

## QUARTERLY REPORT

Public Stock Company VSMPO-AVISMA Corporation

Issuer Code: 

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For the First Quarter of 2006

Issuer's Location: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia

Postal Address: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia

Information contained in this Quarterly Report is subject to disclosure under the law on securities of the Russian Federation

Director General

Date May 12, 2006

\_\_\_\_\_  
Signature

V.V. Tetyukhin

Chief Accountant

Date May 12, 2006

\_\_\_\_\_  
Signature

T.V. Novossadova

Place of Seal

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## Table of Contents

QUARTERLY REPORT .....	1
Table of Contents .....	2
Introduction .....	4
I. Brief Information on Persons Included in the Issuer's Control Authorities, on Issuer's Bank Accounts, Auditor, Appraiser and Financial Consultant and on Other Persons Signing Quarterly Report .....	5
1.1. Persons Included in the Issuer's Control Authorities .....	5
1.2. Issuer's Bank Accounts .....	5
1.3. Issuer's Auditor .....	6
1.4. Issuer's Appraiser .....	7
1.5. Issuer's Consultants .....	8
1.6. Other Persons Signing the Quarterly Report .....	8
II. Basic Information on Issuer's Financial and Economic Status .....	8
2.1. Issuer's Financial and Economic Figures .....	8
2.2. Issuer's Market Capitalization .....	9
2.3. Issuer's Liabilities .....	11
2.3.1. Accounts Payable .....	11
2.3.2. Issuer's Credit History .....	12
2.3.3. Issuer's Liabilities Resulting from Collateral Given to Third Parties .....	12
2.3.4. Other Liabilities .....	12
2.4. Issue and Usage of Funds Generated from Placement of Securities .....	12
2.5. Risks Connected with Acquisition of Placed Securities .....	14
2.5.1. Industrial Risks .....	14
2.5.2. National and Regional Risks .....	15
2.5.3. Financial Risks .....	17
2.5.4. Legal Risks .....	18
2.5.5. Risks Connected with Issuer's Activities .....	18
III. Detailed Information on the Issuer .....	18
3.1. Issuers' Background .....	18
3.1.1. Issuer's Corporate Name .....	18
3.1.2. Information on Issuer's State Registration .....	19
3.1.3. Issuer's Establishment and Development .....	19
3.1.4. Contact Information .....	21
3.1.5. Taxpayer Identification Number .....	21
3.1.6. Issuer's Affiliates and Representative Offices .....	21
3.2. Primary Economic Activity .....	21
3.2.1. Industrial Sector of the Issuer .....	21
3.2.2. Primary Economic Activity .....	21
3.2.3. Basic Types of Products (Operations, Services) .....	22
3.2.4. Raw Materials (Materials) and Suppliers .....	22
3.2.5. Issuer's Sales Markets of Products (Operations, Services) .....	23
3.2.6. Information on Issuer's Licenses .....	24
3.2.7. Issuer's Joint Activity .....	29
3.3. Future Prospects .....	29
3.4. Issuer's Participation in Industrial, Banking and Financial Groups, Holdings, Concerns and Associations .....	32
3.5. Issuer's Subsidiaries and Related Companies .....	33
3.6. Composition, Structure and Value of Issuer's Fixed Assets, Information on Plans of Acquisition, Replacement, Retirement of Fixed Assets as well as on all the Facts of Fixed Assets Encumbrance .....	62
3.6.1. Fixed Assets .....	62
IV. Financial and Economic Activities Information .....	64
4.1. Financial and Economic Performance Results .....	64

4.1.1. Profit and Loss .....	64
4.1.2. Factors which impacted on the change in proceeds from the issuer's sales of goods, products, operations and services and the issuer's profit (loss) from primary activities .....	65
4.2. Issuer's Liquidity, Adequacy of the Capital and Current Assets .....	66
4.3. Size and Structure of the Issuer's Capital and Current Assets .....	66
4.3.1. Size and Structure of the Issuer's Capital and Current Assets .....	66
4.3.2. Issuer's Financial Investments .....	68
4.3.3. Issuer's Intangible Assets .....	69
4.4. Issuer's Policy and Expenses for Scientific and Engineering Activity, Licenses, Patents, Developments and Research .....	69
4.5. Overview of Development Trends in Issuer's Primary Activities .....	71
V. Details on Persons included in the Issuer's Control Authorities, Financial and Economic Activity	
Control Authorities and Brief Information on Issuer's Employees .....	74
5.1. Structure and Competence of Issuer's Control Authorities .....	74
5.2. Persons Included in the Issuer's Control Authorities .....	77
5.3. Remuneration, Benefits and/or Compensation of Expenses of Each Issuer's Control Authority .....	79
5.4. Structure and Competence of the Issuer's Financial & Economic Control Authorities .....	79
5.5. Members of Financial & Economic Control Authorities .....	80
5.6. Remuneration, Benefits and/or Compensation of Expenses of Financial & Economic Control Authorities .....	81
5.7. Number of the Issuer Employees, Education and Structure of the Issuer Employees and Changes in the Number of Employees .....	81
5.8. Issuer's Obligations to the Staff (Employees) Associated with their Participation in the Issuer's Authorized Capital .....	82
VI. Shareholders and Interest Transactions of the Issuer .....	82
6.1. Total Number of Shareholders .....	82
6.2. Shareholders Holding not less than 5% of the Issuer's Authorized Capital or not less than 5% of the Issuer's Ordinary Shares, as well as Shareholders of such Persons Holding not less than 20 % of their Authorized Capital or not less than 20% of their Ordinary Shares .....	82
6.3. State or Municipal Share in the Issuer's Authorized Capital. Special Right ("Golden Share") .....	82
6.4. Restricted Participation in the Issuer's Authorized Capital .....	83
6.5. Changes in Structure and Share of the Issuer's Shareholders Holding not less than 5% of its Authorized Capital or not less than 5% of its Ordinary Shares .....	83
6.6. Interest Transactions of the Issuer .....	86
6.7. Accounts Receivable .....	86
VII. Issuer's Financial Statements and Other Financial Information .....	87
7.1. Annual Financial Statements of the Issuer .....	87
7.2. Quarterly Financial Statements of the Issuer for the Last Completed Reporting Quarter .....	104
7.3. Consolidated Financial Statements of the Issuer for the Last Complete Financial Year .....	108
7.4. Issuer's Accounting Policy .....	108
7.5. Total Exports and its Share in Total Sales .....	109
7.6. Issuer's Real Assets Cost and Significant Changes in the Issuer's Assets since the Close Date of the Last Complete Financial Year .....	109
7.7. Participation of the Issuer in Legal Proceedings in case such Participation could have a Significant Effect on Financial and Economic Activities of the Issuer .....	109
VIII. Additional Information on the Issuer and Securities Placed .....	109
8.1. Additional Information on the Issuer .....	109
8.1.1. Size and Structure of the Issuer's Authorized Capital .....	109
8.1.2. Changes in the Size of the Authorized Capital of the Issuer .....	110
8.1.3. Formation and Use of the Reserve Fund and other Funds of the Issuer .....	111
8.1.4. Procedure for Calling and Holding of the General Meeting of the Superior Control Authority of the Issuer .....	111

