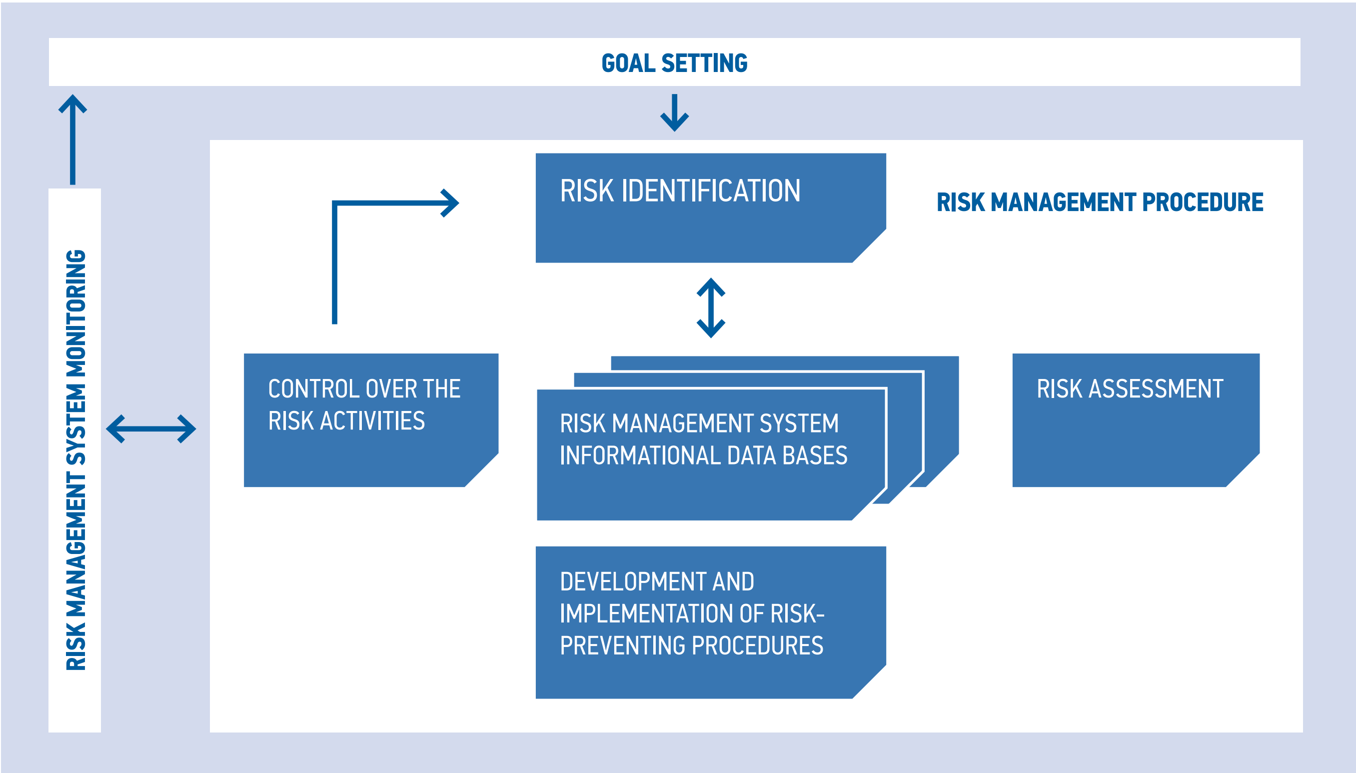
Risk management is designed to achieve strategic goals, to ensure stable, safe and efficient development of the Corporation, optimize the cost and risk ratio. Risk management process is integrated in the general corporate management system. The policy project on risk management of PJSC UAC was approved by the Board Audit Committee on May 20, 2014 (Minutes No. 33).

Strategic management in the field of risk management is conducted by the Board of Directors of PJSC UAC. Implementation of the strategy in the field of risk management is facilitated by resolutions of the Management Board and the relevant orders and instructions of the President of PJSC UAC. Besides, the risk management system includes the Audit Commission, Board Audit Committee, the managers of departments responsible for control and minimization of certain risk types.

Risk management is performed at all enterprises included in the Corporation structure

SYSTEM APPROACH	Management of all types of risk is performed in all spheres and on all levels of management taking into account their mutual influence.
CYCLICAL NATURE	Risk management is a continuous cycle of its main components
CONTINUITY	Risk management is carried out on a continuous basis
PERSONNEL INVOLVEMENT	Each employee is vested with powers to manage risks within his or her competence
CROSS-FUNCTIONAL INTERACTION	Management of risks affecting various processes is based on collegial decisions
DECISION MAKING LEVELS DIFFERENTIATION	Decisions on the minimization of risks are made on different levels of management depending on the significance of the risk
ADHERING TO THE GOALS	Risk management is performed on the basis of the Corporation's strategic goals and tasks of certain processes and functions
RISK INFORMATION FLOW FROM THE BOTTOM UP AND FROM THE TOP DOWN	All round interaction between the management and all units of the Corporation regarding risk determination and taking action to minimize it
ECONOMIC EFFICIENCY	The system of risk management ensures economic efficiency of risk management activities

Risk Management Procedure



Industry risks of the Corporation

DEMAND CHANGES RISK	The Corporation signs long-term contracts with the Ministry of Defence of the Russian Federation to reduce the level of business risks relating to military aircraft delivery under state orders. To prevent the reduction of demand for the Corporation's products the company searches for new customers and offers extended cooperation conditions.
RISKS RELATING TO MARKET COMPETITION	The Corporation supports the promotion of its products, extends its product line, implements new aircraft sales funding mechanisms, develops aftersale servicing to facilitate cooperation with the customers, implements technical upgrade program and special production development program.
RISKS RELATING TO THE ACTIVITIES OF THE SUPPLIERS	The use of separate risk partnership allows increasing the interest of suppliers in the business results of the projects.
RISKS RELATING TO THE FLUCTUATION OF PRICES ON RAW MATERIALS AND SERVICES USED BY THE CORPORATION IN ITS ACTIVITIES	According to PJSC UAC estimates risks relating to possible changes in prices for raw materials and services used by the Corporation are insignificant. For the purposes of further mitigation thereof PJSC UAC maintains long-term partner relations with the suppliers of components and materials.
RISKS RELATING TO CHANGES IN PRICES FOR THE CORPORATION'S PRODUCTS AND SERVICES	According to PJSC UAC estimates risks relating to possible changes in prices for the Corporation's products are insignificant. PJSC UAC, its associates and affiliates ship products under long-term contracts. To mitigate the above mentioned risks the escalation of prices under the contracts is employed. There are no forecasts of changes in the mid-term market situation.

Country and regional risks

RISKS RELATING TO POLITICAL AND ECONOMIC SITUATION IN THE COUNTRY (COUNTRIES) AND REGION OF PRESENCE	At the moment the Corporation acts in conditions of sanctions imposed by the countries of the European Union and the USA upon Russia, which significantly affects the Russian economy. In particular, PJSC UAC is included in the EU sanctions package of September 8, 2014 (came into force on September 12, 2014). According to the imposed limitations (Article 5(2)a, Appendix V), the European business community is restricted to directly or indirectly buy, sell, provide investment services or facilitate in delivery or dealing in securities and similar monetary market instruments with maturity over 30 days, issued after September 12, 2014. By the Decree of the Swiss Government (came into force on November 12, 2014), Switzerland imposed limitations following the EU sanctions. Thus, in accordance with the new changes Switzerland imposed limitations on allocation of long-term securities of five leading Russian state banks, subject to previous EU sanctions, and certain companies including PJSC UAC. According to PJSC UAC estimates the impact of sanctions on the economic and financial activities of the Corporation is insignificant. Market fluctuations and global economy slowdown significantly affect the Russian economy. There is still uncertainty about economic growth, financing accessibility and cost of capital in the future. The Corporation cannot estimate what changes in such conditions may take place in the future and how they could influence the financial state and results of the economic and financial activities of the Corporation. The Corporation considers the possibility of positive or negative regional level changes unlikely in the foreseeable future.
RISKS OF MILITARY CONFLICTS, ANNOUNCEMENT OF THE STATE OF EMERGENCY AND STRIKES	Due to relatively stable political situation in Russia and discernible trend for economic and financial recovery the Corporation considers the indicated risks and risks related to different social issues as remote. It is also necessary to pay due regard to the Corporation's risks relating to plausible military conflicts, announcement of the state of emergency and strikes in CIS countries, with whom the Corporation cooperates on cores business and military aircraft deliveries. The risk of limiting or terminating cooperation with aircraft manufacturing complex of Ukraine is considered likely. The Corporation qualifies this risk as rather high and undertakes measures for its mitigation.
RISKS RELATING TO GEOGRAPHICAL PARTICULARITIES OF THE REGIONS OF PRESENCE	Regions in which the Corporation, its subsidiaries and associated companies perform core operations (excluding the Far East Region) are not characterized by increased danger of natural disasters, nor located in remote or hard-to-reach areas, thus the risks indicated are considered by the Corporation as insufficient and not able to affect operations of PJSC UAC, its subsidiaries and associated companies. Certain enterprises of the Corporation, in particular Komsomolsk-on-Amur aviation plant, are located in partial seasonal flood area what can intrinsically impede UAC's efficiency of operations. Measures undertaken in 2013 aimed at maintaining uninterrupted operations during the flood and obtained experience would allow withstand the disaster in the future. The risk of termination of the enterprise operations resulting from floods or other natural disasters is qualified by the Corporation at level ranging from minimum to average.

Financial risks

CURRENCY RISKS	As a rule, export of the Corporation's products is denominated in US dollars, thus negative effect of weakening of the national currency had a limited impact on the Corporation's performance indicators. To mitigate the risk of exchange rate fluctuations of PJSC UAC, its subsidiaries and associated companies attract credit resources relating to the performance of export contracts in the form of foreign currency loans. In the mid-term the Corporation plans to undertake adjustment measures and reject the use of US dollar and other currencies as calculation units for pricing of output (works and services) produced by UAC's subsidiaries and associated companies and for budgeting of costs.
INTEREST RATE RISKS	In case of steep increase in interest rates for credit resources attracted the Corporation plans to revise distribution structure of borrowed funds with regard to financing of priority areas. The Corporation might also revise (in number of cases it has already revised) terms of borrowing for funds raised through credit and loan agreements extension.

CREDIT RISKS	Targeted financing of the Corporation expenses by the state makes it possible to increase its reliability as a borrower and reduce interest rates for credit resources attracted. Furthermore, PJSC UAC is granted additional support through its inclusion in the list of strategic companies of the Russian Federation.
INFLATION RISKS	The Corporation takes corrective actions aimed at receiving advanced payment from the consumers for supplied products (work, services) as well as shortening settlement timeframes. The Corporation's financial strategy provides for gradual escalation of prices for the products sold. Inflation component is provided for upon contract execution.
LIQUIDITY RISKS	To mitigate liquidity risks budgeting, cash flow forecasting procedures and development of financial and production plans are used to identify liquidity deficiency and attract or reassign the required financial resources in due time. The additional efficient liquidity management instrument of the Corporation is the possibility of using unsecured credit facilities extended by partner banks in case of urgent necessity to cover the deficiency. The risk of non-payment by the customers which may in turn lead to liquidity problems is mitigated by using the advance payment procedure.

Legal risks

REGULATORY RISKS	To mitigate the legal risks the Corporation submits the relevant proposals to state authorities and institutions, actively participates in the discussion and passing of resolutions relating to the prospects of the Russian aviation industry.
LITIGATION RISKS	PJSC UAC had not participated in legal proceedings that could have made any profound effect on its financial and economic activities as of the end of the reporting year.

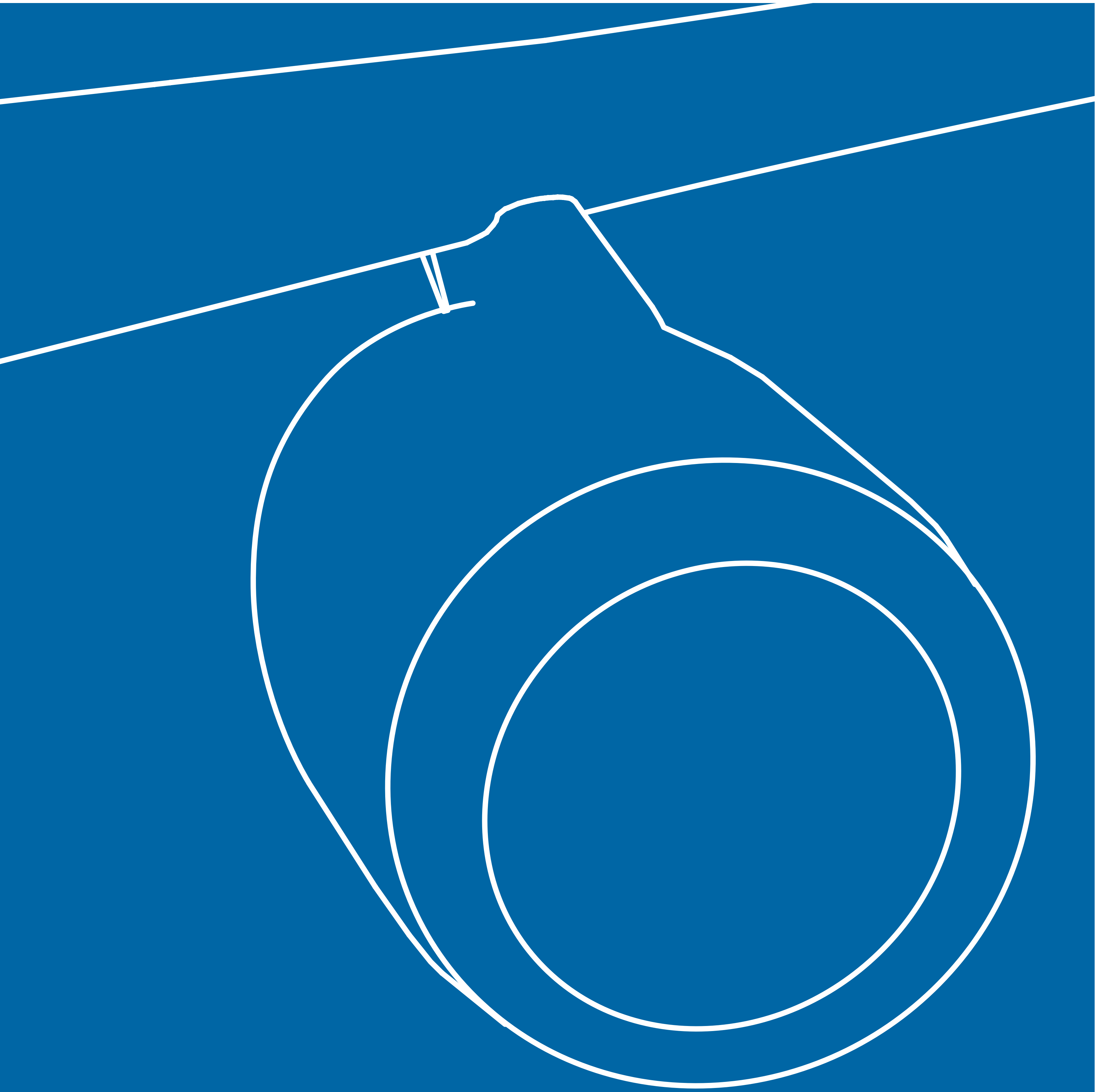
Risks relating to the Corporation's operations

RISK OF LOSSES DUE TO PRODUCTION INTERRUPTIONS	To ensure compliance of technological infrastructure of the Corporation with the requirements for modern aircraft large-scale upgrade of equipment, production retooling, implementation of cutting-edge technologies in all operational processes are performed. To increase the level and quality of products provided by the suppliers, competitive selection of suppliers, including foreign ones, is conducted. The Corporation implements quality management systems' audit of its partners on technological cooperation.
LICENSE TERMINATION RISKS	The risk of License termination may be considered insignificant except for cases when in order to extend the License or to continue operations, requirements which cannot be met or which lead to excessive expenses are established.
RISKS RELATING TO LOSS OF MAJOR CONSUMERS	Risks of losing customers that account for not less than 10% of total revenues from sales of products are estimated as insignificant.
RISK OF BUSINESS REPUTATION LOSS (REPUTATIONAL RISK)	The risk of losing business reputation due to shaping a negative idea of the financial state of the Corporation is estimated as low due to the fact that the Corporation is supported by the state. Thus in 2015 the Government of the Russian Federation adopted a resolution on the increase of the share capital of PJSC UAC by RUB 100,000 mln through the transfer of the federal loan bonds with a view of restructuring the indebtedness of the subsidiary of CJSC Sukhoi Civil Aircraft. This amount is included in the Russian Federation budget for 2015.
STRATEGY RISK	Due to substantial changes in the outside environment of the Corporation the process of actualization and specification of the complex development strategy of PJSC UAC is launched along with a simultaneous increase in the planning horizon up to year 2035. The implementation of a number of measures aimed at compensating the negative consequences of sectorial commercial and economic sanctions in the context of the changed geopolitical situation affects all core business activities of the Corporation, including product-market, industrial, human resources, organizational and financial developmental model of PJSC UAC.

OPERATIONAL RESULTS

159 aircraft
delivered to customers in 2014

555 aircraft
firm order backlog as of December 31, 2014



Aircraft Deliveries

The Corporation delivered 159 aircraft to its customers in 2014, which is 48 aircraft or 43% more than in 2013. The highest increase in the amount of deliveries was in the military aircraft division where the amount of deliveries has grown by 57% or 45 aircraft year-on-year.

Beginning from 2013 the main share of military aircraft deliveries goes to the domestic market because the primary objective of the Corporation is the renewal of the Russian aircraft fleet. One hundred and two Su-30, Su-34, Su-35, MiG-29K/KUB and Yak-130 aircraft were delivered to the Ministry of Defense of the Russian Federation in 2014. Another 18 aircraft were delivered by the Corporation in the reporting period within the scope of the state contract with the Ministry of Defense of the Russian Federation for overhauling and modernizing MiG-31BM aircraft.

Twenty two Su-30 and MiG-29K/KUB were delivered under military aircraft export contracts in 2014.

The amount of deliveries in the civil aircraft division has reached 33 aircraft including 24 aircraft for domestic customers and 9 aircraft for exports.

In civil aircraft division SSJ 100 aircraft deliveries account for the largest part of the amount: the Corporation has delivered 27 aircraft of this type to its customers including 12 aircraft to Aeroflot, 4 aircraft to GAZPROMAVIA, 2 aircraft to Red Wings airline under the remarketing program and 9 aircraft to the Mexican air company Interjet which is the largest foreign operator of this aircraft type. Also in civil aircraft division six An-148 aircraft were delivered to state customers in the reporting year.

Moreover, the Corporation has delivered two special aircraft within the reporting year: Tu-214ON to the Ministry of Defense of the Russian Federation for observation flights under the Open Sky agreement and Tu-214SR to the Presidential Property Management Department.

In 2014 the firm order backlog of the Corporation has grown by 17.2% up to RUB 1,376 bln (net of VAT) in monetary terms. The firm order backlog for the production and sale of aircraft has grown by 20.7% up to RUB 1,048 bln. As at the end of 2014 the amount of orders has reached 555 aircraft, including 261 orders in the military aircraft division and 221 order in the civil aircraft division.

New aircraft delivery and service contracts were entered into during the reporting year, including:

- contract for the delivery of 16 MiG-29SMT medium multirole fighters to the Russian Air Force until the end of 2016;
- contract between JSC Tupolev and the Ministry of Defense of the Russian Federation for design and development of Tu-22M3M in 2014–2018;
- contract with the Ministry of Defense of the Russian Federation for the delivery of 7 Su-30SM aircraft in 2015–2018;
- contract with the Russian Ministry of Emergency Situations for the delivery of two Sukhoi Superjet 100 aircraft in 2015 and the agreement of intent stipulating the delivery of another 8 Sukhoi Superjet 100, six Il-76MD-90A and ten Be-200 aircraft in 2016–2025;

102 military aircraft
delivered to the Russian Ministry of Defense in 2014

22 military aircraft
delivered under export contracts in 2014

27 SSJ 100 aircraft
delivered in 2014

- contract for lease of three Sukhoi Superjet 100 aircraft by the Russian air company Red Wings;
- contracts with the Ministry of Defense of the Russian Federation for overhauling and modernization of 53 MiG-31 aircraft in 2015–2018;
- contract with the Presidential Property Management Department for the delivery of two Sukhoi Superjet 100 aircraft;
- state contract for design and development of Il-112V light military transport aircraft for the Ministry of Defense of the Russian Federation.

Aircraft deliveries in 2010–2014

	MILITARY aircraft	CIVIL aircraft	TRANSPORT aircraft	SPECIAL aircraft
2014 total 159	124 DOMESTIC MARKET 102 EXPORT 22	33 DOMESTIC MARKET SSJ 100......18 An-148........6 EXPORT SSJ 100.......9 DOMESTIC MARKET 24 EXPORT 9	0 DOMESTIC MARKET 0 EXPORT 0	2 DOMESTIC MARKET 2 EXPORT 0
2013 total 111	79 DOMESTIC MARKET 54 EXPORT 25	29 DOMESTIC MARKET SSJ 100......11 An-148....... 4 EXPORT SSJ 100...... 14 DOMESTIC MARKET 15 EXPORT 14	0 DOMESTIC MARKET 0 EXPORT 0	3 DOMESTIC MARKET 3 EXPORT 0
2012 total 94	71 DOMESTIC MARKET 35 EXPORT 36	18 DOMESTIC MARKET SSJ 100...... 9 An-148........4 Tu-204........ 2 EXPORT SSJ 100.......3 DOMESTIC MARKET 15 EXPORT 3	2 DOMESTIC MARKET Il-76...............1 Il-96-400........1 DOMESTIC MARKET 2 EXPORT 0	3 DOMESTIC MARKET 3 EXPORT 0
2011 total 102	88 DOMESTIC MARKET 19 EXPORT 69	7 DOMESTIC MARKET SSJ 100...... 4 An-148........2 EXPORT SSJ 100.......1 DOMESTIC MARKET 6 EXPORT 1	3 DOMESTIC MARKET Il-76................1 EXPORT Il-76................2 DOMESTIC MARKET 1 EXPORT 2	4 DOMESTIC MARKET 4 EXPORT 0
2010 total 74	65 DOMESTIC MARKET 21 EXPORT 44	6 DOMESTIC MARKET An-148........4 Tu-204.........2 DOMESTIC MARKET 6 EXPORT 0	1 DOMESTIC MARKET Il-76................1 DOMESTIC MARKET 1 EXPORT 0	2 DOMESTIC MARKET 2 EXPORT 0

Product Quality Management

The Corporation implements a range of quality management arrangements on a regular basis.
The number of claims per guarantee item is gradually decreasing for all types of aircraft produced by the Corporation. Most faults and claims on guaranteed aircraft in 2014 relate to components.

The priorities in the field of product quality improvement include:

- development and implementation of up-to-date aircraft construction technologies in the field of design and production;
- implementation of cutting-edge information technologies;
- improvement of the regulatory base with due account for aircraft construction technologies development;
- technical retooling and reconstruction of production facilities;
- production system improvement using advanced solutions, including lean production methods;
- creation of competence and specialization centers;
- development of suppliers interaction system;
- development and improvement of aftersale maintenance system;
- improvement of staff incentive mechanisms.

The analysis of aircraft quality and reliability indicators for 2014 shows the compliance of the Corporation's products with the regulatory and contractual requirements.

All companies of the Corporation employ quality management systems (QMS) confirmed by the effective certificates of QMS compliance with Military Register, Oboronsertifika, International Aerospace Quality Group (IAQG) system requirements. For instance, the QMS of CJSC Aviastar-SP, JSC II, LLC UAC-Integration Center, JSC Myasishchev Design Bureau (for compliance with National Standards GOST ISO 9001–2011, GOST RV 0015-002–2012, SRPP VT), JSC VASO, JSC Irkut Corporation (for compliance with International Standard IAQG 9100C) have successfully passed certification or re-certification in 2014. Production quality improvement actions are developed and carried out annually.

UAC is a member of the International Aerospace Quality Group (IAQG): Specialists of the Corporation participated in six EAQG workgroups in 2014. Moreover, the Corporation, together with JSC Russian Helicopters, is working on the implementation of the system of control of accreditation and certification authorities by aerospace industry (ICOP — Industry Controlled Other Party).

Components precision meter

Luminescent control workshop

Sukhoi Superjet 100 aircraft Customer Support Center

Technical Retooling

The transformation of production processes and the creation of a new industrial model is one of the strategic priorities of the Corporation. Technical retooling projects account for a major part of the investment program.

In 2014 the Corporation was working on the establishment of specialization and competence centers, technoparks, outsourcing of several production lines within the framework of a new industrial model development. Most attention was paid to the increase of production potential for the purposes of implementing the state military development program and fulfilling prospective aircraft construction projects.

Within the framework of transit from horizontal cooperation to the creation of a new industrial model the following arrangements have been implemented in 2014:

- Resolutions to create technoparks at JSC Tupolev Branch KAZ named after C. P. Gorbunov, JSC VASO, PJSC NAZ Sokol.
- The development of the advanced economic zone project in Komsomolsk-on-Amur has commenced.
- The cooperation parameters between the companies under the Il-76MD-90A, Il-112V, PAK DA aircraft development projects were elaborated.
- The Corporation has started preparations for the restructuring of the unified production base with the aim to optimize the performance of flight tests and maturation operations at JSC M. M. Gromov Flight Research Institute in Zhukovsky, Moscow Region.
- The Corporation has started working on the establishment of centralized production of protective finishes and mechanical processing parts for product upgrade at JSC M. M. Gromov Flight Research Institute.
- The testing and maturation base of JSC Irkut Corporation was reconstructed within the framework of preparation for flight testing of MS-21.

Specialized competence centers started or continued their operation in 2014 in the following areas:

- production of radiotransparent radomes;
- avionics integration center;
- production of power clusters and assemblies from advanced polymer composite materials;
- production of body panels;
- production of wings, flap systems, fins and control vanes;
- production of pylons and nacelles.

The technical retooling is aimed at the renewal and optimization of production capacities and envisages extensive use of cutting edge technical solutions. The share of domestic equipment in the total amount

New equipment at Irkutsk Aircraft Plant

of purchased equipment has increased to 15% in 2014. Companies of the Corporation are supplied with advanced equipment, including:

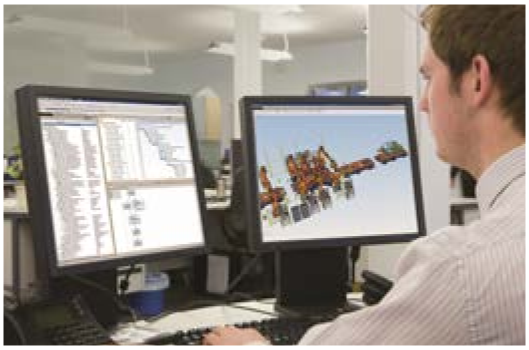
- multiaxial numerically controlled (CNC) milling centers with the instrument range of 40–60 tools;
- CNC-based machines for automatic riveting of body and wing panels;
- CNC-based stretching equipment;
- high performance equipment for the production of polymer composite products (including the use of vacuum infusion process, RTM, automated placement machines);
- automated aircraft assembly platforms.

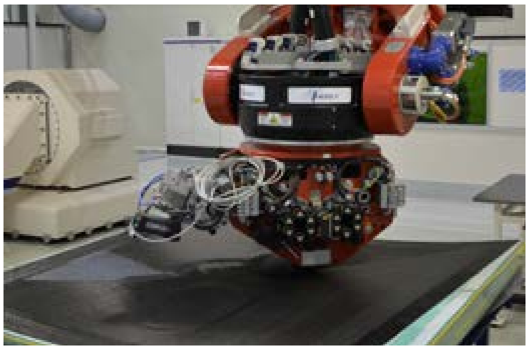
Technical retooling programs are implemented in accordance with the Russian Aircraft Production Plan for 2007–2015. Funding is provided within the framework of the Federal target program "Development of the Russian Military-Industrial Complex in 2011–2020" (FTP MIC) as well as from internal and external sources of financing.

In the reporting year within the framework of FTP MIC the reconstruction and technical retooling of PJSC UAC affiliates and subsidiaries was implemented, including JSC Irkut Corporation, PJSC Company Sukhoi, JSC Tupolev, JSC TANTK named after G.M. Beriev, CJSC Aviastar-SP, JSC RAC MiG, PJSC NAZ Sokol, JSC M. M. Gromov Flight Research Institute, JSC Il, JSC VASO. For the purposes of the FTP MIC implementation the Corporation received budget financing in the amount of RUB 9.6 bln.

Implementation of innovative technologies in production
In 2014 the Corporation continued its operations aimed at the creation of digital production of aircraft equipment using new cutting edge technologies. Nine new technological processes were launched at the production facilities of the Corporation within the year with the economic effect of RUB 120 mln. The most prospective new technologies include:

- CNC-based automated connection of airframe assemblies with laser tracker control;
- assembly of fuselage sections using numerical positioning systems and laser trackers;
- CNC-based automated riveting of panels, superpanels and details;
- use of satellite-based assembly systems (palette assembly);
- use of automated drilling in the course of assembly;
- automated prepreg and dry cloth placement for complicated purchased component parts (PCP);
- placement of PCP using laser projectors;
- automated ultrasonic control of PCP;
- contour machining of PCP, formed coverings, roll-formed shapes using CNC-based reconfigurable table;
- bulk cutting of prepregs on CNC-based equipment;
- automated cloth proofing with SCADA mode control;
- stretching of sheet covering using 3D information;
- high-speed and high-performance machining of parts from aluminium, titanium alloys and structural steel;
- installation of assembly tools using laser trackers on the basis of digital information.


Introduction of new technologies in design and data storage


Production of composite materials

International Partnership Development

The development of partnerships with international aircraft market participants is one of the strategic priorities of the Corporation. Cooperation with other global market leaders facilitates the implementation of prospective aircraft construction projects, more extensive application of advanced solutions and technologies by the companies of the Corporation.

Cooperation with Alenia Aermacchi S.p.A. under the SSJ 100 project
In the reporting year the Corporation continued the cooperation with the Italian company Alenia Aermacchi S.p.A. within the framework of sales system organization of short-haul narrow-body airliner SSJ 100. Twenty-seven SSJ 100 aircraft were delivered to the customers within 12 months of 2014, including 9 aircraft for export.

During the year SuperJet International S.p.A. (SJI) — a joint venture of the Corporation and Alenia Aermacchi S.p.A. with the participation of CJSC Sukhoi Civil Aircraft performed customization and aftersale maintenance of SSJ 100 aircraft.

Moreover, SJI and CJSC Sukhoi Civil Aircraft continued the joint development of the business version of SSJ 100 — Sukhoi Business Jet (SBJ) in 2014.

Cooperation with foreign partners under the MS-21 project
The Corporation successfully promotes cooperation with foreign partners within the framework of medium-range narrow-body airliner MS-21 development. The Corporation implements the project in cooperation with aircraft construction companies and suppliers from EU and USA.

Thirty-two workstations of the automatic assembly line were launched at the Irkutsk Aircraft Plant in September 2014. The installation of all 60 stations of the assembly line developed by the German company Dürr Systems GmbH is scheduled for 2015.

CJSC Aviastar-SP has commenced the installation of the MS-21 wing and high-lift device aggregate assembly line under the contract with Thyssen Krupp Systems Engineering GmbH. The first seven workstations were commissioned in September.

The German company BROETJE-Automation GmbH has completed design operations and commenced the production of automated equipment for tail assembly line for CJSC Aviastar-SP.

The Corporation is arranging aftersale maintenance of MS-21 series aircraft, aircraft operation logistics and retraining of aviation staff in cooperation with the German company Lufthansa Technik AG.

The Corporation has signed an agreement with the German company NMB-Minebea GmbH for logistics support of MS-21–300 prototype aircraft in the course of flight testing.

In February 2014 Irkutsk Aircraft Plant started the production of three MS-21 test aircraft (prototypes) for static and flight testing.

Cooperation with Commercial Aircraft Corporation of China (COMAC) on the wide-body civil aircraft project
Within the framework of the visit of Vladimir Putin, President of the Russian Federation, to the People's Republic of China in May 2014, UAC and COMAC signed a Memorandum of Cooperation under the new wide-body civil aircraft development project. In September 2014 UAC presented the business-concept of the aircraft to the Ministry of Industry and Trade of the Russian Federation.

Cooperation with FACC AG and Diamond Aircraft Industries GmbH on the advanced composite production line projects
Beginning from 2008 UAC and its subsidiary CJSC Aerocompozit have actively cooperated with the Austrian aircraft companies FACC AG and Diamond Aircraft Industries GmbH under the advanced composite production line projects. In 2014 technological equipment for the production of high-tech composite assemblies for Russian aircraft, including SSJ 100 and MS-21 was commissioned in Ulyanovsk and Kazan in 2014.

Cooperation with the Republic of India in the field of military and civil production
In 2014 the Corporation and the Indian aircraft company Hindustan Aeronautics Ltd. have practically completed the creation of capacities for overhauling Su-30MKI aircraft of the Indian Air Force. According to the estimates Hindustan Aeronautics Ltd. will be able to overhaul 8–10 Su-30MKI aircraft per annum in 2015–2016 and will reach the project capacity of 15 aircraft per annum in the next year.

The Corporation and the engineering services of the Indian Naval Forces have arranged operations to ensure availability and operational readiness of MiG-29K/KUB ship-based aircraft fleet under the contract for the delivery of 29 MiG-29K/KUB aircraft to the Indian Naval Force.

Moreover, a series of consultations and negotiations regarding the creation of a multifunction transport aircraft (MTA) and a prospective multifunction fighter (PMI) was conducted in 2014.

Principal agreement on the establishment of a bilateral workgroup for investigation of the prospects of cooperation in the field of civil aircraft construction by the Ministry of Trade and Industry and the Ministry of Defense of India was reached in 2014.

Production of Airbus Components
The implementation of the production cooperation program with Airbus aircraft company (civil aircraft construction unit of Airbus Group, France) with the participation of Irkutsk and Voronezh Aircraft Plants continued in 2014.

Irkutsk Aircraft Plant has launched the production of tail pylons, gear leg bays and flap rails for A320 and A321 series aircraft. The scope of cooperation in 2014 was approximately USD 9 mln.

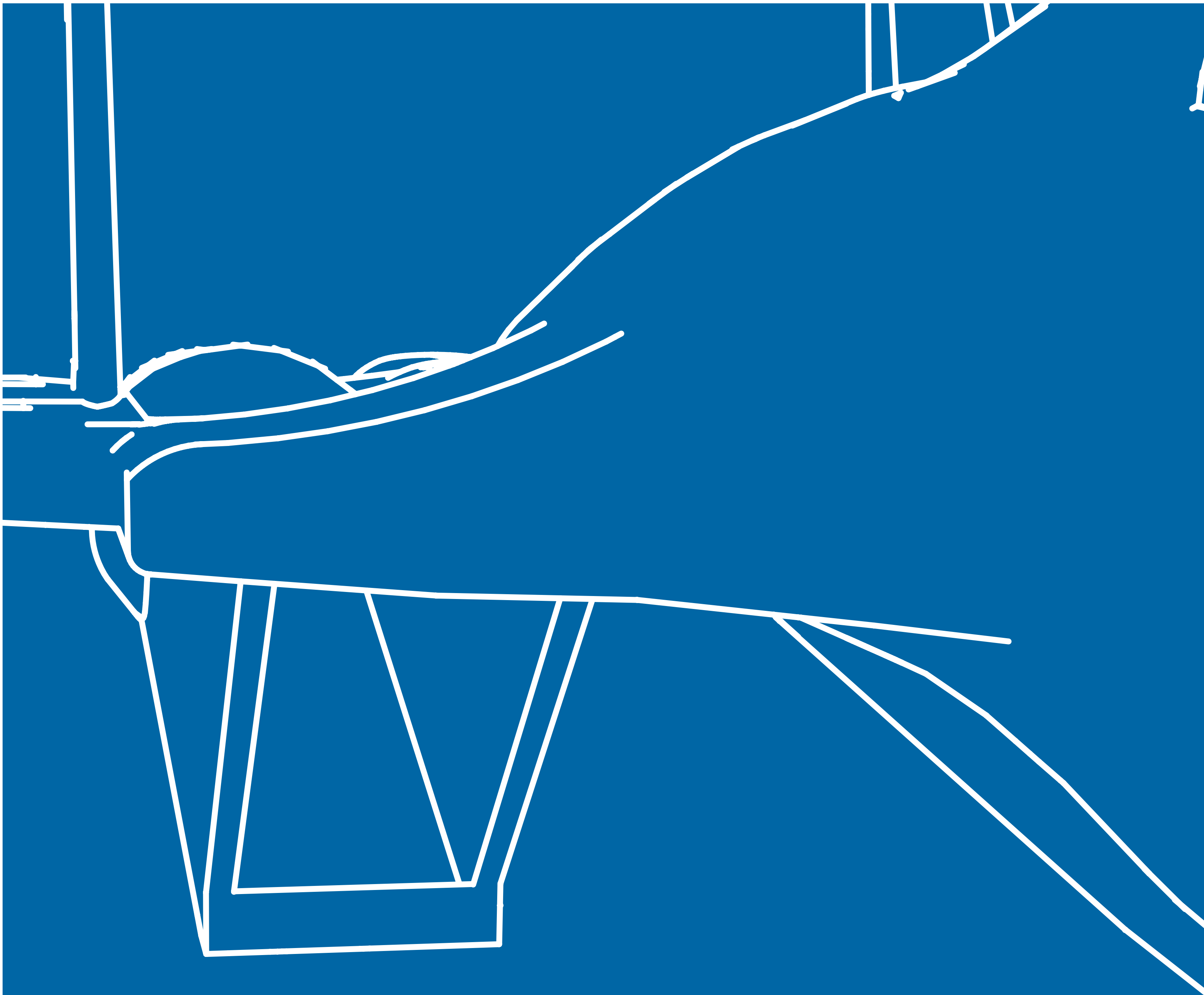
JSC VASO supplied the subassemblies of A320 pylon fairing fore part.

Cooperation with GP Antonov on the An-148 project
JSC VASO continued the implementation of An-148 series aircraft batch production program in cooperation with GP Antonov. Among other things the work on expanding the possible operating conditions and improving the aftersale maintenance system of An-148 series aircraft was performed.

Joint research with DLR
The priority areas for joint research of the Corporation and DLR were determined, including:

- testing of ETW air tunnel in the conditions close to flight Reynolds numbers and the possibilities for its use in the Corporation's operations;
- research of next generation aircraft concepts;
- flight research of laminar flow control of aircraft elements and turbulent friction reduction;
- flight safety and optimization of pilot-aircraft integration;
- development of the technologies for transit to a "more electric aircraft";
- methods of active load management;
- creation of large composite structures and their reliability;
- new concepts of onboard power system;
- noise reduction and climatic comfort inside the aircraft.

ESI Group and NTI seminars
In 2014 the representatives of ESI Group (France) and NTI (Canada) conducted seminars for specialists of the Corporation's subsidiaries with regard to research of software in the field of material science and icing of airframes.



FINANCIAL RESULTS

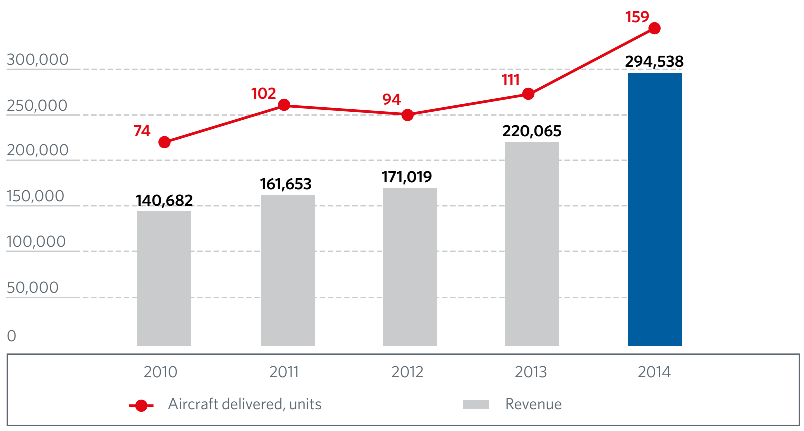
RUB 294.5 bln
revenue in 2014

8.1%
EBITDA margin in 2014

Key Indicators

In 2014 the Corporation managed to achieve significant increases in the amount of aircraft deliveries, and corresponding revenue and operating profit. The number of aircraft delivered grew from 111 aircraft in 2013 to 159 aircraft in 2014. The increased number of deliveries facilitated revenue growth of 34%, up to RUB 295 bln.

The Corporation's aircraft delivery and revenue dynamic
RUB mln



Key Indicators table

	2010	2011	2012	2013	2014	2014/2013 growth
AIRCRAFT DELIVERED, UNITS	74	102	94	111	159	43.2%
REVENUE, RUB MLN	140,682	161,653	171,019	220,065	294,538	33.8%
GROSS PROFIT, RUB MLN	36,439	50,317	35,887	43,352	47,752	10.1%
GROSS MARGIN	25.9%	31.1%	21.0%	19.7%	16.2%	-
EBITDA, RUB MLN	(1,637)	14,987	4,483	16,486	23,905	45.0%
EBITDA MARGIN	-1.2%	9.3%	2.6%	7.5%	8.1%	–
PROFIT/(LOSS) FROM OPERATIONS, RUB MLN	(11,845)	3	602	1,135	4,212	271.1%
OPERATING MARGIN	-8.4%	0.0%	0.4%	0.5%	1.4%	–
EBIT, RUB MLN	(12,194)	(360)	217	401	2,119	428.4%
EBIT MARGIN	-8.7%	-0.2%	0.1%	0.2%	0.7%	–
PROFIT (LOSS) BEFORE INCOME TAX, RUB MLN	(20,062)	(10,644)	(7,070)	(14,118)	(11,900)	-15.7%
PROFIT BEFORE INCOME TAX MARGIN	-14.3%	-6.6%	-4.1%	-6.4%	-4.0%	–
PROFIT/(LOSS) FOR THE YEAR, RUB MLN	(20,166)	(13,346)	(5,650)	(13,508)	(13,654)	1.1%
NET PROFIT MARGIN	-14.3%	-8.3%	-3.3%	-6.1%	-4.6%	–
NET DEBT/REVENUE	0.76	0.92	0.95	0.92	0.89	–

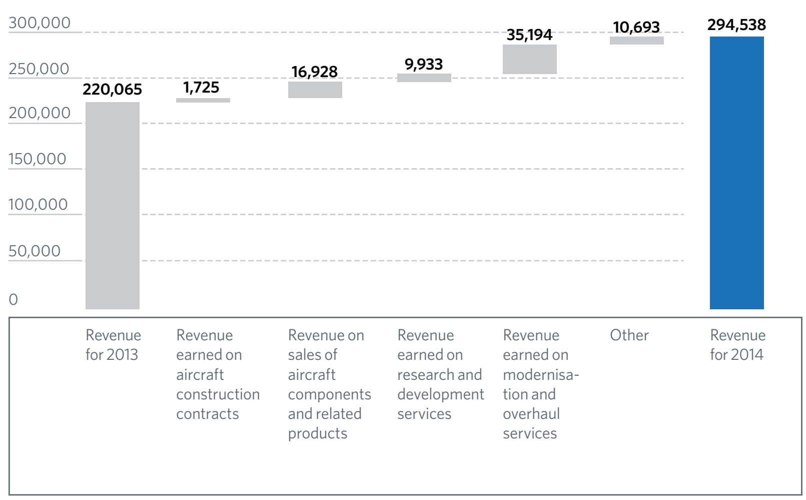
Revenue Structure

In 2014 revenue from the performance of aircraft construction contracts (43%) accounted for the largest proportion of total sales. A significant share is represented by revenue from modernization and overhaul services (22%), revenue from the sale of aircraft components and related products (15%), and R&D revenue.

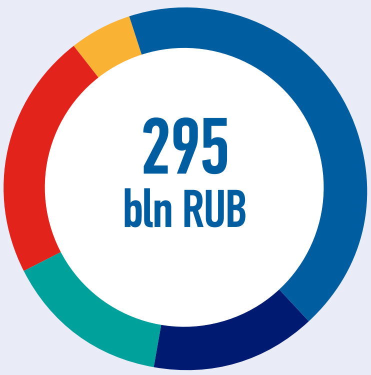
The increase of revenues by 34% in the reporting year is due to increased revenue from:

- modernization and overhaul of equipment for the Russian Ministry of Defense performed, i.a. at 15 aircraft repair plants transferred into JSC UAC management in 2013–2014 — by RUB 35 bln;
- sale of aircraft components and related products — by RUB 17 bln;
- R&D — by RUB 10 bln.

Factor analysis of revenue in 2013–2014
RUB mln

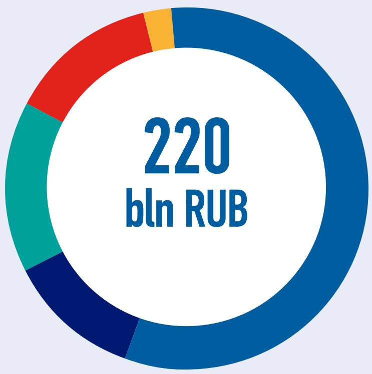


Revenue structure in 2014



	%	RUB bln
Revenue earned on aircraft construction contracts	43.29	127.520
Revenue on sales of aircraft components and related products	14.67	43.194
Revenue earned on research and development services	14.71	43.330
Revenue earned on modernization and overhaul services	21.95	64.661
Other	5.38	15.833

Revenue structure in 2013



	%	RUB bln
Revenue earned on aircraft construction contracts	57.16	125.795
Revenue on sales of aircraft components and related products	11.94	26.266
Revenue earned on research and development services	15.18	33.397
Revenue earned on modernization and overhaul services	13.39	29.467
Other	2.34	5.140

Financial Results and Operating Profitability

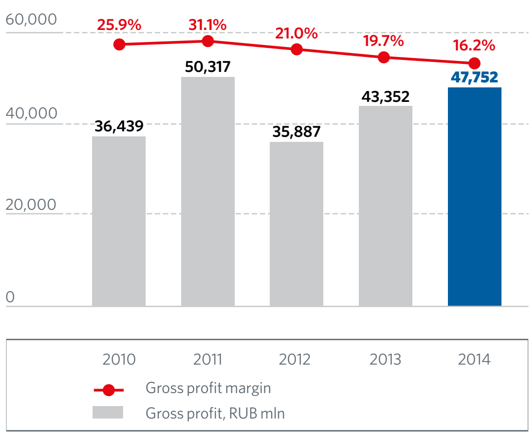
In the reporting year the Corporation managed to increase gross profit by 10% — up to RUB 48 bln, at that, the reduction of gross profit margin to 16% is due to the increase of the share of revenue under state defense orders (these contracts have marginal income restrictions established by the regulations of the Russian Federation).

The increased production of aircraft and revenue facilitated the growth of EBITDA and operating profit and corresponding profitability. Following the results of 2014 EBITDA has grown by 45% and has reached RUB 24 bln.

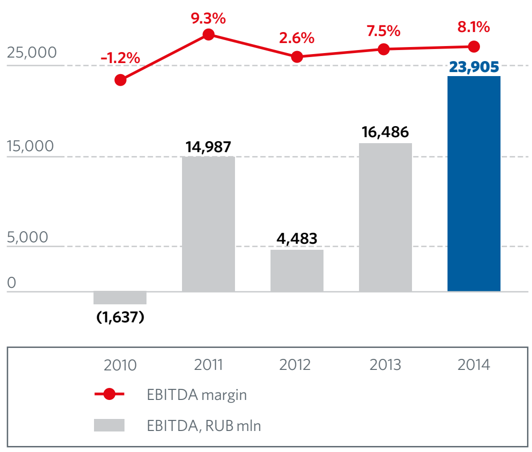
In spite of the positive trend the Corporation did not manage to achieve net profit in 2014, which is mostly due to:

- high level of depreciation in the total amount of RUB 22 bln due to the implementation of a broad range of investment programs for modernization and technical retooling;
- loan portfolio maintenance: interest expenses amounted to almost RUB 23 bln;
- negative foreign exchange differences: foreign exchange loss has exceeded RUB 3 bln.

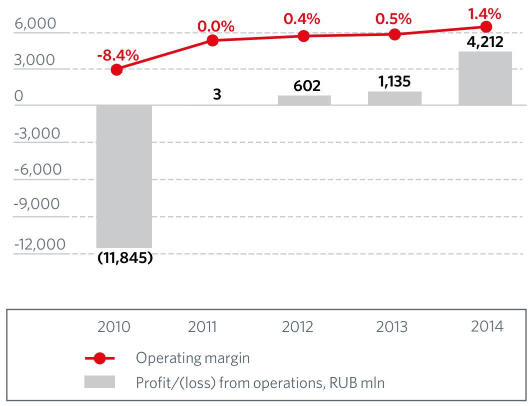
Gross profit



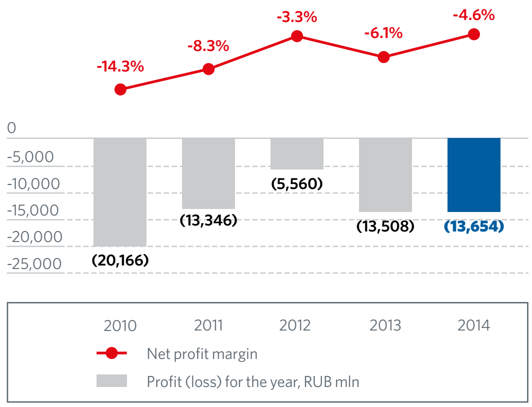
EBITDA



Profit from operations



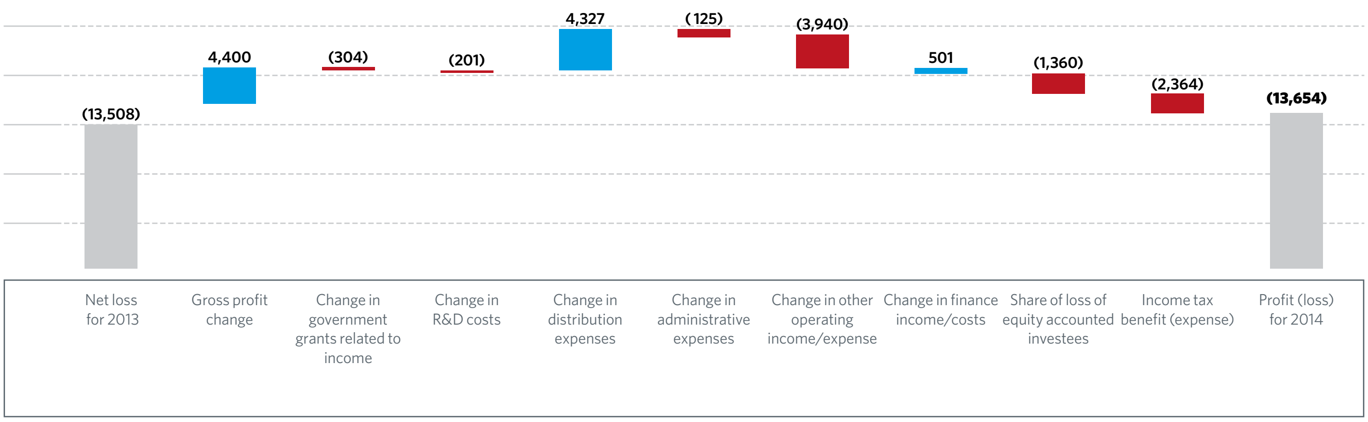
Profit (loss) for the year



The change in the final financial result in 2014 as compared to the previous year was affected by the following factors:

- gross profit growth by RUB 4.4 bln in 2014;
- the decrease of distribution expenses by RUB 4.3 bln had a positive effect on the final financial result. The decrease was mostly due to external agent commission reduction and increase of domestic sales of the Corporation;
- the increase of other operating expenses by RUB 3.9 bln mostly resulting from write-off and change of provisions for doubtful accounts receivable, impairment of inventory and other assets for the total amount of RUB 5.4 bln affected the final financial result.

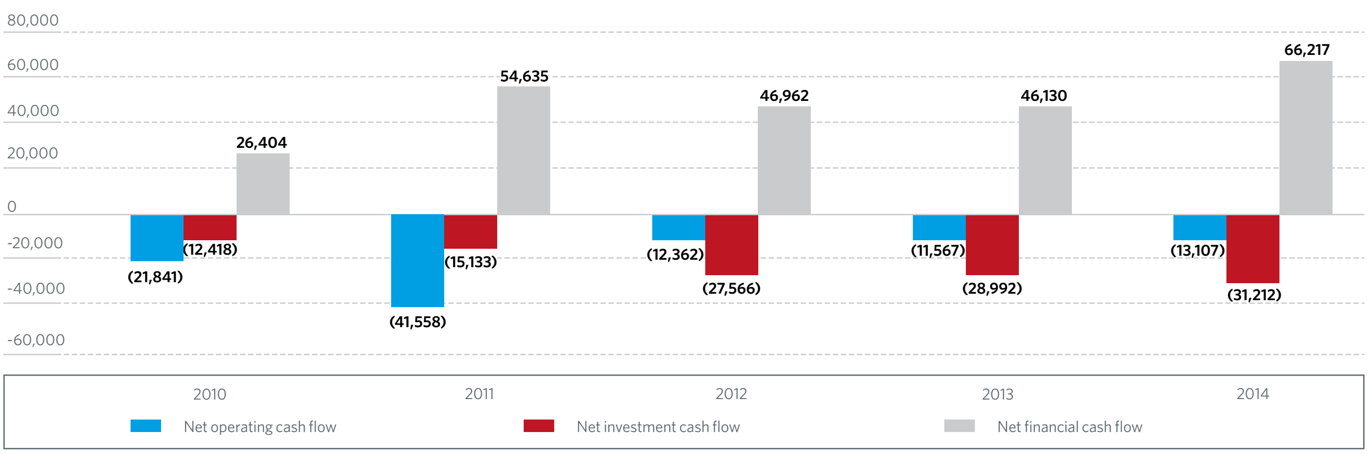
Financial results change analysis for 2013–2014, RUB mln



Cash flow

Operating and investment cash flow indicators mostly remained unchanged due to retention of an ambitious investment program as well as production capacity increase and the relevant increase of the demand for operating activity financing. The investment program is mainly funded through governmental support as well as by own and borrowed funds of the Corporation.

Changes in cash flow dynamic, RUB mln



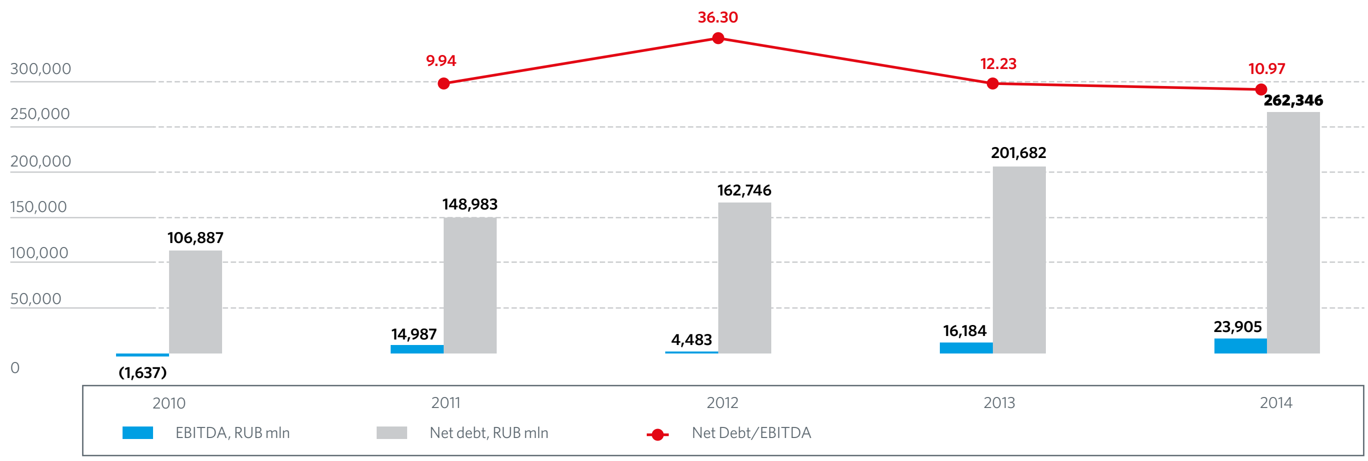
Debt Indicators

Due to high profitability margin growth rates the amount of net debt load on the operating activities of the Corporation in the reporting year has decreased and amounts to 10.97 for the Net debt/EBITDA indicator.

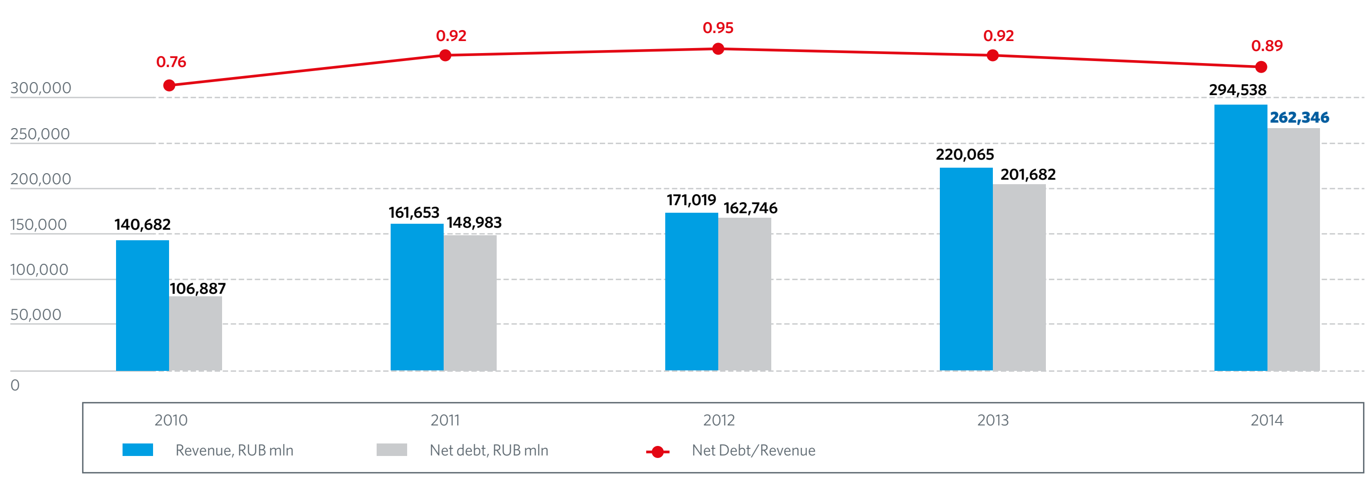
Net debt growth up to RUB 262 bln in absolute terms was due to attraction of bank loans within the framework of:

- production capacity increase and the related growth of demand for operating activity financing;
- investment load increase due to launch of prospective and innovative products, including MS-21;
- revaluation of currency obligations.

Net Debt/EBITDA



Net Debt/Revenue



Standalone Results of UAC (RAS)

The revenue of UAC grew more than three times in 2014 as compared to the previous year and amounts to RUB 40 bln. Revenue growth in the reporting year is, first of all, due to the performance by aircraft repair plants, transferred into UAC management, of service contracts for the Russian Ministry of Defense with regard to long-distance, military transport and front-line aircraft in the amount of RUB 23.3 bln.

Following the results of 2014 the Company managed to achieve gross profit in the amount of RUB 0.6 bln and the relevant gross profit margin of 1.5%. The gross profit margin level is due to high share of revenue under state defense orders: these contracts have marginal income restrictions established by regulations of the Russian Federation.

In the reporting year dividend income and net profit from interest payable/receivable for the total amount of RUB 3.1 bln covered the commercial and administrative expenses of JSC UAC in the amount of RUB 1.8 bln.

The Company received net profit in the amount of RUB 8.4 bln which is 12 times more than in the previous year. The net profit margin amounts to 21.1%.

RUB 8.4 bln
Net profit in 2014

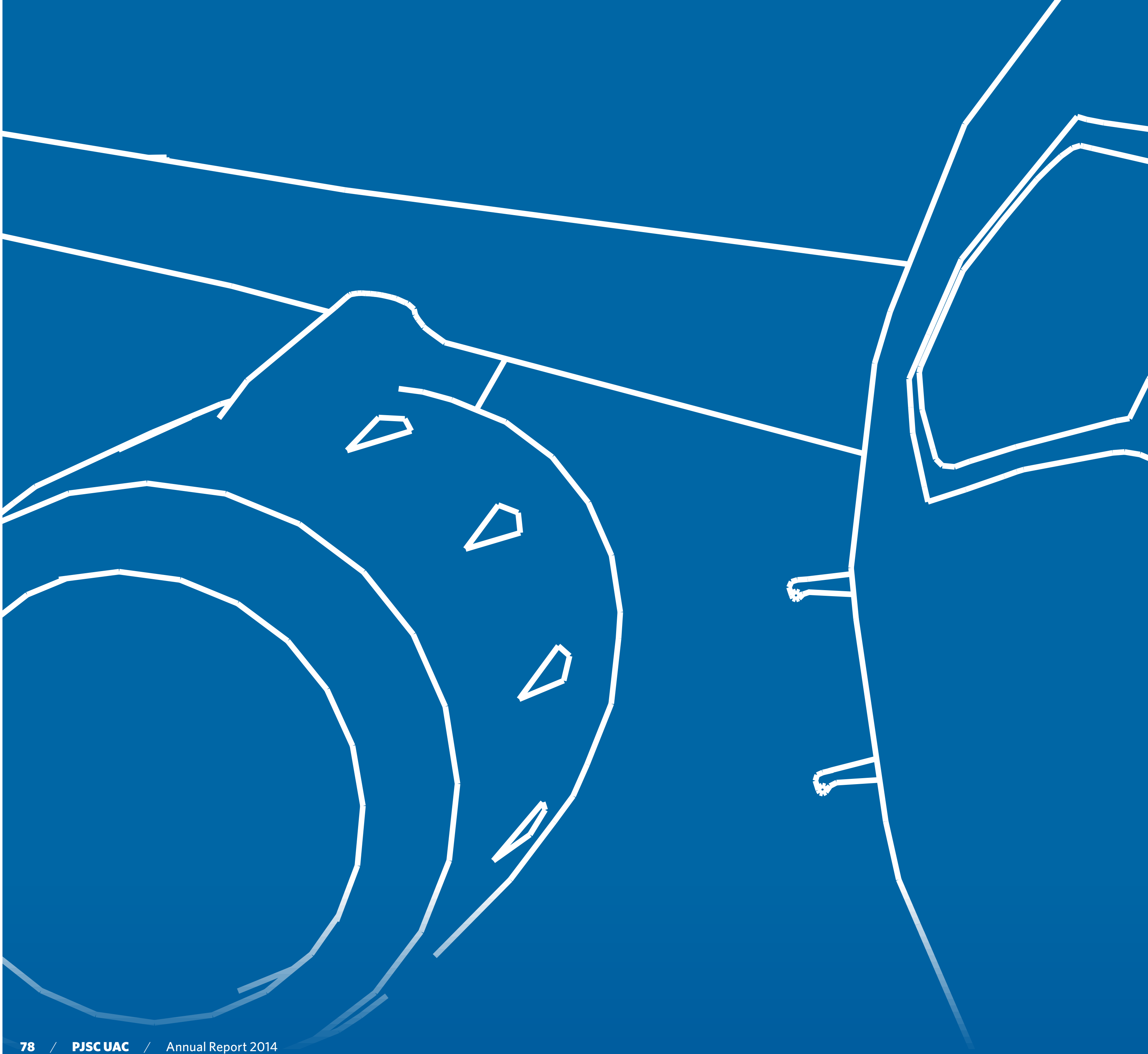
Summary of UAC P&L Statement for 2014 (RAS)

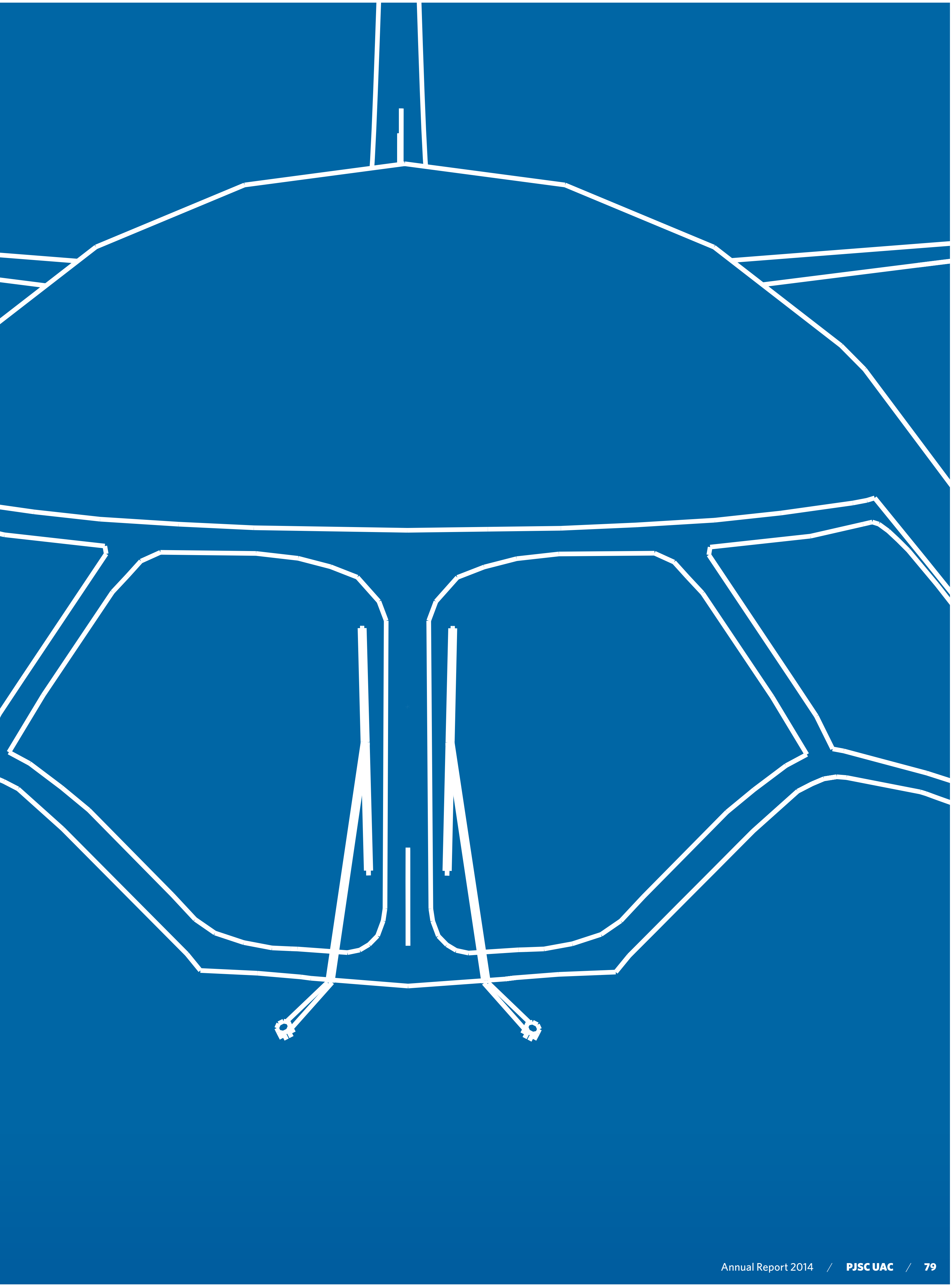
RUB MLN	2013	2014	CHANGE
REVENUE	**12,111**	**39,902**	**229.5%**
INCLUDING REPAIR, MAINTENANCE AND MODIFICATION OF AIRCRAFT AND AIRCRAFT ENGINES	–	23,258	–
GROSS PROFIT	**634**	**599**	**-5.5%**
GROSS PROFITABILITY MARGIN	*5.2%*	*1.5%*	–
COMMERCIAL EXPENSES	**(74)**	**(10)**	**-86.0%**
ADMINISTRATIVE EXPENSES	**(1,452)**	**(1,809)**	**24.6%**
NET PROFIT FROM INVESTMENTS, INCLUDING	*1,139*	*3,109*	*173.0%*
INCOME FROM PARTICIPATION IN OTHER ORGANIZATIONS	*1,817*	*1,349*	*-25.8%*
NET PROFIT FROM INTEREST RECEIVABLE/PAYABLE (INCLUDING COMPENSATIONS)	*(678)*	*1,761*	*-359.8%*
NET PROFIT FROM FOREIGN EXCHANGE DIFFERENCES	*682*	*6,912*	*914.1%*
NET PROFIT	**702**	**8,408**	**1,097.5%**
NET PROFIT MARGIN	*5.8%*	*21.1%*	–

CORPORATE GOVERNANCE

22 meetings
held by the Board of Directors in 2014

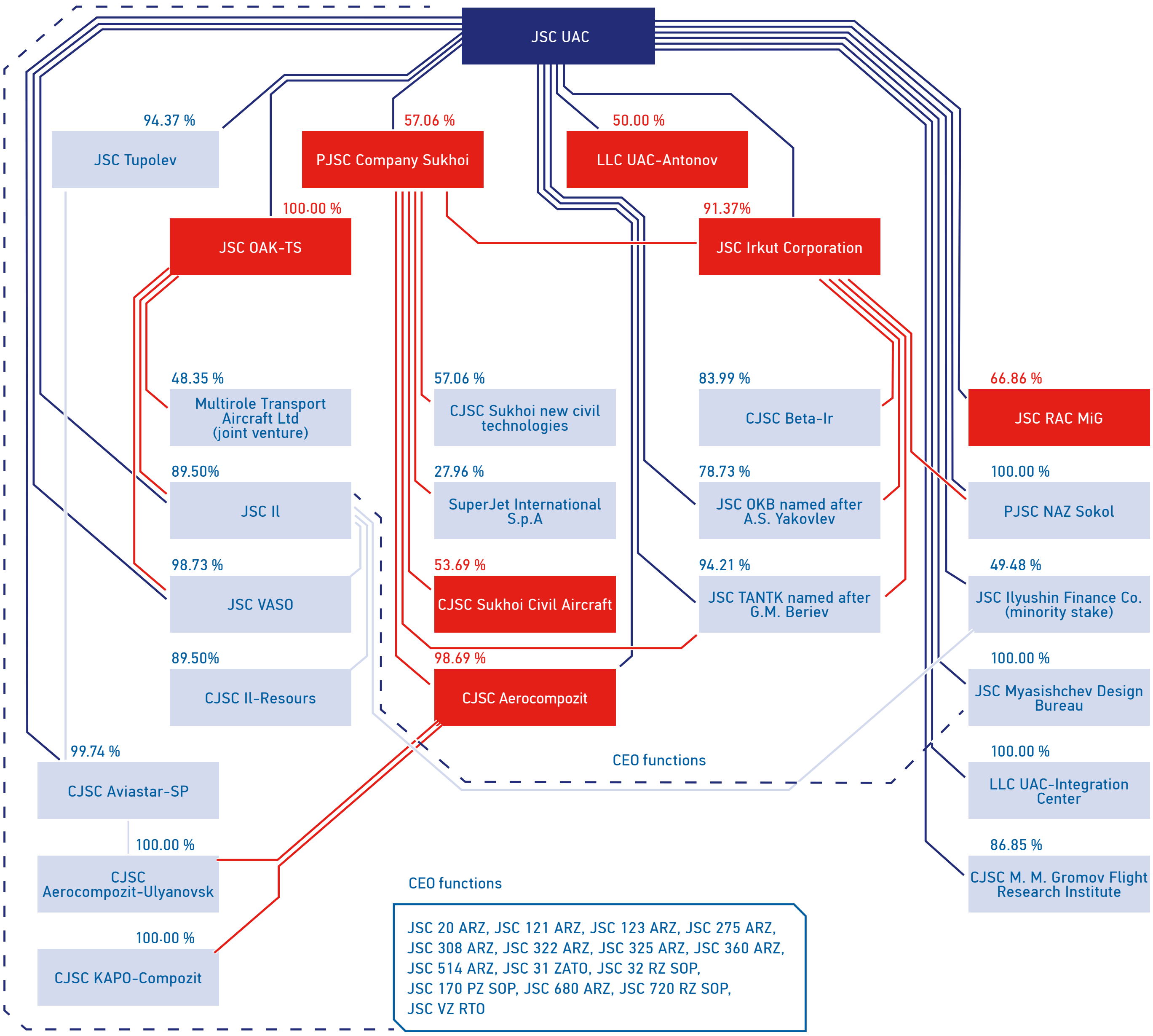
29 meetings
held by the Management Board in 2014





Corporate Structure

Corporate structure as of December 31, 2014



Effective share of ownership indicated in accordance with IFRS approach

Changes in the asset structure in 2014

In 2014 the following changes occurred in the asset structure of the Corporation:

•For the purpose of forming the Transport aircraft division it was decided to transfer to JSC Il the function of the sole executive body of JSC Myasishchev Design Bureau.

•Within the Special aircraft division the reorganization of JSC KAPO was completed in the form of acquisition of JSC KAPO by JSC Tupolev.

•Within the Military aircraft division action were taken to repurchase the shares of PJSC NAZ Sokol from the shareholders based on the mandatory tender offer (Art. 84.2 of the Federal law on Joint Stock Companies) and the requirement for a mandatory tender offer (Art. 84.8). A feasibility study project on the reorganization of PJSC NAZ Sokol in the form of acquisition of PJSC NAZ Sokol by JSC RAC MiG has been completed.

•UAC entered into agreements with six aircraft repair plants (JSC 31 ZATO, JSC 32 RZ SOP, JSC 170 RZ SOP, JSC 680 ARZ, JSC 720 RZ SOP, JSC VZ RTO) for the transfer of the sole executive body's powers. Thus, the total number of aircraft repair plants managed by UAC reached fifteen.

•To stabilize the financial standing of CJSC Sukhoi Civil Aircraft 11.1 mln shares of PJSC Company Sukhoi for the amount of RUB 27.3 bln were placed for the benefit of Vnesheconombank. Following the results of the placement the participating interest of Vnesheconombank in PJSC Company Sukhoi equals 29.81%. Vnesheconombank was enabled to sell the purchased block of shares for the benefit of UAC (repurchase) in 10 years' time.

•For the purpose of obtaining the governmental support and converting into authorized capital part of the loans received earlier, in 2014 the authorized capitals of some companies belonging to the Corporation, including JSC Tupolev, CJSC M. M. Gromov Flight Research Institute, JSC TANTK named after G.M. Beriev, CJSC Aviastar-SP, JSC Il, JSC Irkut Corporation, JSC VASO, PJSC Company Sukhoi, were increased, which resulted in corporate structure changes.

The program for non-core asset disposal

The non-core asset disposal is carried out under the program approved by the Board of Directors for the disposal of non-core assets of JSC UAC, its subsidiaries and affiliates for the period of 2012–2014 with due regard to annual adjustments (Meeting No 66 dated April 27, 2012 , Meeting No 95 dated April 22, 2014).

The program includes the selling of non-core buildings and structures, land plots, financial investments of UAC and its subsidiaries and affiliates, and is designed to facilitate reaching the following objectives:

•improving the efficiency with which the assets are used;

•optimizing the production-technology model;

•attracting additional funding for core business.

Following the results of 2014 the amount of RUB 292,875,061 was received from the non-core asset disposal.

In 2014 the program for the disposal of non-core assets of UAC, its subsidiaries and affiliates for the period of 2015–2017 was prepared and submitted for approval.

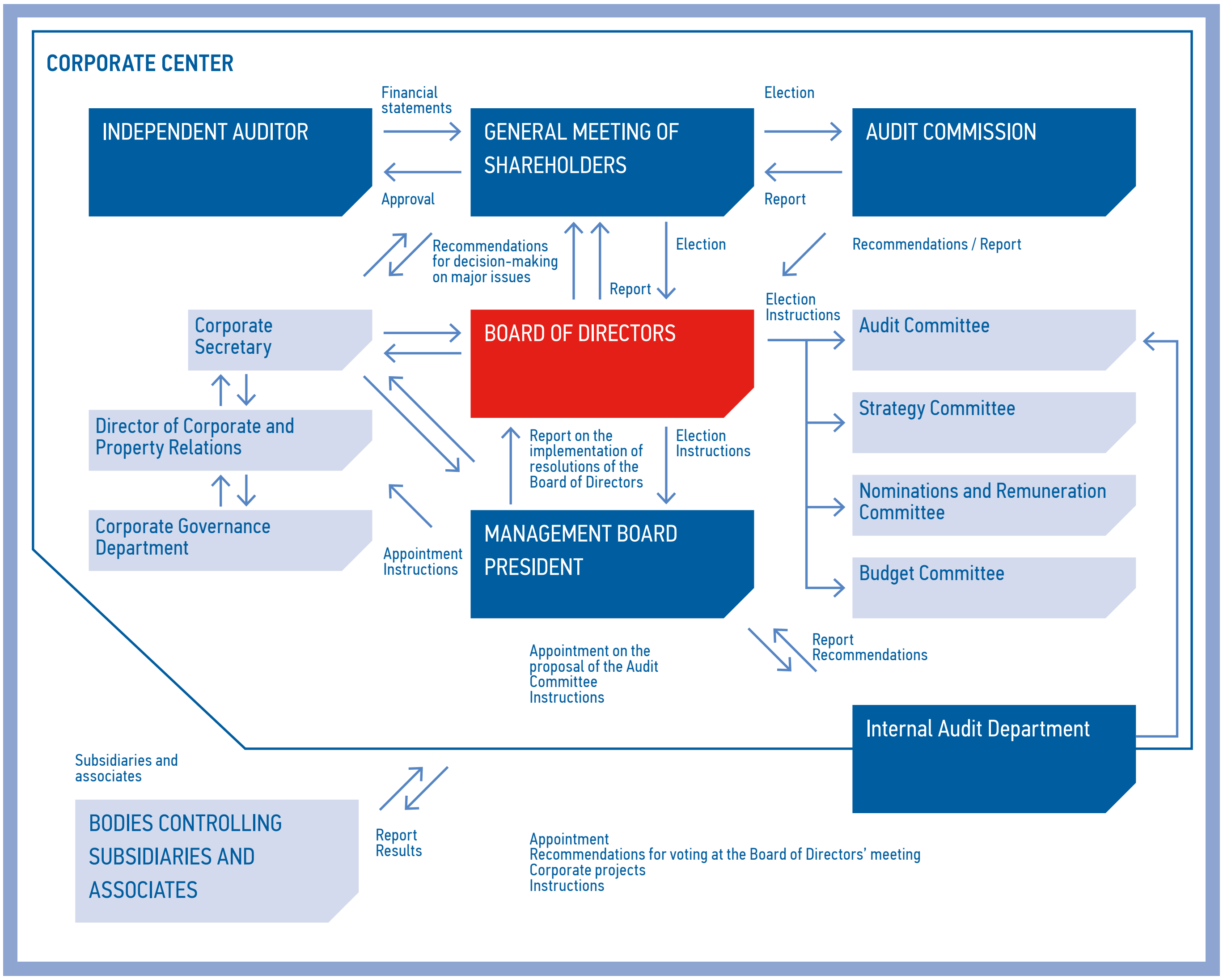
Principles of Corporate Governance

The corporate governance system in PJSC UAC, the head structure of the Corporation, is built according to the requirements of Russian laws and the best practices of Russian and foreign companies. The participants in the corporate relations are PJSC UAC, its subsidiaries and associates, shareholders, members of management bodies and employees. The principles of corporate governance include:

- **creating an environment of mutual trust and respect for all participants in the corporate relations;**
- **ensuring the possibility to exercise powers relating to the ownership of shares for shareholders;**
- **strict adherence to the generally accepted standards of business ethics;**
- **ensuring equal treatment of all shareholders, including minority and foreign investors;**
- **protecting the rights and interests of shareholders;**
- **creating an optimal structure and introducing modern methods and technologies of corporate governance;**
- **ensuring effective control over financial and economic activity and over the most significant transactions;**
- **improving standards of corporate behavior;**
- **adherence to the principles and standards of corporate social responsibility, including compliance with legal and ethical standards in business;**
- **assistance to subsidiaries and associates to ensure their compliance with the principles of corporate conduct set out in the Code of Corporate Governance and the best practices in corporate governance.**

Structure of Management and Control Bodies

The structure of corporate management and control bodies of PJSC UAC includes the General Meeting of Shareholders, the Board of Directors, the President, and the Management Board. The control bodies include the Audit Commission and the Internal Audit Department.



General Meeting of Shareholders

The highest management body is the General Meeting of Shareholders. In 2014, there were four General Meetings of Shareholders, including one annual and three extraordinary meetings. The Annual General Meeting of Shareholders was held on June 30, 2014 (Minutes No. 20 dated July 2, 2014); the extraordinary General Meetings of Shareholders were held on July 16, 2014 (Minutes No. 20 dated July 21, 2014), September 25, 2014 (Minutes No. 21 dated September 29, 2014) and December 29, 2014 (Minutes No. 22 dated December 31, 2014).

Board of Directors

The Board of Directors carries out the overall management of the Corporation, except for the issues referred to the competence of the General Meeting of Shareholders. In its activities, the Board of Directors is governed by the federal law "On Joint Stock Companies", the organization's Articles of Association, and the Regulation on the Board of Directors of PJSC UAC.

The Regulation on the Board of Directors of PJSC UAC (version No. 2) was approved by the resolution of the extraordinary General Meeting of Shareholders of PJSC UAC (Minutes No. 14 dated October 21, 2010). Amendment No. 1 to the Regulation on the Board of Directors of PJSC UAC was made by the resolution of the Extraordinary General Meeting of Shareholders held on November 30, 2012 (Minutes No. 17 dated December 4, 2012).

From January 1, 2014 and prior to the Annual General Meeting of Shareholders following the results of 2013 fiscal year, held on June 30, 2014, the Board of Directors of PJSC UAC acted as elected at the Annual General Meeting of Shareholders on June 28, 2013. Dmitriev, Vladimir Alexandrovich, the Chairman of Vnesheconombank was elected Chairman of the Board of Directors of PJSC UAC.

On June 30, 2014, the Board of Directors of PJSC UAC was elected in a new composition: Peskov, Dmitry Nikolayevich, resigned, while Kadochnikov, Pavel Anatolyevich, became a new member of the Board of Directors.

Dmitriev, Vladimir Alexandrovich, was re-elected Chairman of the Board of Directors of PJSC UAC acting in the current composition.

Board of Directors

Member of the Board of Directors	Position as of December 31, 2014	Election before June 30, 2014	Election after June 30, 2014
Alyeshin, Boris Sergeyevich	General Director of Federal State Unitary Enterprise Central Aero-Hydrodynamic Institute named after Professor N.E. Zhukovsky	✓	✓
Borisov, Yury Ivanovich	Deputy Minister of Defense of the Russian Federation	✓	✓
Dmitriev, Vladimir Alexandrovich	Chairman of State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank). Chairman of the Board of Directors of PJSC UAC	✓	✓
Ivanov, Andrey Yuryevich	Deputy Minister of Finance of the Russian Federation	✓	✓
Kadochnikov, Pavel Anatolyevich	Vice Rector of All-Russian Academy of Foreign Trade of the Ministry for Economic Development of Russia		✓
Klepach, Andrey Nikolayevich	Deputy Chairman (Chief Economist) — Member of the Management Board of Vnesheconombank	✓	✓
Okulov, Valery Mikhaylovich	Deputy Minister of Transport of the Russian Federation	✓	✓
Peskov, Dmitry Nikolayevich	Line Director of Autonomous Non-Profit Organization Agency for Strategic Initiatives to Promote New Projects	✓	
Pogosyan, Mikhail Aslanovich	President, Chairman of the Management Board of Joint Stock Company United Aircraft Corporation.	✓	✓
Slyusar, Yury Borisovich	Deputy Minister of Industry and Trade of the Russian Federation	✓	✓
Kharchenko, Ivan Nikolayevich	First Deputy Chairman of the Military-Industrial Commission under the Government of the Russian Federation	✓	✓
Chemezov, Sergey Viktorovich	General Director of State Corporation Russian Technologies	✓	✓

Biographies of the members of the Board of Directors as composed at December 31, 2014

Dmitriev, Vladimir Alexandrovich

CHAIRMAN OF THE BOARD OF DIRECTORS

Born in Moscow on August 25, 1953.

Education:
Moscow Financial Institute (1975).

Doctor of Economic Sciences. Corresponding Member of the Russian Academy of Natural Sciences.

Positions of primary employment in the last five years:

2007 — present
State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), Chairman

Alyeshin, Boris Sergeyevich

Born in Moscow on March 3, 1955.

Education:
Moscow Institute of Physics and Technology (1978).

Doctor of Technical Sciences. Corresponding Member of the Russian Academy of Sciences.

Positions of primary employment in the last five years:

2008–2009
Joint Stock Company AvtoVAZ,
President
2009–2009
State Corporation Russian Technologies,
Advisor to the General Director
2009 — present
FSUE Central Aero-Hydrodynamic Institute named after Professor N.E. Zhukovsky,
General Director
1998 — present
MAI (National Research University),
Department No. 305 Automated Systems of Orientation and Navigation Systems,
Head of Department, Professor

Borisov, Yury Ivanovich

Born in Vyshny Volochek, Kalinin Region, on December 31, 1956.

Education:
Kalinin Suvorov Military School (1974); Pushkin Higher Command School of Radioelectronics of Air Defense (1978); Lomonosov Moscow State University (1985).

Doctor of Technical Sciences.

Positions of primary employment in the last five years:

2008–2011
Ministry of Industry and Trade of the Russian Federation,
Deputy Minister
2011–2012
Office of the Government of the Russian Federation,
Deputy Chairman of the Military-Industrial Commission under the Government of the Russian Federation
2012 — present
Ministry of Defense of the Russian Federation,
Deputy Minister

Ivanov, Andrey Yuryevich

Born in Dudinka, Krasnoyarsk Territory, on November 23, 1975.

Education:
Krasnoyarsk State University (1997).