8.1.5. Commercial Organizations in Which the Issuer Holds not less than 5% of the Registered (Stock) Capital (Share Fund) or not less than 5% of Ordinary Shares .....	113
8.1.6. Material Transactions Effected by the Issuer .....	113
8.1.7. Credit Ratings of the Issuer .....	113
8.2. Categories (Types) of the Issuer's Shares .....	113
8.3. Previous Issues of Securities, except for the Issuer's Shares .....	115
8.4. Person (Persons) who Provided Security for Debentures of the Issue .....	115
8.5. Terms and Conditions for Discharge of Obligations for Debentures of the Issue .....	115
8.6. Organizations Keeping Records of Rights for the Issuer's Securities .....	116
8.7. Legislation Regulating Import and Export of the Capital, Effecting Payment of Dividends, Interest and Other Payments to Non-Residents.....	116
8.8. Taxation of Income from the Issuer's Securities Placed and Being Placed.....	116
8.9. Declared (Accrued) and Paid Dividends on the Issuer's Shares and Income from the Issuer's Debentures.....	117
8.10. Other Information.....	119

## Introduction

### Full and Abbreviated Name of the Issuer:

Открытое акционерное общество «Корпорация ВСМПО-АВИСМА» (ОАО «Корпорация ВСМПО-АВИСМА»)

Public stock company «VSMPO-AVISMA Corporation» («VSMPO-AVISMA Corporation»)

### Issuer's Location:

1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia

Postal address: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia

Issuer's contact telephone numbers:

Telephone: +7(34345) 2-13-60, 5-20-05

Fax: +7(34345) 2-47-36, 5-20-05

E-mail: [Shayahmetova@vsm-po.ru](mailto:Shayahmetova@vsm-po.ru)

The quarterly report is available at: [www.vsm-po.ru/core.php?p=214](http://www.vsm-po.ru/core.php?p=214)

### Basic Information on Securities placed by the Issuer:

*Outstanding Shares:*

1. Category: ordinary

Type: registered uncertificated

Number: 10624630

Par value of one share: 1 ruble

State registration number 1-01-30202-D dd. November 11, 2004.

2. Category: ordinary

Type: registered uncertificated

Number: 539024

Par value of one share: 1 ruble

State registration number 1-01-30202-D-003D dd. November 11, 2004.

Method of securities placement: conversion

Securities placement date: the date on which the entry on termination of activities of Joint-Stock Company AVISMA Titanium & Magnesium Works (the date of reorganization of Joint-Stock Company AVISMA Titanium & Magnesium Works) was introduced into the Uniform Public Register of Legal Entities is considered to be the date of placement of securities of the additional issue (the date of conversion) – July 1, 2005.

3. Category: ordinary  
 Type: registered uncertificated  
 Number: 365884  
 Par value of share: 1 ruble  
 State registration number 1-01-30202-D-004D dd. November 11, 2004.  
 Method of securities placement: conversion  
 Securities placement date: the date on which the entry on termination of activities of Joint-Stock Company AVISMA Titanium & Magnesium Works (the date of reorganization of Joint-Stock Company AVISMA Titanium & Magnesium Works) was introduced into the Uniform Public Register of Legal Entities is considered to be the date of placement of securities of the additional issue (the date of conversion) – July 1, 2005.

This quarterly report contains assessments and forecasts produced by the Authorized Control Authorities of the issuer concerning future events and/or actions, prospects for the development of the economic sector in which the issuer conducts its primary activities, results of the issuer performance including the issuer’s plans, and the probability of certain events and certain actions. Investors should not fully rely on the assessments and forecasts of the issuer’s Control Bodies because actual future results can differ from the forecasts for various reasons. The acquisition of the issuer’s securities is connected with the risks described in this quarterly report.

**I. Brief Information on Persons Included in the Issuer’s Control Authorities, on Issuer’s Bank Accounts, Auditor, Appraiser and Financial Consultant and on Other Persons Signing Quarterly Report**

**1.1. Persons Included in the Issuer’s Control Authorities**

**Board of Directors:**

Besedin, Vasily Alexandrovich, b. 1953  
 Bresht, Vyacheslav Iosifovich, b. 1953  
 Kelly, Dennis, b. 1946  
 Melnikov, Nikolai Konstantinovich, b.1955  
 Monahan, John, b. 1945  
 Tetyukhin, Vladislav Valentinovich, b. 1932  
 Rizanenko, Pavel Alexandrovich, b. 1975

**Issuer’s Sole Executive Body:** Director General  
 Tetyukhin, Vladislav Valentinovich, b. 1932

**No joint executive body is provided for in the By-Laws.**

**1.2. Issuer’s Bank Accounts**

Type of Account	Account Number	Credit Organization	Location of the Credit Organization
1	2	3	4

1	2	3	4
Settlement a/c Transit a/c, USD	40702810700010795939 40702840300010004249	Closed Joint-Stock Company INTERNATIONAL MOSCOW BANK CJSC "MMB" INN 7710030411 BIK 044583545 Corr. acc. 30101810300000000545	9, Prechistenskaya Embankment, Mos- cow, 119034
Settlement a/c Current a/c, USD	40702810602800000042 40702840600000000018	Joint-Stock Company "For- eign Trade Bank" JSC "Vneshtorgbank" INN 7702070139 BIK 046577952 Corr. acc. 30101810400000000952	16, Stepan Razin St., Ekaterinburg, 620142
Settlement a/c Current a/c, USD	40702810116150100055 40702840516150100007	Ural Bank of Sberbank of Russia INN 7707083893 BIK 046577674 Corr. acc. 30101810500000000674	11, Moscovskaya St., Ekaterinburg, 620014
Settlement a/c Current a/c, USD	40702810200700916014 40702840000700916006	Closed Joint-Stock Company CB CITIBANK INN 7710401987 BIK 044525202 Corr. acc. 30101810300000000202	8-10, Gashek St., Moscow, 125047
Settlement a/c Current a/c, USD	40702810100020009977 40702840400020009977	Closed Joint-Stock Company Commercial and Investment Bank "Calion Rusbank", Mos- cow Affiliate INN 7831000612 BIK 044583843 Corr. acc. 30101810400000000843	1, Building 6, Bolshoi Zlatous- tovsky Pereulok, Moscow, 101000

### 1.3. Issuer's Auditor

1.3.1. Full and abbreviated company name:

Closed Joint-Stock Company Analytic Express  
CJSC "Analytic Express"

Location: 3, Building 2, Gazetny Per., Moscow, 103918

Telephone: (095) 629-8484, Fax (095) 629-3832

E-mail: [analitik@jet.ru](mailto:analitik@jet.ru)

License No. for audit activities: E 005434

Date of issue: based on RF Ministry Order No. 387, dated 9.12.2003

Validity of the license: 5 years

Authority issued the aforesaid license: the Ministry of Finance of the Russian Federation  
Fiscal years for which the auditor has carried independent audits of accounting practices and  
Financial statements reports of the issuer: since 1994.

There are no factors which can affect the auditor's independence from the issuer.

Procedure for appointing the auditor of the issuer: the Board of Directors proposes a candidate and the general meeting of shareholders approves the proposed candidate.

Work performed by the auditor within the framework of special auditor tasks:

- development of a new chart of book keeping accounts of PSC VSMPO-AVISMA Corporation at the required level of analytic work for drawing up financial reports and tax returns;
- implementation of the developed chart of book keeping accounts in the company;
- documentary issue of the results of development work as an appendix to the order on the accounting policy at PSC VSMPO-AVISMA Corporation.

Vested interests relating the auditor (officials of the auditor) to the issuer (officials of the issuer), none:

- there are no participatory shares of the auditor (officials of the auditor) in the registered capital of the issuer;
- no loan funds have been given by the issuer to the auditor (officers of the auditor);
- there are no close business relations (participation in promotion of products (services) of the issuer, participation in joint venture activities, etc.), as well as there are no blood relations;
- there are no officers of the issuer being at the same time officers of the auditor.

The auditor's fee is determined by the Board of Directors.

Payment for the auditor services is made as follows:

50% of the fee shall be transferred to the settlement account of the auditor within 30 days of the date of the beginning of work, the remaining 50% of the cost of work shall be transferred to the settlement account of the auditor within three days after signing the acceptance/transfer report of the auditor's conclusion and the auditor's written report. There are no deferred or overdue payments for the services provided by the auditor.

1.3.2. Full and abbreviated company name:

Closed Joint-Stock Company PriceWaterHouseCoopers Audit

CJSC "PriceWaterHouseCoopers Audit"

Location: 52, Building 5, Kosmodamianskaya Embankment, Moscow, 113054

Telephone: (095) 967-60-00, Fax: (095) 967-60-01

E-mail: [pwc.russia@ru.pwc.com](mailto:pwc.russia@ru.pwc.com)

License No. for audit activities: E 000376

Date of issue: based on RF Ministry Order No. 98, dated 20.05.2002

Validity of the license: 5 years

Authority issued the aforesaid license: the Ministry of Finance of the Russian Federation  
Fiscal years for which the auditor has carried independent audits of accounting practices and  
the financial statements of the issuer: since 2002.

There are no factors which can affect the auditor's independence from the issuer.

Procedure for appointing the auditor of the issuer: via tender.

Work performed by the auditor within the framework of special auditor tasks:

Consulting in taxation issues (including customs fees and off-budget payments) and GAAP based accounting.

The auditor's fee is determined in accordance with the contracts concluded.

Payment for auditor services is made as follows:

The invoices are issued on a monthly basis accompanied by brief description of the services performed with the report on acceptance of services drawn up.

## 1.4. Issuer's Appraiser

The issuer did not recourse to the services of any appraiser (appraisers) during the reporting quarter.

## 1.5. Issuer's Consultants

There is no financial consultant in the securities market who would provide corresponding services to the issuer based on the contract, as well as other persons who would provide consulting services to the issuer related with issue of securities and who have signed the quarterly report and the last registered offering prospectus for outstanding shares.

## 1.6. Other Persons Signing the Quarterly Report

There are no other persons who have signed this Quarterly Report and are not stated in the previous clauses of this section.

## II. Basic Information on Issuer's Financial and Economic Status

### 2.1. Issuer's Financial and Economic Figures

Index Description	2001	2002	2003	2004	2005	Q1 2006
1	2	3	4	5	6	7
Issuer's net assets, 000' rubles	4 023 284	5 248 116	6 894 976	8 377 043	14 614 473	16 829 945
Ratio of borrowed finances to capital and reserves, %	41.2	44.6	45.9	48.1	40.0	35.8
Ratio of short-term liabilities to capital and reserves, %	41.2	44.6	45.8	47.9	39.4	35.3
Payment cover for debt service, %	88.0	59.8	41.8	41.5	59.2	39.0
Outstanding debt, %	39.8	13.9	4.0	7.1	1.0	1.3

Accounts receivable turn-over, times	8.0	5.2	4.9	4.6	3.9	1.0
Dividend-to-profit ratio, %	0	0	9.1	19	Decision on dividend payment will be made at annual general meeting of shareholders in June 2006 based on the results of 2005	0
Labour productivity, 000' rubles/man	497.6	589.9	549.4	691.9	891.5	394.7
Amortization-to-proceeds ratio, %	1.7	2.2	1.8	2.0	2.0	1.5

Increase in the issuer's net assets in 2005 by 74.5% is primarily caused by JSC AVISMA termination of its activities as legal entity by reorganization and affiliation to VSMPO-AVISMA Corporation on July 1, 2005.

The ratio of borrowed finances to capital and reserves has not exceeded 50% for five years. This index reduced last quarter, which shows decrease in the company dependence on borrowed finances.

Outstanding debt trends to decreasing. The growth of labour productivity equaled 28.8%. Amortization-to-revenue ratio has been at the same level (about 2%) for last 5 years.

## 2.2. Issuer's Market Capitalization

Provided is the information on the market capitalization of the issuer over the last 5 closed financial years including the data on market capitalization as of the close date of each fiscal year and as of the close date of the last closed reporting period.

### As of 01.01.2002:

Weighted average price/share \$ 11.31

Market capitalization of the issuer \$ 133`525`950

Description of the method used for estimation of the issuer's market capitalization: cost estimation of issuer's net assets.

### As of 01.01.2003:

Weighted average price/share \$ 15.54

Market capitalization of the issuer \$ 165`121`824

Description of the method used for estimation of the issuer's market capitalization: cost estimation of issuer's net assets.

### As of 01.01.2004:

Weighted average price/share \$ 28.46

Market capitalization of the issuer \$ 302`404`576

Description of the method used for estimation of the issuer's market capitalization:

Market capitalization is estimated as a product of the number of shares of the corresponding category (type) by the weighted average price of one share of this category (type) calculated for 10 largest transactions accomplished through the dealer in the securities market for three months preceding the month which is considered to be the end of the last reporting quarter. According to noncommercial partnership RTS Stock Exchange.

### As of 01.01.2005:

Weighted average price/share \$ 108.02

Market capitalization of the issuer \$ 1`147`777`312

Description of the method used for estimation of the issuer's market capitalization:

Market capitalization is estimated as a product of the number of shares of the corresponding category (type) by the weighted average price of one share of this category (type) calculated for 10 largest transactions accomplished through the dealer in the securities market for three months preceding the month which is considered to be the end of the last reporting quarter. According to noncommercial partnership RTS Stock Exchange.

**As of 01.01.2006:**

Weighted average price/share \$ 175.77

Market capitalization of the issuer \$ 2`026`546`894

Description of the method used for estimation of the issuer's market capitalization:

Market capitalization is estimated as a product of the number of shares of the corresponding category (type) by the weighted average price of one share of this category (type) calculated for 10 largest transactions accomplished through the dealer in the securities market for three months preceding the month which is considered to be the end of the last reporting quarter. According to noncommercial partnership RTS Stock Exchange.

**As of 01.04.2006:**

Weighted average price/share \$ 230.076

Market capitalization of the issuer \$ 2`652`669`985

Market price of one share is determined in accordance with Estimation procedure for market price of issue securities and investment shares in unit investment funds listed by trade officials which is approved by the order of the Federal Commission for the Securities Market of Russia No. 03-52/ps dd. 24.12.2003 (registered in the Ministry of Justice of the Russian Federation on 23.01.2004, registration No. 5480).

**2.3. Issuer's Liabilities**  
**2.3.1. Accounts Payable**

Account payable	Unit	As of 01.01.2006		As of 01.04.2006	
		Due date		Due date	
		Less than one year	Over one year	Less than one year	Over one year
Accounts payable to suppliers and contractors	000' rubles	494 638	X	364 895	X
Including overdue	000' rubles	57020	X	78921	X
Accounts payable to the company personnel	000' rubles	37 033	X	38 282	X
Including overdue	000' rubles		X		X
Accounts payable to budget and public off-budget funds	000' rubles	431 046	X	866 277	X
Including overdue	000' rubles		X		X
Borrowings, rubles	000' rubles	According to the order of the Ministry of Finance of the Russian Federation No.67 n dd. July 22, 2003 on "Forms of Company Accounting" the said data is not specified in reporting starting from 2003		According to the order of the Ministry of Finance of the Russian Federation No.67 n dd. July 22, 2003 on "Forms of Company Accounting" the said data is not specified in reporting starting from 2003	
Including overdue, rubles	000' rubles				
Loans, total	000' rubles		X		X
Including overdue	000' rubles		X		X
Including bonded loans	000' rubles		X		X
Including overdue bonded loans	000' rubles		X		X
Other accounts payable	000' rubles	1 280 281	X	1 268 802	X
Including overdue	000' rubles		X		X
Total	000' rubles	2 242 998	X	2 538 256	X
Including overdue	000' rubles	57 020	X	78 921	X

There are no creditors accounts payable to whom exceed 10 percent of the total accounts payable.