Positions of primary employment in the last five years:

2008 — present
Ministry of Finance of the Russian Federation, Deputy Director, Director of the Department of Fiscal Policy in the Field of Innovation, Civil Industry, Energy, Communications, and Public-Private Partnerships; Deputy Minister

Klepach, Andrey Nikolayevich

Born in Moscow on March 4, 1959.

Education:
Lomonosov Moscow State University (1981).

Candidate of Economic Sciences.

Positions of primary employment in the last five years:

2008–2014
Ministry of Economic Development of the Russian Federation,
Deputy Minister
2014 — present
State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), Deputy Chairman (Chief Economist).

Okulov, Valery Mikhaylovich

Born in Kirov on April 22, 1952.

Education:
Civil Aviation Academy, Leningrad (1975).

Positions of primary employment in the last five years:

1997–2009
Joint Stock Company Aeroflot — Russian Airlines
General Director

2009 — present
Ministry of Transport of the Russian Federation, Deputy Minister

Kadochnikov, Pavel Anatolyevich

Born on March 28, 1978.

Education:
Moscow Institute of Physics and Technology (2001).

Positions of primary employment in the last five years:

2004 — present
Russian Academy of National Economy and Public Administration under the President of the Russian Federation, Advisor to the Rector
2007 — present
All-Russian Academy of Foreign Trade of the Ministry for Economic Development of Russia, Vice Rector
2008 — present
New Economic Education Foundation, Director

Pogosyan, Mikhail Aslanovich

Born in Moscow on April 18, 1956.

Education:
S. Ordzhonikidze Moscow Aviation Institute of the Order of Lenin (1979).

Doctor of Technical Sciences, Academician of the Russian Academy of Sciences.

Positions of primary employment in the last five years:

1998–2011
Joint Stock Company Aviation Holding Company Sukhoi,
General Director
2009–2011
Joint Stock Company Russian Aircraft Corporation MiG,
General Director — General Designer
2007–2011
Joint Stock Company United Aircraft Corporation,
First Vice President for Program Coordination and Combat Aircraft
2011–2015
Joint Stock Company United Aircraft Corporation President, Chairman of the Management Board

Slyusar, Yury Borisovich

Born in Rostov-on-Don on July 20, 1974.

Education:
Lomonosov Moscow State University (1996).

Candidate of Economic Sciences.

Positions of primary employment in the last five years:

2003–2008
Joint Stock Company Rosvertol, Commercial Director;
Joint Stock Company UIC Oboronprom, Head of the Helicopter Programs Committee
2009– Jan 16, 2015
Ministry of Industry and Trade of the Russian Federation,
Assistant Minister; Director of the Aviation Industry Department; Deputy Minister
2015 — present
Public Joint Stock Company United Aircraft Corporation
President, Chairman of the Management Board

Kharchenko, Ivan Nikolayevich

Born in Kirpilskaya village, Ust-Labinsk district, Krasnodar Territory, on May 9, 1967.

Education:
Krasnodar Higher Military Command Engineering School of Missile Forces (1989); Kuban State University (1999), Kuban State Agrarian University (2011).

Positions of primary employment in the last five years:

2009-2009
Federal Agency for the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Cooperation, Deputy Head
2009-2010
Limited Liability Company Versiya
Deputy chief editor of Nasha Versiya newspaper
2010-2012
Administration of the Krasnodar Territory, Advisor to the Head of Administration (Governor) of the Krasnodar Territory
2012 — present
Military-Industrial Commission under the Government of the Russian Federation (MIC), member of the MIC, Deputy Chairman of the MIC, First Deputy Chairman of the MIC, First Deputy Chairman of the MIC Board.

Chemezov, Sergey Viktorovich

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

Education:
Irkutsk Institute of National Economy (1975); Higher Courses of the Academy of the General Staff of the Armed Forces of the Russian Federation.

Doctor of Economic Sciences, full member of the Academy of Military Sciences, Head of the Department of Military-Technical Cooperation of the Research and Training Center for Defense Problems of the Academy of Military Sciences.

Positions of primary employment in the last five years:

2007 — present
State Corporation Rostec
General Director

During the reporting year, the members of the Board of Directors of PJSC UAC did not own shares in the company.

According to the available information, the members of the Board of Directors did not acquire or dispose of PJSC UAC shares during the reporting year.

Board of Directors — Activity Report for 2014

Throughout 2014, 22 meetings of the Board of Directors were held; four of them were physical meetings, where the most important issues of activity and development of PJSC UAC and its subsidiaries and associates were discussed, including:

- UAC development strategy for the period up to 2025;
- development and approval of the Company's long-term development program;
- review of the KPI system of UAC;
- determining UAC priorities for 2015;
- determining the UAC position in respect of the forming the sole executive bodies and electing members of the Boards of Directors of subsidiaries and associates;
- increasing labor productivity in the Company;
- making changes to the UAC organizational structure;
- establishing a single treasury of the Company, its subsidiaries and associates;
- determining the Company's position in regard to increasing the share capital of its subsidiaries and associates;
- outcome of the Company's procurement activities;
- making (approving) changes to the resolution on the additional issue of the Company's securities and the Company's prospectus;
- approval of related party transactions;
- approval of the report on the program of UAC innovative development.

Remuneration of Members of the Board of Directors

Resolution of the General Meeting of Shareholders dated July 16, 2014 approved the regulation on the procedure of remuneration payment to members of the Board of Directors and the Audit Commission of PJSC UAC (Minutes No. 20 dated July 21, 2014).

In accordance with the regulation, the remuneration size for members of the Company's Board of Directors is calculated by the Board of Directors' Nomination and Remuneration Committee for the period when such members of the Board of Directors performed their duties, in proportion to the time worked in the reporting period and shall be submitted to the approval of the Board of Directors.

The calculation and payment of remuneration shall not be made for the following categories of members of the Board of Directors:

•members of the Company's Board of Directors, in respect of whom there are limits or prohibitions to receive any payments from commercial organizations, provided by Russian laws;

•members of the Company's Board of Directors, who are employees of the Company, including to the Company's sole executive body.

The calculation and payment of remuneration shall not be made for members of the Company's Board of Directors, who did not take part in more than 50% of the Board of Directors meetings held during the reporting year.

The amount of remuneration paid to a member of the Company's Board of Directors is calculated by the following formula:

$S = (\frac{d \cdot n}{m})$, where

S — remuneration of a member of the Company's Board of Directors;
d — size of the base portion of remuneration (RUB 800,000);
n — number of meetings of the Board of Directors, which involved a member of the Board of Directors in 2013;
m — total number of meetings of the Board of Directors in 2013.

In addition to remuneration, the following surcharges shall be set:

- 30% of remuneration — for the performance of duties as the Chairman of the Company's Board of Directors;
- 20% of remuneration — for the performance of duties as the Chairman of a specialized committee of the Board of Directors;
- 10% of remuneration — for membership in a specialized committee of the Board of Directors.

In case a member of the Board of Directors performs a number of additional duties, surcharges are added together.

According to the resolution of the Annual General Meeting of Shareholders, RUB 6,436,924 were allocated for the remuneration of the Board of Directors' members in 2014. Until 2014, there was no remuneration for members of the Board of Directors.

Remuneration of Members of the PJSC UAC Board of Directors for 2013

Member of the Board of Directors	Amount of remuneration, RUB
Alyeshin, B.S.	960,000
Dmitriev, V.A.	1,040,000
Eliseev, I.V.	609,230.77
Lyamtsev, E.V.	664,615.38
Peskov, D.N.	320,000
Putilin, V.N.	664,615.38
Reus, A.G.	553,846.15
Solovyov, Yu.A.	664,615.38
Chemezov, S.V.	960,000
Total:	**6,436,924**

* Alyeshin B.S. didn't receive remuneration as he represents sole executive body of the federal state unitary enterprise and therefore according to Law on State and Municipal Unitary Enterprises cannot receive remuneration.

Board of Directors' Committees

The PJSC UAC Board of Directors formed the Strategy Committee, Audit Committee, Nomination and Remuneration Committee, and the Budget Committee. Activity of the committees is governed by the relevant provisions:

- regulation on the committees, initially approved by the Board of Directors on December 12, 2006 (Minutes No. 1);
- regulation on the Strategy Committee approved by the Board of Directors as amended on August 10, 2011 (Minutes No. 54);
- regulation on the Budget Committee approved by the Board of Directors on July 29, 2013 (Minutes No. 87);
- regulation on the Board of Directors' Audit Committee approved by the Board of Directors as amended on April 22, 2014 (Minutes No. 95).

The composition of the Board of Directors' committees changed during the year:

- from January 1, 2014 to June 30, 2014, the Board of Directors' committees acted as elected at the meeting of the Board of Directors on July 28, 2013 (Minutes No. 87);
- from April 22 to June 30, 2014, the Board of Directors' Audit Committee acted as elected at the meeting of the Board of Directors on April 22, 2014 (Minutes No. 95);
- from August 28 to December 31, 2014, the Board of Directors' committees acted as elected at the meeting of the Board of Directors on August 28, 2014 (Minutes No. 103).

Composition of the Board of Directors' Committees

Name of Committee	From January 1 to April 22, 2014	From April 22 to June 30, 2014	From August 28 to December 31, 2014	Number of meetings in 2014
Strategy Committee	Chairman: Alyeshin, B.S. Members: Borisov, Yu.I., Klepach, A.N., Pogosyan, M.A., Slyusar, Yu.B., Chemezov, S.V.	Chairman: Alyeshin, B.S. Members: Borisov, Yu.I., Klepach, A.N., Pogosyan, M.A., Slyusar, Yu.B., Chemezov, S.V.	Chairman: Alyeshin, B.S. Members: Borisov, Yu.I., Klepach, A.N., Pogosyan, M.A., Slyusar, Yu.B., Chemezov, S.V.	3
Audit Committee	Chairman: Peskov, D.N. Members: Ivanov, A.Yu., Borisov, Yu.I.	Chairman: Peskov, D.N. Members: Ananishnev V.V., Borisov B.I., Ivanov, A.Yu., representative of Vnesheconombank (by agreement).	Chairman: Kadochnikov, P.A. Members: Borisov, Yu.I., Lelekov A.A.	18
Nomination and Remuneration Committee	Chairman: Slyusar, Yu.B. Members: Okulov, V.M., Peskov, D.N., Kharchenko, I.N.	Chairman: Slyusar, Yu.B. Members: Okulov, V.M., Peskov, D.N., Kharchenko, I.N.	Chairman: Slyusar, Yu.B. Members: Okulov, V.M., Kharchenko, I.N.	6
Budget Committee	Chairman: Ivanov, A.Yu. Members: Klepach, A.N., Pogosyan, M.A., Slyusar, Yu.B.	Chairman: Ivanov, A.Yu. Members: Klepach, A.N., Pogosyan, M.A., Slyusar, Yu.B.	Chairman: Ivanov, A.Yu. Members: Klepach, A.N., Pogosyan, M.A., Slyusar, Yu.B.	4

During 2014, 31 meetings of the Board of Directors' specialized committees were held, 18 of which were meetings of the Audit Committee, 6 were meetings of the Nomination and Remuneration Committee, 3 were meetings of the Strategy Committee and 4 were meetings of the Budget Committee. In the reporting period, as part of their authorities, the PJSC UAC Board of Directors' committees considered matters to ensure informed and effective resolutions by the Company's Board of Directors, including those relating to the following issues:

- UAC development strategy for the period up to 2025 (phased review of draft document sections);
- performance of UAC budget for 2014 in H1;
- UAC KPI system;
- recommendations to the UAC Board of Directors regarding the sole executive bodies of subsidiaries and associates;
- related party transactions;
- UAC risk management policy;
- priorities areas of UAC activity in 2015;
- approval of a long-term development program of UAC.

Attendance figures for meetings of the Board of Directors and the Board of Directors' committees

Member of the Board of Directors	Election before June 30, 2014	Election after June 30, 2014	Board of Directors (22 meetings in 2014)	Audit Committee (18 meetings in 2014)	Budget Committee (4 meetings in 2014)	Strategy Committee (3 meetings in 2014)	Nomination and Remuneration Committee 6 meetings in 2014)
Alyeshin, Boris Sergeyevich	✓	✓	22 of 22			3 of 3	
Borisov, Yury Ivanovich	✓	✓	19 of 22	18 of 18		3 of 3	
Dmitriev, Vladimir Alexandrovich	✓	✓	22 of 22				
Ivanov, Andrey Yuryevich	✓	✓	16 of 22	2 of 11	4 of 4		
Kadochnikov, Pavel Anatolyevich		✓	12 of12	8 of 8			
Klepach, Andrey Nikolayevich	✓	✓	21 of22		0 of 4	3 of 3	
Okulov, Valery Mikhaylovich	✓	✓	20 of 22				3 of 4
Peskov, Dmitry Nikolayevich	✓		9 of 10	11 of 11			3 of 3
Pogosyan, Mikhail Aslanovich	✓	✓	22 of 22		4 of 4	3 of 3	
Slyusar, Yury Borisovich	✓	✓	22 of 22		4 of 4	3 of 3	4 of 4
Kharchenko, Ivan Nikolayevich	✓	✓	21 of 22				4 of 4
Chemezov, Sergey Viktorovich	✓	✓	21 of 22			3 of 3	

President

The President is the sole executive body.

In 2014, the President of UAC was Pogosyan, Mikhail Aslanovich. After the end of the reporting period, on January 16, 2015, the UAC Board of Directors decided to appoint Slyusar, Yury Borisovich the President of UAC for five years.

Slyusar, Yury Borisovich

PRESIDENT, CHAIRMAN OF THE UAC MANAGEMENT BOARD

Born in Rostov-on-Don on July 20, 1974.

Education:
Lomonosov Moscow State University (1996).

Candidate of Economic Sciences.

Positions of primary employment in the last five years:

2003–2008
Joint Stock Company Rosvertol, Commercial Director;
Joint Stock Company UIC Oboronprom, Head of the Helicopter Programs Committee
2009–2015
Ministry of Industry and Trade of the Russian Federation,
Assistant Minister; Director of the Aviation Industry Department; Deputy Minister
2015 — present
Public Joint Stock Company United Aircraft Corporation
President, Chairman of the Management Board

Pogosyan, Mikhail Aslanovich

PRESIDENT, CHAIRMAN OF THE UAC MANAGEMENT BOARD

Born in Moscow on April 18, 1956.

Education:
Ordzhonikidze Moscow Aviation Institute of the Order of Lenin (1979).

Doctor of Technical Sciences, Academician of the Russian Academy of Sciences.

Positions of primary employment in the last five years:

1998–2011
Joint Stock Company Aviation Holding Company Sukhoi,
General Director
2009–2011
Joint Stock Company Russian Aircraft Corporation MiG,
General Director — General Designer
2007–2011
Joint Stock Company United Aircraft Corporation,
First Vice President for Program Coordination and Combat Aircraft
2011–2015
Joint Stock Company United Aircraft Corporation
President, Chairman of the Management Board

Share in the share capital of PJSC UAC: 0%.
He did not own shares of the Company during the reporting year.
According to the information available to the Company, the sole executive body did not acquire or dispose of PJSC UAC shares during the reporting year.

Management Board

The Management Board of UAC, which acted in 2014, was formed on December 30, 2011 by resolution of the Board of Directors of PJSC UAC, in the number of 10 people, in the following composition:

Pogosyan, Mikhail Aslanovich

CHAIRMAN OF THE MANAGEMENT BOARD

Born in Moscow on April 18, 1956.

Education:
Ordzhonikidze Moscow Aviation Institute of the Order of Lenin (1979).

Doctor of Technical Sciences, Academician of the Russian Academy of Sciences.

Positions of primary employment in the last five years:

1998–2011
Joint Stock Company Aviation Holding Company Sukhoi, General Director
2009–2011
Joint Stock Company Russian Aircraft Corporation MiG,
General Director — General Designer
2007–2011
Joint Stock Company United Aircraft Corporation,
First Vice President for Program Coordination and Combat Aircraft
2011–2015
Joint Stock Company United Aircraft Corporation
President, Chairman of the Management Board

Demchenko, Oleg Fyodorovich

Born in Presnovka, North Kazakhstan Region, Kazakh SSR, on October 13, 1944.

Education:
Korolev Kuibyshev Aviation Institute (1968);
Academy of National Economy under the Government of the Russian Federation (1987).

Positions of primary employment in the last five years:

2003 — present
Joint Stock Company OKB named after A.S. Yakovlev
General Director — General Designer
2005–2011
Joint Stock Company Scientific and Production Corporation Irkut, President, Chairman of the Management Board
2006–2014
Joint Stock Company United Aircraft Corporation
Vice President of the MS-21 project; Senior Vice President for Commercial Aviation; Senior Vice President
2012 — present
Joint Stock Company Scientific and Production Corporation Irkut, President, Chairman of the Management Board

Vuchkovich, Alla Alexandrovna

Born in Moscow on March 17, 1959.

Education:
Moscow State Institute of International Relations, Faculty of International Economic Relations (1981); Post-graduate program of the Moscow Aviation Institute (National Research University) (2011).

Candidate of Economic Sciences.

Positions of primary employment in the last five years:

2007–2014
Joint Stock Company United Aircraft Corporation
Director of the Personnel Management Department; Vice President for Human Resources
2014–2015
Joint Stock Company United Rocket and Space Corporation, member of the Management Board

Komm, Leonid Naftolyevich

Born in Uman, Cherkasy Region (Ukraine), on October 16, 1947.

Education:
Leningrad Polytechnic Institute (1970).

Positions of primary employment in the last five years:

2007–2015
Joint Stock Company United Aircraft Corporation
Director of the Department of Program Management and Development; Vice President for Program and Development Management; Vice President for Programs and Innovations

Lyagushkin, Alexander Viktorovich

Born in Moscow on August 8, 1963

Education:
Moscow Aviation Institute (1986).

Positions of primary employment in the last five years:

2005–2008
Moscow representative office of Dassault Systèmes Russia Corp.
Manager of Technical Services
2008–2014
Joint Stock Company United Aircraft Corporation
Program Director; Director of the Directorate of Civil Aircraft Programs
2014 — present
JSC United Rocket and Space Corporation
Director of the Department of Staff Training and Development

Mikhaylov, Vladimir Sergeyevich

Born in Kudinovo, Noginsk district, Moscow Region, on October 6, 1943.

Education:
Kudinovo Engineering College (1962); Yeisk Higher Military Aviation School (1966); Gagarin Air Force Academy, the Military Academy of the General Staff of the USSR (1975).

Full member (academician) of the Academy of Natural Sciences.

Positions of primary employment in the last five years:

2007 — present
Public Joint Stock Company United Aircraft Corporation
Director for the Execution of State Defense Order; Director of the Directorate of Military Aircraft Programs

Savitskikh, Nikolay Vladimirovich

Born in the Belgorod Region on April 5, 1960.

Education:
Rostov State University (1989); Federal Autonomous Educational Establishment for Higher Vocational Education "Southern Federal University"(2004).

Positions of primary employment in the last five years:

2007–2008
LLC Aviacor Samara Aviation Plant
Executive Director
2009–2011
LLC RPI
Director
2011–2014
Joint Stock Company United Aircraft Corporation
Director of the Directorate of Special Aircraft Programs
2014 — present
Joint Stock Company Tupolev
General Director,Director of Kazan Aviation Plant named after S.P.Gorbunov, JSC Tupolev branch.

Sergeev, Sergey Alekseyevich

Born in Moscow on June 24, 1957.

Education:
Ordzhonikidze Moscow Aviation Institute of the Order of Lenin (MAI) (1981).

Positions of primary employment in the last five years:

1998–2011
JSC Company Sukhoi
Deputy General Director for General Affairs, Targeted Programs, Military Aircraft, Pre-Contract Work — Director of the Representative Office of JSC Company Sukhoi in Beijing
2011–2014
Joint Stock Company United Aircraft Corporation
Director of the Directorate of Transport Aircraft Programs
2014–2015
JSC II,
General Director

Tulyakov, Alexander Vladimirovich

Born in Moscow on September 7, 1971.

Education:
Higher School of Economics and Business (2001); Institute of Economics and Finance "Synergy" (2003).

Positions of primary employment in the last five years:

2006–2008
JSC Russian Aircraft Corporation MiG,
Deputy General Director — General Designer for Property and Economic Complex
2008 — present
Public Joint Stock Company United Aircraft Corporation,
Director of the Property Management Department; Vice President for Administrative Affairs; Executive Vice President; First Vice President

Chirikov, Vladimir Lvovich

Born in Minsk on July 16, 1952.

Education: M
oscow Technological Institute of Light Industry (1974).

Candidate of Technical Sciences.

Positions of primary employment in the last five years:

2001–2011
JSC Corporation Irkut
Head of the Corporate Development Department; Vice President for Corporate Development and Management; Vice President for Corporate Economy; Senior Vice President — Executive Director
2011–2014
Joint Stock Company United Aircraft Corporation
Vice President for Economics and Finance

During the reporting year, the members of the PJSC UAC Management Board (except Savitskikh, N.V.) did not own shares of the Company.
During the reporting year, Savitskikh, N.V. owned ordinary registered shares of UAC, while his share in the share capital and percentage of the Company's ordinary shares belonging to him amounted to 0.0003%.
According to the available information, the members of the Management Board did not acquire or dispose of UAC shares during the reporting year.

Report on the work of the President and Management Board in 2014

During the reporting period, the attention of the UAC executive bodies was focused on the development of solutions contributing to the effective implementation of the strategy, establishment of a mechanism for the implementation of such resolutions and monitoring of their implementation, including in respect of subsidiaries and associates of UAC, which play a key role in the activities of the entire Corporation.

From January to December 2014, 29 meetings of the collegial executive body — the UAC Management Board — were held, where the Company's strategic development and operational issues that require resolutions of the Company's management bodies were considered.

The executive bodies of the Company prepared materials and recommendations for the Board of Directors on key issues submitted for its consideration, including the following suggestions:

- UAC development strategy for the period up to 2025;
- program to reduce production costs, focusing on the implementation and maintenance of quality management systems and lean manufacturing techniques;
- introduction of the flight safety management system in UAC and its subsidiaries and associates;
- concept of the UAC corporate treasury;
- preparation for the Annual General Meeting of Shareholders of UAC;
- approval of related party transactions.

Within its competence, the Management Board of UAC considered various issues relating to the activities of subsidiaries and associates, and made recommendations for the Board of Directors of UAC to take the necessary resolutions.

Remuneration of Management Board members

Remuneration of the President of UAC in the reporting period was carried out in accordance with the employment contract approved by the Board of Directors. Management Board members are paid a monthly salary.

In 2014, the total remuneration paid to the members of the UAC Management Board was RUB 2,661,215. The members of the Management Board and the Company's President did not receive bonuses in 2014.

Information on the remuneration of Management Board members in 2012–2014

Indicator	UoM	2012	2013	2014
Salary	RUB	2,676,357	2,671,589	2,661,215

In the period until December 31, 2014, by resolution of the Board of Directors, following the approval by the Annual General Meeting of the Company's annual reports and annual accounting statements, including profit and loss statements, Management Board members could be paid a bonus on the results of the year.

The criteria for the evaluation of a Management Board member were:

- fulfillment of the Corporation's planning and economic indicators;
- fulfillment of the Corporation's production programs;
- quality and timely implementation of the Corporation's Board of Directors resolutions.

According to the results of the Company's operation for the year, the President could be paid monetary compensation (non-guaranteed bonus) by resolution of the Company's Board of Directors. The criteria for evaluating the President's work by the Board of Directors and the payment of bonuses for the year were in accordance with the approved plans of the Company, sales profit, revenue, net income, in accordance with the approved plans of the Company.

Since January 1, 2015, the Company has a new KPI system:
The structure and list of target indicators (financial and economic, industrial, innovation) of UAC is determined in accordance with the UAC development strategy for the period up to 2025 (approved by the UAC Board of Directors on October 23, 2014) and the long-term development program of UAC for the period up to 2025 (approved by the UAC Board of Directors on December 8, 2014).

Internal Control System

The Regulation on the internal control system of financial and economic activity of PJSC UAC has been approved by the Board of Directors (Minutes No. 58 dated October 26, 2011).

The internal control system is based on the interaction and delimitation of competences of its member entities (bodies and individuals) engaged in the development, approval, implementation and evaluation of internal control procedures effectiveness.

Participants in the internal control system of PJSC UAC:

- Shareholders;
- Board of Directors;
- President;
- Management Board;
- Audit Commission;
- Board of Directors' Audit Committee;
- Internal Audit Department;
- Vice Presidents, chief accountant, deputy chief accountants, managers of units and other employees.

Each of the participants in the internal control system monitors the assigned areas of PJSC UAC.

The main purpose of the internal control system is to protect the interests of shareholders and the security of PJSC UAC assets.

The internal control system is designed to ensure:

- effectiveness and efficiency of financial and economic activity;
- timely detection, analysis and risk management in the course of the Company's activity and reduction of negative impacts to an acceptable level;
- completeness, accuracy, timely preparation and submission of financial, accounting, statistical, administrative and other documents of the Company;
- implementation of financial and economic plans of PJSC UAC;
- security of PJSC UAC assets;
- economical and efficient use of PJSC UAC resources;
- complying with Russian laws and internal documents of PJSC UAC relating to financial and economic activity.

The main ways to achieve the objectives of the internal control system:

- controlling the main areas of the Company's financial and economic activity, analysis of results of such activity;
- monitoring the reliability of financial reporting in PJSC UAC and the procedures of its preparation, as well as compliance with the accounting requirements in PJSC UAC;
- monitoring the compliance of the terms of contracts concluded by PJSC UAC with the approved strategy and financial and economic plans of PJSC UAC;
- establishing and ensuring efficient internal control procedures;
- monitoring compliance with financial discipline in PJSC UAC and the implementation of resolutions of management bodies;
- monitoring of risks and participation in the development of preventive measures to mitigate them and their impact on the financial and economic activity of PJSC UAC.

In order to implement internal control in PJSC UAC, the following procedures are being implemented:

- distribution and delegation of key authorities and responsibilities in PJSC UAC, ensuring effective interaction between units and employees of PJSC UAC;
- organization of a data collection, processing and information transmission system, including formation of reports and messages containing operational, financial and other information about the activity of PJSC UAC, as well as the establishment of effective channels and means of communication providing vertical and horizontal communication within PJSC UAC;
- communicating responsibilities in the field of internal control to all employees of PJSC UAC;
- establishing effective communication of PJSC UAC with third parties;
- definition of criteria and evaluation of the operation efficiency of structural units, officials and other employees of PJSC UAC;
- checking the security of assets;
- approval and implementation of operations by only those persons who are endowed with relevant powers;
- proper documentation of internal control procedures;
- splitting the key responsibilities among employees of PJSC UAC (including responsibilities for coordination and approval of operations, operations accounting, issuance, storage and preparation of resources, analysis and verification of operations);
- delimitation of access for members of the management and control bodies of PJSC UAC, as well as other employees of PJSC UAC to certain resources and information, establishing liability for unauthorized access;
- development and implementation of measures aimed at improving the efficiency of the internal control system of PJSC UAC;
- testing the internal control system in the course of the Company's operation, followed by evaluation of the system effectiveness.

Audit Commission

Audit Commission is the body supervising the financial and economic activity of the Company; five members are elected to serve until the next Annual General Meeting of Shareholders. Regulation on the remuneration of members of the UAC Board of Directors and the Audit Commission was approved by resolution of the General Meeting of Shareholders dated July 16, 2014 (Minutes No. 20 dated July 21, 2014).

From January 1, 2014 and prior to the Annual General Meeting of Shareholders following the results of 2013 fiscal year on June 30, 2014, the UAC Audit Commission acted as elected at the Annual General Meeting of Shareholders on June 28, 2013:

- Voronkova, Anna Leonidovna
- Golets, Alexander Petrovich
- Maksimenko, Vladimir Mikhaylovich
- Musina, Zemfira Ramilevna
- Panina, Anna Grigoryevna

By resolution of the Annual General Meeting of Shareholders following the results of 2013 fiscal year dated June 30, 2014, the UAC Audit Commission elected the following members:

- Akparova, Anna Valeryevna — when elected, was Deputy Director of a department at JSC Bank of Moscow; currently she is Assistant Deputy Prime Minister — Plenipotentiary Representative of the President in the Far Eastern Federal District;
- Voronkova, Anna Leonidovna — Deputy Head of the Federal Agency for State Property Management;
- Musina, Zemfira Ramilevna — Deputy Head of the Strategic Development and Corporate Governance Division of the Aviation Industry Department of the Ministry of Industry and Trade of Russia;
- Poma, Sergey Ivanovich — Deputy Chairman of the Management Board of Self-Regulating (Nonprofit) Organization National Association of Securities Market Participants (NAUFOR);
- Skobarev, Vladimir Yulianovich — General Director of LLC Moore Stephens Rus.

Remuneration to members of the Audit Commission

The Resolution of the General Meeting of Shareholders dated July 16, 2014 approved the regulation on the procedure of remuneration payment to members of the Board of Directors and the Audit Commission of PJSC UAC (Minutes No. 20 dated July 21, 2014).

The remuneration for members of the Company's Audit Commission is calculated by the Board of Directors' Nomination and Remuneration Committee for the period when such members of the Audit Commission performed their duties, in proportion to the time worked in the reporting period and shall be submitted to the approval of the Board of Directors. Remuneration is not calculated and paid to those members of the Company's Audit Commission, in respect of whom there are limits or prohibitions to receive any payments from commercial organizations, provided by Russian laws.

According to the resolutions of the Annual General Meeting of Shareholders, remuneration to the members of the Audit Commission was not paid in 2014. Until 2014, members of the Audit Commission did not receive remuneration.

Internal Audit Department

The Internal Audit Department was established to assist UAC's Board of Directors and executive bodies in enhancing management efficiency at the Corporation, improving its financial and business operations through systematic and consecutive approach to internal control system analysis and assessment and risk management, and also corporate governance, seen as instruments to provide reasonable assurance in meeting objectives by the Corporation.

Within the framework of its competence, the Audit Department is responsible for the following tasks:

- conducting internal audits of financial and economic activities, coordinating the implementation of external audits of UAC;
- audits of financial and economic activity and checks of management bodies' resolutions on the financial and economic activity of subsidiaries and associates;
- analysis of the internal system for control of financial and economic activity and the risk management system and making recommendations for their improvement;
- providing advice on financial and economic activity, risk management and audits.

External Audit

The auditor of UAC shall audit the financial and economic activity of the Corporation. The RAS auditor is appointed by the General Meeting of Shareholders; its remuneration size is determined by the Board of Directors. In 2014, audits were conducted by HLB Vneshaudit CJSC, including the audit of:

- consolidated financial statements of JSC UAC and its subsidiaries for 2014, prepared in accordance with the International Financial Reporting Standards (IFRS);
- accounting (financial) statements of JSC UAC for 2014, prepared in accordance with the Russian Accounting Standards.

In 2014, the cost of the Corporation's auditor (HLB Vneshaudit CJSC) services was RUB 24,426 thousand for the IFRS audit, as well as RUB 1,298 thousand for the RAS audit.

Auditors' remuneration, RUB

Year	Auditor	Amount of remuneration, RUB
		IFRS
2014	HLB Vneshaudit CJSC	24,426,000 (VAT included)
	ZAO KPMG	4,791,142 (VAT included — cost reimbursement related to contract termination)
2013	ZAO KPMG	44,391,600 (VAT included)
2012	ZAO KPMG	45,736,000 (VAT included)
		RAS
2014	HLB Vneshaudit CJSC	1,298,000
2013	HLB Vneshaudit CJSC	1,298,000
2012	HLB Vneshaudit CJSC	1,256,700

Assessment of the Quality of Corporate Governance

PJSC UAC has conducted self-assessment of the corporate governance quality in accordance with the methodology approved for state-owned companies by Order of the Federal Agency for State Property Management No. 306 dated August 22, 2014.

Information on the PJSC UAC Board of Directors' activity, including on the individual work of the Board of Directors' members is submitted to the Federal Agency for State Property Management. Evaluation of the Board of Directors members' activity is made by the Federal Agency for State Property Management via the Interagency Portal for State Property Management (IA portal). The IA portal is designed to provide interoperability between the Federal Agency for State Property Management, federal executive authorities, representatives of the interests of the Russian Federation in the management bodies of joint stock companies concerning the issues of managing the state property referred to the competence of the Federal Agency for State Property Management.

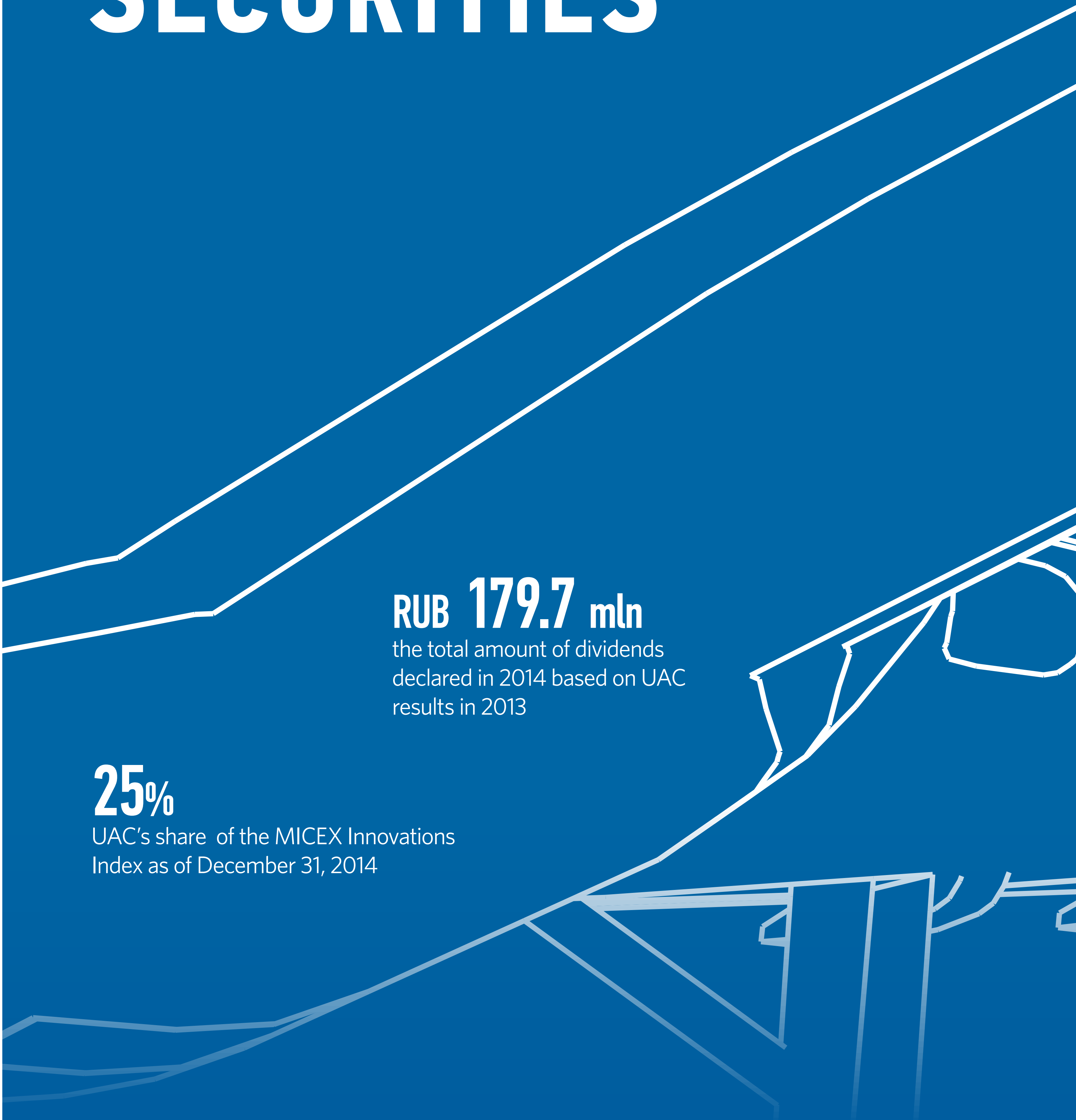
Report on compliance with the principles and recommendations of the Corporate Governance Code is contained in Supplement No. 3.

The work is underway to bring the internal documents into conformity with the principles recommended by the Corporate Governance Code.

Significant Transactions Performed in 2014

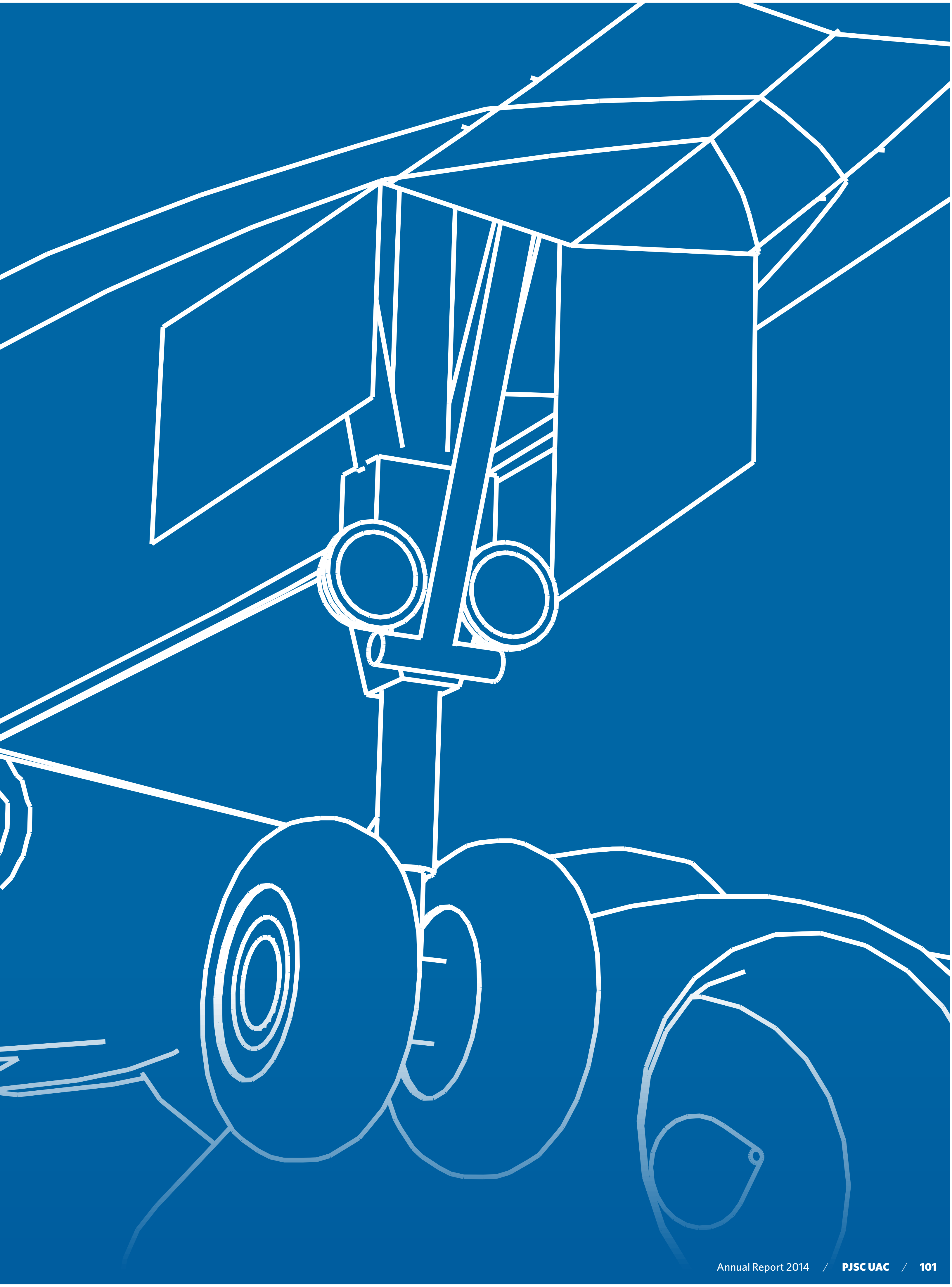
In 2014 PJSC UAC was not involved in any significant transactions.

SECURITIES



RUB 179.7 mln
the total amount of dividends declared in 2014 based on UAC results in 2013

25%
UAC's share of the MICEX Innovations Index as of December 31, 2014



Share Capital

As of December 31, 2014 the share capital of PJSC UAC amounted to 219,654,789,158 shares with a nominal value of RUB 0.86 each. The total number of allocated shares of PJSC UAC amounts to 233,975,842,153 shares with a nominal value of RUB 0.86 each (including 14,321,052,995 allocated additional shares within unfinished issue of securities), of which 199,557,161,902 ordinary registered shares are owned by the Russian Federation in the name of the Federal Agency for State Property Management, which amounts to 85.3% of the total number of allocated ordinary shares of PJSC UAC, Vnesheconombank holds 20,000,000,000 shares (8.5% of the share capital), private shareholders hold 14,418,680,251 ordinary shares of PJSC UAC or 6.2% of the total number of allocated ordinary shares.

On the date of establishment, the share capital of PJSC UAC amounted to RUB 96,724,000,000 and consisted of 96,724,000,000 ordinary shares with a nominal value of 1 ruble each (State Registration No. 1-01-55306-E). Within 2007–2014 inclusively, PJSC UAC arranged for several additional share issues to raise state funding.

PJSC UAC has placed no privileged shares. The Russian Federation has no special rights to manage the Company (no "golden share").

On August 29, 2013, PJSC UAC had its tenth additional issue of ordinary shares registered. 33,000,000,000 securities with a nominal value of RUB 0.86 were offered for open subscription. 4,881,866,951 additional shares were placed in 2013, including 4,881,860,463 shares worth 4,198,399,998.18 in favour of the Russian Federation Government. In 2014 as part of open subscription 9,439,186,044 shares worth RUB 8,117,699,997.84 were placed in favour of the Russian Federation. The funds attracted were added to the share capital of PJSC UAC with a view to implementing the Federal Target Program "Russian Military-Industrial Complex Development until 2020" for 2014.

The total number of allocated additional shares of PJSC UAC as part of the current share issue for 2013–2014 is 14,321,052,995 shares worth RUB 12,316,105,575.7.

After the reporting date, April 15, 2015, allocation of additional shares of PJSC UAC is completed: the total number of additional shares is 16,208,959,970 shares with a nominal value of RUB 0.86 each.

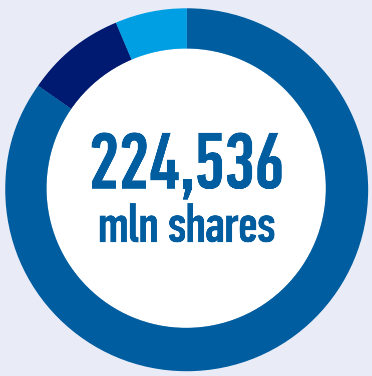
Besides, after the reporting date the Government of the Russian Federation, being the main shareholder of PJSC UAC, adopted a resolution to increase the share capital of PJSC UAC by RUB 100 bln through the transfer of the federal loan bonds with a view of restructuring the indebtedness of the subsidiary of CJSC Sukhoi Civil Aircraft. This amount is included in the Russian Federation budget for 2015.

On April 17, 2015 the Board of Directors of PJSC UAC adopted a resolution to discuss at the General Meeting of Shareholders of PJSC UAC increasing the share capital of PJSC UAC by 150,000,000,000 ordinary shares with a nominal value of RUB 0.86 each.

Share Capital Structure as of December 31, 2014

	%	shares
Federal Agency for State Property Management	85.30 %	199,557,161,902
Vnesheconombank	8.55 %	20,000,000,000
Private shareholders	6.16 %	14,418,680,251

Share Capital Structure as of December 31, 2013



	%	shares
Federal Agency for State Property Management	84.67 %	190,117,975,858
Vnesheconombank	8.91 %	20,000,000,000
Private shareholders	6.42 %	14,418,673,763

PJSC UAC Issues

Placement of shares/Issue Report state registration date	Issue value, RUB	Issue, number of shares	Share capital, RUB	Shares of the RF Government and VEB, %
18.10.2007 Original issue	96,724,000,000.00	96,724,000,000	96,724,000,000.00	RF Government — 90.1266
20.03.2008 Issue (001D)	8,906,331,348.00	8,246,603,100	104,970,603,100.00	RF Government — 90.9022
18.09.2008 Issue (002D)	5,999,999,999.69	5,309,734,513	110,280,337,613.00	RF Government — 91.3403
18.08.2009 Issue (003D)	6,300,000,000.00	6,000,000,000	116,280,337,613.00	RF Government — 91.7871
19.11.2009 Issue (004D)	16,091,271,516.60	15,325,020,492	131,605,358,105.00	RF Government — 89.0442
13.05.2010 Issue (005D)	45,150,000,000.00	43,000,000,000	174,605,358,105.00	RF Government — 80.2879 VEB — 11.4544
14.12.2010 Issue (006D)	14,027,554,493.00	14,027,554,493	188,632,912,598.00	RF Government — 81.7537 VEB — 10.6026
28.06.2011 Issue (007D)	13,293,049,800.00	13,293,049,800	201,925,962,398.00	RF Government — 82.9548 VEB — 9.9046
28.12.2011 Issue (008D)	2,698,013,701.00	2,698,013,701	204,623,976,099.00	RF Government — 83.1796 VEB — 9.7740
07.08.2012 Issue (009D)	15,030,813,059.00	15,030,813,059	219,654,789,158.00	RF Government — 84.3306 VEB — 9.1052
21.05.2013 Conversion issue	188,903,118,675.88	219,654,789,158	188,903,118,675.88	RF Government — 84.3306 VEB — 9.1052

Shares on Stock Exchanges
PJSC UAC shares are traded on Moscow Exchange under the UNAC ticker.

On September 17, 2013, the shares of PJSC UAC were granted access to Moscow Exchange and included in the List of Non-Listed Stock of CJSC MICEX Stock Exchange.

On January 30, 2014 the ordinary shares of PJSC UAC were included in Quotation List "B" of the Moscow Exchange, which increased the requirements for disclosure of information by the Corporation, the level of its corporate management and facilitated the rise of attention of the investors.

On April 17, 2014, CJSC MICEX Stock Exchange put the ordinary shares of PJSC UAC in the Innovations and Investments Market (IIM) sector, which is a stock market for attracting investment to the Russian innovation companies.

Inclusion in the IIM sector provided the PJSC UAC share investors with the possibility of using state support for applying the 0% rate of the income tax (in case of holding the securities for over 5 years). Besides, inclusion of the Corporation's securities in the IIM sector allows receiving of the all-round marketing and informational-analytical support from Moscow Exchange, including:

- regular investment-analytical reviewing of the PJSC UAC shares in the Moscow Exchange monthly review of the IIM sector (published on the Moscow Exchange site and sent out to the targeted audience);
- PJSC UAC own web-page on the Moscow Exchange site (http://moex.com/ru/emitents.aspx?firm=UNAC) for publication of reports and presentations of the Corporation;
- support of the PJSC UAC share trade by provision of market maker services at the expense of CJSC MICEX Stock Exchange.

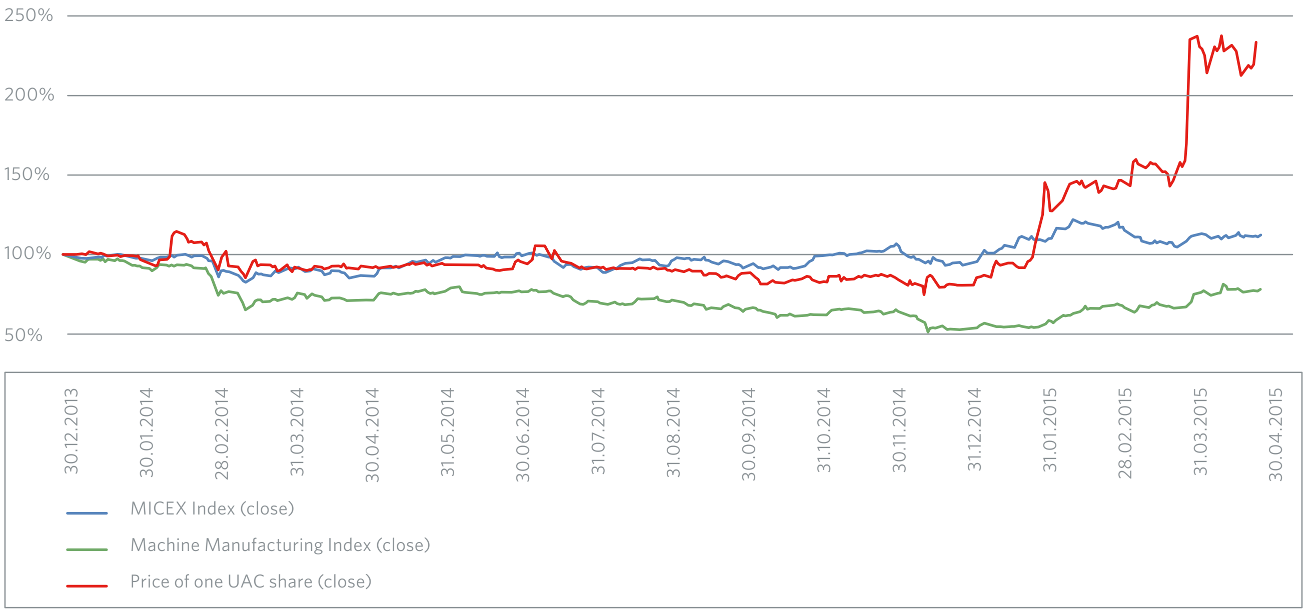
As part of the Moscow Exchange listing reform, on June 9, 2014 the ordinary shares of PJSC UAC were transferred from the Quotation List "B" to the List of Second Level Listing of the Moscow Exchange.

On June 16, 2014 the shares of PJSC UAC were included in the liquidity increase program of the IIM Moscow Exchange sector. A 3 months' long marketing program was performed to increase the liquidity of the IIM sector securities. CJSC Finam was in charge of the operations for the increase of the PJSC UAC shares liquidity within the program.

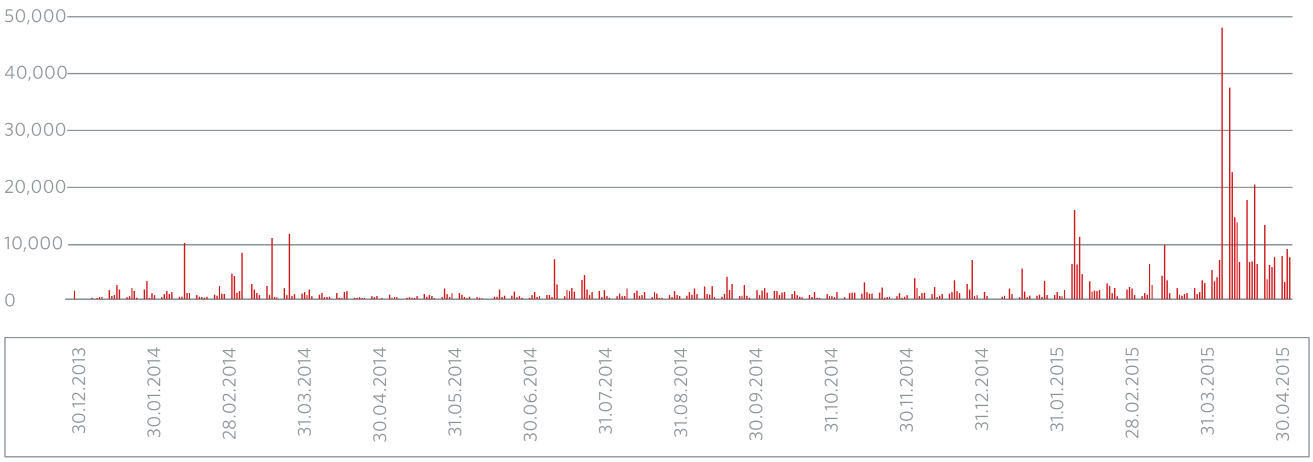
In accordance with the resolution of the Moscow Exchange, as of December 31, 2014 the shares of PJSC UAC are included in the basis for the calculation of four Indices:

Index	PJSC UAC share percentage
MICEX-innovations Index	25%
Manufacturing Index	12.4%
Second-Tier Index	1.49%
Broad Market Index	0.02%

Data on PJSC UAC share trade on the Moscow Exchange



PJSC UAC share trade volume, RUB mln



Source: Moscow Exchange official website and export.rbc.ru

Analyst coverage

As of the end of the reporting year the analyst coverage of PJSC UAC was performed by the representatives of the leading companies and banks, such as IFC Metropol, Gazprombank, Finam, Arsagera MC, IC Region, Raiffeisenbank, IC Russ-Invest, BCS. Information on the analysts and contact details is provided on the corporate site at http://www.uacrussia.ru/en/investors/analyst_coverage/.

Dividend Policy

On February 26, 2013, the Board of Directors approved the Dividend Policy of PJSC UAC (Minutes No. 79 dated February 28, 2013). The Dividend Policy is aimed at:

- Creating necessary conditions for raising the investment attractiveness and capitalization.
- Creating extra value for the shareholders by paying dividends and raising capitalization.
- Balancing the interests of PJSC UAC and its shareholders when distributing net profit.

The source of dividends is net profit, calculated on the basis of the accounting statements for the corresponding reporting period, specified in accordance with the Russian Federation laws (Russian Accounting Standards, RAS).

When determining the dividend amount PJSC UAC takes into account the interests of the shareholders and the Company's needs, its obligations regarding payments to the reserve and other compulsory funds, formed in accordance with the applicable Russian laws, and determines the optimal distribution of net profit between the shareholders and the Company.

On June 30, 2014 the annual General Meeting of Shareholders adopted a resolution to pay dividends against the Company's shares in the amount of RUB 0.0007793 per share (first dividend payment for last 5 years). The total amount of declared dividends amounts to RUB 179.7 mln, which is 25.6% of the net profit according to RAS.

As of December 31, 2014 the dividends for 2013 in the amount of RUB 178.3 mln, are paid out. The reason for incomplete payment of dividends is incorrect bank details of some of the shareholders.

Bonds

In 2011 PJSC UAC issued 46,280,000 interest-bearing inconvertible bonds with a nominal value of RUB 1,000 each with a maturity period of 3,290 days with a coupon of 8% per annum (state registration date — February 22, 2011, State Registration No. 4-01-55306-E). Observance of obligations with respect to payment of the nominal value of bonds upon redemption thereof on the 3,290th day from the date of placement is secured by the state guarantee of the Russian Federation.

In 2014 the Company made regular payments against the coupons (on March 11, 2014 against the sixth coupon and on September 09, 2014 against the seventh coupon), and PJSC UAC received subsidies from the federal budget for compensation of expenses on payment of these coupon incomes.

PJSC UAC bonds are traded on the Moscow Stock Exchange from March 18, 2011 in the List of Third Level Listing. Securities ISIN-code — RU000A0JRA65.

Disclosure and Investor Relations

The Corporation strives to continuously increase the transparency of operations, developing corporate procedures and methods of working with investment community in accordance with the leading Russian and international practices. PJSC UAC maintains cooperation with the shareholders, works on expanding the analytical coverage, enhances the completeness and frequency of disclosure with the purpose of more complete and immediate provision of information on its activities.

PJSC UAC seeks to comply not only with the law requirements, but with the best practices of disclosure, providing additional information to investors and other interested audiences. Interaction of PJSC UAC with investment community is governed by the following documents:

- Information Policy of PJSC UAC, approved by the resolution of the Board of Directors (Minutes No. 79 dated February 26, 2013), determining the main principles and methods of the information disclosed by PJSC UAC, consolidated list of information for disclosure.

- Regulations on Interaction among PJSC UAC Business Units in Information Disclosure, approved by Order of the PJSC UAC President No. 09 of January 24, 2013 and regulating disclosure of PJSC UAC's information in accordance with the requirements of the laws and regulatory documents of market operators, including disclosure which might influence the Corporation's share price.

- PJSC UAC Policy of Interaction with Investment Community, approved by the President of PJSC UAC Order No. 230 of December 6, 2013, which among other things determines:

- the principles, priorities, standards and methods of the Company's interaction with the investment community, the list of PJSC UAC performance indicators of substantial significance to the investors and other information as part of voluntary disclosure, which the Corporation plans to publish regularly;

- coordination procedure for structural subdivisions of PJSC UAC as part of preparation of necessary information for voluntary disclosure to investment community;

- persons responsible for communications with investors.

An IR department of PJSC UAC is responsible for ongoing work with the investment community, including current and potential shareholders, analysts, independent brokers and other audiences. PJSC UAC publishes press releases for investors and analysts in Russian and English, including press releases on unconsolidated results in compliance with RAS and consolidated results in compliance with IFRS.

Conference calls with participation of the management are held regularly for representatives of the investment community against the results of the issued consolidated statements, prepared in compliance with IFRS.

As part of the IIM sector of the Moscow Stock Exchange monthly analytical coverage of the PJSC UAC shares has been launched, which is performed by the recognized representatives of investment and banking business through the intermediary of the Moscow Exchange.

A program of participation of the Corporation's representatives in investment conferences is implemented. In particular, on June 3, 2014 the representatives of PJSC UAC participated in the SmallCap Investment Forum, a forum for small and mid-cap companies, organized by Cbonds-Congress with the assistance of the Moscow Exchange in Moscow.

A section of the PJSC UAC corporate web-site for investors may be found at http://www.uacrussia.ru/en/investors/, where detailed information on securities and other aspects of activities which may be of interest to the investment community is provided. This section is continuously developed: thus, in 2014 an investor's calendar was added to the site.

At the same time the Corporation expands its presence in social networks. In particular, a corporate account was launched within the reporting period in Closir — an international online platform for communication of the issuers and investors. Also, in 2014 an IR-account in English was opened in a social network of Twitter (UAC_IR).

PJSC UAC published special versions of consolidated annual report of the Corporation for investors and analysts for 2011–2013. Annual reports for 2012–2013 were published both in Russian and in English for greater accessibility of international audiences. The annual report for 2013 complies with some standard elements of the GRI management reports on accounting in the area of sustainable growth, and is added in the GRI report base.

Section for investors on corporate website
http://www.uacrussia.ru/en/investors/

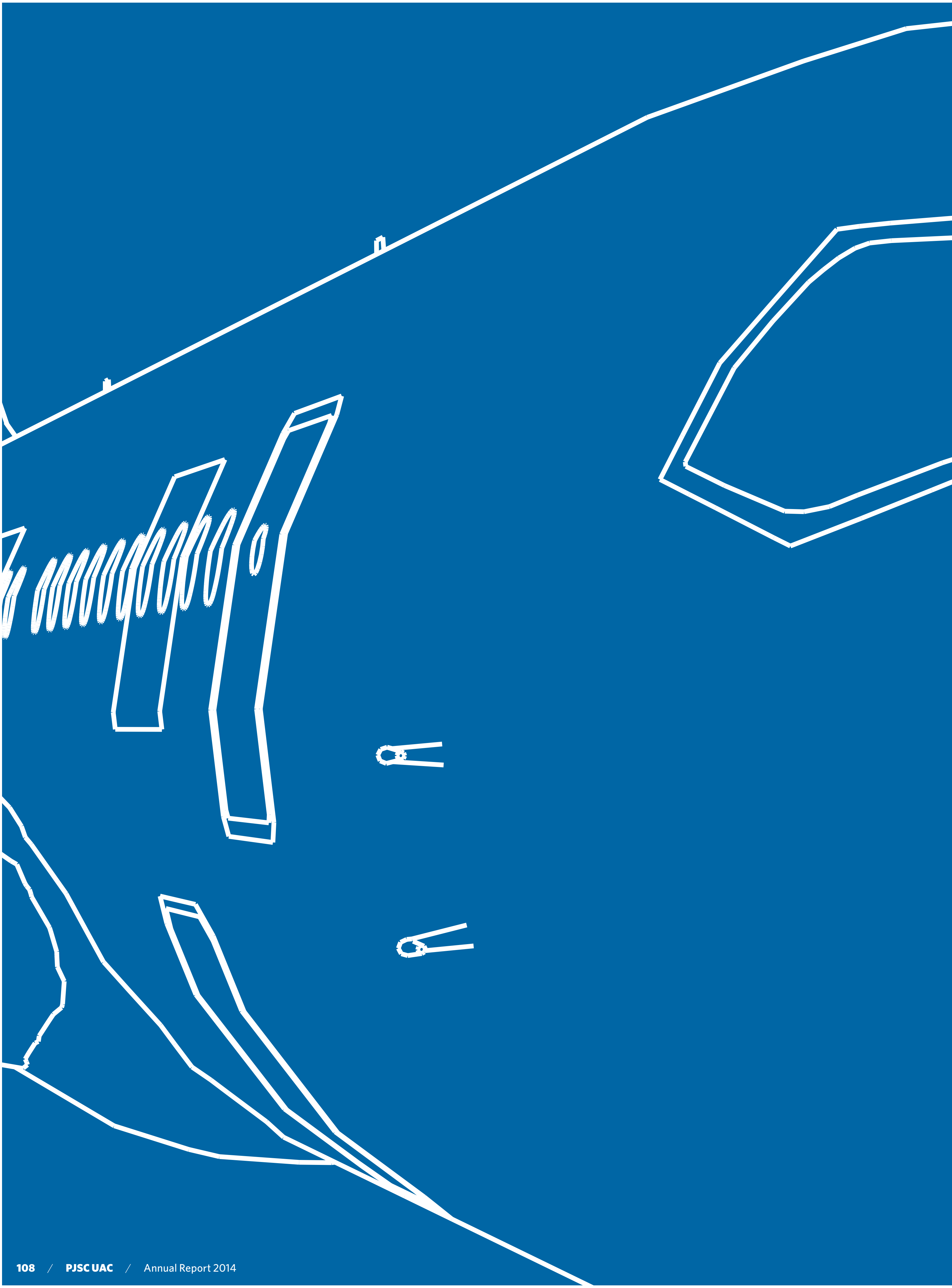
Investor's Calendar for 2015

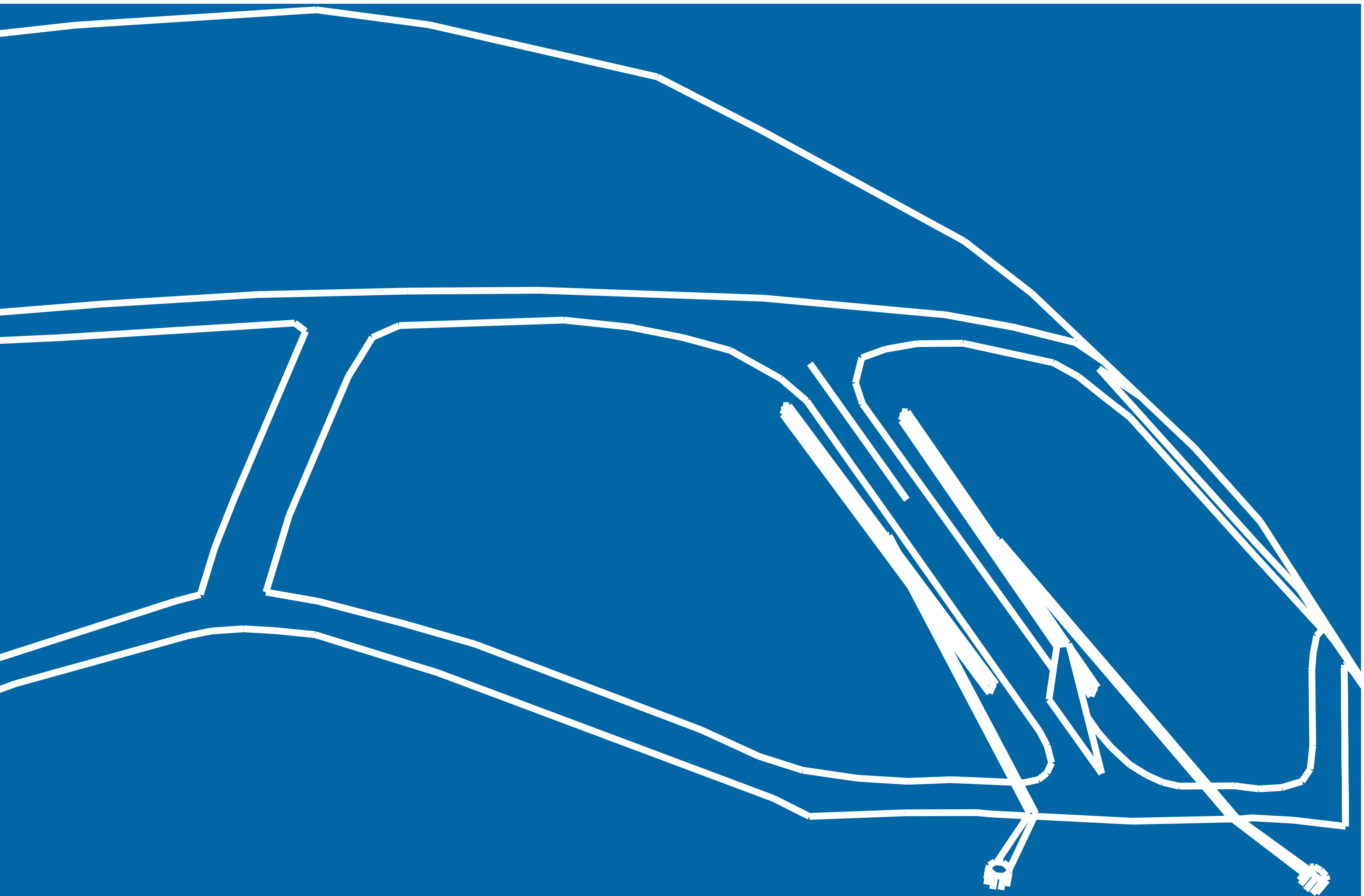
Type of event	Date and description
Annual General Meeting of Shareholders/Extraordinary General Meeting of Shareholders	February 25, 2015 Record date for the Extraordinary General Meeting of Shareholders
Russian Accounting Standards	April 02, 2015 Accounting in compliance with Russian Accounting Standards for 2014
Annual General Meeting of Shareholders/Extraordinary General Meeting of Shareholders	April 06, 2015 Extraordinary General Meeting of Shareholders
Annual General Meeting of Shareholders/Extraordinary General Meeting of Shareholders	April 16, 2015 Record date for the Extraordinary General Meeting of Shareholders
Conference-calls	April 16, 2015 Conference-calls on results of IFRS for 2014
IFRS	April 16, 2015 Consolidated accounting in compliance with IFRS for 2014
Russian Accounting Standards	May 14, 2015 Accounting in compliance with Russian Accounting Standards for 3 months of 2015
Annual General Meeting of Shareholders/Extraordinary General Meeting of Shareholders	May 19, 2015 Record date for the Annual General Meeting of Shareholders according to the results of 2014
Annual General Meeting of Shareholders/Extraordinary General Meeting of Shareholders	May 28, 2015 Extraordinary General Meeting of Shareholde
Annual General Meeting of Shareholders/Extraordinary General Meeting of Shareholders	June 30, 2015 Annual General Meeting of Shareholders according to the results of 2014
Russian Accounting Standards	August 13, 2015 Accounting in compliance with Russian Accounting Standards for 6 months of 2015
Conferences / meetings with investors	August 25, 2015 — August 28, 2015 One-on-one meetings with investors and analysts. MAKS. Zhukovsky. Moscow Region
IFRS	August 27, 2015 Consolidated accounting against IFRS for the first half year period of 2015
Conference-calls	August 27, 2015 Conference-call on results of IFRS for the first half year period of 2015
Russian Accounting Standards	November 16, 2015 Accounting in compliance with Russian Accounting Standards for 9 months of 2015

According to the results of Novaya Versta, the III annual contest of annual reports and company sites of the transport industry, PJSC UAC annual report for investors and analysts for 2012 was announced the winner in the category of "The best level of information disclosure in an annual report of a manufacturing company in the transport industry".

In 2014 PJSC UAC took part in the VII International Contest of IR cases, organized by Non-profit Partnership ARFI. According to decision of the jury consisting of 15 experts in the IR field, PJSC UAC's case "Establishment of the IR function at the stage of the Corporation's financial stabilization" was awarded the third medal place.

ABOUT THE CORPORATION
STATEMENT BY SENIOR MANAGEMENT
STRATEGY
OPERATIONAL RESULTS
FINANCIAL RESULTS
CORPORATE GOVERNANCE
SECURITIES
SUSTAINABLE DEVELOPMENT





SUSTAINABLE DEVELOPMENT

98,800 employees
UAC's total headcount
as of December 31, 2014

RUB 41,500
the average monthly salary in 2014

The Corporation is committed to complying with the principles of sustainable social development. Companies of the Corporation play an essential role in ensuring Russia's defensive capacity, developing the country's scientific and technical potential and supporting the national economy in general. They create jobs and play an active role in the life of local communities in their regions of operation.

The policy of the Corporation in the field of corporate social responsibility is aimed at the implementation of business development strategy while observing the interests of all parties concerned, including shareholders, employees, consumers, suppliers and citizens of the regions where the companies of the Corporation operate. For these purposes a number of programs and arrangements are implemented in the field of HR policy improvement, implementation of social projects, environmental protection and high ecological efficiency of production.

41%
the proportion of employees with higher education

HR Policy

The activities of the Corporation in the field of HR management are aimed at attracting and retaining qualified employees, the fulfillment of their professional potential, the increase of labor efficiency, the improvement of the quality of work life of employees, and the reinforcement of the Corporation's image as an attractive employer.

The Corporation's HR policy priorities include:

- implementation of the Corporation's business strategy through competent organization and efficient use of HR resources on the basis of the best Russian and international practices in the field of HR management;
- reinforcement of the Corporation's image among the existing and prospective employees: establishment of conditions for attracting and retaining qualified employees, development of new approaches to employee training, occupational guidance of high school and industry specific school students;
- development as a socially responsible employer — improvement of the quality of work life of employees, maximum possible retention of jobs in monotowns;
- management of job performance by creating a KPI-based incentive system, linking of salaries to job performance;
- gradual 'youthification' of the Corporation's staff — attraction and retention of employees below the age of 30, youth outreach.

The HR potential of the Corporation is expanded in two main directions:

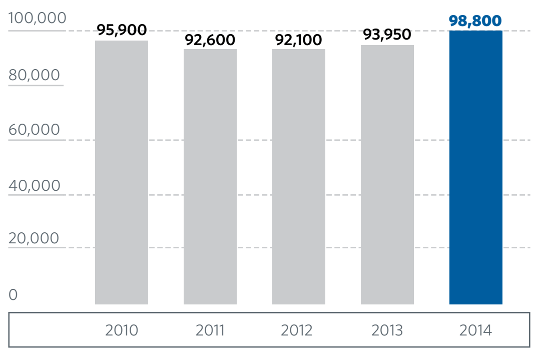
- creation of a comprehensive staff training and re-training system that ensures end-to-end management of HR resources on all stages of labor activities;
- creation of an efficient incentive system for key employee categories.

The staff composition of the Corporation showed positive trends in 2014. The headcount has increased by 5%, up to 98,800 employees, due to the extension of the production program of the companies. The headcount was mostly increased by hiring blue collar workers as well as engineering and technical specialists.

The share of employees aged over 40 amounts to 44.6% following the results of 2014. The Corporation managed to maintain a high share of young employees through active attraction and retention of young employees in the Corporation's companies, including sectoral and local occupational guidance arrangements, training programs, exchange programs, support of youth councils, reinforcement of social guarantees. The average age of the Corporation's employees has decreased from 44.8 in 2010 to 43.7 in 2014.

Forty-one percent of the employees have higher education as of the end of 2014. The share of employees with complete secondary and secondary vocational education amounts to 56%. There is an influx of graduates to the Corporation. At the same time mechanization and automation of production, implementation of digital equipment pose additional requirements for the improvement of employee qualification.

Headcount



Staff distribution by Federal Districts

	2010	2011	2012	2013	2014
Central Federal District	32,192	31,802	33,251	33,216	35,203
Southern Federal District	6,908	6,665	6,867	6,954	7,475
Volga Federal District	22,639	20,748	19,665	21,089	23,028
Siberian Federal District	19,236	18,805	18,208	18,618	18,791
Far Eastern Federal District	14,925	14,580	14,109	14,073	14,303

Staff age composition

Age	2010	2011	2012	2013	2014
Up to 30	24.5%	24.1%	23.3%	23.1%	23.7%
30–39	16.4%	17.5%	18.2%	19.3%	20.9%
40–49	17.4%	16.4%	15.5%	14.9%	14.6%
50–59	28.5%	28.3%	27.7%	26.8%	25.0%
60 and older	13.2%	13.7%	15.3%	15.9%	15.8%

Staff education

	2010	2011	2012	2013	2014
Share of employees with higher education, %	34%	38%	40%	40%	41%
Share of employees with complete secondary and secondary vocational education, %	60%	58%	54%	53%	56%
No. of Doctors of Sciences, persons	32	31	32	27	41
No. of Candidates of Sciences, persons	281	308	335	344	427

Staff structure by categories

	2010	2011	2012	2013	2014
Managers	15%	15%	15%	16%	16%
Specialists	32%	32%	34%	34%	34%
Technicians	2%	2%	1%	1%	1%
Blue collar workers	51%	51%	50%	49%	49%

Implementation of educational programs

Companies of the Corporation implement a broad range of training and professional development programs. In 2014 over 37,500 employees improved their qualifications under the auspices of companies and external educational institutions for higher and secondary education, this amounts to 38% of the total headcount of the Corporation. The Corporation appropriated RUB 251.5 mln for these purposes.

Cooperation with higher education institutions
Thirteen base higher education institutions — partners of the Corporation from the leading aviation and technical universities of the country were selected in 2013. Educational projects are implemented under the auspices of these institutions. The relevant cooperation agreement between PJSC UAC and the educational institutions was signed within the framework of MAKS-2013 air show. Another 3 higher education institutions joined the agreement in 2014: Tomsk Polytechnic University, Tomsk State University and Far Eastern Federal University. As at December 31, 2014 the Corporation cooperates with 16 base higher education institutions.

In the reporting year within the framework of the federal program "New employees for military-industrial complex" eight joint educational and infrastructural projects of the base higher education institutions and the Corporation were launched. The basic department of Ulyanovsk State University "Digital technologies in aircraft production" specializing in "Modeling and research of operations in organizational and technical systems" was opened in 2014 at CJSC Aviastar-SP.

Moreover, in 2014 companies of the Corporation took part in the Presidential Engineer Professional Development Program. Nine educational programs were developed in cooperation with six base higher education institutions received support following the results of the tender. The total amount of budget financing under the programs is RUB 3.5 mln, the amount of financing by the Corporation is RUB 3.5 mln. Ninety employees of the companies have improved their qualifications within the framework of the Program.

The Corporation arranges target training of specialists in higher education institutions. In 2014 the target training was conducted by 23 higher education institutions at the request of ten companies of the Corporation. 730 students were admitted for target training in 2013; 1,067 students completed the training in 2014.

In 2014 the Corporation joined the "Global Education" project aimed at supporting Russian citizens who have been admitted to the leading foreign higher education institutions with the quality of education that complies with the best international standards and stipulates subsequent employment of such students in the Russian Federation.

Cooperation with specialized secondary education establishments
The Corporation cooperates with 13 specialized secondary education establishments within the framework of employee training projects. In 2014 two projects on the development of dual employee training system prepared by the educational establishments in cooperation with the Corporation received state support (joint project of Ulyanovsk Aviation College and CJSC Aviastar-SP and the project of Kazan Aviation Technology College and the training center of KAZ named after S.P.Gorbunov).

Over 37,500 employees
have improved their qualifications under the auspices of companies and external educational institutions of higher and secondary education in 2014

In 2014 employees of the Corporation for the first time took part in the Worldskills Hi-Tech championship for young specialists held in Ekaterinburg, where UAC's team came in the top three. A total of 200 representatives from 80 different Russian industrial enterprises competed in 11 professional occupations.

Occupational guidance

The Corporation pays special attention to the supporting the HR potential development in aircraft building industry in the long term. The Corporation continues to support occupational guidance and promote engineering and blue collar jobs in aircraft production. In particular, the Day of the Corporation in the Regionproject aimed at promoting aircraft construction companies to secondary school students, students and qualified specialists was held in 2014. The total number of the Day of the Corporation participants exceeded 30,000 people.

300 pupils

study in ten specialist classes in Irkutsk, Ulyanovsk, Komsomolsk-on-Amur, Kazan and other cities

There are ten specialist classes comprising over 300 people in Irkutsk, Ulyanovsk, Komsomolsk-on-Amur, Kazan and other cities. The Corporation regularly launches activities aimed at promoting aircraft construction relating professions. An educational business simulation game — Aircraft Production Company Management — was developed at the request of the Corporation to teach the basic management processes employed by the companies of the industry to the students of specialized education establishments and secondary school students from specialist classes.

The Interregional Corporate Practical Training program where students and teachers of specialist higher education institutions undergo probation and training at the production facilities of the Corporation located in other regions is implemented every year. Seventy two students and teachers from eight base higher education institutions participated in the project in 2014. Over 460 students were involved in the project within the period from 2009 to 2014.

Professional standard development

The Corporation develops professional standards in the field of aircraft construction for the purposes of further unification of requirements to knowledge and skills of specialists as well as improvement of the quality of professional education. Four aircraft construction standards for key competences were developed and approved at the initiative of the Corporation:

- airframe strength analysis;
- design and construction of aircraft equipment;
- design and construction of mechanical structures, systems and assemblies;
- development of aircraft avionics suites.

Salary and incentive system

With the aim of attracting the most promising employees the Corporation maintains competitive salary levels in its companies. The professional level and career experience of the employees, as well as the social and economic situation in the regions of operation are taken into account. At present the average salary of employees of most of the Corporation's companies corresponds to, or exceeds, the relevant indicator in their geographical location.

In 2014 the average salary in the companies of the Corporation has grown by 17.6% and amounted to RUB 41,500. All companies of the Corporation showed positive average salary trend in 2014. The most significant increase was in JSC II (12%), JSC RAC MiG (13%), PJSC Company Sukhoi (13%), JSC TANTK named after G.M. Beriev (27%), CJSC Aviastar-SP (17%).

Social support of employees

Companies of the Corporation implement a broad range of arrangements aimed at increasing the social security of employees and creating a favorable environment for their professional and personal growth. The objectives of the Corporation in the field of social policy include:

- stable work load, reduction of downtime;
- monitoring of the average salary of the Corporation's employees, including low paid staff;
- linking the salary to job performance;
- development of the employee re-training system;
- development of programs aimed at attracting and retaining young employees (occupational guidance, target training, comprehensive youth outreach program);
- social partnership system development.

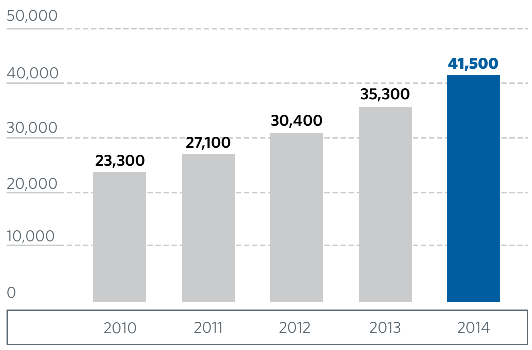
To secure the performance of its obligations with regard to salary and social guarantees of employees PJSC UAC and the Russian Trade Union of Aviation Workers (PROFAVIA) have entered into a corporate agreement between PJSC UAC, its affiliates and subsidiaries and PROFAVIA for 2014–2016. The agreement contains social guarantees to be provided to the employees of the Corporation. The minimal mandatory set of social benefits of the employees includes:

- catering;
- medical care;
- welfare assisstance in case of: death or disablement of the employee, his close relatives, loss of accomodation due to natural disasters or other force majeure.

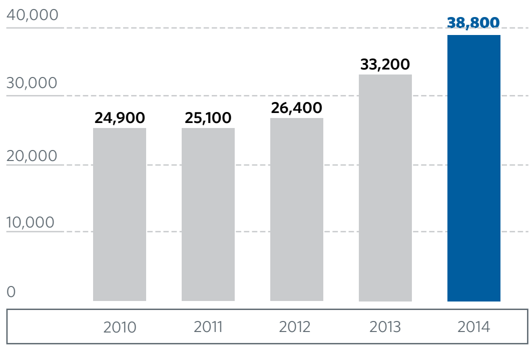
Moreover, companies of the Corporation provide additional social support to the employees, including the payment of maternity or retirement grants, possibility of participation in corporate retirement plans, health resort treatment, recreation of employees and their children, additional vacations.

Accomodation of employees constitutes an important part of the social policy of the Corporation. Over 1,400 employees of the Corporation purchased accommodations on preferable terms within the framework of housing programs of the companies in 2011–2014. The Corporation appropriated RUB 175.5 mln for these purposes in 2014.

Average monthly salary by companies
RUB



Average monthly salary of direct blue collar workers
RUB



1,400 employees
of the Corporation purchased accommodation on preferable terms within the framework of housing programs of the companies in 2011–2014

Health, Safety and Environment

All subsidiaries of the Corporation employ an efficient occupational safety system aimed at ensuring the safety of production activities, prevention of accidents, reduction of the risk of occupational diseases.

In accordance with the conditions of collective agreements the companies implement a broad range of programs aimed at improving working conditions, including:

- special assessment of working conditions;
- improvement of natural and artificial lighting of workplaces, heating and ventilation systems;
- installation of drinking water dispensers for employees;
- provision of special clothing, footwear and other personal protective equipment, washing agents and detergents;
- safekeeping and maintenance of personal protective equipment;
- provision of milk or other foodstuffs of equal value to employees working in harmful working conditions;
- purchase of stands, simulators, visual materials, scientific and technical literature for HSE briefings, training in safe working practices.

The companies of the Corporation are switching from workplace assessment to special assessment of working conditions with the participation of the developers of regulations on special assessment of working conditions. Arrangements relating to training in occupational safety principles, providing first aid to the victims are conducted on a regular basis. The total expenses of the Corporation on occupational safety arrangements in 2014 amounted to approx. RUB 730 mln.

The Corporation participates in the workgroups of the Ministry of Labor and Social Protection of the Russian Federation with regard to developing regulations in the field of occupational safety, monitors the compliance of the occupational safety system to the regulatory requirements in cooperation with the Russian Trade Union of Aviation Workers.

RUB 730 mln

the total expenditure of the Corporation on occupational safety arrangements in 2014

Welfare and Social Programs

The Corporation's charity and social expenses continued to grow in 2014 having increased by more than 57% — up to RUB 1.34 bln.

The Corporation's subsidiaries pursue an active social policy initiating different projects in the regions of operation and participating in charity events on the federal as well as on the regional level.

The support of orphans is a special area of social policy. For instance, PJSC Company Sukhoi Branch KNAAZ named after Y.A. Gagarin has been implementing a project on assignment of scholarships to orphans of the sponsored orphanage for five years. During this period 40 orphans received a total of 57 scholarships. Within the framework of a social event "Build a fairy tale for the children" on New Year's eve the employees of PJSC Company Sukhoi Branch KNAAZ named after Y.A. Gagarin participated in the construction of a snow fortress for the orphans of orphanage No. 34.

The employees of CJSC Aerocompozit-Ulyanovsk conducted an on-site new year event for orphanages of the Ulyanovsk Region. They visited a special (correctional) orphanage Orbita, Belozersk special (correctional) orphanage for children with disabilities Nadezhda located in the Beloye Ozero village, as well as Tagai special (correctional) boarding school for children with disabilities Land of Hope (Ostrovok Nadezhdy). The company management decided to conduct the event on an annual basis.

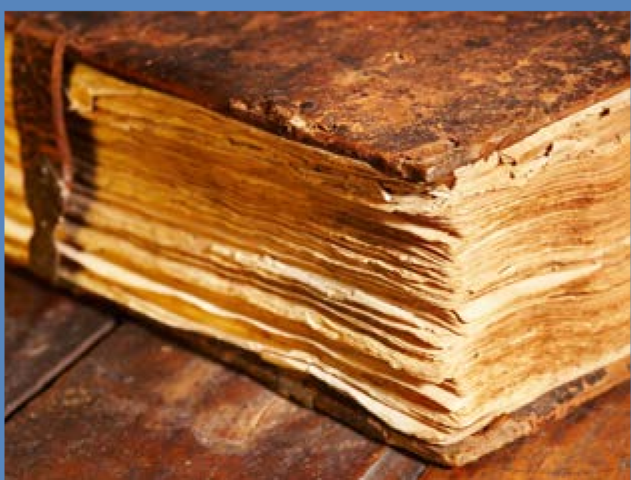
Companies of the Corporation provided support to refugees from Ukraine. On July 10, 2014 An-32 transport aircraft of JSC RAC MiG delivered to Crimea a relief consignment for people forced to leave Ukraine. Employees of JSC RAC MiG, labor veterans, pensioners participated in the collection of the consignment. Earlier JSC RAC MiG provided its recreation center Zenit in the Crimea for accomodation of families who suffered in the course of hostilities.

Within the framework of joint activities of JSC Tupolev and the Central Air Force Museum of the Russian Federation aimed at restoration of planes from the museum collection a group of volunteers traveled to the town of Monino near Moscow in September 2014. The Central Air Force Museum of the Russian Federation has a very rich display of civil and military helicopters and aircraft most of which are located in the open air. The group of volunteers painted aircraft disks, combat missiles and radiotransparent domes of military aircraft.

From January 21 to 27, 2014 employees of the mobile team of the Republican Blood Center visiting the plant had admitted over 400 people.

KNAAZ named after Y.A. Gagarin, that had invested over RUB 200 mln in the reconstruction of Smena Sports Facility in Komsomolsk-on-Amur, participated in the VII Spartakiad of young blue and white collar workers, and the plant's team has won in the team event.

Companies of the Corporation pay great respect to the deeds of the Great Patriotic War veterans and strive to make their contribution to preserving the memory of the events that happened 70 years ago and the heroes of the Great Victory. Special events dedicated to Victory Day are organized annually, including the arrangement of gatherings, meetings with veterans, participation in ceremonies. For instance CJSC Aviastar-SP participated in Our Victory charitable marathon.



Aviation science helps historians

The Corporation hepled to make the project on the creation of the technology for recovery of artifacts from ruined paper and leather carried out by the Institute of Theoretical and Applied Electrodynamics of the Russian Academy of Sciences in cooperation with the State Historical Museum.