### 2.3.2. Issuer's Credit History

The issuer has no credit agreement and/or loan agreement that was in force for the last 5 closed financial years and at the close date of the reporting quarter to the amount of not less than 5 percent of the issuer's assets book value as of the date of the last closed reporting quarter preceding conclusion of the relevant agreement.

### 2.3.3. Issuer's Liabilities Resulting from Collateral Given to Third Parties

#	Beneficiary	Liabilities Given, 000' rubles	Date of Liabilities Repayment
1	Natural persons (Company's workers) in 2005	17`728`293.59	Not to be specified if the liability does not exceed 5% of the assets cost
2	Natural persons (Company's workers) in Q1, 2006	17`242`337.88	Not to be specified if the liability does not exceed 5% of the assets cost
3	Surety as of 01.01.2006	115`130`000.00	Not to be specified if the liability does not exceed 5% of the assets cost
4	Surety as of 01.04.2006	111`050`400.00	Not to be specified if the liability does not exceed 5% of the assets cost

### 2.3.4. Other Liabilities

There are no other obligations that could materially affect the financial status of the issuer.

### 2.4. Issue and Usage of Funds Generated from Placement of Securities

On July 1, 2005, securities were placed as follows:

1. Category: ordinary

Type: registered uncertificated

Number: 539024

Par value of one security of the issue: 1 ruble

State registration number 1-01-30202-D-003D dd. November 11, 2004.

Method of securities placement: conversion

Securities placement date: the date on which the entry on termination of Joint-Stock Company AVISMA Titanium & Magnesium Works activities (the date of reorganization of Joint-Stock Company AVISMA Titanium & Magnesium Works) was introduced into the Uniform Public Register of Legal Entities is considered to be the date of placement of securities of the additional issue (the date of conversion).

Securities placement procedure: 1 (One) ordinary registered share of JSC AVISMA is converted into 2 (two) ordinary registered shares of JSC VSMPO. On the date on which the entry on termination of JSC AVISMA activities was introduced into the Uniform Public Register of Legal Entities, the placed shares of JSC AVISMA, except for the shares owned by the shareholders who requested redemption of shares as per Articles 75 and 76 of the Federal Law on Joint-Stock Companies and whose shares were bought back, as well as shares owned by JSC AVISMA or JSC VSMPO shall be converted as follows: one ordinary registered share of JSC AVISMA with par value of 20 kopeks is converted into two ordinary registered shares of JSC VSMPO with par value of 1 (one) ruble (i.e. 0.5 (zero point five) of an ordinary registered share of JSC AVISMA is converted into 1 (one) ordinary registered share of JSC VSMPO). Starting from the date of JSC AVISMA reorganization, all the placed preferred registered shares of JSC AVISMA shall be paid off, and each holder of these shares of JSC AVISMA loses all the titles to shares of JSC AVISMA and all the rights provided by these shares of JSC AVISMA except for the right to get ordinary registered shares of JSC VSMPO as a result of conversion or request JSC VSMPO to pay the amount of money due as a result of redemption of shares which are required to be bought back in accordance with Articles 75 and 76 of the Federal Law on Joint-Stock Companies. All the ordinary registered shares of JSC AVISMA placed by the date of JSC AVISMA reorganization and required to be bought back in accordance with Articles 75 and 76 of the Federal Law on Joint Stock companies are not converted into ordinary registered shares of JSC VSMPO except when shares are subject to buy-back

from the shareholders proportionally to the filed requirements, taking into account restrictions of finances intended for redemption of shares from shareholders stipulated by Item 5 of Article 76 of the Federal Law on Joint-Stock Companies. In the above case, the shares of JSC AVISMA that were not bought back due to the restriction stipulated in Item 5 of Article 76 of the Federal Law on Joint-Stock Companies shall be converted into ordinary registered shares of JSC VSMPO starting from the date of JSC AVISMA reorganization. The shares of JSC AVISMA bought back from JSC AVISMA shareholders who exercised their right to have their shares bought by the company are paid off and are not subject to conversion into shares of JSC VSMPO. Shares of JSC AVISMA owned by JSC VSMPO as of the Reorganization date, as well as shares of JSC AVISMA owned by JSC AVISMA itself as of the Reorganization date shall be paid off. Shares of JSC AVISMA shall be paid off as a result of conversion into additional shares of JSC VSMPO. Additional shares of JSC VSMPO as a result of JSC shares conversion shall be placed to personal accounts in the Shareholders' Register of JSC VSMPO and custody accounts in depositaries on the Reorganization date as per the Shareholders' Register information as of this date.

2. Category: ordinary

Type: registered uncertificated

Number: 365884

Par value of one security of the issue: 1 ruble

State registration number 1-01-30202-D-004D dd. November 11, 2004

Method of securities placement: conversion

Securities placement date: the date on which the entry on termination of Joint-Stock Company AVISMA Titanium & Magnesium Works activities (the date of reorganization of Joint-Stock Company AVISMA Titanium & Magnesium Works) was introduced into the Uniform Public Register of Legal Entities is considered to be the date of placement of securities of the additional issue (the date of conversion).

Securities placement procedure: 1 (One) ordinary registered share of JSC AVISMA is converted into 2 (two) ordinary registered shares of JSC VSMPO. On the date on which the entry on termination of JSC AVISMA activities was introduced into the Uniform Public Register of Legal Entities, the placed shares of JSC AVISMA, except for the shares owned by the shareholders who requested redemption of shares as per Articles 75 and 76 of the Federal Law on Joint-Stock Companies and whose shares were bought back, as well as shares owned by JSC AVISMA or JSC VSMPO shall be converted as follows: one ordinary registered share of JSC AVISMA with par value of 20 kopeks is converted into two ordinary registered shares of JSC VSMPO with par value of 1 (one) ruble (i.e. 0.5 (zero point five) of an ordinary registered share of JSC AVISMA is converted into 1 (one) ordinary registered share of JSC VSMPO). Starting from the date of JSC AVISMA reorganization, all the placed preferred registered shares of JSC AVISMA shall be paid off, and each holder of these shares of JSC AVISMA loses all the titles to shares of JSC AVISMA and all the rights provided by these shares of JSC AVISMA except for the right to get ordinary registered shares of JSC VSMPO as a result of conversion or request JSC VSMPO to pay the amount of money due as a result of redemption of shares which are required to be bought back in accordance with Articles 75 and 76 of the Federal Law on Joint-Stock Companies. All the ordinary registered shares of JSC AVISMA placed by the date of JSC AVISMA reorganization and required to be bought back in accordance with Articles 75 and 76 of the Federal Law on Joint Stock companies are not converted into ordinary registered shares of JSC VSMPO except when shares are subject to buy-back from the shareholders proportionally to the filed requirements, taking into account restrictions of finances intended for redemption of shares from shareholders stipulated by Item 5 of Article 76 of the Federal Law on Joint-Stock Companies. In the above case, the shares of JSC AVISMA that were not bought back due to the restriction stipulated in Item 5 of Article 76 of the Federal Law on Joint-Stock Companies shall be converted into ordinary registered shares of JSC VSMPO starting from the date of JSC AVISMA reorganization. The shares of JSC AVISMA bought back from JSC AVISMA shareholders who exercised their right to have their shares bought by the company are paid off and are not subject to conversion into shares of JSC VSMPO. Shares of JSC AVISMA owned by JSC VSMPO as of the Reorganization date, as well as shares of JSC AVISMA owned by JSC AVISMA itself as of the Reorganization date shall be paid off. Shares of JSC AVISMA shall be paid off as a result of conversion into additional shares of JSC VSMPO. Additional shares of JSC VSMPO as a result of JSC shares conversion shall be placed to personal accounts in the Shareholders' Register of JSC VSMPO and custody accounts in depositaries on the Reorganization date as per the Shareholders' Register information as of this date.