A special polymer coating was developed in the laboratory funded by the Corporation. The method that was initially used in aircraft construction is now used for restoration of artifacts and art memorials. The methods of special polymer application that had proven to be efficient in the aerospace industry can now be used for extending the life of historical relics, manuscripts, books and leather products.

Ecology

The Corporation endeavors not only to comply with legal environmental requirements, but also to take into due consideration the world's best practices in providing ecologically efficient production.

Companies of the Corporation implement environment protection programs. This activity is especially important for the companies that are located near specially protected nature reserves, which adds to their obligations to meet environmental norms and regulations.

A lot of attention is given to the issues of improving the energy efficiency at manufacturing facilities. As part of the Corporation's Innovative Development Program projects to improve energy efficiency and ecological performance at manufacturing facilities are carried out. At the meeting of the Board of Directors on December 8, 2014 it was decided to supplement the PJSC UAC's Long-Term Development Program with actions aimed at providing compliance of the manufactured products with current and future environmental requirements.

12.7%
increase in total energy consumption by the main Corporation's subsidiaries primarily accounts for production growth

Resource consumption by the Corporation's main subsidiaries

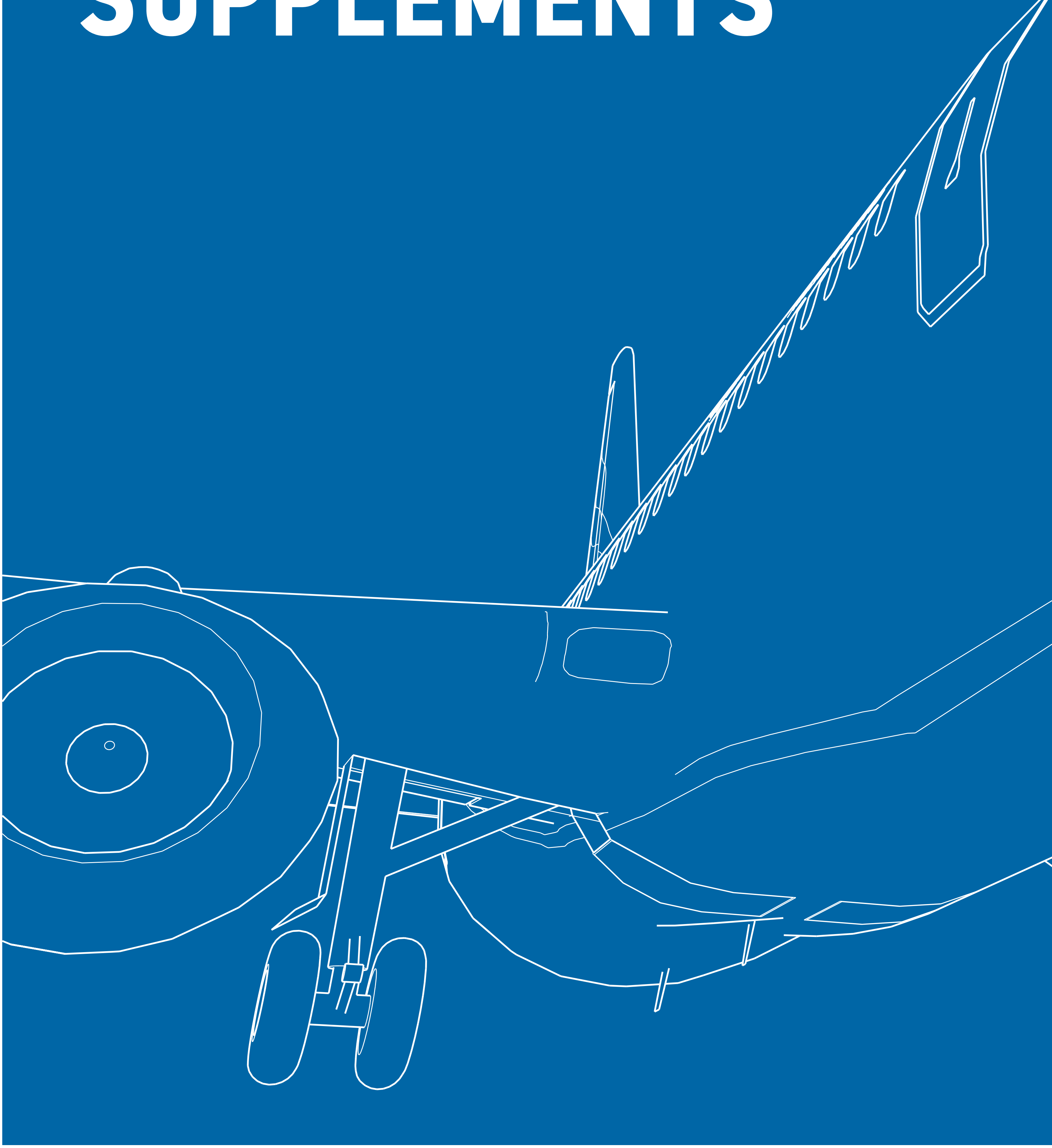
Electric power
In 2014 the total energy consumption by the Corporation's material subsidiaries grew by 12.7% amounting to 759,291.3 thou. kW, which primarily accounts for production growth.

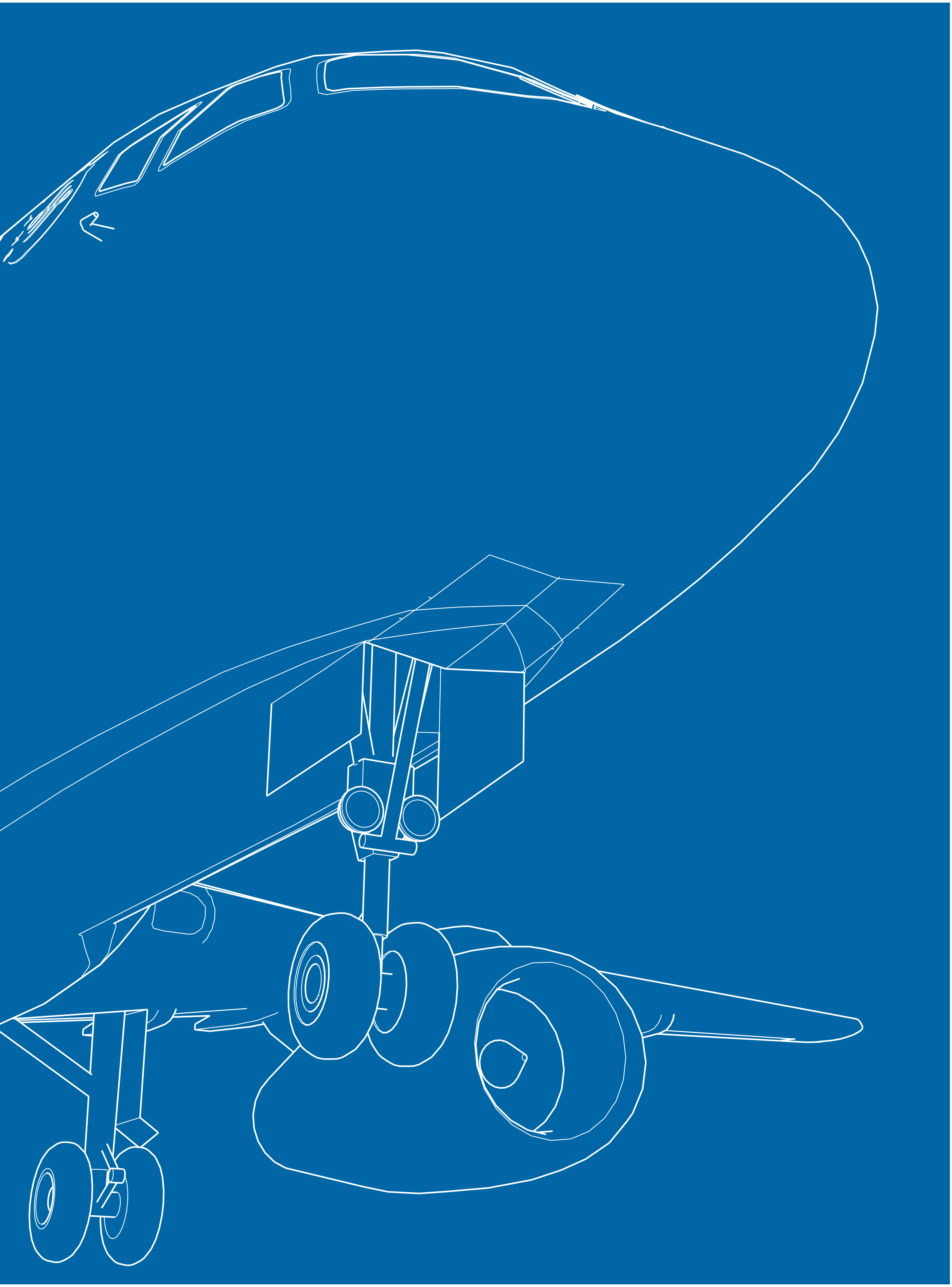
Thermal power
The consumption of electric energy by subsidiaries and affiliates grew by 19.6% year-on-year reaching 1,837,631.6 Gcal.

Resource consumption by the Corporation's main subsidiaries

		2013		2014		2014/2013	2014/2013
Resource type	Unit of measurement	In volume	In value, thou. RUB	In volume	In value, thou. RUB	% In volume	% In value
Electric energy	thou. kW	673,563.0	2,067,936.7	759,291.3	2,506,409.6	12.7	21.2
Thermal energy	Gcal	1,536,679.3	1,490,613.4	1,837,631.6	1,905,514.2	19.6	27.8
Gas	thou. m^3	164,064.6	812,010.2	167,934.0	906,617.3	2.4	11.7
Water consumption, water disposal, water transport and water treatment	thou. m^3	140,767.2	275,669.2	194,885.1	302,879.9	38.4	9.9
Coal	tonnes	1,030.0	4,480.0	1,261.0	5,490.0	22.4	22.5
Oxygen	m3	318,695.0	12,167.0	317,195.0	14,144.0	-0.5	16.2
Acetylene	m3	15,220.0	7,500.0	14,810.0	7,237.0	-2.7	-3.5
Condensate	m3	154,905.0	10,109.2	198,929.0	23,146.6	28.4	129.0
Compressed air	thou. m^3	145,967.0	73,610.0	152,612.0	73,224.0	4.6	-0.5
Low-pressure air	thou. m^3	128.4	69.6	128.4	74.3	0.0	6.8

SUPPLEMENTS





SUPPLEMENTS 1

Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

Shareholders and Board of directors

Joint Stock Company United Aircraft Corporation

We have audited the accompanying consolidated financial statements of Joint Stock Company United Aircraft Corporation and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for 2014, and notes comprising the summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Standards on Auditing and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

> The Group has accounted for certain Government grants as revenue and the related costs as cost of sales which is not in compliance with International Financial Reporting Standard IAS 20 Accounting for Government grants and Disclosure of Government Assistance. Had the grants received been accounted for in accordance with International Financial Reporting Standards, revenues would have been reduced by RUB 16,304 million for the year ended 31 December 2014 (31 December 2013: RUB 15,090 million), cost of sales would have been reduced by RUB 13,108 million for the year ended 31 December 2014 (31 December 2013: RUB 11,344 million), and government grants related to income in the consolidated income statement would have been increased by RUB 3,196 million for the year ended 31 December 2014 (31 December 2013: RUB 3,746 million).

> Property, plant and equipment is stated in the amount of RUB 151,955 million in the statement of financial position as at December 31, 2014. We were unable to obtain sufficient appropriate audit evidence about the recoverable amount of property, plant and equipment related to certain Group subsidiaries which might be lower than their carrying amount stated at RUB 55,433 million as at 31 December 2014 (31 December 2013: RUB 35,194 million). International Financial Reporting Standard IAS 36 Impairment of Assets requires that where such indicators exist, management makes a formal estimate of the recoverable amount. No such estimate has been made. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

QUALIFIED OPINION

In our opinion, except for the effects of the matter described in the paragraph 1 of the basis for qualified opinion and except for the possible effects of the matter described in the paragraph 2 of the basis for qualified opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

General Directorof CJSC HLB Vneshaudit
L.M. Mitrofanov

(auditor qualification certificate № 02-000366 dated of 27.12.2012, registration number of record at the Registry of auditors and audit organizations — 29702002487)

Date of the audit report — April 15, 2015

Audited Entity:

Joint Stock Company United Aircraft Corporation

State Registration Number: 1067759884598 (Certificate on the recording at the Uniform State Register of Legal Entities Series 77 № 008502150 as of 20 November 2006 issued by the Moscow Interdistrict Inspectorate of the Federal Tax Service No. 46)

Address: Bld. 1, 22, Ulansky pereulok, Moscow, Russia

Independent Auditor:

Closed Joint-Stock Company HLB Vneshaudit

State Registration Number: 1027739314448 (State Registration Certificate No. 470.740 as of 17 February 1992 issued by the Moscow registration Chamber; Certificate on the recording at the Uniform State Register of Legal Entities Series 77 No. 007858681 as of 4 October 2002 issued by the Moscow Interdistrict Inspectorate of the Federal Tax Service No. 39)

Address: 25-27/2, Bolshaya Yakimanka Str., Moscow, Russia

The name of the self-regulatory organization of auditors, where CJSC HLB Vneshaudit is the member: non-profit partnership Institute of Professional Auditors

The Registration Number of record at the Registry of auditors and audit organizations is 10202000095

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

RUB mln	Note	2014	2013 Restated*
Revenue	7	294,538	220,065
Cost of sales		(246,786)	(176,713)
Gross profit		**47,752**	**43,352**
Government grants related to income	26	332	636
Research and development costs		(651)	(370)
Distribution expenses		(7,785)	(12,112)
Administrative expenses		(26,636)	(25,511)
Other operating income	10	3,258	638
Other operating expenses	9	(12,058)	(5,498)
Profit from operations		**4,212**	**1,135**
Finance income	11	6,026	2,821
Finance costs	11	(20,045)	(17,341)
Share of loss of equity accounted investees	15	(2,093)	(733)
Loss before income tax		**(11,900)**	**(14,118)**
Income tax benefit/(expense)	12	(1,754)	610
Loss for the year		**(13,654)**	**(13,508)**
Loss attributable to:			
Shareholders of the Company		(7,891)	(9,418)
Non-controlling interest		(5,763)	(4,090)
Loss for the year		**(13,654)**	**(13,508)**
Basic and diluted loss per share (RUB)	**23**	**(0.0359)**	**(0.0429)**

The consolidated financial statements were authorised for issue on 15 April 2015:

Yury Slyusar,

President

Dmitry Eliseev,

Vice-president
for Economics and Finance

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

RUB mln	2014	2013 Restated*
Loss for the year	**(13,654)**	**(13,508)**
Loss for the year		
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences	9,379	1,345
Effective portion of changes in fair value of cash flow hedges, net of tax	–	75
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit plan liability	(43)	(86)
Total comprehensive loss for the year	**(4,318)**	**(12,174)**
Total comprehensive loss attributable to:		
Shareholders of the Company	1,517	(7,910)
Non-controlling interest	(5,835)	(4,265)
	(4,318)	**(12,174)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

RUB mln	Note	31 December 2014	31 December 2013 Restated*
ASSETS			
Non-current assets			
Property, plant and equipment	13	151,955	121,959
Intangible assets	14	93,517	60,018
Investments in associates and joint ventures	15	8,205	722
Investments and non-current financial assets	16	3,480	3,487
Finance lease receivables		1,916	3,260
Deferred tax assets	17	9,608	8,762
Other non-current assets		655	423
Other receivables, non-current	19	2,187	1,056
Total non-current assets		**271,523**	**199,687**
Current assets			
Investments	16	752	1,530
Assets classified as held for sale	21	–	9,028
Inventories	18	250,895	169,949
Trade and other receivables	19	158,665	106,821
Finance lease receivables		107	408
Current income tax receivables		379	428
Cash and cash equivalents	20	92,667	59,098
Other current assets		4,150	518
Total current assets		**507,615**	**347,780**
Total assets		**779,138**	**547,467**
EQUITY AND LIABILITIES			
Equity	**22**		
Share capital		188,903	188,903
Share premium		4,566	4,566
Revaluation reserve		207	207
Prepaid shares reserve		12,343	4,198
Treasury shares		(410)	(410)
Foreign currency translation reserve		13,870	4,420
Accumulated loss		(90,949)	(93,056)
Total equity attributable to shareholders of the Company		**128,530**	**108,828**
Non-controlling interest		9,671	(4,272)
Total equity		**138,201**	**104,556**
Non-current liabilities			
Loans and borrowings	24	204,228	157,978
Deferred tax liabilities	17	10,020	4,616
Employee benefits	27	3,598	3,453
Trade and other payables	25	44,940	37,748
SWOP liability		1,081	–
Provisions	28	–	831
Total non-current liabilities		**263,867**	**204,626**
Current liabilities			
Loans and borrowings	24	150,785	102,802
Income tax payable		118	21
Trade and other payables	25	222,393	132,452
Employee benefits	27	873	723
Provisions	28	2,901	2,287
Total current liabilities		**377,070**	**238,285**
Total equity and liabilities		**779,138**	**547,467**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

RUB mln	2014	2013 Restated*
OPERATING ACTIVITIES		
Loss before income tax	**(11,900)**	**(14,118)**
Adjustments for:		
Depreciation and amortisation	21,786	16,085
Foreign exchange differences not related to operating activities	12,070	1,169
Share of losses in equity accounted investees	2,093	733
Change in bad debt provision	1,282	1,307
Loss on disposal of property, plant and equipment and intangible assets	1,420	(171)
Interest expense	22,633	16,652
Government grant related to compensation of interest expense	(6,377)	(2,763)
Interest income	(5,917)	(2,638)
Operating profit before changes in working capital and provisions	**37,090**	**16,256**
Change in inventories	(80,946)	(14,644)
Change in trade and other receivables	(46,551)	(28,319)
Change in trade and other payables	97,132	28,876
Change in lease receivable	1,645	(2,816)
Change in employee benefits	294	461
Change in other current and non-current assets	(4,100)	762
Change in provisions	(217)	542
Cash flows utilized by operations before income taxes and interest paid	**4,347**	**1,118**
Income taxes (paid)/received	(314)	327
Interest paid, net of grant received	(17,140)	(13,012)
Cash flows utilized by operating activities	**(13,107)**	**(11,567)**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	438	724
Acquisition of property, plant and equipment	(30,020)	(26,088)
Acquisition of investments	250	212
Contribution to equity of associates	–	(783)
Acquisition of intangible assets	(8,979)	(8,774)
Change in loans granted and cash deposits	778	1,747
Government grant received related to assets	332	1,251
Interest received	5,917	2,638
Dividends received	72	81
Cash flows utilized by investing activities	**(31,212)**	**(28,992)**
FINANCING ACTIVITIES		
Proceeds from borrowings	236,826	164,577
Repayment of borrowings	(208,763)	(126,225)
Paid in capital	8,145	4,198
Contributions to equity of subsidiaries by non-controlling shareholders	30,147	3,838,
Acquisition of non-controlling interest	191	–
Dividends paid	(329)	(258)
Cash flows from financing activities	**66,217**	**46,130**
Net increase in cash and cash equivalents	**21,898**	**5,571**
Cash and cash equivalents at beginning of year	59,098	52,453
Effect of exchange rates fluctuations on cash and cash equivalents	11,671	1,074
Cash and cash equivalents at end of year (note 20)	**92,667**	**59,098**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holder of the Company			
RUB mln	**Share capital**	**Share capital**	**Prepaid shares reserve**	**Treasury shares**
Balance at 1 January 2013	219,655	4,566	–	(410)
Total comprehensive loss for the year				
Loss for the year	–	–	–	–
Adjustment of loss for the year (Restated*)	–	–	–	–
Defined benefit plan actuarial loss, net of tax	–	–	–	–
Cash flow hedges				
Foreign exchange differences	–	–	–	–
Total comprehensive loss for the year				
Transactions with owners recognised directly in equity				
Share issues of the Company:				
Reduction of share capital by reducing the par value of shares	(30,752)	–	–	–
Prepayment of share issue	–	–	4,198	–
	(30,752)		**4,198**	
Other transactions with owners:				
Contributions to equity of subsidiaries by non-controlling shareholders	–	–	–	–
Reorganization of subsidiaries	–	–	–	–
Dividends	–	–	–	–
Balance at 31 December 2013	**188,903**	**4,566**	**4,198**	**(410)**
Balance at 1 January 2014	**188,903**	**4,566**	**4,198**	**(410)**
Adjustment of prior periods (Restated*)				
Balance at 1 January 2014	**188,903**	**4,566**	**4,198**	**(410)**
Total comprehensive loss for the year				
Loss for the year	–	–	–	–
Defined benefit plan actuarial loss, net of tax	–	–	–	–
Foreign exchange differences	–	–	–	–
Total comprehensive loss for the year	**–**	**–**	**–**	**–**
Transactions with owners recognised directly in equity				
Share issues of the Company:				
Prepayment of share issue	–	–	8,145	–
			8,145	
Other transactions with owners:				
Contributions to equity of subsidiaries by non-controlling shareholders	–	–	–	–
Acquisition of non-controlling interest	–	–	–	–
Dividends	–	–	–	–
Balance at 31 December 2014	**188,903**	**4,566**	**12,343**	**(410)**

	Attributable to equity holder of the Company						
	Revaluation reserve	Hedge reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	207	(75)	2,915	(116,139)	110,719	(1,769)	108,950
	–	–	–	(8,733)	(8,733)	(3,677)	(12,410)
	–	–	(25)	(686)	(711)	(412)	(1,122)
	–	–	–	(71)	(71)	(15)	(86)
		75	–	–	75	–	75
	–	–	1,530	–,	1,530	(159)	1,371
		75	**1,505**	**(9,490)**	**(7,910)**	**(4,262)**	**(12,172)**
	–	–	–	30,752	–	–	–
	–	–	–	–	4,198	–	4,198
		–	**–**	**30,752**	**4,198**		**4,198**
	–	–	–	1,110	1,110	2,728	3,838
	–	–	–	711	711	(711)	–
	–	–	–	–,	–	(258)	(258)
	207	**–**	**4,420**	**(93,056)**	**108,828**	**(4,272)**	**104,556**
	207	**–**	**4,445**	**(92,370)**	**109,539**	**(3,861)**	**105,678**
			(25)	(686)	(711)	(411)	(1,122)
	207	**–**	**4,420**	**(93,056)**	**108,828**	**(4,272)**	**104,556**
	–	–		(7,891)	(7,891)	(5,763)	(13,654)
	–	–		(43)	(43)	–	(43)
	–	–	9,450	–	9,450	(71)	9,379
	–	**–**	**9,450**	**(7,934)**	**1,516**	**(5,834)**	**(4,318)**
	–	–	–		8,145	–,	8,145
					8,145	**–**	**8,145**
	–	–	–	10,232	10,232	19,915	30,147
	–	–	–	(191)	(191)	191	–
	–	–	–	–	–	(329)	(329)
	207	**–**	**13,870**	**(90,949)**	**128,530**	**9,671**	**138,201**

NOTES

1 BACKGROUND

(a) Organisation and operations

Joint Stock Company United Aircraft Corporation (hereinafter the Company or "UAC") was incorporated on 20 November 2006 following the Decree of the President of the Russian Federation No.140 dated 20 February 2006.

The principal activity of the Company is the manufacturing of military and civil aircraft under contracts with Russian and foreign governments. The Company and its subsidiaries ("the Group") are also engaged in research and development works for military and civil aircraft.

The Group comprises a number of entities, including leading aircraft plants and design bureaus located in the Russian Federation. The main components of the UAC's business are as follows:
> Civil aircraft development and construction;
> Military aircraft development and construction;
> Aircraft sales financing and other activities.

In accordance with Russian legislation the supply of military equipment to foreign governments is the competence of the Russian government or entities holding appropriate licence and, therefore, certain contracts with foreign governments are concluded through the Russian state organization OJSC Rosoboronexport ("Rosoboronexport").

The Company's office is located at Bld. 1, 22 Ulansky pereulok, Moscow, 101000, Russia.

The shareholding structure of the Company as at 31 December 2014 and 31 December 2013 was as follows:

Shareholders	2014	2013
Russian Federation (Federal Agency for State property management)	85%	84%
Vneshekonombank (VEB)	9%	9%
Private shareholders	6%	7%

The Group is ultimately controlled by the government of Russian Federation.

Since November 2009 the Company's shares are traded on the Russian stock exchanges MICEX with UNAC tickers.

(b) State Secrets

The operations of the Group related to the construction and sale of military aircraft are subject to the Law of the Russian Federation on State Secrets signed by the President of the Russian Federation on 21 July 1993. This Law provides that the information on the foreign policy, military activities and economic activities of the Russian Federation, disclosure of which can cause damage to the security of the country, is considered a state secret. Access to information classified as a state secret can be granted by the appropriate authorities only to organizations and individuals holding security licenses with the appropriate form of clearance. In addition, part of the property, plant and equipment of the Company makes up the mobilization capacity of the state (refer note 13(d)) and is also subject to the Law on State Secrets. The law also limits the authority of the Company to dispose of these assets.

(c) Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Decline in oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Rouble and making it harder to raise international funding. During 2014 year:
> exchange rate set by the Central Bank of the Russian Federation fluctuated between RR 32.6587 and RR 67.7851 per USD and between RR 45.0559 and RR 84.5890 per Euro;
> key interest rate set by the Central Bank of the Russian Federation increased from 5.5 percent p.a. to 17.0 percent p.a. including an increase from 12.0 percent p.a. to 17.0 percent p.a. on 16 December 2014.

Currently the financial markets continue to be volatile. Subsequent to 31 December 2014:
> exchange rate set the Central Bank of the Russian Federation fluctuated between RR 51.0678 per USD and RR 69.6640 per USD and between RR 54.2749 and RR 78.7900 per Euro;
> key interest rate set by the Central Bank of the Russian Federation decreased from 17.0 percent p.a. to 14.0 percent p.a.;
> bank lending activity decreased due to increased lending and exchange rates;
> in January 2015 Russia's credit rating was downgraded by Fitch Ratings to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. In February 2015 Moody's Investors Service also downgraded Russia's sovereign rating below investment grade to Ba1. Fitch Ratings still have Russia as investment grade.

These and other events may have a material impact on the Group's operations, its prospective financial position, operational results and business perspectives. Management is unable to foresee the outcome of such an impact at this stage, but believes it takes all the necessary measures to support the sustainability and development of the Group's business.

2 BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and related interpretations.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except:
> derivative financial instruments, investments at fair value through profit or loss and financial investments classified as available-for-sale are stated at fair value; and
> defined benefit plan liability is recognised as the net total of the plan assets less the present value of the defined benefit obligation.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the functional currency of the Group entities, except for JSC Irkut Corporation and CJSC Sukhoi Civil Aircraft, whose functional currency is the United States Dollar ("USD") because it reflects the economic substance of the underlying events and circumstances of these subsidiaries. RUB is the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

Change of CJSC Sukhoi Civil Aircraft functional currency

As part of the process of preparation of the financial statements management constantly monitors and assesses internal and external information relevant for the decision on selection of the most appropriate functional currency. In this assessment, management considers key circumstances and events that have the most impact as well as seeks for the evidence of any variations or expected changes in those events and circumstances that may collectively indicate on a strong case for transition to a different functional currency. As regards to the result of the most recent analysis, the influence of some factors contributing to the decision evolved over time and became more evident only with 2012–2013 perspective, others were generally assumed to be important in the previous reporting periods but only crystallised in 2013 in light of more factual evidence and thus supported the need for transition. The key factors are described below.
> Management thoroughly assessed the impact of the USD on the CJSC Sukhoi Civil Aircraft cost base and concluded that USD will be the currency with the largest impact in the foreseeable future — giving regard to an international cooperation status of the SSJ-100 program.

- The pattern of financing of the CJSC Sukhoi Civil Aircraft demonstrated a permanent drift from targeted government support in the form of government grants towards direct contributions from shareholders and attracting external debt denominated in USD.
- SSJ-100 program life-cycle phase became solidly operating and the CJSC Sukhoi Civil Aircraft demonstrated ability to reach target export markets by selling a substantial number of aircraft where pricing is driven by international market which is commonly based on USD.

As a result of the internal reassessment of the economic effects of transactions, events and conditions relevant for CJSC Sukhoi Civil Aircraft operations, management concluded that the nature of the operations and transactions were changed so that its functional currency also changed from RUB to USD as of 1 January 2013 with prospective effect.

The key impact of the change in the functional currency would be in reduction of foreign currency exposures to USD, therefore it is generally expected that fluctuations of Russian Rouble against USD would no longer have a significant impact on the CJSC Sukhoi Civil Aircraft performance.

(d) Use of estimates and judgements

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies are described in the following notes:

- Notes 3(m) and 7 — Revenue;
- Note 14 — Impairment of intangible assets;
- Notes 3(e)(ii) and 14 — Research and development
- Note 17 Deferred tax assets;
- Note 28 — Provisions;
- Note 31 — Contingencies;
- Note 2(c) Functional currency.

(e) Change in presentation

In a course of preparation of these consolidated financial statements for the year ended 31 December 2014 management of the Group determined unaccounted expenses (selling commissions and costs of production components, as well as other operating costs) related to 2013 amounting to RUB 1 691 million. The Group also identified expenses associated with the development of intangible assets incurred in 2013, which should have been treated as qualified asset and related interest expenses amounted to RUB 405 million which should have been capitalised. Negative effect on the financial result after tax was recognized in the consolidated income statement for the year ended 31 December 2013 in amount of RUB 1 098 million.

CONSOLIDATED INCOME STATEMENT

RUB mln	2013	2 (e)	2013 Restated
Cost of sales	(175,664)	(1,049)	(176,713)
Distribution expenses	(11,997)	(115)	(12,112)
Other operating expenses	(4,890)	(527)	(5,417)
Profit.(loss) from operations	**2,826**	**(1,691)**	**1,135**
Finance costs	(17,746)	405	(17,341)
Loss before income tax	**(12,832)**	**(1,286)**	**(14,118)**
Income tax benefit	422	188	610
Loss for the year from continuing operations	**(12,410)**	**(1,098)**	**(13,508)**
Basic and diluted loss per share (RUB)	0.0398	0.0031	0.0429

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RUB mln	2013	2 (e)	2013 Restated
ASSETS			
Non-current assets			
Intangible assets	59,061	957	60,018
Deferred tax assets	8,533	229	8,762
Total non-current assets	198,501	1,186	199,687

RUB mln	2013	2 (e)	2013 Restated
Current assets			
Inventories	170,594	(645)	169,949
Trade and other receivables	106,904	(83)	106,821
Total current assets	348,508	(728)	347,780
Total assets	**547,009**	**458**	**547,467**
EQUITY AND LIABILITIES			
Equity			
Foreign currency translation reserve	4,445	(25)	4,420
Accumulated loss	(92,370)	(686)	(93,056)
Total equity attributable to shareholders of the Company	**109,539**	**(711)**	**108,828**
Non-controlling interest	(3,861)	(411)	(4,272)
Total equity	**105,678**	**(1,122)**	**104,556**
Non-current liabilities			
Trade and other payables	37,120	628	37,748
Provisions	134	697	831
Total non-current liabilities	**203,301**	**1,325**	**204,626**
Current liabilities			
Trade and other payables	132,197	255	132,452
Total current liabilities	**238,030**	**255**	**238,285**
Total equity and liabilities	**547,009**	**458**	**547,467**

(f) Adoption of new and revised standards and interpretations

The following new standards and interpretations became effective from 1 January 2014:

"Offsetting Financial Assets and Financial Liabilities" — Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).

The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have any material impact on the Group's consolidated financial statements.

"Amendments to IFRS 10, IFRS 12 and IAS 27 — Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014).

The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have any material impact on the Group's consolidated financial statements.

IFRIC 21 — "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Group's consolidated financial statements.

Amendments to IAS 36 — "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).

The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have any material impact on the Group's consolidated financial statements.

Amendments to IAS 39 — "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014).

The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have any material impact on the Group's consolidated financial statements.

The following new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later approved for adoption in the Russian Federation and which the Group has not early adopted:

Accounting for Acquisitions of Interests in Joint Operations — Amendments to IFRS 11

(issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group does not expect the amendment to have significant impact on its consolidated financial statements.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation — (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect the amendment to have significant impact on its consolidated financial statements.

Amendments to IAS 19 — "Defined benefit plans: Employee contributions"

(issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012

(issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a "vesting condition" and to define separately "performance condition" and "service condition". The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (i) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (ii) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (i) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ("the management entity"), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2013

(issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The amendment is not expected to have any significant impact on the Group's consolidated financial statements. The following new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later that are not yet adopted in the Russian Federation and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement"

(amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model. There is a"'three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk

management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its consolidated financial statements.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact four standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

(g) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2014, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. The Group anticipates the likely impact of these new Standards and Interpretations will not be significant.

3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When necessary the accounting policies of subsidiaries have been changed to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The acquisition of subsidiaries from third parties is accounted for using the acquisition method of accounting. The identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values as at the date of acquisition.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result. Non-controlling interest is measured at its proportionate interest in the identifiable net assets of the acquiree.

(ii) Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iv) Acquisitions from entities under common control

The assets and liabilities acquired in business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are recognised at the carrying amounts recognised previously in the financial statements of the entities. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity. Comparatives are not restated.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Operations with the functional currency other than functional currency of the Parent company

For subsidiaries whose functional currency is different from the functional currency of the Company, the assets and liabilities of such operations, including goodwill and fair value adjustments arising on acquisition, are translated into RUB at exchange rates at the reporting date. The income and expenses of these operations are translated into RUB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income in the foreign currency translation reserve. When an operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a such subsidiary, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the subsidiary and are recognised directly in equity in the foreign currency translation reserve.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Furthermore, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is determined using the straight-line method based on the estimated useful lives of the individual assets and is recognised in profit or loss.

Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. Leased assets are depreciated over the period of useful life which is determined in line with one applied to similar owned assets. The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20–39 years;
- Machinery and equipment 6–28 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(iv) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(e) Intangible assets

(e) Intangible assets

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets.

The Group measures goodwill at the acquisition date as:
> the fair value of the consideration transferred; plus
> the recognised amount of any non-controlling interests in the acquiree; plus
> if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the aquiree; plus
> the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, other than development carried out as part of construction contracts, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour, an appropriate proportion of overheads and borrowing costs that are directly attributable to the development activity. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised development costs is charged to the statement of income based on the unit-of-production method. The carrying amount is reviewed for impairment annually when the asset is not yet in use and thereafter whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Management uses judgement in determination whether proceeds related to externally financed research and development contracts with government related entities should be accounted as government grants (Note 3(q)). In making this judgment, management considers a number of factors, including: the significance of external financing in total estimated costs of the contract, stage of research and development project at which the government related entity commences participation, whether all substantial risks and rewards attributable to the result of research and development activities are transferred to the counterparty.

(iii) Other intangible assets

Other intangible assets are recorded at cost less accumulated amortisation and impairment losses. Intangible assets that have limited useful lives are amortised on a straight-line basis over the estimated useful lives of the individual assets, which are in the range of 3–5 years. Intangible assets with indefinite useful lives are not amortised but are instead tested for impairment at least annually.

(f) Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition related transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold to maturity debt securities that are quoted in an active market, then such financial assets are classified as held-to-maturity financial assets. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are *not* quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of assets: trade and other receivables as presented in note 19, cash and cash equivalents as presented in note 20 and loans and deposits as *presented in note 16.*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(i)(i)) and foreign currency differences on available-for-sale debt instruments (see note 3(b)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities at initial recognition of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities as the other financial liabilities. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Derivative financial instruments

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency exposures.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on a ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; related transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(g) Inventories

Construction work in progress is stated at cost plus profit recognised to date less foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Other inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(h) Construction contracts

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date (see note 3 (m)(i)). It is measured at cost incurred plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Construction contracts in progress are presented as part of inventories in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as trade and other payables as liability in the statement of financial position.

(i) Impairment

(i) Non-derivative financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed where there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(k) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually using the projected unit credit method. Net interest on the net defined benefit plan liability (asset), current and past service costs, including gains or losses arising on improving of plan benefits, plan curtailment or settlement, are recognised in profit or loss.

The effects of remeasurement of net defined benefit plan liabilities (assets), including actuarial gains and losses and return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), are recognised in other comprehensive income.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for estimated standard warranty costs is recognised in the period in which the related product sales occur. An accrual for warranty costs is recognised based on the Group's historical experience on previous deliveries of aircrafts. Estimates are adjusted as necessary based on subsequent experience.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(m) Revenues

Management uses judgement in determination whether revenue from manufacturing of an aircraft should be accounted for in accordance with IAS 11 as construction contracts or IAS 18 as goods sold. In making this judgment, management considers a number of factors, including: timing required to complete the contract, length of operating cycle required to deliver an item or set of items, extent of customer-driven modifications of an aircraft as compared to known specifications, existence of requirements for formal certification and benchmark tests to meet customer's specific needs.

(i) Construction contracts

The operations of the Group include manufacturing aircraft under fixed price contracts where particular aircraft item (or items) undergoes significant modification in development and/or production to meet customer requirements, thus such contracts are accounted for under IAS 11 as construction contracts. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract, measured by the ratio of total direct materials, labour and contract related design and development costs incurred to date relative to the total estimated respective costs on the contract. This method is used as the management of the Group considers this to be the best available measure of progress on the contracts. The method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements. Marketing costs that are incurred to secure a specific contract may be included in contract costs, but only if these costs can be directly associated with a specific contract and if their recoverability from that contract is probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Provisions for estimated losses on uncompleted contracts, if any, are made in the period in which such losses are determined and are recognised immediately in profit or loss. Changes in job performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, if any, and final contract settlements may result in revisions to costs and income and are recognised in the period in which the revisions are determined.

(ii) Goods sold

Revenue from the sale of goods, primarily related to production of serial civil aircraft not requiring substantial customer-related modification and separate military and civil aircraft components, is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from sales of aircraft that include underlying asset value guarantee commitments are generally accounted for as sale of goods, i.e. revenue is recognised in profit and loss in full contracted amount upon aircraft delivery, which normally represents the point of substantial transfer of significant risks and rewards of ownership of the aircraft to the customer airline. In order to justify full revenue recognition at the delivery date is the one of the key criteria shall be satisfied: at the date of delivery the estimated fair value of the aircraft at a future exercise date is expected to sufficiently exceed the guaranteed amount. If the aforementioned criterion is not satisfied, the sale is accounted for as an operating lease.

For sales deliveries accounted for as an operating lease upon the initial sale of these aircraft to the customer, the total cost of the aircraft previously recognised in inventory is transferred to "Property, plant and equipment" and depreciated over the estimated useful economic life of the aircraft, with the proceeds received from the customer being recorded as deferred income and recognised in profit or loss evenly over the period till the expected date of guarantee exercise date.

(iii) Services

Revenue from services rendered, which primarily relate to customer-specified aircraft-related development activities, aircraft modernisation, overhaul and repair, is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(n) Other expenses

(i) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

(o) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on investments. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(p) Income tax

Income tax expense comprises current and deferred tax and tax credits utilized during the year. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill; initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and investments in subsidiaries where the Parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies.

Income tax credit is granted in the form of increases in tax-deductible expenses. Tax credit is presented in profit or loss as a deduction in current tax expense to the extent that an entity is entitled to claim the credit in the tax current reporting period. If the additional deduction exceeds taxable income, then the resulting tax loss can be carried forward and utilised in future periods by recognising as a deferred tax asset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is n longer probable that the related tax benefit will be realised.

(q) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Government grants that compensate the Group for expenses incurred are recognised as income in the statement of income on a systematic basis in the same periods in which the expenses were incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amounts of the asset.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's President to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

The majority of the Group's property, plant and equipment is specialised in nature and is rarely sold on the open market other than as part of a continuing business. Except for land, which was appraised on the basis of recent market transactions, the market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales of comparable property, plant and equipment for using a market-based approach for determining fair value.

Consequently the fair value of property, plant and equipment was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(b) Intangible assets

The fair value of intellectual property rights and patents acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the intellectual property rights or patent being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(d) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(e) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:
> credit risk;
> liquidity risk;
> market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Executive Board, a Group operational management body, and the Group President are responsible for developing and monitoring the Group's risk management policies. The Executive Board and President report regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables

Main customers of the Group are Federal Government of Russian Federation and governments of other countries. The Group's exposure to credit risk is influenced mainly by the economic and political situation in Russian Federation and these countries. Approximately 73% of the Group's revenue is attributable to sales transactions with a group of five main customers. Therefore, geographically there is high concentration of credit risk. The Group monitors all changes which occur in the target countries.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

(ii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities.

(iii) Guarantees

As at 31 December 2014 and 31 December 2013 the Group did not have any contractual commitments to extend financial guarantees, credit and other assistance.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 15–30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated primarily in US Dollars (USD) and Euro (EUR), currencies other than the respective functional currency of Group entities.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD, but also RUB and EUR. This provides an economic hedge.

In 2010 the Group's subsidiary issued three-year rouble bonds and hedged those using foreign currency exchange forward contracts. This hedge is accounted for as a cash flow hedge and the effective part of the hedge net of related tax is recognised directly in hedging reserve in other comprehensive income. As at 31 December 2013 the forward contract has expired.

In 2014 the Group's subsidiary entered into interest-currency SWOP maturing in three years to hedge foreign currency revenue contracts. This hedge was primarily accounted for as a cash flow hedge but as at 31 December 2014 the hedging instrument no longer meet the requirements for hedge accounting

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Interest rate risk

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of issuing new debt management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

(iii) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

> requirements for appropriate segregation of duties, including the independent authorisation of transactions
> requirements for the reconciliation and monitoring of transactions
> compliance with regulatory and other legal requirements
> documentation of controls and procedures
> requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
> requirements for the reporting of operational losses and proposed remedial action
> development of contingency plans
> training and professional development
> ethical and business standards
> risk mitigation, including insurance where this is effective.

(iv) Capital management

The Company's long-term objectives in managing capital are to safeguard the Group ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders. In the medium and short-term, the Group objectives are to maintain an optimal capital structure to reduce the cost of capital.

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital. Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group's return on capital was negative in 2014 (2013: negative). The weighted average interest expense on interest-bearing loans and borrowings (excluding liabilities with imputed interest and excluding effect of government grants related to interest expense) was 8.01 % (2013: 7.01 %)

RUB mln	2014	2013
Total debt	355,013	260,780
Less: cash and cash equivalents	(92,667)	(59,098)
Net debt	**262,346**	**201,682**
Total equity	138,201	104,556
Debt to capital ratio at 31 December	1.90	1.93

There were no changes in the Group approach to capital management during the year.

Under certain loan agreements the Group subsidiaries have to comply with financial covenants which require maintaining a minimum level of Net Debt to EBITDA and a certain level of net assets which are considered in managing capital of those entities. As at 31 December 2014 the Group's subsidiary (CJSC "Sukhoi Civil Aircraft") violated a number of financial and non-financial loan covenants with the following banks: EBRD, JSC "VTB" VTB Bank (Austria), VTB (France) OJSC "Sberbank", JSC "Eurasian Development Bank" Accordingly, the Group recorded these loans under current liabilities as at 31 December 2014. The Group is currently in the process of obtaining a permanent waiver from creditor banks from fulfilment of conditions of financial and non-financial covenants. (Note 24 (d)).