No funds were generated as a result of securities placement.

## **2.5. Risks Connected with Acquisition of Placed Securities**

The detailed analysis of the risk factors connected with acquisition of the placed securities is carried out, including:

industrial risks,  
national and regional risks,  
financial risks,  
legal risks,  
risks connected with issuer's activities.

### **2.5.1. Industrial Risks**

The major consumers of titanium products made by VSMPO – AVISMA Corporation are aerospace industry, power engineering, chemical engineering, oil and gas, nonconventional consumers, mainly, manufacturers of sports goods, and many others. Each of the aforesaid industries has its own development tendencies and, therefore, it is reasonable to review them individually.

About 65 percent of the output is intended for the aerospace industry, and therefore the state of this sector of the Russian and global economy has a substantial influence on the technological and economic indices of the Company. The aerospace sector of the world market features a cyclic nature of development within the period of about 4 years, and the world titanium market demonstrates a similar pattern of development. Though, it should be noted that during the recent years these markets have been affected by the Asian financial crisis of 1998 and terrorist attacks of September 11, 2001 in the USA. Nevertheless, the long-term perspective is constant growth of titanium consumption in this sector of the world economy, and no alternative replacement for titanium alloys is expected in the foreseeable future. Moreover, currently, the size of titanium alloys consumption in aerospace economy sector has significantly grown due to titanium content increase in the latest aircraft models (B787 of Boeing Company and A350 of Airbus), which are to become the major production models of middle-range aircrafts.

Currently power engineering, for the most part, nuclear power engineering is a sufficiently large consumer of titanium alloys, mainly used for heat-exchange systems, particularly those employed in nuclear power plants using sea water. There is a large potential demand for titanium alloys in power plants being developed which use the sea water temperature difference on the surface and in the depths of the world ocean.

Chemical industry employs unique anticorrosive properties of titanium alloys and is now a stable and perspective consumer of these materials with their steadily growing consumption in this sector.

During the recent years prospecting of energy resources (oil, gas, gas condensate) has been aiming at the sea shelf. Titanium alloys are practically an ideal structural material for offshore drilling and extracting platforms, riser pipes and pipeline systems since titanium and its alloys have absolute corrosion resistance to sea water.

Over the last five to seven years a significant volume of low-grade titanium alloys (up to five thousand tons p.a.) has been used for golf club heads manufacture. Even if the substitution to titanium alloys is found in this area in the near future, there are some significant potential markets for titanium alloys to be used for production of goods for sports and recreation: bicycles, hiking and climbing equipment, manual tools, etc.

On the whole, industrial development does not assume any reduction in the use of titanium alloys considering minimal risks.

Moreover, in 2005 the trend of sharp increase in demand for titanium alloys as well as the significant growth of their output in the whole world has been noted. It was caused by complete overcoming of consequences of terrorist attack on September 11, 2001 in the USA and the increase in aircraft production volumes by global producers. Simultaneously, titanium alloy industrial application market began growing, especially in power engineering, mainly, in South-East Asia (China, India). This tendency will continue in 2005 and 2006: conventional aerospace customer's orders have sharply grown, spot prices for titanium mill products have increased 3-4 times for the last year.

In spite of reduction in titanium scrap shortage and increase in titanium semi-finished products output, and some reduction in the requirement for 70% ferrotitanium for manufacture of structural and stainless steel the prices for ferrotitanium remain stable high at the level of US\$14...16 per 1 kg of titanium in ferrotitanium in late 2005.

Hence, titanium market shows unprecedented revival, and titanium mill products shipments increased 17.4% in 2005 in the world.

Titanium does not stand out in the general range of metals from the point of view of fluctuations of world prices for raw materials and energy resources. In terms of prevalence in the nature, titanium occupies the fourth place among structural materials (after aluminum, magnesium and iron), and considerable raw material stocks have been discovered. Considering, therefore, that in the world only approximately 5% of the extracted raw material (the rest of the output is used for pigment dye manufacture on the basis of titanium dioxide) is used for metal titanium manufacture, then risks associated with the shortage of raw material and increase in prices for it are virtually missing. It should be noted that for the first half of 2005 significant increase in prices for alloying elements being included in titanium alloys, mainly, vanadium (increased 6-7 times) and molybdenum (increased 3 times) has been observed. Although in the second half of 2005 the prices for these elements have slightly fallen, it significantly affected the level of costs and prices for titanium ingot and mill products. In order to make up for these risks the issuer occasionally increases prices for spot sales of titanium mill products, and product prices specified in LTAs are required to be repeatedly reviewed considering dynamics of alloying element price modification.

**Primary risks in the branch of titanium sponge, magnesium and magnesium alloys production are the following:**

- increase in energy supply rate causing the product cost raise;
- increase in materials and raw materials prices causing the product cost raise as well;
- expansion of cheap Chinese magnesium in the global market reducing AVISMA competitive priority;
- Russian Federation exclusion from the USA preferential system, resulting in introduction of duties for American market titanium suppliers from 5.5% for die forging to 15.0% for bar, sheet, plate and tube. It has not significantly affected VSMPO-AVISMA Corporation business in the USA as most products are supplied to aerospace companies (Boeing, Pratt & Whitney, Perryman, Dynamet, TECT) exporting the great volume of their products. Thus, they can have import duty reimbursed using TIB or other options to keep prices of VSMPO-AVISMA Corporation products unchanged;
- USA government protective policy aimed at protection of American magnesium producers from Russian magnesium import, and as a result – introduction of antidumping duty for VSMPO-AVISMA Corporation.

### ***2.5.2. National and Regional Risks***

**Political (within Russia) risks** associated with collaborating with VSMPO-AVISMA Corporation are minimal for the following reasons:

- the Corporation is the main supplier of metallurgical semi-finished titanium and aluminum alloy products for aircraft and rocket production and the key economic sectors of the Russian Federation, and therefore it is supported by the regional and federal authorities irrespective of their political orientation;
- the Corporation exports about 46.7 % of its products for use in high tech industries, which is considered and supported at the regional and federal levels as disposal of the raw material orientation of exports of the Russian Federation;
- the Corporation is one of the largest exporters in Sverdlovsk Region, a major taxpayer in the region, not to mention the town of Verkhnyaya Salda, and it is therefore supported by the regional and municipal authorities. Suffice it to say that based on the 2005 performance results, the Company was awarded by the government of Sverdlovsk Region as Best Exporter – 2005 in the contest of Business Laureates – Ural Stars;
- in the rating compiled by Russian industrial analysts based on the performance results for 2004, VSMPO-AVISMA Group occupies the 121<sup>st</sup> place among 400 enterprises of the Russian Federation in terms of production volumes;

Political (international) risks associated with collaborating with VSMPO-AVISMA Corporation are minimal for the following reasons:

- the Russian Federation implements the balanced foreign policy aimed at creating a multi-polar world, including the concept of mutually beneficial, restriction-free trade with all the countries which do not violate the By-Laws of the United Nations, and therefore VSMPO-AVISMA Corporation as a Russian company is not subject to any discrimination in its export activities;

- the Corporation has had long-term and developing relations with such leading aerospace companies around the world as Boeing, EADS, General Electric, Snecma, Rolls Royce, Pratt & Whitney and others, which ensures support for the Company on behalf of government agencies and a positive image in all the countries. Huge international corporations being the major customers of VSMPO-AVISMA Corporation, have to lobby its interests both in the Russian Federation and in many other countries of the world;

- the Corporation is fully integrated into the world economy and meets the generally accepted international standards with regard to its performance indicators;

- the planned entry of Russia into the World Trade Organization minimizes the political risks as the Company relationship will be based on international rules of business conduct.