6 OPERATING SEGMENTS

The Group has three reportable segments, as described below. The segments represent the sub-holdings which develop and produce different products, and are managed separately because they require different technology and marketing strategies. For each of the segments, the Group's President reviews internal management reports on annual basis. The following summary describes the operations in each of the Group's reportable segments:

> Sukhoi holding. Primarily includes development and production of military combat aircraft as well as development of the civil aircraft programme SSJ-100.
> Irkut Corporation. Primarily includes production of military combat aircraft as well as development of the training military aircraft Yak-130 and civil aircraft programme MS-21.
> Other units. Includes designing and manufacturing of various types of aircraft as well as repair and maintenance of existing civil and military aircraft produced in Russia and the former Soviet Union.
> The underlying principles on which the reportable segments information are generally derived from the statutory accounting records adjusted for intergroup transactions. The major reconciling differences between the information provided to President and the related IFRS-based amounts relate to:
> Timing differences relating to when revenue and costs are recognised.
> Adjustments for net realisable value of inventories and change in onerous contracts.
> Administrative expenses.
> Adjustments to fair value of intangible assets and property, plant and equipment.

All the Group's assets are located in the territory of the Russian Federation.

Information regarding the results of each reportable segment is included below. Segment performance is measured based on segment gross profit calculated as revenue after deduction of direct cost of production and directly attributable distribution expenses. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(i) Information about reportable segments

RUB mln	Sukhoi Group		Irkut Corporation		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
External revenue for reportable segments	103,093	89,536	59,260	57,867	121,635	65,755	283,988	213,158
Inter-segment revenue for reportable segments	6,678	1,620	502	456	7,234	5,046	14,414	7,122
Reportable segment gross profit	14,414	12,060	10,141	13,442	7,801	5,747	32,356	31,249

(ii) Reconciliation of reportable segments' revenues and reportable segments' measure of profit

RUB mln	2014	2013 Restated
Total revenue for reportable segments	298,402	220,280,
Elimination of inter-segment revenue	(14,414)	(7,122)
Difference in timing and principles of revenue recognition	10,550	6,907
Consolidated revenue	**294,538**	**220,065**

RUB mln	2014	2013
Reportable segment gross profit	32,356	31,249
Adjustments for:		
Net realizable value of inventories	1,453	5,384
Fair value of assets related to SSJ-100 programme	1,759	1,286
Reclassification of certain types of administrative expenses	12,993	7,347
Adjustments to fair value of intangible assets and property, plant and equipment	241	(122)
Difference in timing of recognition of revenue and cost of sales	6,487	(722)
Other	(7,536)	(1,070)
Gross profit	**47,753**	**43,352**

(iii) Major customer

In 2014 and 2013, revenue from one customer, the Ministry of Defence of the Russian Federation, represented approximately 49% and 29%, respectively, of the Group's total revenue.

7 REVENUE

RUB mln	2014	2013
Revenue earned on aircraft construction contracts	127,520	125,795
Revenue on sales of aircraft components and related products	43,194	26,266
Revenue earned on research and development services	43,330	33,397
Revenue earned on modernisation and overhaul services	64,661	29,467
Other	15,833	5,140
Total	**294,538**	**220,065**

8 PERSONNEL COSTS

RUB mln	2014	2013
Wages and salaries	38,572	33,312
Compulsory social security contributions	9,885	8,214
Expenses related to defined benefit plans	382	19
Total	**48,839**	**41,545**

9 OTHER OPERATING EXPENSES

RUB mln	2014	2013 Restated*
Write-off and change in allowance for doubtful receivables	2,762	927
Write-off and change in impairment provision of inventory	2,506	1,212
Charity and social expenses	1,340	853
Loss on disposal of property, plant and equipment and intangible assets	1,184	–
Property and other tax expense	721	1,017
Bank charges	641	498
Loss on disposal of other assets	236	–
Fines and penalties	208	–
Write-off and impairment of other assets	2,287	–
Expenses attributed to loss-making projects	173	–
Other expenses	–	991
Total	**12,058**	**5,498**

10 OTHER OPERATING INCOME

RUB mln	2014	2013 Restated*
Other reserves reversal	2,576	–
Rental income	339	253
Reversal of accounts payable overdue	255	–
Dividends received from associated companies	72	81
Gain on disposal of property, plant and equipment and intangible assets	–	171
Gain on disposal of other assets	–	133
Other income	16	–
Total	**3,258**	**638**

11 FINANCE INCOME AND FINANCE COSTS

RUB mln	2014	2013 Restated*
Finance income		
Interest income	5,917	2,638
Net income on finance leases	109	33
Other finance income	–	150
	6,026	**2,821**
Finance costs		
Interest expense	(22,633)	(16,652)
Government grant related to compensation of interest expense	6,377	2,763
	(16,256)	**(13,889)**
Foreign exchange loss	(3,284)	(2,986)
Other finance costs	(505)	(466)
Total	**(20,045)**	**(17,341)**

12 INCOME TAX BENEFIT/(EXPENSE)

RUB mln	2014	2013 Restated*
Current tax benefit		
Current income tax	(527)	(122)
Adjustments of prior years	354	109
	(173)	**(13)**
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	(1,627)	571
Change in recognised deferred tax assets	46	51
	(1,581)	**622**
Total	**(1,754)**	**609**

The Group's applicable tax rate is the corporate income tax rate of 20%.

Reconciliation of effective tax rate:

RUB mln	2014	%	2013 Restated*	%
Loss before income tax	(11,900)	100	(14,118)	100,
Income tax at applicable tax rate	2,380	(20)	2,824	(20)
Non-deductible/ non-taxable items, net	(1,204)	(10)	(1,765)	13
Adjustments of prior years	354	3	109	(1)
Foreign exchange gain/(loss)	195	2	231	(2)
Unused tax credit relating to R&D expenses of the reporting period	99	1	–	–
Utilization of previously unrecognised tax losses carried forward	270	2	–	–
Change in recognised deferred tax assets	46	0	51	–
Unrecognised deferred tax assets	(3,894)	(33)	(841)	6
Total	**(1,754)**	**(15)**	**609**	**(4)**

13 PROPERTY, PLANT AND EQUIPMENT

RUB mln	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
At 1 January 2013	67,869	62,107	8,074	21,445	159,495
Acquisition under common control	1,573	8,655	3,546,	8,195	21,969
Additions and transfers	(5,132)	5,132	–	–	–
Reclassifications*	(267)	(2,513)	(994)	–	(3,774)
Disposals	1,048	2,277	98	120	3,543
Foreign exchange differences	**65,091**	**75,658**	**10,724**	**29,760**	**181,233**
Additions and transfers	6,452	2,569	7,703	13,280	30,004
Reclassifications*	(106)	201	1	(80)	16
Disposals	(792)	(1,248)	(1,986)	(8,635)	(12,661)
Foreign exchange differences	11,210	21,326	2,993	1,693	37,222
At 31 December 2014	**81,855**	**98,506**	**19,435**	**36,018**	**235,814**
Depreciation					
At 1 January 2013	(9,645)	(33,493)	(4,301)	–	(47,439)
Depreciation charge	(1,543)	(9,105)	(1,998)	–	(12,646)
Disposals	110	1,426	701	–	2,237
Foreign exchange differences	(206)	(1,159)	(61)	–	(1,426)
At 31 December 2013	**(11,284)**	**(42,331)**	**(5,659)**	**–**	**(59,274)**
Depreciation charge	(3,087)	(9,674)	(5,155)	–	(17,916)
Disposals	28	2,672	367	–	3,067
Reclassifications*	66	(24)	–	–	42
Foreign exchange differences	(898)	(6,283)	(2,597)	–	(9,778)
At 31 December 2014	**(15,175)**	**(55,640)**	**(13,044)**	**–**	**(83,859)**
Carrying amounts					
At 1 January 2013	**58,224**	**28,614**	**3,773**	**21,445**	**112,056**
At 31 December 2013	**53,807**	**33,327**	**5,065**	**29,760**	**121,959**
At 31 December 2014	**66,680**	**42,866**	**6,391**	**36,018**	**151,955**

**B In 2013 year the Group has revised the purpose of a number of production assets which have resulted in reclassification of these objects. Accumulated depreciation on these assets is insignificant.*

(a) Aircraft in operating lease

The aircraft in operating leases as at 31 December 2014 include aircraft provided to customers under operating lease agreements. Such planes are recorded as operating leases and are included in fixed assets in the amount of RUB 4,783 million (31 December 2013: RUB 5,614 million).

(b) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. The leased equipment secures the lease obligations (see note 24(e)). At 31 December 2014 the net carrying amount of leased plant and machinery was RUB 4,765 million (2013: RUB 4,322 million).

(c) Security

As at 31 December 2014 property, plant and equipment with a carrying amount of RUB 5,527 million (31 December 2013: RUB 2,957 million) is pledged as collateral for secured loans and borrowings (see note 24(b)).

(d) Other restrictions

The net book value of property, plant and equipment restricted for sale by the Russian government in accordance with the state military programme amounted to RUB 13,169 million (2013: RUB 12,997 million).

(e) Capitalised borrowing costs

Additions to property, plant and equipment for the year ended 31 December 2014 include RUB 883 million of capitalised borrowing costs (2013: RUB 337 million).

14 INTANGIBLE ASSETS

RUB mln	Goodwill	Development costs	Software	Advances given for development costs	Total
Cost					
At 1 January 2013	1,943	55,856,	3,756	2,375	63,930
Reclassification from inventories	–	–	21	–	21
Additions and transfers	–	9,478	421	103	10,002
Disposals	–	(15)	(336)	(58)	(409)
Government grants	–	(1,251)	–	–	(1,251)
Foreign exchange differences	152	3,682	44	–	3,878
At 31 December 2013 (Restated*)	**2,095**	**67,750**	**3,906**	**2,420**	**76,171**
Additions and transfers	–	7,478	1,300	506	9,284
Disposals/Reclassification from inventories	–	(203)	(486)	(11)	(700)
Government grants	–	(305)	–	–	(305)
Foreign exchange differences	1,505	36,064	739	–	38,308
At 31 December 2014	**3,600**	**110,784**	**5,459**	**2,915**	**122,758**
Amortisation and impairment losses					
At 1 January 2013	–	(10,888)	(1,309)	–	(12,197)
Amortisation charge	–	(2,909)	(530)	–	(3,439)
Foreign exchange differences	–	(782)	(3)	–	(785)
Disposals/reclassification	–	140	128	–	268
At 31 December 2013 (Restated*)	**–**	**(14,439)**	**(1,714)**	**–**	**(16,153)**
Amortisation charge	–	(2,886)	(984)	–	(3,870)
Disposals/reclassification	–	300	291	–	591
Foreign exchange differences	–	(9,585)	(224)	–	(9,809)
At 31 December 2014	**–**	**(26,610)**	**(2,631)**		**(29,241)**
Carrying amounts					
At 1 January 2013	**1,943**	**44,968**	**2,447**	**2,375**	**51,733**
At 31 December 2013 (Restated*)	**2,095**	**53,311**	**2,192**	**2,420**	**60,018**
At 31 December 2014	**3,600**	**84,174**	**2,828**	**2,915**	**93,517**

(a) Goodwill

Goodwill relates to the acquisition of JSC Irkut Corporation and its subsidiaries (Irkut Group) in 2007.

As at 31 December 2014 management tested the acquired goodwill for impairment. The recoverable amount of Irkut group's CGU was determined with reference to its fair value. Applying discounted cash flow approach cash flow projections were based on financial budgets and forecast approved by management covering a period until 2023 as the projected cash flows are primarily based on the lifecycle of MS-21 programme which is expected to reach maturity in 2021-2023. As a result, the recoverable amount of assets of Irkut Group, including related goodwill, exceeded its carrying amount as at 31 December 2014 and 31 December 2013.

Terminal value, representing the cash flows was calculated apllying a growth rate of 3.5%. The cash flows were discounted using a post-tax discount rate of 17% in each forecast year.

As a result, the recoverable amount of assets of Irkut Group, including related goodwill, exceeded its carrying amount as at 31 December 2014 and 31 December 2013. The impairment was not recognized in any of the previous periods.

(b) Development costs

Capitalised development costs comprise of the following programmes:

RUB mln	2014	2013
Sukhoi Super Jet — 100 aircraft (SSJ-100)	53,680	29,953
Yak-130 aircraft	7,415	5,490
MS-21 aircraft	10,644	5,499
Other	10,798	11,412
Total	**82,537**	**52,354**

The development of the Sukhoi Super Jet — 100 (SSJ-100) t and MS-21aircrafts is included in both Federal Target Program "Development of the civil aircraft for 2002–2011 and for the period until 2015" approved by the Decision of the Federal Government of the Russian Federation No. 728 dated 15 October 2001 and in a State program of the Russian Federation "Development of the aircraft industry for 2013–2025". In accordance with these programs, the Group is the subject to financing from the Federal Government. Appropriate funds are being received under the contract with the Ministry of Industry and Trade (Minpromtorg) which is structured as a contract for development services, and as direct subsidies from the budget to cover certain types of expenses.

MS-21

Production of MS-21 aircraft and provision of services to customers under certain military programmes will commence in 2017, respectively. Consequently, the related intangible assets are not amortised. Instead, management tested this asset for impairment as at the reporting date. A discount rate of 15% was applied in determining the recoverable amount.

SSJ-100

On 28 January 2011 the Group obtained the Type Certificate for serial aircraft production and subsequently deliveries commenced to the first customers.

Management concluded that development costs capitalised up to the date of the Type Certificate met the requirement of IAS 38 Intangible assets as 'available for use' which triggered commencement of amortisation of these costs based on the unit-of-production method. Management expects that certain development activities are still required to complete the development of the aircraft to ensure its operating capabilities and required aviation standards in the target markets.

Management plans to analyze future development costs for compliance with the capitalization criteria of IAS 38. If these costs meet the criteria for capitalization, an accumulated value of the intangible asset would be increased. The increase in development costs in the amount of RUB 2,462 million due to the expansion of the Type Certificate.

Management constantly monitors the SSJ-100 program for signs of impairment. As at 31 December 2014, management performed an impairment test taking into account the current financial position of the Company as a main indicator for potential impairment.

In accordance with the requirements of IAS 36 "Impairment of Assets" and taking into account the fact that the relevant development costs are considered to be "available for use" while valuing the asset mentioned above, management of the Group has prepared forecast cash flow model for the entire duration of the program *SSJ- 100 until 2051.*

The cash flow projections for the impairment test for the period 2015–2017 are based on the medium term business plan prepared in January 2015 cash flow. Projections for the period 2018–2051 are based on long-term business plan prepared for the entire program SSJ-100.

Hereinafter is the analysis of the sensitivity of the cash flow model to changes in the production capacity, sales price per aircraft and discount rate.

> Sales volume. No impairment of fixed assets and intangible assets of the Group is recognised in case of supply reduction by 40%. Supply reduction by 50% will result in impairment of fixed assets and intangible assets of the Group amounting to RUB 2,295 million.

> EBITDA. 5% reduction in forecast EBITDA results in no impairment of fixed assets and intangible assets of the Group. 10% reduction in . forecast EBITDA will result in impairment of fixed assets and intangible assets amounting to RUB 9,961 million.

> The discount rate. After-tax rate (WACC) of 15.4% was applied as adiscount rate. If discount rate increase by 5% takes place there is no impairment of fixed assets and intangible asset of the Group

Other projects

By the end of the year 2012 the assets were substantially completed and became available for use, which triggered commencement of amortisation of these costs based on the unit-of-production method. Management continues to monitor the assets for signs of impairment and tests them for impairment, as necessary. As at 31 December 2014 there were no signs of impairment.

(c) Capitalised borrowing costs

Additions to development costs for the year ended 31 December 2014 include RUB 683 million of capitalised borrowing costs (2013: RUB 161 million).

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As at 31 December 2014 the Group owned significant influence interests in JSC Ilyushin Finance Co (IFC), SuperJet International S.p.A (SJI) and Multirole Transport Aircraft Ltd (MTAL).

IFC

IFC provides lease financing of civil aircraft and invests in the construction, sale and repair of aircrafts.

In late 2013 the Group took a firm decision to sell its share in IFC, whereby the investment was reclassified to assets held for sale (see note 21). However, at the end of 2014 this decision was revised and this asset was accounted as investments in associates and joint ventures.

SJI

SJI is established by the Group together with Alenia Aeronautica S.P.A and incorporated in Italy to provide services to European airlines operating Superjet-100. During the year ended 31 December 2014 cash contribution was not made to the capital of "SuperJet International" S.p.A. (in 2013 – RUB 783 million).

In 2014, the Group's share of loss in "SuperJet International" S.p.A. amounted to RUB 653 million (2013: RUB 602 million).

MTAL

In 2012 the Group contributed RUB 618 million to the share capital of the newly established joint venture Multirole Transport Aircraft Ltd. (MTAL). MTS Program is being executed by MTAL under the Agreement on cooperation in the development and production of multirole transport aircraft between the Government of the Russian Federation and the Republic of India. Following the Regulation of the President of the Russian Federation dated 10 March, 2010 the Group's subsidiary JSC "UAC-TS" is authorized to trade military products to foreign governments.

The following is summarised financial information for equity accounted investees:

2014 RUB mln	IFC*	SJI	MTAL	Total
Ownership interest, %	49.48	27.96	48.35	
Current assets	27,819	15,597	770	44,186
Non-current assets	19,430	5,118	1,150	25,698
Total assets	**47,249**	**20,715**	**1,920**	**69,884**
Current liabilities	15,977	21,621	7	37,605
Non-current liabilities	11,382	1,841	–	13,223
Total liabilities	**27,359**	**23,462**	**7**	**50,828**
Revenue and gross finance income from lease	10,311	9,297	30	19,638
Expenses	(13,239)	(10,951)	(13)	(24,203)
Other comprehensive income/(loss)	–	(677)	–	(677)
Loss for the year	**(2,928)**	**(2,331)**	**17**	**(5,242)**
Group share of profit/(loss)	**(1,449)**	**(653)**	**8**	**(2,093)**

2013 RUB mln	SJI	MTAL	Total
Ownership interest, %	40.76	48.35	
Current assets	9,056	1,222	10,278
Non-current assets	3,835	2	3,837
Total assets	**12,891**	**1,224**	**14,115**
Current liabilities	11,265	1	11,266
Non-current liabilities	1,370	–	1,370
Total liabilities	**12,635**	**1**	**12,636**
Revenue and gross finance income from lease	4,986	29	5,015
Expenses	(6,463)	(31)	(6,494)
Loss for the year	**(1,477)**	**(2)**	**(1,479)**
Group share of profit/(loss)	**(602)**	**(1)**	**(603)**

The reporting date for all associates listed above is 31 December.

Below is a summary of movement in the carrying amount of investments in associates:

2014 RUB mln	IFC*	SJI	MTAL	Total
Investments in associates as at 1 January 2012	**9,072**	**–**	**619**	**9,691**
Acquisition of additional shares/increase of investment	–	783	–	783
Reclassification to assets held for sale	(9,028)	–	–	(9,028)
Group share loss	**(44)**	**(602)**	**(1)**	**(647)**
Foreign exchange differences	–	(77)	–	(77)
Investments in associates as at 31 December 2013	**–**	**104**	**618**	**722**
Group's share of profit/(loss)	(1,449)	(652)	8	(2,093)
Reclassification to assets held for sale	9,028	–	–	9,028
Recognition of liabilities associated with the share of losses	–	1,346	–	1,346
Foreign exchange differences	–	(798)	–	(798)
Investments in associates as at 31 December 2014	**7,579**	**–**	**626**	**8,205**

16 INVESTMENTS AND NON-CURRENT FINANCIAL ASSETS

RUB mln	2014	2013
Non-current		
Available-for-sale investments measured at cost	3,325	3,165
Loans given	146	280
Promissory notes	9	42
Total	**3,480**	**3,487**
Current		
Deposits	564	1,062
Loans given	176	321
Promissory notes	7	10
Other current financial assets	5	137
Total	**752**	**1,530**

Available-for-sale investments stated at cost comprise unquoted equity securities in the airspace and defence industry. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. However, management believes it is unlikely that the fair value at the end of the reporting period would differ significantly from their carrying amount.

Investments available for sale both as at 31 December 2014 and 31 December 2013 are mostly attributable to equity securities in JSC "Oboronprom" held by the Group`s subsidiary JSC "RSK "MIG" in the amount of RUB 2,698 million. The ownership interest of RSK MIG in JSC "Oboronprom" is 5.01% (2013: 5,01%).

17 DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

RUB mln	Assets		Liabilities		Net	
	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
Property, plant and equipment	384	1,748	(14,278)	(8,704)	(13,894)	(6,956)
Intangible assets	3,684	3,306	(9,470)	(4,888)	(5,786)	(1,582)
Investments	1,279	3,088	(1,523)	(1,099)	(244)	1,989
Inventories	17,631	15,451	(11,286)	(10,120)	6,345	5,331
Trade and other receivables	3,042	585	(9,222)	(8,316)	(6,180)	(7,731)
Trade and other payables	3,322	1,621	(7,367)	(1,995)	(4,045)	(374)
Loans and borrowings	5,809	1,172	(1,208)	(493)	4,601	679
Provisions and employee benefits	1,522	992	(141)	(219)	1,381	773
Tax credit for R&D expenses	99	–	–	–	99	–
Tax loss carry-forwards	17,311	12,017	–	–	17,311	12,017
Total tax assets/(liabilities)	**54,083**	**39,980**	**(54,495)**	**(35,834)**	**(412)**	**4,146**
Offset of tax	(44,475)	(31,218)	44,475	31,218	–	–
Net tax assets/(liabilities)	**9,608**	**8,762**	**(10,020)**	**(4,616)**	**(412)**	**4,146**

Movement in temporary differences during the year

RUB mln	1 January 2013 Restated*	Recognised in other compre-hensive income	Recognised in profit or loss	Foreign currency transla-tion	31 December 2013
Property, plant and equipment	(6,870)	–	579	(665)	(6,956)
Intangible assets	(3,980)	–	2,686	(288)	(1,582)
Investments	178	–	1 811	–	1,989
Inventories	7,603	–	(2,868)	596	5 331
Trade and other receivables	(5,701)	–	(1,401)	(629)	(7,731)
Trade and other payables	221	–	(812)	217	(374)
Loans and borrowings	204	–	460	15	679
Provisions and employee benefits	450	(21)	338	6	773
Tax credit for R&D expenses	377	–	(377)	–	–
Tax loss carry-forwards	10,929	–	206	882	12,017
Total	**3,411**	**(21)**	**622**	**135**	**4,146**

RUB mln	1 January 2014	Recognised in other compre-hensive income	Recognised in profit or loss	Foreign currency translation	31 December 2014
Property, plant and equipment	(6,956)	–	(4,297)	(2,641)	(13,894)
Intangible assets	(1,582)	–	(2,330)	(1,874)	(5,786)
Investments	1,989	–	(2,177)	(56)	(244)
Inventories	5,331	–	1,241	(227)	6,345
Trade and other receivables	(7,731)	–	2,663	(1,112)	(6,180)
Trade and other payables	(374)	–	(4,243)	572	(4,045)
Loans and borrowings	679	–	3,144	778	4,601
Provisions and employee benefits	773	(10)	596	22	1,381
Tax credit for R&D expenses	–	–	99	–	99
Tax loss carry-forwards	12,017	–	3,723	1,571	17,311
Total	**4,146**	**(10)**	**(1,581)**	**(2,967)**	**(412)**

Tax loss carry-forwards expire in the future as follows:

RUB mln	2014	2013
2014	–	5
2015–2016	89	89
2017–2020	1,469	89
2017–2020	158	1,651
2021	158	158
2022	2,695	2,713
2023	3,776	4,783
2024	2,618	2,618
	10,805	**12,017**

The sufficient part of tax losses carried forward expires in 2015–2024. Deferred tax assets including unused tax losses carried forward are recognized as the Management of the Group expects sufficient taxable profit to set off the tax in a foreseeable future before it expires.

(b) Unrecognized deferred tax assets

RUB mln	2014	2013
Deductible temporary differences	3,956	3,901
Tax loss carry-forwards	20,204	17,382
Total	**24,160**	**21,283**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Unrecognised tax losses expire in the future as follows.

RUB mln	2014	2013
2019–2024	13,150	14,829
2016–2018	6,079	1,864
2014–2015	975	689
Total	**20,204**	**17,382**

(c) Unrecognised deferred tax liability

A temporary difference as at 31 December 2014 of RUB 1,681 million (2013: RUB 1,500 million) relating to investments in subsidiaries has not been recognised because the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

18 INVENTORIES

RUB mln	2014	2013 Restated*
Advance payments to suppliers	78,608	53,123
Raw materials and other supplies	34,569	22,052
Aircraft components	50,184	39,262
Goods for sale	5,031	9,868
Impairment of inventories	(3,556)	(4,018)
Other work in progress	66,894	41,911
Impairment of work in progress	(8,771)	(8,389)
Costs incurred and recognised profits on construction contracts less progress billings	27,936	16,140
Total	**250,895**	**169,949**

(a) Security

Inventory with a carrying amount as at 31 December 2014 of RUB 84 million (31 December 2013 of RUB 184 million) is pledged as collateral for secured loans (see note 24(b)).

19 TRADE AND OTHER RECEIVABLES

RUB mln	2014	2013 Restated*
Current		
Trade receivables	84,661	43,919
Impairment	(6,011)	(3,757)
	78,650	**40,162**
VAT recoverable	27,877	27,115
Prepayments	43,367	34,541
Due from tax authorities	2,245	1,091
Other receivables and originated loans	11,441	9,799
Impairment of other receivables	(4,915)	(5,887)
Total	**158,665**	**106,821**
Non-current		
Other advances	1,979	317
VAT receivable	136	439
Trade and other receivables, non-current	72	300
Total	**2,187**	**1,056**

20 CASH AND CASH EQUIVALENTS

RUB mln	2014	2013 Restated*
Bank balances, RUB	39,851	36,866
Bank balances, Foreign currency	46,251	17,635
Deposits	5,652	3,090
Other cash and cash equivalents	913	1,507
Total	**92,667**	**59,098**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 29.

21 RECLASSIFICATION OF AN ASSET HELD FOR SALE

As a result of measures to provide financial support to a subsidiary of JSC Sukhoi Civil Aircraft, in December 2013 the Group management decided to sell the entire share (49.48%) in JSC "Ilyushin Finance" to the Bank of development "VEB". The expected date of sale is first half of 2014. The investment was valued at the lower of anticipated sale price and its carrying amount of RUB 9,028 million and was reclassified into the category of assets held for sale.

At the of 2014 year, the decision above was reviewed. Thus, the Group's investment in IFC was reclassified from assets held for sale and included in the investments in associates as at 31 December 2014.

22 EQUITY

(a) Share capital and share premium

Thousands of shares	Ordinary shares 2014	2013
Issued shares	219,654,789	219,654,789
Par value, RUB	0.86	0.86
Issued shares as at 1 January	219,654,789	219,654,789
Issued shares as at 31 December, fully paid	**219,654,789**	**219,654,789**

RUB	The nominal value of shares 2014	2013
At the beginning of the year	0.86	1.00
Reduction of the nominal share price	-	(0.14)
At the end of the year	**0.86**	**0.86**

As at 31 December 2014 issued capital amounted to RUB 188,903 million.

In accordance with the requirements of paragraph 6 of Article 35 of the Federal Law of 26 December 1995 № 208-FZ On Joint Stock Companies, the Extraordinary General Meeting of Shareholders of JSC UAC, which was held on 18 March 2013 (Minutes № 19 of 19 March 2013) decided to reduce the share capital of JSC UAC by reducing the par value of the shares in order to bring the amount of authorized capital to an amount not exceeding the value of the net assets of JSC UAC.

To implement this decision, the Company carried out placement of ordinary registered shares with a par value of 0.86 rubles. (GRN 1-02-55306 -E from 26 April 2013) by converting the shares of the same category (type) of the par value of 1 ruble. Conversion date — 30 April 2013. As a result, the value of the authorized capital of JSC UAC amounted to RUB 188,903 million.

At the date these consolidated financial statements were authorised for issue share capital of the Company consisted of 219,654,789 thousand shares, offered shares amounted to 100,000,000 thousand shares both as of 31 December 2013 and 31 December 2014.

(b) Prepaid shares reserve

The decision to increase the authorized capital by issuing additional shares was takedn by the Board of Directors of JSC UAC in 2013 (Minutes № 87 dated 29 July 2013).

Decision on the issue of 33,000,000 additional shares of JSC UAC with par value of 0.86 rubles was registered by FFMS of Russia in 29 August 2013 with the state registration number 1-02-55306-E-001D. Face value of securirties is RUB 28,380 million.

As ot 31 December 2014 the amount of cash contribution received by JSC UAC was 14,352,332 thousand shares amounting to RUB 12,343 million. (31 December 2013: RUB 4,198 million).

(c) Revaluation reserve

Revaluation reserve relates to the revaluation of pre-combination interest held by the Group before acquisition of the controlling interest in JSC Irkut Corporation in 2007.

(d) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Group subsidiaries with a functional currency other than the Russian Rouble.

(e) Treasury shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At the reporting date the Group held 309,894 thousand (2013: 309,894 thousand) of its own shares.

(f) Dividends and dividend limitations

Profits available for distribution to ordinary shareholders in respect of any reporting period are determined by reference to the financial statements of the Company prepared in accordance with the laws of the Russian Federation and Russian Accounting Principles and denominated in Russian roubles. At 31 December 2014 the Company had accumulated losses amounting to RUB 6,654 million, including the loss for the current year of RUB 8,408 million (31 December 2013: accumulated loss of RUB 1,498 million).

Before these consolidated financial statements were authorised for issue, no recommendation had been made by the Board of Directors with regard to dividend distribution.

(g) Cash contributions to equity of subsidiaries by non-controlling shareholders

JSC Company Sukhoi

In February 2014 Group's subsidiary JSC Company Sukhoi initiated a closed subscription issue of 36,000,000 ordinary shares with a par value of RUB 1,000 each for the benefit of the JSC "Vnesheconombank" and Federal Agency for State Property Management (Rosimushestvo).

The consideration in amount of RUB 28,745 million was fully paid in cash in 2014. Placement of shares was completed in January 2015. Consideration was used for the purpose of increase in equity of Group's subsidiary JSC Company Sukhoi.

The Group opened two credit lines with OJSC Sberbank of Russia in frames of Federal Target Programme with maturity date on 31 December 2016 and 31 December 2017. Moreover, the Group signed trilateral agreement with Rosimushestvo and Minpromtorg. According to the trilateral agreement Rosimushestvo will provide the Group with RUB 646 million to repay the loans to OJSC Sberbank of Russia under the terms of sale the Group's ordinary shares to Rosimushestvo in the equal amount.

As a result of additional shares issue the Group's share decreased to 57.06% as at 31 December 2014.

CJSC M. M. Gromov Flight Research Institute

During 2014 in favor of Rosimushestvo 952,780 shares with a par value of 1,000 rubles were issued. As a result, the Group's share composed 86.85% as at 31 December 2014.

JSC Tupolev

Group took a decision on additional share issue (state registration number of issue 1-01-04640-A-002D dated 29 April 2014) of nominal ordinary shares with a par value of 1 (one) ruble in amount of 15,000,000,000 (fifteen billion). Used by the Group method of placement was to convert the shares of a merged company to additional shares of joint-stock company upon reorganization.

As a result, reorganization of JSC "Tupolev" by merging JSC "KAPO".was completed as at 1 June 1 2014.

(h) NCI

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI:

31 December 2014 RUB mln	CJSC Sukhoi Civil Aircraft	JSC Corporation Irkut	JSC Company Sukhoy	JSC RSK MIG	Other individually immaterial subsidiaries	Total
NCI percentage	46.31%	8.63%	42.94%	33.14%		
Non-current assets	81,682	42,463	38,861	33,339		
Current assets	64,325	107,735	82,036	81,763		
Non-current liabilities	(35,234)	(43,230)	(21,606)	(66,235)		
Current liabilities	(109,056)	(63,263)	(64,606)	(72,720)		
Net assets	**1,717**	**43,705**	**34,685**	**(23,853)**		
Carrying amount of NCI	(11,973)	4,065	23,940	(7,904)	1,543	9,671
Revenue	24,036	65,585	82,998	36,108		
Gross profit/(loss)	(3,367)	17,875	19,376	13,001		
Profit/(loss)	(8,592)	72	549	(13,956)		
OCL	(627)	-	(569)	-		
Total comprehensive profit/(loss)	**(9,219)**	**72**	**(20)**	**(13,956)**		
Profit allocated to NCI	(3,978)	6	236	(4,625)	2,598	(5,763)
OCL allocated to NCI	(562)	-	491	-	-	(71)
Cash flows from operating activities	(13,484)	1,381	4,557	290		
Cash flows from investment activities	(2,421)	(3,108)	(5,458)	(230)		
Cash flows from financing activities	15,747	9,104	328	2,822		
Net increase (decrease) in cash and cash equivalents	**296**	**7,377**	**(573)**	**2,882**		

31 December 2013 RUB mln	CJSC Sukhoi Civil Aircraft	JSC Corporation Irkut	JSC Company Sukhoy	JSC RSK MIG	Other individually immaterial subsidiaries	Total
NCI percentage	37.61%	6.18%	16.81%	37.23%		
Non-current assets	51,584	23,941	49,046	29,300		
Current assets	31,668	52,677	76,646	65,343		
Non-current liabilities	(49,772)	(24,322)	(40,825)	(23,899)		
Current liabilities	(47,234)	(25,396)	(56,000)	(82,529)		
Net assets	**(13,754)**	**26,900**	**28,867**	**(11,785)**		
Carrying amount of NCI	(7,238)	1,867	3,432	(4,363)	2,030	(4,272)
Revenue	16,362	60,694	65,229	33,851		
Gross profit/(loss)	(3,235)	15,870	13,970	9,770		
Profit/(loss)	(8,108)	1,166	(115)	(2,788)		
OCL	–	(117)	(902)	(963)		
Total comprehensive profit/(loss)	**(7,010)**	**1,049**	**(256)**	**(3,751)**		
Profit allocated to NCI	(3,050)	72	(19)	(1,038)	(55)	(4,090)
OCI allocated to NCI	-	(7)	(152)	-	(16)	(175)
Cash flows from operating activities	(13,279)	5,942	(5,782)	2,834		
Cash flows from investment activities	(2,706)	(2,868)	(7,616)	(2,824)		
Cash flows from financing activities	11,174	(3,408)	11,426	1,037		
Net increase (decrease) in cash and cash equivalents	**(4,811)**	**(334)**	**(1,972)**	**1,047**		

23 LOSS PER SHARE

The calculation of basic loss per share at 31 December 2014 is based on the loss attributable to ordinary shareholders of RUB 7,891 million (2013: RUB 9,418 million), and a weighted average number of ordinary shares outstanding of 219,344,894 thousand shares (2013: 219,344,894 thousand shares), calculated as shown below. The Company has no dilutive potential ordinary shares.

Thousands of shares	2014	2013
Issued shares at 1 January	219,654,789	219,654,789
Treasury shares at 1 January	(309,895)	(309,895)
Weighted average number of shares for the year ended 31 December	**219,344,894**	**219,344,894**

24 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 29.

RUB mln	2014	2013
Non-current liabilities		
Secured bank loans	83,175	56,892
Unsecured bank loans	67,829	49,134
Unsecured bonds issued	46,280	46,280
Secured bonds issued	5,051	5,052
Finance lease liabilities	1,857	508
Other loans	36	112
Total	**204,228**	**157,978**

RUB mln	2014	2013
Current liabilities		
Secured bank loans	67,241	32,928
Unsecured bank loans	72,753	60,695
Unsecured borrowings	2,476	1,008
Secured bonds issued	6,025	1,146
Unsecured bonds issued	1,031	5,968
Finance lease liabilities	1,054	896
Other loans	205	161
Total	**150,785**	**102,802**

(a) Terms and debt repayment schedule

RUB mln	Currency	Nominal interest rate	Year of maturity	Face value 2014	Carrying amount 2014	Face value 2013	Carrying amount 2013
Secured bank loans:	GBP	9-11%	2019-2020	1,074	964	481	481
	USD	7-9%	2022-2027	28,796	28,894	29,074	29,072
	USD	3-10%	2015-2016	41,737	41,947	13,411	13,436
	USD	LIBOR + 3-6.5%	2015-2017	6,099	6,114	5,968	5,968
	EUR	Euribor + 6.5-7%	2015	3,013	2,954	-	-
	EUR	6-8%	2015-2018	13,865	13,850	8,722	8,739
	RUB	6-16%	2015-2017	30,563	30,578	29,815	29,870
	RUB	10-12%	2018-2022	25,114	25,115	2,254	2,254
Unsecured bank loans:	GBP	9-11%	2019-2020	-	-	214	214
	USD	3-9%	2015-2018	49,137	49,144	51,350	51,387
	USD	7-9%	2022-2024	8,142	8,153	3,763	3,769
	USD	LIBOR + 3-6.5%	2015-2016	1,361	1,287	3,674	3,674
	EUR	Euribor + 0.9%	2015	3,828	3,748	-	-
	EUR	Euribor + 6.5-7%	2015-2017	113	111	5 964	5,964
	EUR	4-8%	2015-2016	327	327	1,141	1,141
	RUB	10-12%	2018-2020	11,103	11,104	3,457	3,457
	RUB	9-20%	2015-2017	66,708	66,708	40,194	40,223
Unsecured borrowings:	USD	6%	2015	1,830	1,830	1,006	1,008
	RUB	10%	2017	646	646	-	-
Unsecured bonds issued:	RUB	8-9%	2020-2023	5,000	5,051	5,000	5,052
	RUB	8-27%	2015	1,031	1,031	5,968	5,968
Secured bonds issued:	RUB	8-14%	2015	6,097	6,025	-	1,146
	RUB	8%	2020-2023	46,280	46,280	46,280	46,280
Finance lease liabilities:	USD	0%	2015-2017	284	284	-	-
	USD	0%	2021-2024	1,738	1,738	140	140
	USD	10-17%	2015-2017	118	118	289	289
	EUR	12%	2015-2016	375	375	676	676
	RUB	0-12%	2015-2020	396	396	299	299
Finance lease liabilities:	EUR	0%	2015	-	-	74	74
	RUB	0%	2015-2020	241	241	199	199
	Total:			**355,016**	**355,013**	**259,413**	**260,780**

(b) Security

Group loans are secured over property, plant and equipment with a carrying amount of RUB 6,432 million (31 December 2013: RUB 2,957 million), inventory with a carrying amount of RUB 84 million (31 December 2013: RUB 184 million), titles to rent of land plots with an area of 612 square metres (2013: 684 sq.m).

Also there are pledged rights to receive future revenues from export sales of Sukhoi Group, Irkut Group, JSC RSK MiG and other Group entities.

(c) Bonds issued

As at 22 February 2011 the Federal Agency on Financial Markets of Russia registered the issue of unconvertible coupon bonds of the Company in a quantity of 46,280,000 thousands with a par value of RUB 1,000. Bonds have 18 coupon periods. Duration of 1–17 coupon periods is established equal to 182 days with a coupon rate of 8 % per annum. The duration of the 18th coupon period is established equal to 196 days. Bonds are secured with the state guarantee of the Russian Federation. The funds raised from placement of the bonds were used for repayment and restructuring of bank loans for the purpose of financing the development and production activities of the Group.

(d) Covenants compliance

As at 31 December 2014 the Group's subsidiary (CJSC "Sukhoi Civil Aircraft") violated a number of financial and non-financial loan covenants with the following banks: EBRD, JSC "VTB" VTB Bank (Austria), VTB (France) OJSC "Sberbank", JSC "Eurasian Development Bank" Accordingly, the Group accounted these loans as current ones as at 31 December 2014. The Group is currently in the process of obtaining a permanent waiver from creditor banks for fulfilment of conditions of financial and non-financial covenants.

(e) Finance lease liabilities as at 31 December 2014 are payable as follows:

31 December 2014 RUB mln	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	1,957	907	1,049
Between one and five years	5,324	3,465	1,859
Total	**7,281**	**4,372**	**2,908**

31 December 2013 RUB mln	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	988	92	896
Between one and five years	530	22	508
Total	**1,518**	**114**	**1,404**

For more information about the Group's exposure to interest rate and foreign currency risk, see note 29.

25 TRADE AND OTHER PAYABLES

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

RUB mln	2014	2013 Restated*
Current liabilities		
Advances from customers, unrelated to construction contracts	116,095	62,480
Advances related to construction contracts	12,666	17,133
Trade payables	66,089	35,243
Other payables	14,738	7,759
Settlements with employees	5,919	5,615
VAT payable	3,587	1,694
Other tax payable	3,299	2,528
Total	**222,393**	**132,452**
Non-current liabilities		
Advances from customers, unrelated to construction contracts	41,973	34,474
Trade payables	1,386	2,970
Other payables	1,581	304
Total	**44,940**	**37,748**
Total current and non-current liabilities	**267,333**	**170,200**

26 GOVERNMENT GRANTS

The development of the MS-21 and Sukhoi Super Jet – 100 aircraft is included in the Federal Target Program Development of the civil aircraft for 2002–2010 and for the period until 2015 approved by the Decision of the Federal Government of the Russian Federation No. 728 dated 15 October 2001. In accordance with this program, the Company receives financing from the Federal Government. Relevant funds are received under contracts with the Ministry of Industry and Trade (Minpromtorg) which are structured as contracts for development services, as well as in the form of direct subsidies from the budget to cover certain types of expenses.

As described in note 3(e)(ii), management applies judgement in determination of whether proceeds related to externally financed research and development contracts with government related entities should be accounted as government grants.

The summary of government grants received by the Group is presented below.

RUB mln	2014	2013
Grants related to development costs	520	1,307
Purchase of equipment	248	–
Total	**768**	**1,307**
Government grants related to income	332	636
Government grants related to compensation of interest expense	6,377	2,763
Total	**7,477**	**4,706**

27 EMPLOYEE BENEFITS

RUB mln	2014	2013
Fair value of plan assets	911	850
Present value of obligations	(5,382)	(5,026)
Deficit in the plan	(4,471)	(4,176)
Total employee benefit liabilities	**(4,471)**	**(4,176)**

Certain Group subsidiaries make contributions to defined benefit plans that provide benefits for employees upon retirement in the form of life pensions, pensions with a limited number of years of payout or one-off lump-sum payments upon employee retirement. All of those plans entitle a retired employee to receive payments calculated based on the number of years of service and other factors representing individual merit of performance during individual service period. Those factors also determine whether the pension is life pension or a pension with limited number of years of payout. Amounts of lump-sum payments are also determined based on the number of years of services upon retirement.