**Production risks:**

a) Raw materials sources: Titanium sponge manufacture is geographically close to melting facilities (at a distance of about 600 km), there is railway communication and motorways which ensure regular delivery of raw materials in contrast to the supply of titanium sponge, for example, to the US from Japan or Kazakhstan. Besides, starting from July 1, 2005 a merger of VSMPO and AVISMA into the integrated corporation was effected ensuring stable supplies of basic raw materials. Due to titanium sponge shortage, VSMPO-AVISMA Corporation intends to make large investments in development of titanium sponge production with the annual growth of 7-8 %.

Negotiations in regard to mining and delivery of ilmenite from India are held and various alternatives of supplying vanadium and molybdenum raw materials at stable prices to the Corporation are worked out in order to reduce dependence of the Corporation on deliveries of titanium raw materials from the Ukraine;

b) Process capabilities: for each type of product the Corporation has several versions of manufacture, for example, ingot forging can be done using forging hammers, forging presses or a radial forging machine ensuring fulfillment of orders even in case of overloading of separate pieces of equipment or their emergency shutdown;

c) Reserve production capacities: existing equipment is 60-80% loaded, which allows orders to be executed or changed towards the increase in the volumes within minimum terms;

d) Intensive production reconstruction and development for which the main part of the Company profit is spent, are aimed at elimination of the production bottle necks and increase in product release capacities. Thus, for example, in 2004-2006 equipment for titanium alloy ingot conversion into billet was increased via reconstruction of the heating facilities and commissioning of 2t and 1.5 t presses;

e) Raw material processing effectiveness: the Corporation unlike the majority of titanium companies around the world is an integrated Supplier manufacturing all types of metallurgical semi-finished products from titanium alloys from raw ore materials. It allows VSMPO-AVISMA Corporation to control lead times, pricing and to be completely responsible for the quality of its products;

f) Production diversification: the Corporation has at its disposal tooling, repair, power (water, steam, compressed air) and machine-building facilities, all types of inspection and tests, which ensures independence from subcontractors and a possibility to provide the Customers not only with rolled metal products of all types but also simple finished equipment from titanium alloys (heat-exchangers, containers, fans, pumps etc.). Currently, the Corporation establishes machining facility for rough machining of die forgings, and in the future – for manufacture of finished parts designated for aircraft components and assemblies. This will allow the end users to reduce the number of subcontractors and lead times.

Besides, except for titanium products, the Corporation processes and in the future plans to expand its production capacities for manufacture of metallurgical semi-finished products from aluminum and magnesium alloys, high strength steels and heat-resistant nickel-base alloys. This will allow Customers to reduce the number of subcontractors and production certifications costs. Moreover, the reputation of VSMPO-AVISMA Corporation as a supplier of a number of complete value-added products from different materials will be significantly enhanced.

**Human resources risks:**

a) The Corporation is fully staffed. For economic reasons there is no staff migration, and the tradition is to live settled in one place;

b) From the point of view of the personnel stability, it should be noted that in the Urals, where the Corporation is situated, there are family traditions to work in the same facility; a large number of dynasties work in the Company, this is when several generations work for the same company;

c) Problems with regard to the strikes and labour disputes, in contrast to, for example, TIMET, RMI, Aubert Duval and others, which faced such difficulties in 2000-2004 resulting in detrimental consequences for their Customers are excluded for the following main reasons:

- there are two trade unions with which collective agreements were signed and are constantly renewed;

- the wages are significantly higher than the average wages in the Russian Federation and Sverdlovsk Region;

- the constant increase in the average wages is ensured which outruns the inflation level in the Russian Federation; it ensures improvement of the employees living standard;

- social policy aimed at supporting of low-income groups of the population, including pensioners, former employees of the Company is pursued;

- highly qualified health services for employees and pensioners are provided by the Corporation: there is the out-patient department, the diagnostic medical center where all the employees of the Company are annually examined, three health centers for employees and pensioners, and there are health facilities in the workshops: gyms with the necessary equipment for sports and recreations, saunas;

- social sphere facilities included into fixed assets are maintained, funded and developed: Center of Culture, sports facilities, libraries, country holiday centers for children during vacations as well as for employees and pensioners, etc.

**Natural conditions:**

VSMPO and AVISMA have their facilities located on the border between Europe and Asia where natural (atmospheric, seismic, geological) disasters such as storms, typhoons, tornadoes, earthquakes, floods, etc., in contrast to titanium companies in the US and Japan, are excluded.

The Corporation is well provided with stable energy resources at present and in the near future, including:

- Sverdlovsk Region is abundant in electric power and no problems with regard to its generation arise. In future, the region Administration consider development of generating electric power facilities in order to support the development of the region industrial capacity, especially as the power sources (gas, coal) are available in the region;

- the Corporation is located in the area of the main Russian gas pipelines, close to their origin (gas sources), and therefore no problems with regard to ensuring the required gas pressure in the inlet of the Company's system and the required gas consumption volume arise;

- the Corporation has at its disposal its own plants in order to provide production facilities with heat, steam, compressed air, drinking and process water and experiences no problems with regard to these energy resources;

- government authorities establishes sufficient rates for the Corporation for consumption of drinking and process water, discharge of contaminated water and air (after cleaning to applicable sanitary standards) into aquatic and air environment and disposition of solid industrial wastes in the special waste burial area. Environmental services are established within the Corporation to ensure observance of the current environmental protection laws. The environmental policy is accepted and implemented; the Corporation is preparing for certification of its environmental activity to international environmental standards.

### ***2.5.3. Financial Risks***

The activities of any export-oriented Russian company are associated with financial risks.

**The main financial risks are as follows: market risks and currency risks.**

Currency risks arise when involving sources of funds using foreign currencies. The rate of exchange is affected by the trends of economic development of the country and political situation starting from changes in the currency regulation policy to the extent of social tension.

The currency risk involves two components:

- Risks associated with changes in the exchange rate;
- Conversion risk

Currency risks are present in all the operations involving foreign currency because the company cannot affect these processes, and the only way out is to protect its interests by identifying risks in time and limit their potential consequences and losses.

It should be noted that for excluding market risks managers of the Company keep track of trends of price modification in the world market as unawareness of the market situation leads to amplification of the market risk factor and implicit losses.

There is, of course, an inflation risk. The company implements a significant production and financial cycle bringing to inflationary profit and, therefore, experts draw up a business plan allowing for inevitable inflation.

A high level of VSMPO-AVISMA Corporation financial stability is proved by the following:

- the Company is profitable; return on sales comes to 33.1% in the first quarter of 2006;
- as of 01.04.2006 the Corporation accounts receivable are more than 3.2 times as much as accounts payable;
- in 2005 the Company's titanium alloy output increased by 40.1%;
- the Corporation showed the capability to survive in critical situation of economic downturn. The closed plant that used to work for the defense industry of the Former Soviet Union with the orders decreased 40 times has turned into the prominent participant in the world titanium market in 12 years and is building up its lead year by year;
- all the Corporation shareholders are amicable, therefore the Company management can plan the Corporation development strategy and tactics to for the customers' benefit.

#### ***2.5.4. Legal Risks***

Currently there are no legal risks associated with the changes in:

- Currency regulation
- Taxation legislation
- Customs control and duty regulations
- Requirements for licensing of the issuer's primary activity.

#### ***2.5.5. Risks Connected with Issuer's Activities***

The issuer has not been involved in litigations which could significantly affect and interfere with the issuer's economic activities.

### **III. Detailed Information on the Issuer**

#### **3.1. Issuers' Background**

##### ***3.1.1. Issuer's Corporate Name***

Issuer's full and abbreviated corporate name:

Открытое акционерное общество «Корпорация ВСМПО-АВИСМА» (ОАО «Корпорация ВСМПО-АВИСМА»)

Public stock company «VSMPO-AVISMA Corporation» (VSMPO-AVISMA Corporation)

Date and reason for change of the issuer's name: Resolution of the general shareholders' meeting as of 28.12.2004. The certificate evidencing that the relevant entry was introduced into the Uniform Public Register of Legal Persons was given on January 24, 2005. The state registration number - 2056600360254.

Previous full and abbreviated corporate names of the issuer:

1. Joint Stock Company Verkhnyaya Salda Metallurgical Production Association (JSC VSMPO)

The date and the grounds for changing the name of the issuer: Resolution of the Sverdlovsk Regional Committee of State Property Management No. 38 as of 22.01.1993 regarding "Approval of State Property Privatization Plan.

State registration number: 162 II-VI

State registration date: 18.02.1993

Name of the authority that effected state registration: Municipal Administration of Verkhnyaya Salda, Sverdlovsk Region.

2. Joint Stock Company Verkhnyaya Salda Metallurgical Production Association (JSC VSMPO)

The date and the grounds for changing the name of the issuer: Resolution of the general meeting of shareholders dd. 14.06.1996 and Resolution of the Head of Verkhnyaya Salda administration No. 250-d dd. 26.06.1996.

State registration number: 162 II-VI

State registration date: 18.02.1993.

Name of the authority that effected state registration: Municipal Formation Administration "Verkhnyaya Salda District", Sverdlovsk Region.

### ***3.1.2. Information on Issuer's State Registration***

Legal entity state registration number: 162 II-VI

State registration number: 18.02.1993.

Name of the authority that effected state registration: Head of Administration of Verkhnyaya Salda, Sverdlovsk Region.

Basic state registration number of the legal entity: 1026600784011

Name of the registration authority (in accordance with the data indicated in the certificate of the record on the legal entity registered till July 1, 2002 in the Uniform Public Register of Legal Entities): Regional Surveillance Authority No. 3 of the Ministry of Taxation of the RF for Sverdlovsk Region.

Record date: 11.07.2002.

### ***3.1.3. Issuer's Establishment and Development***

Date of issuer's establishment: 18.02.1993.

The date till which the issuer will exist: the issuer has been established for an indefinite term.

#### **Brief history of issuer's establishment and development:**

The predecessor factory of VSMPO was built in 1933 near Moscow; it was the first manufacturer of aluminum parts for engines and aircraft in the Soviet Union. During World War II the factory was evacuated to Verkhnyaya Salda in Sverdlovsk Region.

In 1957, the first titanium ingot was melted, and in 1958 full-scale production of primary titanium started. From 1957 to 1990 VSMPO substantially increased the output since during that period the Company was the only supplier of titanium for Soviet aerospace and military industry.

In 1991 the output of titanium ingots melted at VSMPO was exceeded by 50 % compared to that in the US, Europe and Japan taken together.

At the beginning of nineties, in connection with reduction of the military budget and sharp reduction in demand for domestic aircraft from civil aviation, domestic demand for titanium reduced 20-30 times and for aluminum - 5-6 times, which drove the Company to the verge of bankruptcy.

The desire to maintain the facility, which, in fact, was the only "bread-winner" of the town with the population of 55,000 people having qualified scientific and engineering potential, VSMPO new management made a strategic decision to get down to diversification and produce not only titanium for military applications in the domestic market but also for export.

The settled task was complicated by the fact that the composition of titanium alloys made abroad differed from that used in the Russian aircraft industry.

New technologies were mastered enabling production of titanium products of the quality required by the foreign customers.

Capacities were reconstructed and new areas were constructed, mainly, for finishing and inspection operations.

As a result, from 1993 to 1997 export deliveries increased 6 times.

The major element of the strategy of entering foreign markets was the program of certification of Company's products by potential foreign customers.

The Company also invested funds in upgrading of its manufacturing processes, specifically in the quality inspection system. The quality of VSMPO-AVISMA Corporation products is confirmed by more than 120 quality certificates including certificates granted by the largest aircraft building companies and their suppliers.

Today more than 68 % of the Company's titanium products are exported, mainly, for aerospace applications in the US and Europe.

At present the Company is working on increasing the share of such products with high added value in the total output as thin titanium sheet, welded thin-walled titanium pipe, die forging.

Moreover, nonconventional production facilities designated for construction business, manufacture of disks, utensils, heat-exchanging titanium equipment and gas scrubbing systems were established.

This allowed the Company to maintain the personnel potential, most of engineering staff, design engineers, process engineers and workers who are in charge for the town since it is a mono-company town as well as maintain all its industrial potential, production capacities, provide proper operating condition and moreover, to bring them to a higher level of technological and qualitative requirements.

On July 1, 2005 VSMPO – AVISMA Corporation was reorganized through affiliation of JSC AVISMA Titanium – Magnesium Works (now AVISMA affiliate) that has its own development history.

In 1941 under the government order the building of Berezniki magnesium plant began.

The new plant was to provide fast growth in magnesium production in the USSR. It was decided to erect the plant in the Ural town of Berezniki where inexhaustible deposits of potassium-magnesium salt of Verhnekamskoye field could be found.

The first magnesium ingots were produced as early as in 1943. For the subsequent two decades magnesium production in Berezniki developed and reached a high level.

Fundamentally new stage in development of Russian magnesium industry began in the 50-ss due to intensive growth in titanium production.

The necessity of providing the magnesium-thermal stages of titanium sponge production with magnesium resulted in combined associations – titanium-magnesium plants. In 1960 the first Ural titanium was produced. Berezniki Titanium-Magnesium Works (BTMW) was awarded with the Medal of Labor Red Banner and honors for its achievements in titanium and magnesium production.

The next significant stage in the history of the works was BTMW privatization and reorganization into Joint-Stock Company AVISMA Titanium-Magnesium Works.

In 1994 JSC AVISMA became a full member of International Magnesium Association. The objective of this organization is to assist in development of magnesium use in the global industry and inform the magnesium market participants of non-ferrous metallurgy development trends.

In 1998 majority holding of the works passed into the ownership of JSC VSMPO (Verkhnyaya Salda Metallurgical Production Association).

According to "The Most Respectful Companies" rating of the journal Expert VSMPO-AVISMA group take the fourth place among the largest non-ferrous metallurgy companies of Russia. The joint venture was formed between the two leading titanium producers: Allegheny Technologies (ATI) and VSMPO-AVISMA. This union will allow to change the market of titanium products in titanium development at the aerospace and defense sector.