Movements in the present value of the defined benefit obligations:

RUB mln	2014	2013
Defined benefit obligations at 1 January	(5,027)	(4,579)
Current service cost	(286)	(280)
Benefits paid	288	266
Actuarial gain/(loss)	36	(83)
Interest cost	(389)	(347)
Forex differences	(4)	(3)
Defined benefit obligations at 31 December	**(5,382)**	**(5,026)**

Movements in the present value of plan assets:

RUB mln	2014	2013
Fair value of plan assets at 1 January	850	863
Expected return on plan's assets	72	65
Benefits paid by the plan	(207)	(179)
Contributions paid into the plan	281	125
Actuarial gain/(loss)	(85)	(24)
Fair value of plan assets at 31 December	**911**	**850**

Plan assets comprise low-risk fixed income instruments.

Expense recognised in the statement of income:

RUB mln	2014	2013
Current service cost	(286)	(282)
Expected return on plan's assets	72	65
Interest expenses	(389)	(347)
Total recognised in profit or loss	**(603)**	**(564)**
Actuarial gains and losses recognised in other comprehensive income	(49)	(107)
Total	**(652)**	**(671)**

The calculation of the defined benefit obligation is sensitive to the mortality assumptions set out above. As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year.

Principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

RUB mln	2014	2013
Discount rate	8.2%	7.9%
Expected rate of return on plans assets	8.2%	7.9%
Future pension and salary increases	6%	5.5%
Average life expectancy of members from the date of retirement:		
Male	12 years	12 years
Female	20 years	20 years

28 PROVISIONS

RUB mln	Warranty	Onerous contracts	Other	Total 2014	Warranty	Onerous contracts	Other	Total 2013 Restated*
Balance at 1 January	**1,408**	**835**	**876**	**3119**	**1,503**	**536**	**538**	**2,577**
Provisions made during the year	1,454	262	627	2,343	1,269	702	407	2,377
Provisions used during the year	(863)	(517)	(543)	(1,923)	(517)	–	(1)	(518)
Provisions reversed during the year	(103)	–	(535)	(638)	(847)	(403)	(68)	(1,318)
Balance at 31 December	**1,896**	**580**	**425**	**2,901**	**1,408**	**835**	**876**	**3,118**

(a) Warranty

The Group provides product warranties on certain product sales. Generally, aircraft sales are accompanied by a twelve to eighteen month warranty period that covers systems, accessories, equipment, parts and software manufactured by the Group to certain contractual specifications. Warranty coverage includes non-conformance to specifications and defects in material and workmanship.

The warranty liability recorded at each balance sheet date reflects the estimated number of months of warranty coverage outstanding for products produced times the expected monthly warranty payments, as well as additional amounts, if necessary, for certain major warranty issues that exceed a normal claims level.

29 FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure.
The maximum exposure to credit risk at the reporting date was:

RUB mln	2014	2013
Finance lease receivables	2,023	3,668
Loans given	322	601
Deposits	564	1,062
Trade receivables	78,650	40,162
Costs incurred and recognized profits on construction contracts	27,936	16,140
Other receivables	13,757	5,306
Cash and cash equivalents	92,667	59,098
Total	**215,919**	**126,037**

(b) Impairment losses

The ageing of trade receivables at the reporting date was:

RUB mln	Gross 2014	Impairment 2014	Gross 2013 Restated*	Impairment 2013
Not past due (with a start date up to 50 days)	77,575	(4)	39,648	(143)
Past due 0–360 days	568	(255)	629	(95)
Past due more than one year	6,518	(5,753)	3,642	(3,519)
Total	**84,661**	**(6,012)**	**43,919**	**(3,757)**

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

RUB mln	2014	2013
Balance as at 1 January	3,757	2,848
Impairment loss recognised	2,255	909
Balance as at 31 December	6,012	3,757

Based on historic default rates, the Group believes that no impairment provision is necessary in respect of trade receivables not past due or past due by up to 360 days.

The provision in respect of trade receivables and held-to-maturity investments is used to record impairment losses unless the Group is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2014 and at 31 December 2013 the Group does not have any collective impairment on its trade receivables or its held-to-maturity investments.

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2014 RUB mln	Carrying amount	Contractual cash flows	12 month or less	2–3 years	4–5 years	More than 5 years
Secured bank loans	150,416	312,281	107,454	100,862	81,709	22,257
Unsecured bank loans	140,581	164,155	82,242	56,007	12,695	13,211
Unsecured borrowings	2,476	2,118	1,986	132	–	–
Secured bonds issued	52,305	71,679	9,809	7,405	7,405	47,061
Unsecured bonds issued	6,082	8,454	1,607	898	898	5,052
Finance lease liabilities	2,911	7,131	1,868	2,169	1,433	1,660
Other loans	241	1,686	1,217	439	5	25
Trade and other payables	87,094	87,094	84,127	2,967	–	–
Total	**442,106**	**654,598**	**290,310**	**170,879**	**104,145**	**89,266**

31 December 2014 RUB mln	Carrying amount	Contractual cash flows	12 month or less	2–3 years	4–5 years	More than 5 years
Secured bank loans	89,820	175,619	69,677	55,260	21,615	29,067
Unsecured bank loans	109,829	138,554	69,342	42,404	15,502	11,306
Unsecured borrowings	1,008	1,225	1,094	131	–	–
Secured bonds issued	11,020	8,361	6,595	883	883	–
Unsecured bonds issued	47,426	70,422	4,849	7,405	7,405	50,763
Finance lease liabilities	1,404	1,483	965	499	8	11
Other loans	273	712	420	201	68	21
Trade and other payables	48,805	48,805	45,532	3,274	–	–
Total (Restated*)	**309,585**	**445,181**	**198,474**	**110,057**	**45,481**	**91,168**

(d) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of Group entities, primarily the Rubles (RUB), but also U.S. Dollars (USD) which is the functional currency of the Group's subsidiary JSC Irkut Corporation and JSC Sukhoi Civil Aircraft. The currencies in which these transactions primarily are dominated are USD, EUR and RUB:

31 December 2014 RUB mln	USD	EUR	GBP	RUB
Cash and cash equivalents	21,267	3,205	–	21,458
Trade and other receivables	31,524	1,127	2	12,165
Costs incurred and recognised profits on construction contracts	801	–	–	9,529
Secured bank loans	(4,713)	(16,804)	(963)	(8,214)
Unsecured bank loans	(33,890)	(4,185)	–	(10,944)
Unsecured borrowings	(1,830)	–	–	–
Secured bonds issued	–	–	–	(4,869)
Unsecured bonds issued	–	–	–	(6,082)
Finance lease liabilities	(115)	(375)	–	(16)
Other loans	–	–	–	–
Trade and other payables	(13,428)	(3,510)	(39)	(16,077)
Gross exposure	**(384)**	**(20,542)**	**(1,000)**	**(3,050)**

31 December 2013 RUB mln	USD	EUR	GBP	RUB
Cash and cash equivalents	11,190	1,677	–	8,657
Trade and other receivables	17,431	2,930	–	7,592
Costs incurred and recognised profits on construction contracts	6,298	3,476	–	3,423
Secured bank loans	(14,711)	(8,739)	–	(3,037)
Unsecured bank loans	(33,896)	(7,105)	–	(5,694)
Unsecured borrowings	(1,008)	–	–	–
Unsecured bonds issued	–	–	–	(11,020)
Finance lease liabilities	(140)	(677)	–	(5)
Other loans	–	(74)	–	–
Trade and other payables	(15,773)	(3,390)	–	(7,989)
Gross exposure	**(30,609)**	**(11,902)**	**–**	**(8,073)**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
RUB	2014	2013	2014	2013
USD	38.4217	31.85	56.2584	32.73
EUR	50.8187	42.31	68.3427	44.97
GBP	63.3648	49.84	87.4199	53.96

(e) Sensitivity analysis

A 10% strengthening (weakening) of RUB against the USD and EUR based on the Group's exposure at the reporting date would have increased (decreased) net profit for the year by RUB (2,193) million (2013: RUB 2,755 million).

(f) Interest rate risk

(i) Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

RUB mln	Carrying amount 2014	2013
Fixed rate instruments		
Financial assets	12,951	4,847
Financial liabilities	(332,742)	(230,977)
	(319,791)	**(226,130)**
Variable rate instruments		
Variable rate instruments	(22,271)	(29,803)
	(22,271)	**(29,803)**

(ii) Fair value sensitivity analysis for fixed rate instruments

The Group does not recognize any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect equity or net profit for the year.

(iii) Cash flow sensitivity analysis for variable rate instruments

An increase of one percentage point in interest rates based on the Group's exposure at the reporting date for 2014 would have increased loss for the year by RUB 143 million (31 December 2013: RUB 231 million). The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(g) Fair values

The Company estimates the fair value of its financial assets and liabilities not to be materially different from their current values. For receivables and payables with a remaining useful life of less than one year their notional amount is deemed to reflect their fair value. For loans and borrowings and all other financial instruments fair value is determined based on discounted future principal and interest cash flows.

The interest rates used to discount estimated cash flows, where applicable, are based on the market rates of instruments with similar market risk exposure and are disclosed in Note 23.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

31 December 2014 RUB mln	Carrying amount	Fair value Level 1	Level 2	Total
Financial liabilities not measured at fair value				
Unsecured bond issue	(46,280)	(45,967)	-	(45,967)
	(46,280)	**(45,967)**	**-**	**(45,967)**

31 December 2013 RUB mln	Carrying amount	Fair value Level 1	Level 2	Total
Financial liabilities not measured at fair value				
Unsecured bond issue	(52,478)	(52,457)	-	(52,457)
	(52,478)	**(52,457)**	**-**	**(52,457)**

The basis for determining fair values is disclosed in note 4.

30 OPERATING LEASE

RUB mln	2014	2013
Less than one year	421	548
Between one and five years	1,505	1,718
More than five years	7,352	7,675
Total	**9,278**	**9,941**

31 CONTINGENCIES

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances. The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transactions on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Environmental contingencies

Governmental authorities are continually considering environmental regulations and their enforcement and the Group periodically evaluates its obligations related thereto. As obligations are determined, they are recognised immediately. The outcome of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated. Under current levels of enforcement of existing legislation, management believes there are no liabilities, which will have a materially adverse effect on the financial position or the operating results of the Group.

(d) Assets value guarantee

Certain contracts for aircraft delivery include the obligation of an asset value guarantee whereby the Company is obliged to repurchase the aircraft at a specific date after its delivery for a predetermined value at the customer's request (Note 3(m)(ii)). According to the management assessment the guarantees provided do not bear significant financial risks at the reporting date.

The following factors contribute to this assessment:

> the estimated fair values of the aircraft at the guarantee exercise date are expected to sufficiently exceed the guarantee values;

> the exercise dates of the outstanding asset value guarantees fall on the 10th anniversary after aircraft delivery which represents at least half of average aircraft useful life;

> the substantial portion of maintenance costs required to keep the aircraft in the adequate airworthiness condition are borne by the customers.

(e) Capital commitments

As at 31 December 2014 the Group is committed to capital expenditure of approximately RUB 49,037 million (2013: RUB 31,322 million).

32 RELATED PARTY TRANSACTIONS

(a) Control relationship

Related parties comprise the shareholders of the Parent company and all other companies in which those shareholders, either individually or together, have a controlling interest.

The Federal Government of Russian Federation is the ultimate controlling party of the Group. Related parties disclosures (Note 32 (c)) as at 31 December 2014 include balances with other government related entities.

(b) Transactions with management

Key management personnel compensation

Key management received the following remuneration during the year, which is included in personnel costs (see note 8):

RUB mln	2014	2013
Wages and salaries	1,305	897
Compulsory social security contributions	147	121
Total	**1,452**	**1,018**

(c) Transactions with government related entities

The Group is indirectly owned by the Federal Government of the Russian Federation (2014: 85.29%, 2013: 84.67%). The Group operates in an industry dominated by entities directly or indirectly controlled by the Federal Government of the Russian Federation through its government authorities, agencies, affiliation and other organisations (collectively referred to as “government related entities”). The Group has transactions with other government related entities including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, lease of assets, depositing and borrowing money, and use of public utilities.

These transactions are conducted in the ordinary cause of the Group’s business generally on terms comparable to those with other entities that are not government related. The Group has established procurement policies and approval process for purchases of products and services, which are independent of whether the counterparties are government-related entities or not. As discussed in the note 1(a), the core business of the Group is manufacturing of military and civil aircraft and rendering services related to principal activity under contracts with Russian and foreign governments, where substantial part such contracts is attributed to Russian government. The nature and amount of related contractual arrangements with government related entities may depend on various factors, such as complexity and quantity of product, availability of State budget financing and presence of other government objectives. The Group management monitors the size, terms and other relevant factors of related arrangements in order to determine whether those would collectively lead to a particular transaction to qualify as individually significant.

For the year ended 31 December 2014 management estimated that the aggregate amount of the Group’s collectively significant transactions with government related entities is up to 47% (2013: up to 52%) of its revenues, at least 28% (2013: at least 35%) of its purchases of materials, equipment and services, and up to 40% of its borrowings (2013: up to 63%).

The Group also benefited from compensation of borrowing costs related to financing of export military goods from the government of Russian Federation. This government grant was provided following the Regulation of the Government of Russian Federation #357 and #961 dated 6 June 2005 and 25 October 2013 correspondingly for partial compensation of borrowing costs incurred by Russian entities engaged in export of industrial products and with financing obtained from Russian banks. Majority of balance of other receivables and originated loans comprises of receivable related to the program. Management expects that the Group will continue to qualify for further compensation in the future.

33 SIGNIFICANT SUBSIDIARIES

The list of significant subsidiaries as at 31 December 2014 and 31 December 2013 is presented below.

Entity of the Group	Effective ownership 2014	2013
Sukhoi Group		
JSC Company Sukhoi	57.06%	83.19%
CJSC Sukhoi Civil Aircraft	53.69%	62.39%
CJSC Sukhoi new civil technologies	57.06%	83.19%
Irkut Group		
JSC Irkut Corporation	91.37%	93.82%
JSC OKB Named after A.S. Yakovlev	78.73%	78.70%
CJSC Beta-Ir	83.99%	70.06%
Other		
JSC Tupolev	94.37%	91.85%
JSC TANTK named after G.M. Beriev	94.21%	96.67%
CJSC Aviastar-SP	99.74%	99.23%
JSC OAK-TS	100.00%	100.00%
JSC Il	89.50%	87.47%
JSC VASO	98.73%	96.25%
LLC UAC-Antonov	50.00%	50.00%
JSC Nizhniy Novgorod Aircraft Plant Sokol	100.00%	99.98%
CJSC Aerocompozit	98.69%	99.49%
LLC UAC- Integration Center	100.00%	100.00%
JSC RSK MiG	66.86%	62.77%
JSC KAPO	–	96.57%
JSC Myasishchev Design Bureau	100.00%	100.00%
CJSC Il-Resours	89.50%	87.47%
CJSC KAPO-Compozit	100.00%	100.00%
CJSC Aerocompozit-Ulyanovsk	100.00%	100.00%
CJSC M. M. Gromov Flight Research Institute	86.85%	93.25%

In addition. the Group has other subsidiaries. which are not material to the Group. either individually or in aggregate.

In 2014 JSC KAPO was merged with JSC Tupolev.

34 EBITDA

Management assesses financial results of Group's activity according to EBITDA, which is calculated as profit (loss) before tax adjusted for net finance costs/(income), depreciation of property, plant and equipment (PPE), amortization of Intangible assets (IA), charge for impairment of PPE and IA, and extraordinary items. Since this term is not a standard IFRS measure, the Group's definition of EBITDA may differ from that of other companies.

RUB mln	2014	2013 Restated *
Loss before income tax	(11,900)	(14,118)
Adjustments for		
Net finance costs	14,019	14,519
EBIT		**401**
Adjustments for		
Depreciation of property, plant and equipment	17,916	12,646
Amortization of intangible assets	3,870	3,439
EBITDA	**23,905**	**16,486**

35 EVENTS SUBSEQUENT TO THE REPORTING DATE

Following by decision of the Extraordinary General Meeting of JSC "UAC" Shareholders, that took place on 6 April 2015, the amendment to the Statute of the Company was made regarding the change of its legal form.

Thus, full name of the Company is:
> In Russian – Публичное акционерное общество «Объединенная авиастроительная корпорация» (ПАО «ОАК»);
> In English – Public Joint Stock Company United Aircraft Corporation".

The abbreviated name of the Company is:
> In Russian- ПАО «ОАК»;
> In English – PJSC UAC.

The issue of additional shares of JSC "UAC" was completed as at 15 April 2015. This resulted is additional share issue of 16 208 960 thousand shares with par value of 0.86 rubles.

The government of the Russian Federation took a decision to raise an equity of JSC "UAC" by RUB 100 000 million by means of Russian Federal loan bonds with the purpose of subsequent restructure of CJSC "Sukhoi Civil Aircraft"'s debt. This amount is included in the state budget of the Russian Federation for the year 2015.

SUPPLEMENT NO.2

ANNUAL FINANCIAL ACCOUNTING STATEMENTS FOR 2014 ACCORDING TO RAS

AUDIT REPORT

Addressee: The shareholders of Open Joint-Stock Company United Aircraft Corporation.

Information about the auditee:

Full corporate name: Joint Stock Company United Aircraft Corporation.

Short corporate name: JSC UAC

Primary State Registration Number: 1067759884598 (Certificate of State Registration of a Legal Entity series 77 No.008502150 dated November 20, 2006, issued by the Interdistrict Inspectorate of the Federal Tax Service No. 46 for the city of Moscow).

Principal place of business: 101000, Moscow, Ulansky side-street, 22, bldg 1.

Information about the auditor:

Full corporate name: HLB Vneshaudit Closed Joint Stock Company.

Short corporate name: HLB Vneshaudit CJSC.

Primary State Registration Number: 1027739314448 (Certificate of State Registration No.470.740 dated February 17, 1992 , issued by the Moscow Registration Chamber; Certificate of entry into the Unified State Register of Legal Entities series 77 No.007858681 dated October 4, 2002, Interdistrict Inspectorate of Ministry of Taxation of the Russian Federation No. 39 for Moscow).

Principal place of business: 109180, Moscow, Bolshaya Yakimanka st., 25-27/2 (Tel. 8 (495) 967-04-95, Fax 8 (495) 967-04-97).

Postal address: 123610, Moscow, Krasnopresnenskaya embankment, 12, Entrance 3, Office 701.

Membership in the self-regulatory organization of auditors: Noncommercial partnership Institute of Professional Auditors.

Principal Number of Registration Entry in the State Registry of Auditors and Auditing Organizations: 10202000095.

We have audited the accompanying accounting statements of Joint Stock Company United Aircraft Corporation, which consist of the balance sheet as of December 31, 2014 , financial results statement, statement of changes in equity and cash flow statement for 2014, explanatory notes to the balance sheet and financial results statement.

Responsibility of the Audited Entity for the Accounting Statements

The management of Joint Stock Company United Aircraft Corporation is responsible for the preparation and fair presentation of these accounting statements in accordance with the prescribed rules for preparation of accounting statements and for the internal control system necessary to enable the preparation of the accounting statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the reliability of the accounting statements based on our audit. We conducted our audit in accordance with the Russian Federal Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the accounting statements. The procedures selected depend on the auditor's judgment which is based on the assessment of the risk of material misstatement of the accounting statements whether due to fraud or mistakes. In making those risk assessments, the auditor considered the internal control system which ensures the preparation and fair presentation of the accounting statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

The audit also included evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management of the audited entity, as well as evaluating the overall presentation of the accounting statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the fair presentation of the accounting statements.

Opinion

In our opinion, the accompanying accounting statements present fairly, in all material respects, the financial position of Joint Stock Company United Aircraft Corporation as of December 31, 2014, its financial and operating performance and cash flows for 2014 as required by the laws of the Russian Federation in terms of preparation of the accounting statements.

IMPORTANT ISSUES

Without changing an opinion on the authenticity of the accounting statements we have to draw special attention to the following data, disclosed in clause 5.2.4 "Deviation from the requirements of PBU 19/02" of the explanatory notes to the balance sheet and financial results statement of Open Joint-Stock Company United Aircraft Corporation for 2014:

JSC UAC deviated from the rules for maintaining the accounting records, established by the requirements of Accounting Standard "Accounting of financial investments" PBU 19/02, regarding the assessment of financial investments in the shares of JSC Irkut Corporation, as the assessment model applied by JSC UAC is more reliable in presentation of the actual value of financial investments in the shares of JSC Irkut Corporation.

General Director of CJSC HLB Vneshaudit
L.M. Mitrofanov

(Auditor's qualification certificate No.02-000366 dated December 27, 2012, Principal Number of Registration Entry in the State Registry of Auditors and Auditing Organizations – 29702002487)
Date of the Audit Report: March 30, 2015.

English translation of the original Audit Report on Annual Financial Accounting Statements for 2014 according to RAS in Russian was prepared by UAC

BALANCE SHEET AS OF DECEMBER 31, 2014

			Codes		
		Form as per OKUD	0710001		
		Date (day, month, year)	31	12	2014
Company	Joint Stock Company United Aircraft Corporation	OKPO	98253307		
Taxpayer Identification Number		INN	7708619320		
Type of business	**Research and development in the field of natural and technical sciences**	OKVED	73.10		
Legal form/ ownership form					
JSC	**Mixed Russian property with a share of federal property**	OKOPF/OKFS	47	41	
Measurement unit:	'000 rubles	OKEI	384		

Location (address)

101000, Moscow, Ulansky side-street, 22, bldg 1.

Notes	Indicator	Code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
	ASSETS **I. NON-CURRENT ASSETS**				
5.1.1	Intangible assets	1110	46,895	58,344	46,478
	Incomplete investments in intangible assets	1111	20,035	27,033	1,720
	Research and developments results	1120	–	–	–
	including:				
	Expenditures on research, development and engineering work	11201	–	–	–
	Performance of research, development and engineering work	11202	–	–	–
	Intangible exploration assets	1130	–	–	–
	Tangible exploration assets	1140	–	–	–
5.1.2	Fixed assets	1150	725,436	362,587	128,060
	Incomplete capital investments	1151	577,141	215,535	23,976
	Income-bearing investments in tangible assets	1160	–	–	–
5.2.1	Financial investments	1170	163,964,632	137,157,206	127,541,245
	Shares	1171	163,883,796	136,353,863	126,547,784
	Deferred tax assets	1180	19,620	164,297	12,541
5.1.3	Other non-current assets	1190	4,264,997	2,635,198	663,135
	Advances paid for construction of fixed assets	1191	4,198,703	2,560,127	571,458
	Section I Total	**1100**	**169,021,580**	**140,377,632**	**128,391,458**
	II. CURRENT ASSETS				
5.3.1	Inventory	1210	4,048,991	1,615,923	717,156
	Raw stock and materials	1211	347,979	268,134	268,968
	Work-in-progress costs	1212	3,688,163	14,724	377,659
	Finished products and goods for resale	1213	11,257	1,176,633	1,043
	Other inventories and costs	1214	1,592	156,433	69,487
	VAT on purchased valuables	1220	597,366	220,316	43,984
5.3.2	Accounts receivable	1230	112,925,397	108,360,611	100,435,040
	Accounts receivable (amounts falling due after more than 12 months from balance sheet date), including:	1231	53,728,554	67,553,202	69,410,602
	Buyers and customers	1232	485,008	48,633	–
	Advances paid	1233	1,641,584	1,561,126	789,757
	Loans paid	1234	51,601,962	65,721,596	67,687,202
	Accounts receivable (amounts falling due after more than 12 months from balance sheet date), including:	1235	59,196,843	40,807,410	31,024,438
	Buyers and customers	1236	7,302,361	84,992	3,250,599
	Advances paid	1237	35,492,342	22,173,293	6,581,235
	Loans paid	1238	12,540,220	17,136,582	20,666,116

5.2.2	Financial investments (excluding cash equivalents)	1240	4,768,385	4,585,832	7,734,845
	Loans paid	1241	4,768,385	4,385,832	7,349,345
	Cash and cash equivalents	1250	29,161,053	24,509,659	19,832,419
5.1.3	Other current assets	1260	6,576,864	3,969,136	1,321,019
	VAT on advances received	1261	6,424,967	3,812,916	1,111,956
	Section II total	**1200**	**158,078,056**	**143,261,477**	**130,084,463**
	BALANCE	**1600**	**327,099,636**	**283,639,109**	**258,475,922**

Notes	Indicator	Code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
	LIABILITIES **III. EQUITY AND RESERVES**				
5.4	Authorized capital (share capital, authorized fund, contributions of partners)	1310	188,903,119	188,903,119	219,654,789
	Shares bought back from shareholders	1320	–	–	–
5.4	Additionally issued shares	1330	12,343,006	4,198,406	–
	including:				
			–	–	–
	Revaluation of non-current assets	1340	–	–	–
5.4	Incremental capital (without revaluation)	1350	4,566,245	4,566,245	4,566,245
5.4	Reserve capital	1360	82,317	12,103	12,103
	Retained profit (uncovered loss)	1370	6,654,157	(1,498,360)	(32,952,166)
	Retained profit (uncovered loss) for the accounting year	1371	8,407,860	702,135	(69,802)
	Retained profit (uncovered loss) for last years	1372	(1,753,703)	(2,200,495)	(32,882,364)
	Section III total	**1300**	**212,548,844**	**196,181,512**	**191,280,972**
	IV. LONG-TERM LIABILITIES				
5.5.1	Borrowed funds	1410	54,340,772	50,662,572	47,615,588
	Bank credits falling due after more than 12 months from balance sheet date	1411	7,175,184	3,496,984	450,000
	Loans falling due after more than 12 months from balance sheet date	1412	47,165,588	47,165,588	47,165,588
	Deferred tax liabilities	1420	104,110	35,816	392
	Estimated liabilities	1430	–	–	–
	Other liabilities	1450	3,623,376	24,661,616	907,800
5.6.1	Accounts payable, advances received	1451	3,437,122	24,434,528	787,650
	VAT on advances paid	1452	186,254	227,088	120,150
	Section IV Total	**1400**	**58,068,258**	**75,360,005**	**48,523,780**
	V. CURRENT LIABILITIES				
5.5.2	Borrowed funds	1510	5,232,599	4,837,717	8,190,902
	Bank credits falling due after more than 12 months from balance sheet date	1511	3,617,763	3,594,223	6,314,318
	Loans falling due after more than 12 months from balance sheet date	1512	1,614,836	1,243,493	1,876,584
5.6.2	Accounts payable	1520	45,492,729	3,826,060	9,888,652
	Suppliers and contractors	1521	6,491,210	2,107,240	2,754,339
	Advances received	1522	38,987,278	1,655,917	7,075,258
	Prepaid income	1530	24,517	–	–
5.7	Estimated liabilities	1540	80,405	62,084	60,072
	including:				
	Contingency reserve provision	1541	80,405	62,084	39,304
	Provision for possible penalties	1542	–	–	20,767
			–	–	–
	Other liabilities	1550	5,652,284	3,371,731	531,544
	VAT on advances paid	1551	5,652,284	3,371,731	531,544
	Section V Total	**1500**	**56,482,534**	**12,097,592**	**18,671,170**
	BALANCE	**1700**	**327,099,636**	**283,639,109**	**258,475,922**

Director Slyusar, Yury Borisovich

February 12, 2015

FINANCIAL RESULTS STATEMENT FOR JANUARY – DECEMBER 2014

			Codes		
		Form as per OKUD	0710002		
		Date (day, month, year)	31	12	2014
Company	Joint Stock Company United Aircraft Corporation	OKPO	98253307		
Taxpayer Identification Number		INN	7708619320		
Type of business	**Research and development in the field of natural and technical sciences**	OKVED	73.10		
Legal form/ ownership form					
JSC	**Mixed Russian property with a share of federal property**	OKOPF/OKFS	47	41	
Measurement unit:	'000 rubles	OKEI	384		

Location (address)

101000, Moscow, Ulansky side-street, 22, bldg 1.

Notes	Indicator	Code	For January – December 2014	For January – December 2013
6.1	Revenue	2110	39,902,486	12,110,524
	including:			
	Production of helicopters, airplanes and other aircraft	21101	13,533,993	9,955,096
	Provision of services for maintenance, repair and rebuilding of aircraft and aircraft engines	21102	23,258,247	–
	Other wholesale	21103	2,055,118	–
	Research and development in the field of natural and technical sciences	21104	936,800	1,991,700
	Consulting on business and management issues	21105	118,328	163,728
6.2	Cost of goods sold	2120	(39,303,768)	(11,476,903)
	including:			
	Production of helicopters, airplanes and other aircraft	21201	(13,274,312)	(9,500,520)
	Provision of services for maintenance, repair and rebuilding of aircraft and aircraft engines	21202	(23,114,895)	–
	Other wholesale	21203	(2,009,865)	–
	Research and development in the field of natural and technical sciences	21204	(880,046)	(1,937,350)
	Consulting on commercial and management issues	21205	(24,650)	(39,034)
	Gross profit (loss)	2100	598,718	633,621
6.4	Selling expenses	2210	(10,377)	(74,192)
6.3	Administrative expense	2220	(1,808,782)	(1,451,719)
	Profit (loss) from sales	2200	(1,220,441)	(892,290)
6.6	Income from participation in other organizations	2310	1,348,562	1,816,730
6.6	Interest receivable	2320	2,122,983	1,506,321

6.6	Interests payable	2330	(4,164,067)	(4,030,201)
6.6	Other income	2340	12,813,464	8,487,303
	Foreign exchange gain	2341	8,003,561	1,510,568
	Devaluation of financial investments (recovery of reserve)	2342	405,176	5,043,029
	Grants received	2343	3,801,864	1,846,109
6.6	Other expenses	2350	(2,291,660)	(6,302,060)
	Foreign exchange loss	2351	(1,091,555)	(828,998)
	Devaluation of financial investments	2352	(465,134)	(5,057,020)
	Profit (loss) before taxes	2300	8,608,841	585,803
	Current income tax	2410	(94,478)	–
6.8	including permanent tax liabilities (assets)	2421	242,125	233,493
6.8	Change in deferred tax liabilities	2430	(68,293)	(35,424)
6.8	Change in deferred tax assets	2450	(1,316,872)	151,757
	Other	2460	1,278,662	–
	including:			
	Adjustments of income tax for previous periods		1,278,662	–
6.9	**Net profit (loss)**	**2400**	**8,407,860**	**702,136**
	FOR REFERENCE			
	Results of revaluation of non-current assets not included in the net profit (loss) for the period	2510	–	–
	Results from other operations not included in the net profit (loss) for the period	2520	–	–
	Total financial result for the period	2500	8,407,860	702,136
6.9	Base profit (loss) per share	2900	–	–
6.10	Diluted earnings (loss) per share	2910	–	–

Director Slyusar, Yury Borisovich

February 12, 2015

STATEMENT OF CHANGES IN EQUITY FOR JANUARY – DECEMBER 2014

			Codes		
		Form as per OKUD	0710003		
		Date (day, month, year)	31	12	2014
Company	Joint Stock Company United Aircraft Corporation	OKPO	98253307		
Taxpayer Identification Number		INN	7708619320		
Type of business	**Research and development in the field of natural and technical sciences**	OKVED	73.10		
Legal form/ ownership form					
JSC	**Mixed Russian property with a share of federal property**	OKOPF/OKFS	47	41	
Measurement unit:	'000 rubles	OKEI	384		

Location (address)

101000, Moscow, Ulansky side-street, 22, bldg 1.

1. Movements in equity

Indicator	Code	Share capital	Additionally issued shares
Balance as of December 31, 2012	3100	219,654,789	–
For 2013			
Increase in equity — total:	3210		4,198,406
including:			
net profit	3211	X	X
property revaluation	3212	X	X
profit directly related to increase in equity	3213	X	X
additional share issue	3214	–	4,198,406
increase in par value of shares	3215	–	–
legal entity reorganization	3216	–	–
Decrease in equity — total:	3220	(30,751,670)	–
including:			
loss	3221	X	X
property revaluation	3222	X	X
expenses directly related to decrease in equity	3223	X	X
decrease in par value of shares	3224	(30,751,670)	–
decrease in number of shares	3225	–	–
legal entity reorganization	3226	–	–
dividends	3227	X	X
Change in incremental capital	3230	X	X
Change in reserve capital	3240	X	X
Balance as of December 31, 2013	3200	188,903,119	4,198,406
For 2014			
Increase in equity — total:	3310	–	8,144,600
including:			
net profit	3311	X	X
property revaluation	3312	X	X
profit directly related to increase in equity	3313	X	X
additional share issue	3314	–	8,144,600
increase in par value of shares	3315	–	–
legal entity reorganization	3316	–	–

	Incremental capital	Reserve capital	Undistributed profit (uncovered loss)	Total
	4,566,245	12,103	(32 952 166)	191,280,971
	–	–	702,135	4,900,541
	X	X	702,135	702,135
	–	X	–	–
	–	X	–	–
	–	X	X	4,198,406
	–	X	–	X
	–	–	–	–
	–	–	30,751,670	–
	X	X	–	–
	–	X	–	–
	–	X	–	–
	–	X	30,751,670	–
	–	X	–	–
	–	–	–	–
	X	X	–	–
	–	–	–	X
	X	–	–	X
	4,566,245	12,103	(1 498 360)	196,181,512
	–	–	8,407,861	16,552,461
	X	X	8,407,861	8,407,861
	–	X	–	0
	–	X	–	0
	–	X	X	8,144,600
	–	X	–	–
	–	–	–	0

SUPPLEMENTS

Indicator	Code	Share capital	Additionally issued shares
Decrease in equity — total:	3320	–	–
including:			
loss	3321	X	X
property revaluation	3322	X	X
expenses directly related to decrease in equity	3323	X	X
decrease in par value of shares	3324	–	–
decrease in number of shares	3325	–	–
legal entity reorganization	3326	–	–
dividends	3327	X	X
Change in incremental capital	3330	X	X
Change in reserve capital	3340	X	X
Balance as of December 31, 2014	3300	188,903,119	12,343,006

2. Effect of correction of errors and changes in accounting policies

Indicator	Code	As of December 31, 2012	Changes in equity in 2013		As of December 31, 2013
			net profit (loss)	other factors	
Total equity					
before corrections	3400	–	–	–	–
correction due to:					
changes in accounting policies	3410	–	–	–	–
correction of errors	3420	–	–	–	–
after corrections	3500	–	–	–	–
including:					
undistributed profit (uncovered loss):					
before corrections	3401	–	–	–	–
correction due to:					
before corrections	3411	–	–	–	–
correction due to:	3421	–	–	–	–
after corrections	3501	–	–	–	–
before corrections	3402				
correction due to:					
changes in accounting policies	3412	–	–	–	–
correction of errors	3422	–	–	–	–
after corrections	3502	–	–	–	–

	Incremental capital	Reserve capital	Undistributed profit (uncovered loss)	Total
	–	–	(185,129)	(185,129)
	X	X	–	0
	–	X	–	0
	–	X	(5,477)	(5,477)
	–	X	–	0
	–	X	–	0
	–	–	–	0
	X	X	(179,653)	(179,653)
	–	–	–	–
	X	70,213	(70,213)	–
	4,566,245	82,317	6,654,157	212,548,844

3. Net assets

Indicator	Code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
Net assets	3600	212,573,361	196,181,512	191,280,972

Director Slyusar, Yury Borisovich

February 12, 2015

CASH FLOW STATEMENT
FOR JANUARY – DECEMBER 2014

		Codes		
	Form as per OKUD	710004		
	Date (day, month, year)	31	12	2014
Company: Joint Stock Company United Aircraft Corporation	OKPO	98253307		
Taxpayer Identification Number	INN	7708619320		
Type of business: **Research and development in the field of natural and technical sciences**	OKVED	73.10		
Legal form/ ownership form: JSC – **Mixed Russian property with a share of federal property**	OKOPF/OKFS	47	41	
Measurement unit: '000 rubles	OKEI	383		

Location (address)

101000, Moscow, Ulansky side-street, 22, bldg 1.

Indicator	Code	For January – December 2014	For January – December 2013
Cash flows from current operations			
Proceeds, total	**4110**	**70,975,361**	**41,310,456**
including:			
from sale of products, goods, work and services	4111	47,963,715	30,231,094
lease payments, license fees, royalties, commission and other similar payments	4112	–	–
from resale of financial investments	4113	–	–
interest-free loans repaid; return of advances paid	4114	19,165,719	9,214,271
grants received	4115	3,826,382	1,846,109
other proceeds	4119	19,545	18,982
Payments, total	**4120**	**(58,444,665)**	**(35,457,566)**
including:			
to suppliers (contractors) for raw stock, materials, work, services	4121	(50,457,656)	(27,467,164)
for the labor of employees	4122	(899,017)	(654,623)
interest on debt instruments	4123	(4,131,850)	(4,022,823)
corporate profit tax	4124	–	–
interest-free loans issued	4125	(449,722)	(2,704,447)
other payments	4129	(2,506,420)	(608,509)
Net cash flows from current operations	**4100**	**12,530,696**	**5,852,890**
Cash flows from investment operations			
Proceeds, total	**4210**	**3,998,107**	**6,488,373**
including:			
from sale of non-current assets (except financial investments)	4211	–	–
from sale of other organizations' shares (equity interest)	4212	–	–
from repayment of granted loans, from sale of debt securities (right to claim cash from other persons)	4213	626,078	3,122,827
dividends, interests on debt financial investments and similar proceeds from share participation in other organizations	4214	3,372,029	3,176,115
	4215		
other proceeds	4219	–	189,431
Payments, total	**4220**	**(30,742,498)**	**(12,227,445)**
including:			
for purchase, production, modernization, reconstruction and preparation for use of non-current assets	4221	(1,719,285)	(2,043,149)
for purchase of other organizations' shares (equity interest)	4222	(28,522,853)	(10,010,457)
for purchase of debt securities (rights to claim cash from other persons), granting loans to other persons	4223	(89,683)	–
interests on debt instruments, included in cost of investment assets	4224	(339,064)	(173,839)
corporate profit tax	4225	(59,854)	–
other payments	4229	(11,759)	–
Net cash flows from investment operations	**4200**	**(26,744,391)**	**(5,739,072)**

Indicator	Code	For January – December 2014	For January – December 2013
Cash flows from financing operations			
Proceeds, total	**4310**	**12,238,800**	**9,195,390**
including:			
raising of credits and loans	4311	4,094,200	4,996,984
monetary contribution of holders (members)	4312	–	–
from issue of shares, increase of equity interest	4313	8,144,600	4,198,406
from issue of bonds, notes and other debt securities and other.	4314	–	–
	4315		
other proceeds	4319	–	–
Payments, total	**4320**	**(234,454)**	**(5,312,712)**
including:			
to holders (members) on account of repurchase of organization's shares (equity interests) from them or due to cessation of their membership	4321		
to pay dividends or other payments on profit distribution in favor of holders (members)	4322	(179,653)	–
due to payment (buy-back) of notes and other debt securities, repayment of credits and loans	4323	(54,801)	(5,312,712)
	4324		
other payments	4329	–	–
Net cash flows from financing operations	**4300**	**12,004,346**	**3,882,678**
Net cash flows for the accounting period	**4400**	**(2,209,349)**	**3,996,496**
Cash and cash-equivalent balance for the beginning of the accounting period	**4450**	**24,509,659**	**19,832,419**
Cash and cash-equivalent balance for the end of the accounting period	**4500**	**29,161,053**	**24,509,659**
Effect of foreign currency/ruble exchange rate changes	4490	6,860,743	680,744

Director Slyusar, Yury Borisovich

February 12, 2015

Explanatory notes to the balance sheet and financial results statement for 2014 are available in Russian on the Corporation's website at: www.uacrussia.ru.

SUPPLEMENT NO.3

INFORMATION ON PJSC UAC'S COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has carried out self-assessment of corporate governance quality in accordance with the procedure of self-assessment of corporate governance in companies with state participation, approved by Order of the Federal Agency for State Property Management No. 306 dated August 22, 2014.

The Company is working to bring the internal documents into conformity with the principles recommended by the Corporate Governance Code.

Report on compliance with the principles and recommendations of the Corporate Governance Code

No.	Principle (principles) of corporate governance or key criterion (recommendation)	Brief description of what part of a principle or key criterion is not observed	Explanation of the key reasons, factors and circumstances by virtue of which a principle or key criterion is not observed or observed partially, description of alternative mechanisms and tools of corporate management used
1	2	3	4
I. Rights of shareholders and equality of shareholders in the exercise of their rights			
1.1.	The Company must ensure fair and equitable treatment of all shareholders in the exercise of their right to participate in the management of the Company. The system and practice of corporate governance should ensure fair treatment for all shareholders — owners of shares of one category (type), including minority (small) shareholders and foreign shareholders, and their equal treatment by the Company		
1.1.1.	The Company has approved an internal document that defines the basic procedures for preparing, convening and holding the General Meeting of Shareholders, corresponding to the recommendations of the Corporate Governance Code, including the duty of the Company to: inform shareholders of the General Meeting of Shareholders and to provide access to materials, including posting a message and materials on the Company's website at least 30 days prior to the meeting (unless the laws of the Russian Federation provide for a longer period of time); disclose the date of compiling the list of persons entitled to attend the General Meeting of Shareholders at least 7 days before the compilation; provide the General Meeting of Shareholders with additional information and materials on the agenda items in accordance with the recommendations of the Corporate Governance Code	Observed	
1.1.2.	The Company has taken on the duties to provide shareholders with the opportunity to ask questions about the Company's activities to the members of the Company's management and control bodies, the members of the Audit Committee, the Chief Accountant and auditors of the Company, as well as candidates for the management and control bodies during the preparation and holding of the General Meeting of Shareholders. These responsibilities are enshrined in the Articles of Association or internal documents of the Company	The possibility is provided but it is not established in the internal documents of the Company	

Report on compliance with the principles and recommendations of the Corporate Governance Code			
1.1.3.	The Company has taken on the duties to adhere to the principle of inadmissibility of actions that lead to the artificial redistribution of corporate control (for example, voting with quasi-treasury shares, decision to pay dividends on preferred shares under conditions of limited financial possibilities, decision not to pay dividends on preferred shares, specified in the Company's Articles of Association if there are sufficient resources for their payment). These responsibilities are enshrined in the Articles of Association or in internal documents of the Company	The principle of inadmissibility of actions that lead to the artificial redistribution of corporate control, is not regulated by the internal documents of PJSC UAC	PJSC UAC applies in practice the principle of inadmissibility of actions that lead to the artificial redistribution of corporate control.
1.2	Shareholders must be given an equal and fair opportunity to participate in the Company's profits by receiving dividends		
1.2.1.	The Company has approved an internal document that defines the Company's dividend policy that is in line with the recommendations of the Corporate Governance Code, and which sets some rules including: procedure for determination of net income (for companies that make up consolidated financial statements — a minimum part (share) of the consolidated net income) for the payment of dividends, and the conditions under which dividends are declared; minimum size of dividends on the Company's shares of various categories (types); duty to disclose the document defining the dividend policy of the Company on the Company's website	Observed	
II. Board of Directors of the Company			
2.1	The Board of Directors determines the major strategic thrusts of the Company's activities in the long-term period, the Company's key performance indicators, provides strategic management of the Company, defines the basic principles and approaches to the organization of the Company's risk management and internal control system, supervises the activities of the Company's executive bodies, determines the Company's policy of remuneration of members of the Board of Directors and executive bodies, as well as performs other key functions		
2.1.1.	The Company has formed a Board of Directors that: defines the major strategic thrusts of the Company's activities in the long-term period, the Company's key performance indicators; supervises the activities of the Company's executive bodies; defines the principles and approaches to the organization of the Company's risk management and internal control; determines the Company's policy of remuneration of members of the Board of Directors, executive bodies and other key management employees of the Company	Observed	
2.2.	The Board of Directors should be an effective and professional management body of the Company, capable of making objective, independent judgments and decisions that meet the interests of the Company and its shareholders. The Chairman of the Board of Directors shall promote the most effective performance of the functions assigned to the Board of Directors. Meetings of the Board of Directors, preparation for them and participation of members of the Board of Directors in them should ensure the efficient operation of the Board of Directors		

Report on compliance with the principles and recommendations of the Corporate Governance Code			
2.2.1.	The Chairman of the Board of Directors shall be an independent director, or a senior independent director shall be determined among the elected independent directors, who coordinates the work of the independent directors and is responsible for interaction with the Chairman of the Board of Directors	The Chairman of the Board of Directors is not an independent director	In accordance with Decree No. 738 of the Russian Government, election of the Chairman of the Company's Board of Directors is the issue, on which representatives of the interests of the Russian Federation in the management bodies of the Company shall vote in accordance with the directives of the Russian Government. The Chairman of the Board of Directors is Dmitriev, V.A., a representative of the interests of the Russian Federation on the Board of Directors of PJSC UAC, who was elected in accordance with directives of the Russian Government No. 5680p-P13 dated September 3, 2015
2.2.2.	Internal documents of the Company have a procedure for preparation and holding of meetings of the Board of Directors, which provides members of the Board of Directors with the ability to prepare for them adequately and provides, inter alia, for: period of notice of the forthcoming meeting for members of the Board of Directors; deadlines for sending documents (ballots) for voting and receiving the completed documents (ballots) for meetings in absentia; possibility to send and account for a written opinion on agenda items for the members of the Board of Directors absent from a meeting held in praesentia; possibility to discuss and vote via a conference call and video conferencing	Possibility to discuss and vote via a conference call and video conferencing is not available	Due to the potential consideration at the Board of Directors' meetings of questions and materials constituting a state secret, the discussion and voting via a conference call and video conferencing is not applicable for safety reasons
2.2.3.	The most important issues are dealt with at the meetings of the Board of Directors held in praesentia. The list of such questions is in line with the recommendations of the Corporate Governance Code	Observed	
2.3.	The Board of Directors should include a sufficient number of independent directors		
2.3.1.	Independent directors make up at least one-third of the elected members of the Board of Directors	Not observed	Due to the prevailing participation of the Russian Federation in the share capital of the Company, the Board of Directors consists of representatives of the Russian Federation
2.3.2.	Independent directors fully meet the independence criteria recommended by the Corporate Governance Code	Not observed	Due to the prevailing participation of the Russian Federation in the share capital of the Company, the Board of Directors consists of representatives of the Russian Federation
2.3.3.	The Board of Directors (the Nomination (HR, Appointments) Committee) assesses candidates for the Board of Directors against independence criteria	Not observed	Due to the formation of the Board of Directors of representatives of the Russian Federation, conformity assessment of candidates for the Board of Directors against independence criteria is not carried out

Report on compliance with the principles and recommendations of the Corporate Governance Code			
2.4.	The Board of Directors should set up committees for preliminary consideration of the most important issues of the Company's activities		
2.4.1.	The Board of Directors created the Audit Committee consisting of independent directors, whose functions are fixed in internal documents and correspond to the recommendations of the Corporate Governance Code	The Nomination and Remuneration Committee does not include independent directors	The Board of Directors does not include independent directors
2.4.2.	The Board of Directors created the Remuneration Committee (can be combined with the Nomination (HR, Appointments) Committee) consisting of independent directors, whose functions correspond to the recommendations of the Corporate Governance Code	The Nomination and Remuneration Committee does not include independent directors	The Board of Directors does not include independent directors
2.4.3.	The Board of Directors established the Nomination (HR, Appointments) Committee (can be combined with the Remuneration Committee), most of members of which are independent directors, and whose functions are in line with the recommendations of the Corporate Governance Code	The Nomination and Remuneration Committee does not include independent directors	The Board of Directors does not include independent directors
2.5.	The Board of Directors shall ensure the performance assessment of the Board of Directors, its committees and members of the Board of Directors		
2.5.1.	Performance assessment of the Board of Directors shall be carried out on a regular basis at least once a year, and at least once every three years such assessment shall be carried out with the assistance of an external organization (the consultant)	The Company does not attract external organizations to assess the work of the Board of Directors.	The Company's bylaws do not provide for mandatory performance assessment of the Board of Directors. However, in accordance with the requirements of the main shareholder — the Russian Federation, the Company performs assessment of representatives of the interests of the Russian Federation on the Board of Directors
III. Corporate Secretary of the Company			
3.1	Effective day-to-day interaction with shareholders, coordination of the Company's activities to protect the rights and interests of shareholders, and support of the effective work of the Board of Directors are ensured by the corporate secretary (a special structural unit headed by the Corporate Secretary)		
3.1.1.	The Corporate Secretary reports to the Board of Directors; it shall be appointed and removed from office by the decision or with the consent of the Board of Directors	Observed	
3.1.2.	The Company has approved an internal document that defines the rights and duties of the Corporate Secretary (Regulation on the Corporate Secretary), the content of which corresponds to the recommendations of the Corporate Governance Code	Observed	
3.1.3.	The Corporate Secretary's position is not combined with the performance of other functions in the Company. The Corporate Secretary is endowed with functions in accordance with the recommendations of the Corporate Governance Code. The Corporate Secretary has sufficient resources to carry out its functions	Observed	
IV. The system of remuneration of the Board of Directors' members, executive bodies and other key management employees of the Company			
4.1.	The level of remuneration paid by the Company should be sufficient to attract, motivate and retain individuals with the competencies and qualifications necessary for the Company. Remuneration to members of the Board of Directors, executive bodies and other key management employees of the Company shall be in accordance with the Company's remuneration policy		
4.1.1.	The Company regulates all payments, benefits and privileges granted to members of the Board of Directors, executive bodies and other key management employees of the Company	Observed	

Report on compliance with the principles and recommendations of the Corporate Governance Code			
4.2.	The remuneration system of members of the Board of Directors should ensure convergence of the financial interests of the directors with the long-term financial interests of the shareholders		
4.2.1.	The Company does not use other forms of monetary remuneration of members of the Board of Directors in addition to the fixed annual remuneration	Observed	
4.2.2.	In the Company, members of the Board of Directors are not given the opportunity to participate in option programs, and the right to sell their shares of the Company is not conditioned by achievement of certain performance indicators	Observed	
4.3.	The system of remuneration of executive bodies and other key management employees of the Company should provide for the dependence of remuneration on the result of the Company's operation and their personal contribution to this result		
4.3.1.	The Company has implemented a long-term incentive program for members of executive bodies and other key management employees of the Company	Observed	
V. Risk management and internal control system			
5.1.	The Company shall establish a well-functioning risk management and internal control system designed to provide reasonable confidance in the course of the Company's achieving its goals		
5.1.1.	The Board of Directors has identified the principles and approaches to the risk management and internal control system in the Company	The Board of Directors has not identified the principles and approaches to the risk management system	The Risk Management Policy has been preliminary approved by the Board of Directors' Audit Committee
5.1.2.	The Company has created a separate unit for risk management and internal control	A separate risk management unit has not been established in the Company	The Company has established the Internal Audit Department
5.1.3.	The Company has developed and implemented anti-corruption policy of the Company to identify measures aimed at establishing the elements of corporate culture, organizational structure, anti-corruption rules and procedures	Observed	
5.2.	For systematic independent assessment of the reliability and efficiency of the risk management and internal control system and corporate governance practices, the Company shall arrange for internal audit		
5.2.1.	The Company has formed a separate unit performing internal audit functions, which is functionally subordinate to the Company's Board of Directors. The functions of such unit correspond to the recommendations of the Corporate Governance Code and such functions, in particular, include: assessment of internal control efficiency; assessment of efficiency of the risk management system; assessment of corporate governance (in the absence of the Corporate Governance Committee)	The Internal Audit Department does not assess corporate governance	The competence of the Internal Audit Department includes functions for control over financial and economic activity
5.2.2.	The head of the internal audit unit reports to the Board of Directors and shall be appointed and removed from office by resolution of the Company's Board of Directors	Not observed	Head of the Internal Audit Department is appointed and removed from office by order of the President of the Company
5.2.3.	The Company has adopted internal audit policy (Regulation on Internal Audit), which defines the goals, objectives and functions of internal audit	Observed	
VI. Disclosure of information about the Company, the Company's information policy			
6.1.	The Company and its activities should be transparent for shareholders, investors and other stakeholders		

Report on compliance with the principles and recommendations of the Corporate Governance Code			
6.1.1.	The Company has approved an internal document that defines the information policy of the Company corresponding to recommendations of the Corporate Governance Code. The Company's information policy includes the following ways to interact with investors and other stakeholders: organization of a special page on the Company's website, where answers to common questions from shareholders and investors, a regularly updated schedule of the Company's corporate events, as well as other information useful for shareholders and investors are placed; regular meetings of members of the executive bodies and other key management employees of the Company with analysts; regular presentations (including in the form of teleconferences, webcasts) and meetings with participation of members of management bodies and other key management employees of the Company, including accompanying publication of the Company's accounting (financial) statements, or those related to major investment projects and the Company's strategic development plans	Observed	
6.1.2.	The Company's information policy is implemented by the executive bodies of the Company. The Company's Board of Directors performs control over proper disclosure of and compliance with the information policy	Observed	
6.1.3.	The Company has established procedures to ensure the coordination of all services and units of the Company related to the disclosure of information or whose activities may lead to the disclosure of information	Observed	
6.2.	The Company shall promptly disclose the full, up-to-date and accurate information about the Company to enable informed decision-making by the Company's shareholders and investors		
6.2.1.	If there is a significant share of foreign investors in the capital of the Company, the key material information about the Company (including notices of the General Meeting of Shareholders, the annual report of the Company) is disclosed in a foreign language that is common in the financial market in parallel with the disclosure of information in Russian	Notice of the General Meeting of Shareholders is disclosed only in Russian	The share of foreign shareholders in the Company is insignificant
6.2.2.	The Company shall ensure the disclosure of information not only about itself but about the legal entities under its control, having significant importance for the Company	Observed	
6.2.3.	The Company shall disclose the annual and interim (semi-annual) consolidated or individual financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). The annual consolidated or individual financial statements are disclosed along with the auditor's report, and the interim (semi-annual) consolidated or individual financial statements are disclosed along with the report on the results of audit review or the auditor's report	Observed	
6.2.4.	The Company has disclosed a special memorandum containing plans of the person in control of the Company related to the Company. This memorandum was prepared in accordance with the recommendations of the Corporate Governance Code	Not observed	The Company is controlled by the main shareholder — the Russian Federation. Plans for the Company are determined by the Government of the Russian Federation

Report on compliance with the principles and recommendations of the Corporate Governance Code			
6.2.5.	The Company discloses detailed information on the biographical data of the Board of Directors' members, including information on whether they are independent directors, and promptly discloses information about the loss by a member of the Board of Directors of the independent director status	Observed	
6.2.6.	The Company discloses information on the capital structure in accordance with the recommendations of the Corporate Governance Code	Observed	
6.2.7.	The Company's annual report contains additional information recommended by the Corporate Governance Code: overview of the key material transactions, including related transactions made by the Company and its controlled legal entities during the past year; report of the Board of Directors' operation (Including committees of the Board of Directors) for the year, containing inter alia, information on the number of meetings in praesentia (in absentia), the participation of each member of the Board of Directors in meetings, description of the most significant and the most difficult issues discussed at the meetings of the Board of Directors and Committees of the Board of Directors, the main recommendations that the Committees have given to the Board of Directors; Information on the direct or indirect possession by members of the Company's Board of Directors and executive bodies of the Company's shares; Information of a conflict of interest of members of the Board of Directors and executive bodies (including that associated with the participation of these persons in the management bodies of the Company's competitors); description of the remuneration system of the Board of Director's members, including the amount of individual remuneration for the year for each member of the Board of Directors (broken down into basic, additional remuneration for chairing the Board of Directors, for chairing (being a member of) the Board of Directors' committees, the amount of participation in the long-term incentive program, the amount of participation of each member of the Board of Directors in the option program, if any), reimbursement of costs associated with participation in the Board of Directors and the Company's costs for liability insurance of directors as members of governing bodies; information about the total remuneration for the year: a) for a group of at least five highest-paid members of the executive bodies and other key management employees of the Company, broken down by each type of remuneration; b) for all members of the executive bodies and other key management employees of the Company, who are covered by the Company's remuneration policy, broken down by each type of remuneration; information on remuneration of the sole executive body for the year, which it has received or which is receivable from the Company (a legal entity of the group of companies, which includes the Company), broken down by each type of remuneration both for the performance of its duties as the sole executive body and on other grounds	The annual report does not contain either information about a conflict of interest of members of the Board of Directors and executive bodies (including that associated with the participation of these persons in the management bodies of the Company's competitors) or a brief overview of the most material transactions, including related transactions made by the Company and its controlled legal entities for the last year	The annual report is prepared in accordance with the laws of the Russian Federation.
6.3.	Provision by the Company of information and documents at the request of shareholders should be in accordance with the principles of fairness and should not be burdensome		

Report on compliance with the principles and recommendations of the Corporate Governance Code			
6.3.1.	In accordance with the information policy of the Company, the Company's shareholders owning the same number of voting shares shall have equal access to information and documents of the Company	Observed	
VII. Material corporate actions			
7.1.	The actions that significantly affect or may affect the structure of the share capital and financial position of the Company and, accordingly, the position of shareholders (material corporate actions) should be carried out under fair conditions that ensure respect for the rights and interests of shareholders and other stakeholders		
7.1.1.	The Company's Articles of Association has defined a list (criteria) of transactions or other actions deemed to be material corporate actions, the consideration of which falls within the competence of the Board of Directors, including: reorganization of the Company, acquisition of 30 percent or more of the Company's voting shares (acquisition), increase or decrease in the share capital of the Company, the listing and delisting of the Company's shares; transactions on sale of shares (interest) of legal entities controlled by the Company, which have significant importance for it, as a result of which the Company loses control over such legal entities; transactions, including related transactions, with the property of the Company or its controlled legal entities, whose value exceeds the amount specified in the Company's Articles of Association, or which is essential to the Company's economic activity; creation of a legal entity controlled by the Company, which is essential for the Company's activities; disposal of treasury and quasi-treasury shares by the Company	Issues related to acquiring 30 or more percent of voting shares of the Company (acquisition), the listing and delisting of the Company's shares, as well as the disposal of treasury and quasi-treasury shares are not regulated by the Company's Articles of Association	The Company's Articles of Association has not been amended after the adoption of the Corporate Governance Code. It is planned to approve the Articles of Association in a new version that takes into account the principles and recommendations of the Corporate Governance Code
7.2.	The Company must provide for such procedure of performance of material corporate actions, which allows shareholders to timely receive complete information on such actions, giving them the opportunity to influence the performance of such actions and ensure compliance and adequate level of protection of their rights in the course of performance of such actions		
7.2.1.	Internal documents of the Company establish the principle of equal treatment for all shareholders of the Company in the course of performance of material corporate actions that affect the rights and legitimate interests of shareholders, as well as secure additional measures to protect the rights and legitimate interests of the Company's shareholders under the Corporate Governance Code, including: attracting an independent appraiser with a market-recognized impeccable reputation and appraisal experience in the relevant field or presenting the grounds for non-attracting an independent appraiser when determining the value of the property acquired or disposed in a major transaction or in a related transaction; determining the price of the Company's shares when they are acquired and redeemed by an independent appraiser with a market-recognized impeccable reputation and appraisal experience in the relevant field, taking into account the weighted average share price over a reasonable period of time, excluding the effect associated with the execution of the relevant transaction by the Company (including, without taking into account changes in the price of shares in connection with the dissemination of information about the Company's making the relevant transaction), and without the discount for the sale of shares as part of a minority block of shares; expanding the list of grounds, on which the Company's Board of Directors and other persons stipulated by the laws are deemed interested in the transactions of the Company in order to assess the actual relations of the persons concerned	Not observed	The Company's Articles of Association has not been amended after the adoption of the Corporate Governance Code. It is planned to approve the Articles of Association in a new version that takes into account the principles and recommendations of the Corporate Governance Code

SUPPLEMENT NO.4

DATA ON THE ACTUAL RESULTS OF PERFORMING THE DIRECTIVES AND INSTRUCTIONS FROM THE PRESIDENT AND INSTRUCTIONS FROM THE GOVERNMENT OF THE RUSSIAN FEDERATION

On aggregate in 2014 PJSC UAC received 34 documents from the President and the Government of the Russian Federation.

No.	Our ref. No. and document creation date	Sender's ref. No. and document creation date	Document description	Signatory	Performance status
1.	Pr-1706 (RD-P7-5541) dated July 24, 2013	For official use only dated July 24, 2013 (July 31, 2013)	List of instructions summarizing the results of the meeting on UAC's current status and prospects for further development	D.O. Rogozin	Instruction implementation plan was developed. The instructions are being implemented by the task force from the Ministry of Industry and Trade
2.	Pr-3002 Dated December 20, 2013	For official use only	On the results of inspecting PJSC UAC by the Office of the Prosecutor General of the Russian Federation	V.V. Putin	Materials were sent to the Ministry of Industry and Trade on December 27, 2013 No.543 For official use only. Due date for the next report: March 11, 2015
3.	RD-P7-1pr dated January 13, 2014	08/AP dated January 16, 2014	On submitting the Minutes of the meeting on actions to remedy the statutory breaches revealed by the Office of the Prosecutor General of the Russian Federation	D.O. Rogozin	Materials were sent to the Ministry of Industry and Trade to prepare a report for submitting to the Government of the Russian Federation (P.R. Sukholinsky, S.N. Konosov)
4.	w/o number dated January 14, 2014	09/AP dated January 16, 2014	On submitting the Minutes of the work status regarding the continued airworthiness of Tu-214/204, Federal State Budget Institution	I.E. Yaremenko	No.178 dated 20.01.2014 submitted to the Department for Presidential Affairs of the Russian Federation, Action plan for closure of comments on the operation of the Tu-214/204 aircraft FSBI Special Aircraft Division "Russia"
5.	RD-P7-352 dated January 21, 2014	13/AP dated January 23, 2014	On failure to meet the deadline for performing the Russian Government Executive Order dated March 21, 2013 No411-p (On adding land plots as contribution of the Russian Federation to the authorized capital of JSC RAC MiG)	D.O. Rogozin	Reported to the Executive Vice President of PJSC UAC

No.	Our ref. No. and document creation date	Sender's ref. No. and document creation date	Document description	Signatory	Performance status
6.	RD-P7-571 dated January 27, 2014	15/AP dated January 31, 2014	On collaboration with Spain (Letter from the Spanish Ambassador addressed to D.O. Rogozin on his informing Airbus Military about UAC's willingness to hold a meeting on the prospects for collaboration)	D.O. Rogozin	No698 14.02.2014 Letter to Russian Ministry of Foreign Affairs with a proposal to arrange a meeting with Airbus Military in March 2014
7.	ISh-P2-608 dated January 29, 2014	17/AP dated February 03, 2014	To ensure the performance of the Action plan for the period of 2014–2017 to implement the Program of long-term economic cooperation between the Russian Federation and Armenia up to 2020, prepare materials for negotiations between the Russian Federation and the Republic of Armenia	I.I. Shuvalov	No938 03.03.14 Information on the work being carried out with Armenia was submitted
8.	UDI-14-93 dated January 20, 2014	18/AP dated February 03, 2014	On aircraft operation (on the procedure for overhaul reconditioning on the aircraft of FSBI Special Aircraft Division "Russia")	D.B. Anosov	No1927-02 13.02.14 to the technical management of the Department for Presidential Affairs of the Russian Federation on the procedure for overhaul reconditioning on the aircraft of Special Aircraft Division
9.	AD-P9-939 dated February 07, 2014	24/AP dated February 11, 2014	To submit proposals for improving flight operation the civil aircraft division (Report to D.O. Rogozin by M.I. Kashtan)	A.V. Dvorkovich	No.1714 6.03.14 Proposals from the Flight Research Institute regarding the improvements in flight operation were submitted to the Ministry of Industry and Trade
10.	PD-P7-6pr dated February 03, 2014	25/AP dated February 12, 2014	On creating a unified system of information and propaganda of Russia's military-industrial complex achievements	D.O. Rogozin	Reported to the President of PJSC UAC
11.	A8-1878-2 dated February 22, 2014	31/AP dated February 25, 2014	Report of the Government of the Russian Federation on state guarantee support for the National Aircraft Engineering Center project (joint address to V.V. Putin by the Moscow region Governor , Rostech State Corporation, UAC and TsAGI)	K.A. Chuychenko	No.1282 21.03.14 information delivered to the Ministry of Labor and Social Protection
12.	RD-P7-1445 dated February 28, 2014	35/AP dated March 03, 2014	To report on the issue of required transfer of delivery date for six aircraft Be-200ChS (in reply to the letter from V.A. Puchkov EMERCOM of Russia)	D.O. Rogozin	The Meeting minutes is kept by V. Artamonov
13.	RD-P7-1633 dated March 11, 2014	40/AP dated March 14, 2014	On failure to fulfill item 5 of the Minutes RD-P7-1pr on developing an action plan to remedy the breaches revealed by the Office of the Prosecutor General of the Russian Federation (regarding the report of the Ministry of Industry and Trade on actions to remedy the statutory breaches revealed by the Office of the Prosecutor General of the RF in UAC's business activity and in the process of creating National Aircraft Engineering Center)	D.O. Rogozin	On item 5 RD-P7-1pr. Materials were submitted to the Ministry of Industry and Trade (S.N. Konosov, P.R. Sukholinsky)

No.	Our ref. No. and document creation date	Sender's ref. No. and document creation date	Document description	Signatory	Performance status
14.	RD-P7-2037 dated March 27, 2014	48/AP dated March 28, 2014	To report on the issues addressed in the letter from A.I. Rubtsov as regards to supporting aircraft sales (interagency task force minutes dated March 13, 2014)	D.O. Rogozin	No.1946 April 24, 14 Proposal following the results of considering the instructions of the interagency task force meeting minutes (A.I. Rubtsov): using the residual value warranty mechanism, support in new aircraft familiarization
15.	RD-P7-22pr dated March 17, 2014	50/AP dated April 02, 2014	On launching in the Russian Federation the manufacturing of aircraft type Il-114. On the work status regarding the creation of light military transport aircraft Il-112	D.O. Rogozin	Meeting held, hosted by the Deputy Minister of Defense of Russia
16.	KM-P22-33/14 dated May 08, 2014	64/AP dated May 12, 2014	On considering the possibility to overhaul aircraft Su-25 at the aircraft repair plant in Evpatoriya and compensation-free transfer of the working design documentation	M.I. Kashtan	No.2587 June 03, 14 It was suggested that the works be carried out by the efforts of 121 ARZ (Saki airport) with involvement of EARZ (aircraft repair plant in Evpatoriya)
17.	RD-P4-3611 dated May 17, 2014	72/AP dated May 21, 2014	On equipping the EMERCOM of Russia with aircraft Il-112V (instruction following the letter from V.A. Puchkov)	D.O. Rogozin	No.2835 June 18, 14 Proposals to the Ministry of Industry and Trade on dates and scope of Il-112V aircraft delivery for the EMERCOM of Russia (2021–2024 — 8 units)
18.	RD-P29-3645 dated May 14, 2014	73/AP dated May 21, 2014	On submitting the list of instructions from D.O. Rogozin following the results of meetings in the Crimea on April 29, 2014	D.O. Rogozin	No.2543 May 30, 14 Proposals to the Ministry of Industry and Trade on cooperation with the state-run EARZ
19.	KM-P22-14prVPK dated June 05, 2014	86/AP dated June 18, 2014	On issues of concern regarding the acceptance procedure for bearing products at JSC UK EPK (Management Company EPK) facilities for providing the performance of the State Defense Order in terms of aircraft supply and repair	M.I. Kashtan	No5.352 October 07, 14 Directives to в JSC Company Sukhoi on providing data on the need in bearings
20.	DM-P36-4825 dated June 30, 2014	109/AP dated July 14, 2014	On submitting the list of instructions following the results of D.A. Medvedev and members of the Expert Board under the Government of Russia on business climate development and competition in the Russian Federation on June 23,	D.A. Medvedev	Reported to the President of UAC. Participated in meetings of the task force of the Expert Board dedicated to competition development among small- and medium-sized enterprises
21.	KM-P22-15pr VPK dated July 23, 2014	121/AP dated July 28, 2014	On providing tyre products for aircraft supply and operation for the Russian Defense Ministry	M.I. Kashtan	Office memo from D.A. Morozov No.401/325 August 15, 14
22.	RD-P7-6038 dated August 07, 2014	138/AP dated August 13, 2014	On terminating the operation of aircraft owned by airline "Dobrolet". To report on proposals to purchase domestically manufactured aircraft by Russian airlines.	D.O. Rogozin	NoNo.4334, 4333 August 25, 14 Proposals on supplying advanced aircraft , government measures in support

No.	Our ref. No. and document creation date	Sender's ref. No. and document creation date	Document description	Signatory	Performance status
23.	A67-5222 dated August 12, 2014	140/AP dated August 14, 2014	On submitting the minutes of the meeting hosted A.R. Belousov on August 06, 2014 regarding aircraft supply to the airlines UTair and Aeroflot performing the list of instructions from the President of the Russian Federation No.Pr-1706 dated July 24, 2013	L.V. Osipov	Reported to the President of PJSC UAC
24.	RD-P7-6254 dated August 19, 2014	142/AP dated August 20, 2014	On submitting V.V. Putin's instruction dated August 10, 2014 No.Pr-1902 (decide on the sole manufacturer of four Tu-204-300 for purchasing by the Department for Presidential Affairs of the Russian Federation in 2014–2015)	D.O. Rogozin	No.4296 August 21, 14 Documents were submitted to the Ministry of Industry and Trade to choose UAC as the sole manufacturer of twoTu-204-300 for the Department for Presidential Affairs of the Russian Federation in 2014–2015 (cost estimate, corporate entity documents)
25.	DM-P7-6337r dated August 21, 2014	145/AP dated August 26, 2014	To address the issue of replacing foreign-made engines and components for Be-200ChS with domestically-manufactured equivalent parts, and the issue of changing the aircraft delivery dates with a view to import replacement (as response to the letter from V.A. Puchkov EMERCOM of Russia)	D.A. Medvedev	No4.538 September 04, 14 Proposals were submitted to the Ministry of Industry and Trade on import replacement when manufacturing Be-200ChS, on required financing and changing the delivery date without delay damages
26.	P7-41803 dated August 29, 2014	149/AP dated September 03, 2014	Regarding the preparation of an opinion on the issue of granting a letter of acknowledgement and gratitude from the President of the Russian Federation to the corporate team of JSC Shvabe (provide the data on the status of performing the contracts with UAC for the State Defense Order)	V.E. Surygin	No 5202 October 01, 14 information submitted to the Executive Office of the Government of the Russian Federation about the performance status of contracts by production facilities belonging JSC Shvabe (in general the assessment is positive)
27.	RD-P7-7381 dated September 30, 2014	160/AP dated October 06, 2014	To continue the work on implementing the import replacement program for Be-200ChS equipment (response to the report of G.S. Nikitin, Ministry of Industry and Trade , under the instruction No.DM-P7-6337r dated August 21, 2014)	D.O. Rogozin	Reported to the President of PJSC UAC
28.	RD-P7-58pr dated October 10, 2014	172/AP dated October 21, 2014	On arranging series production of retrofitted aircraft Il-114	D.O. Rogozin	Materials were submitted to JSC II, UAC's position and suggestions — to the Ministry of Industry and Trade No.6624 November 27. 2014
29.	RD-P7-7971 Dated October 23, 2014	178/AP dated October 27, 2014	On implementing the project for manufacturing Il-114 aircraft (Russian President's consent to the report by D.O. Rogozin on the advisability to start commercializing Il-114)	D.O. Rogozin	Materials were routinely transferred to the Ministry of Industry and Trade, to Yu.B. Slyusar

No.	Our ref. No. and document creation date	Sender's ref. No. and document creation date	Document description	Signatory	Performance status
30.	P36-52317 dated October 28, 2014	180/AP dated October 31, 2014	On submitting a preliminary opinion of the Expert Board under the Government of Russia based on the results of examining PJSC UAC's long-term development program	M.V. Prokhorov	Reported to the President of PJSC UAC
31.	DM-P7-85pr dated November 19, 2014	207/AP dated November 28, 2014	The minutes of the meeting hosted by the Chairman of the Government of the Russian Federation on long-term development programs for the United Shipbuilding Corporation and UAC (Item 2 — to approve in principle the UAC's long-term development program)	D.A. Medvedev	Reported to the President of PJSC UAC. UAC's long-term development program was approved
32.	DM-P13-9024 dated December 08, 2014	215/AP dated December 09, 2014	Regarding the measures taken to implement the Presidential Address to the Federal Assembly of the Russian Federation dated December 4, 2014 (List if instructions from the President of the Russian Federation dated December 05, 2014 No.Pr-2821)	D.A. Medvedev	Reported to the President of PJSC UAC
33.	DM-P7-9453 dated December 24, 2014	228/AP dated December 25, 2014	On submitting the Instruction from the Chairman of the Government of the Russian Federation on civil aircraft	D.A. Medvedev	Plan to perform the instruction was developed. Deadline: January 19, 2015. Submission of proposals to the Ministry of Industry and Trade: January 20, 2015. Data aggregation: V.V. Senin
34.	RD-P22-9512 dated December 24, 2014	231/AP dated December 29, 2014	On presenting a detailed analysis of the production capacity of CJSC Sukhoi Civil Aircraft and assessing its development prospects	D.O. Rogozin	Preparation of materials: I.S. Tarasenko, Sukhoi Civil Aircraft

SUPPLEMENT NO.5

GRI COMPLIANCE TABLE

Preparing its annual reports PJSC UAC is committed to comply not only with statutory requirements but also with best practices of information disclosure and communication with external audiences.

For two consecutive years now the Corporation has been including Standard Disclosures from the GRI Guidelines in its annual report for investors. This report also contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

The list of Standard Disclosures used in the report and information on their location in the report is presented below (the table is prepared in compliance with the G4 Sustainability Reporting Guidelines).

GRI Standard Disclosures	Level of disclosure	Location in the report
GENERAL STANDARD DISCLOSURES		
Strategy and Analysis		
G4-1 Statement from the most senior decision-maker of the organization.	Partially disclosed	p. 22–25
G4-2 Description of key impacts, risks, and opportunities.	Partially disclosed	p. 58–61
Organizational Profile		
G4-3 The name of the organization	Disclosed	Cover, p. 1
G4-4 The primary brands, products, and services.	Disclosed	p. 2, p. 6–11, p. 80
G4-5 The location of the organization's headquarters.	Disclosed	p. 12–13
G4-6 The number of countries where the organization operates.	Disclosed	p. 12–13
G4-7 The nature of ownership and legal form.	Disclosed	p. 1, p. 102–104
G4-8 The markets served.	Disclosed	p. 28–39
G4-9 The scale of the organization.	Disclosed	p. 1–5, p. 12–13, Supplements No.1 and No.2
G4-10 UNGC The total number of employees with breakdown by categories.	Partially disclosed	p. 111–115
G4-11 OECD / UNGC The percentage of total employees covered by collective bargaining agreements.	Partially disclosed	p. 115
G4-12 The organization's supply chain.	Partially disclosed	p. 59–61, p. 64–69
G4-13 Significant changes during the reporting period regarding the organization's size, structure or ownership.	Partially disclosed	p. 1, p. 80–81

GRI Standard Disclosures	Level of disclosure	Location in the report
G4-15 Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Partially disclosed	Cover, p. 1
G4-16 Memberships in associations (such as industry associations) and national or international advocacy organizations	Partially disclosed	p. 66
Indentified Material Aspects and Boundaries		
G4-17 All entities included in the organization's consolidated financial statements.	Disclosed	Supplement No.1
G4-22 The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Partially disclosed	Supplement No.1
Stakeholder Engagement		
G4-24 List of stakeholder groups engaged by the organization.	Disclosed	p. 38–40, p. 106–107, p. 110–119
G4-25 The basis for identification and selection of stakeholders with whom to engage.	Disclosed	p. 2, p. 40–57
G4-26 The organization's approach to stakeholder engagement.	Disclosed	p. 38–40, p. 106–107, p. 110–119
G4-27 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Partially disclosed	p. 58–61, Supplement No.4
Report Profile		
G4-28 Reporting period for information provided.	Disclosed	Cover
G4-29 Date of most recent previous report (if any).	Disclosed	Supplement No.5
G4-30 Reporting cycle.	Disclosed	p. 22–25, p. 72–76
G4-31 Contact information.	Disclosed	Cover
G4-32 'In accordance' option the organization has chosen.	Disclosed	p. 1, Supplement No.5
Governance		
G4-34 The governance structure of the organization.	Disclosed	p. 80–99, Supplement No.3
G4-35 The process for delegating authority from the highest governance body to senior executives and other employees.	Disclosed	p. 80–99, Supplement No.3

GRI Standard Disclosures	Level of disclosure	Location in the report
G4-36 Report whether the organization has appointed an executive-level positions with responsibility for economic, environmental and social topics.	Disclosed	p. 80–99, Supplement No.3
G4-37 The process for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	Partially disclosed	p. 80–99, Supplement No.3
G4-38 The composition of highest governance body and its committees.	Disclosed	p. 80–99
G4-39 Report whether the Chair of the highest governance body is also an executive officer and the reasons for this arrangement.	Partially disclosed	p. 80–99
G4-40 The nomination and selection processes for the highest governance body and its committees.	Partially disclosed	p. 80–99, Supplement No.3
G4-41 The processes for the highest governance body to ensure conflicts of interest are avoided and managed.	Partially disclosed	p. 80–99, Supplement No.3
G4-42 The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, values, mission statements, strategies.	Disclosed	p. 80–99, Supplement No.3
G4-43 The measures taken to develop and enhance the highest governance's body collective knowledge of economic, environmental and social topics.	Disclosed	p. 80–99, Supplement No.3
G4-44 The processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics and actions taken in response to evaluation.	Partially disclosed	p. 99, Supplement No.3
G4-45 The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Stakeholder consultation used to support identification of economic, environmental and social impacts, and risks.	Partially disclosed	p. 58–61, p. 80–99, Supplement No.3
G4-46 The highest governance body's role in reviewing the effectiveness of the organization's risk management processes.	Partially disclosed	p. 58–61, p. 80–99, Supplement No.3
G4-47 The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Disclosed	p. 80–99
G4-49 The process for communicating critical concerns to the highest governance body.	Partially disclosed	p. 80–99, Supplement No.3
G4-50 The nature of total number of critical concerns that were communicated to the highest governance body and mechanisms used to resolve them.	Disclosed	p. 80–99, Supplement No.3

GRI Standard Disclosures	Level of disclosure	Location in the report
G4-51 The remuneration policies for the highest governance body and senior executives.	Disclosed	p. 80–99, Supplement No.3
G4-52 The process for determining remuneration.	Disclosed	p. 80–99, Supplement No.3
G4-53 How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	Partially disclosed	p. 80–99, Supplement No.3
Ethics and Integrity		
G4-56 The organization's values, principles, standards and norms of behavior (codes of conduct and codes of ethics).	Disclosed	p. 81, p. 99, p. 106–108, Supplement No.3
SPECIFIC STANDARD DISCLOSURES		
Category: Economic		
G4-EC1 The direct economic value generated and distributed (EVG&D), including revenues, operating costs, employee wages and benefits, payments to providers of capital payments to government and community investments.	Partially disclosed	p. 72–77, Supplements No.1 and No.2
G4-EC4 Financial assistance received from government.	Partially disclosed	p. 102–104, Supplements No.1 and No.2
G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Partially disclosed	p. 115
G4-EC7 Development and impact of infrastructure investments and services supported.	Partially disclosed	p. 52–53, p. 113–114, p. 117–119, Supplements No.1 and No.2
G4-EC8 Significant indirect economic impacts, including the extent of impacts.	Partially disclosed	p. 22–51, p. 54–57, p. 110–119
Category: Environmental		
G4-EN3 Energy consumption within the organization with breakdown of sources (renewable, non-renewable) and fuel types used.	Partially disclosed	p. 118–119
G4-EN6 Reduction of energy consumption.	Partially disclosed	p. 118–119
G4-EN8 Total water withdrawal by source.	Partially disclosed	p. 118–119

GRI Standard Disclosures	Level of disclosure	Location in the report
Category: Social		
G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region.	Partially disclosed	p. 111–112
G4-LA2 Benefits provided to employees.	Disclosed	p. 115
G4-LA8 Health and safety topics covered in formal agreements with trade unions.	Disclosed	p. 115–116
G4-LA10 Programs for skills management and lifelong learning of employees.	Disclosed	p. 113–114
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to indicators of diversity.	Partially disclosed	p. 83–95, p. 98, p. 112
G4-SO4 Communication and training on anti-corruption policies and procedures.	Partially disclosed	Supplement No.3
G4-PR5 Results of surveys measuring customer satisfaction.	Partially disclosed	p. 34, p.64–69

SUPPLEMENT NO.6
GLOSSARY

Terms and acronyms

ARZ — aircraft repair plant

Area Navigation (RNAV) — is a method of navigation that permits aircraft operation on any desired flight path within the coverage of ground or space based navigation aids or within the limits of the capability of self-contained aids, or a combination of these.

Vertical Navigation (VNAV) — is an aircraft function that calculates a vertical profile of the flight in accordance with the assigned path, considering aircraft performance, as well as all speed and height restrictions applied to a specific path. VNAV functionality provides vertical profile keeping recommendations to pilots during climb and cruising. It also ensures a fully automatic control during descend and approach.

KPI — key performance indicators

MTA — medium military transport aircraft (Russian-Indian project)

PAK FA — fifth-generation prospective airborne complex of frontline aviation (T-50)

PAK DA — prospective airborne complex of long-range aviation

PMI — fifth-generation prospective multi-purpose fighter (Russian-Indian project)

PTA — super heavy military transport aircraft

PCP — purchased component parts

QMS — quality management systems

FTP MIC — Federal target program "Development of the Russian Military-Industrial Complex in 2011–2020"

SP DAI — State Program Development of the Aviation Industry in 2013–2025

CNC — numerically controlled

EASA — European Aviation Safety Agency

EAQG — European Aerospace Quality Group

EPNdB — effective perceived noise in decibels

IATA — International Air Transport Association

IAQG — International Aerospace Quality Group

ICOP (Industry Controlled Other Party) — is an industry-controlled system that accredits and certifies quality management systems (QMS) across the aviation industry. It was developed and is overseen by the International Aerospace Quality Group (IAQG) to harmonize certification schemes.

IMA — integrated modular avionics

SUPPLEMENT NO.7
DISCLAIMER

This Annual Report of PJSC UAC (hereinafter the "Annual Report") is not an offer or invitation to make an offer (advertisement) in relation to purchase of, or subscription to securities of PJSC UAC (hereinafter — Corporation).

Neither the Annual Report, nor any of its part, nor the fact of its presentation or distribution serves as a basis for entering into any contract or taking an investment decision, so the Annual Report should not be relied on in this respect. PJSC UAC does not bear responsibility for the consequences of use of the opinions contained herein or in statement, or incompleteness of the information.

Forward-looking statements

This Annual Report includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the fact that they do not only relate to historical or current events.

Forward-looking statements often use words such as "intend", "anticipate", "target", "expect", "estimate", "expected", "plan", "goal", "believe", or other words of similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond Corporate's control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements. Any forwardlooking statements made by or on behalf of PJSC UAC speak only as at the date of this announcement. Save as required by any applicable laws or regulations, PJSC UAC undertakes no obligation publicly to release the results of any revisions to any forwardlooking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

Information obtained from third parties

Besides the official information on the activity of PJSC UAC, this Annual Report contains information obtained from third parties. This information has been received from sources which, in the opinion of PJSC UAC, are reliable.

Nevertheless, we do not guarantee accuracy of this information which can be shortened or incomplete.

Using management accounting and reporting

The information contained in this Annual Report is based also on the Corporation's management accounting and reporting, so it may deviate from the rules and principles that apply under IFRS. The Corporation believes that these management accounting and reporting indicators may provide investors with additional information about the current business of the Corporation. The indicators of management accounting and reporting should not be considered without or as replacement of relevant norms and principles of IFRS. In addition, other companies in the industry may keep a record of these indicators in other ways. The Corporation encourages investors to review all financial statements of PJSC UAC in their entirety and not to rely on any single financial figure in this Annual Report.

SUPPLEMENT NO.8
INTERNET SUPPLEMENTS TO THE ANNUAL REPORT

Internet supplements to present Annual Report are presented on the Corporation's website in Russian http://www.uacrussia.ru/ru/investors/open-information/godovye-otchety/ (hereafter — Report), including:

- List of related party transactions performed in 2014 (Supplements №1 in the Report);
- Meetings of specialized committees to the PJSC UAC Board of Directors held in 2014 (Supplement №4 in the Report);
- PJSC UAC Board of Directors meetings in 2014 (Supplement №5 in the Report).

PJSC UAC CONTACTS

Full corporate name

In the English language — Public Joint Stock Company United Aircraft Corporation.

Short corporate name

In the English language — PJSC UAC.

State registration

Certificate of State Registration: 77 008502150;

issued by the Interdistrict Inspectorate of the Federal Tax Service No. 46 for the city of Moscow on November 20, 2006;

Primary State Registration Number (OGRN): 1067759884598;

Date of OGRN issue: November 20, 2006;

Taxpayer Identification Number (INN) / Tax Registration Reason Code (KPP): 7708619320 / 997850001

Contact details

101000, Moscow, Ulansky side-street, 22, bldg 1;

Telephone: +7 (495) 926-14-20;

Fax: +7 (495) 926-14-21;

E-mail: office@uacrussia.ru;

Website address: www.uacrussia.ru.

Information about the Registrar

Joint Stock Company R.O.S.T. Registrar

Principal place of business: Moscow, Stromynka st., 18, bldg 13.

Postal address: 107996, Moscow, Stromynka st., 18, POB 9.

Tel.: +7 (495) 771-73-36, fax: +7 (495) 771-73-34.

E-mail: rost@rrost.ru

Information about the auditor

HLB Vneshaudit Closed Joint Stock Company

Legal address: 109180, Moscow, Bolshaya Yakimanka, 25-27/2.

Postal and de facto address: 123610, Moscow, Krasnopresnenskaya embankment, 12, Entrance No3, Office 701.

Telephone: +7 (495) 967-04-95, fax: +7 (495) 967-04-97.

Website address: www.vneshaudit.ru

E-mail: info@vneshaudit.ru

Principal Number of Registration Entry in the State Registry of Auditors and Auditing Organizations: 10202000095.

Service IR

Twitter: @UAC_IR

E-mail: ir@uacrussia.ru

Service PR

Twitter: @UAC_Russia

Facebook: UAC.RUSSIA

E-mail: press@uacrussia.ru

NOTES

www.uacrussia.ru

FSC logo means that this Report was printed on paper that comes from responsibly managed forests

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C119434