Formation of a corporation will allow to strengthen positions in such a high-technology sector of global economics as aircraft industry. Besides, for foreign partners authority and reliability of the unified company are more significant than those of separate associations. The company consolidation serves as a guarantee of stability and intensive development.

#### **Major objectives:**

- Manufacture of products meeting Customers' requirements and expectations, corresponding international and national standards and compulsory requirements of surveillance authorities.
- Enhancement of products competitiveness in foreign markets

In addition, VSMPO-AVISMA Corporation aims at supplying to basic industries and entering the most prestigious world market sectors such as aviation, space, chemical industry, power engineering and environmental market.

**VSMPO-AVISMA Corporation mission** is to ensure viability of the Company, maintain titanium industry of Russia and be integrated into the world economy.

### **3.1.4. Contact Information**

Location: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia  
Current Issue's Executive Body Location: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia

Postal address: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia, 624760

Contact telephones, e-mail address:

Telephone: (34345) 2-13-60, 5-20-05

Fax: (34345) 2-47-36, 5-20-05

E-mail: [Shayahmetova@vsmmpo.ru](mailto:Shayahmetova@vsmmpo.ru)

The information on the issuer's securities is available at:

Corporate documents – [www.vsmmpo.ru/core.php?p=209](http://www.vsmmpo.ru/core.php?p=209)

Securities - [www.vsmmpo.ru/core.php?p=218](http://www.vsmmpo.ru/core.php?p=218)

Information disclosure - [www.vsmmpo.ru/core.php?p=173](http://www.vsmmpo.ru/core.php?p=173)

Under the agreement with independent registrar, two transfer agent centers were opened:

1. office 26, 12, Parkovaya St., Verkhnyaya Salda, Sverdlovsk region, 624760  
Tel: +7(34345) 5-28-00
2. office 106, 29, Zagorodnaya St., Berezniki, Perm region, 618421  
Tel: +7(34242) 9-36-14

### **3.1.5. Taxpayer Identification Number**

INN 6607000556

### **3.1.6. Issuer's Affiliates and Representative Offices**

Name: VSMPO Affiliate

Established: November 22, 2004

Location: 12, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia

CEO: Melnikov, Nikolay Konstantinovich, acting under power of attorney valid till 27.06.2006

Name: AVISMA Affiliate

Established: November 22, 2004

Location: 29, Zagorodnaya St., Berezniki, Perm Region, Russia

CEO: Tankeev, Vladimir Petrovich, acting under power of attorney valid till 31.12.2006.

## **3.2. Primary Economic Activity**

### **3.2.1. Industrial Sector of the Issuer**

Codes of the main industrial activities in accordance with the Classifier of Economic Activities: 27.45, 14.12, 27.53, 28.12, 28.22.1, 28.75.12, 45.21.1, 45.31, 45.32, 45.33, 45.34, 45.43, 45.44, 51.52.22, 51.7, 55.23.1, 55.51, 70.20.2, 71.10, 71.21.1, 80.10.1, 85.11.1, 85.11.2, 85.13, 85.14, 90.00.1, 90.00.2, 90.00.3, 92.32

### **3.2.2. Primary Economic Activity**

The main business of the Company is production of other non-ferrous metals (the Classifier of Economic Activities – 27.45).

Index	2001	2002	2003	2004	2005	Q1 2006
Sales in the primary business, 000' rubles	5 965 651	6 902 633	6 713 862	8 557 760	12 749 466	7 458 652
Share in the total income, %	48.0%	44.5%	47.7%	44.7%	44.3%	64%

### 3.2.3. Basic Types of Products (Operations, Services)

The Company's basic products providing at least 10% of sales are manufactured from titanium alloys.

Index	2001	2002	2003	2004	2005	Q1 2006
Sales of titanium products, 000' rubles	5 965 651	6 902 633	6 713 862	8 557 760	11 333 481	6 808 063
Share in the total income, %	48.0%	44.5%	47.7%	44.7%	39.4%	58.4%

#### Total Structure of the Issuer's Prime Cost

Item	2005	Q1 2006
Raw materials and materials, %	56.6	56.5
Purchased components and semi-finished products, %		
Outside production operations and services, %	5.9	3.6
Fuel, %	2.1	2.9
Power, %	7.2	10.8
Labour costs, %	17.3	15.4
Rent charge, %	0.2	0.3
Social sphere, %	4.4	4.1%
Fixed assets depreciation, %	2.5	3.0
Taxes included into prime cost, %	0.4	0.5
Other costs (to clarify), % :	3.2	2.8
- intangible assets amortization, %	0.0	0.0
- bonus for improvement suggestions, %	0.0	0.0
- compulsory insurance payment, %	0.0	0.0
- business expenses, %	0.1	0.0
- other, %	3.2	2.8
Total: manufacturing and products (operation, service) sales costs (prime cost), %	100.0	100.0
FOR REFERENCE: Ratio of proceeds from products (operation, service) sales to prime cost, %	167.0	168.1

The prime cost structure is determined based on the data of Form 5-Z of Information on Manufacturing and Products (Operation, Service) Sales Costs.

### 3.2.4. Raw Materials (Materials) and Suppliers

The issuer's suppliers accounting for at least 10 percent of the total commodity stocks and supplies:

JSC Uralkaliy, Berezniki. Share in the total commodity stocks and supplies for the reporting period equals 23.6 % of the total supplies to AVISMA Affiliate of VSMPO-AVISMA Corporation. In the future it is possible to import, in case of production requirements and lack of alternative sources.

The raw material supplier to VSMPO-AVISMA Corporation accounting for 10% of deliveries in 2005 is JSC Uralredmet, 59, Petrov St., Verkhnyaya Pyshma.

The supplier's prices increased 2.5 times on average in 2005 compared to those in 2004.

VSMPO-AVISMA Corporation uses master alloys manufactured by JSC Uralredmet. Only pure vanadium pentoxide and molybdenum oxide shall be used for manufacture of master alloys intended for titanium alloys. In Russia there is no production facility for these materials with the specified requirements, therefore imported materials are used for master alloys production. JSC Uralredmet and VSMPO-AVISMA Corporation purchase from foreign suppliers such as Glencore, Switzerland, GFE, Germany, Stratcore, the USA, Peshine, England. Prices of vanadium pentoxide and molybdenum oxide depend upon the market quotations for these materials.

Imported raw materials used for titanium production are ilmenite and its concentrates. At present, no ilmenite and its concentrates are produced in the Russian Federation.

Requirements in ilmenite concentrates and titanium slag (starting raw materials for titanium sponge production) are satisfied by the Ukrainian companies such as "Volnogorsk Mining and Smelting Works" Affiliate of JSC Crimean Titanium, Volnogorsk, and "Irshansk Mining and Processing Works" Affiliate of JSC Crimean Titanium, Irshansk Settlement in Zhitomir Region.

### ***3.2.5. Issuer's Sales Markets of Products (Operations, Services)***

Sales markets of the Corporation basic products (metal semi-finished products from titanium alloys), state and prospects, as well as possible adverse events in these markets are described in detail in Section 2.5.

Distribution of these products supplies among countries (regions) in 2005 was as follows: the USA – 47.7%, European countries – 24.8%, Taiwan – 19.8%, Japan – 6.2%, other countries – 1.5%. VSMPO-AVISMA Corporation partners in the world market include over 300 companies in 48 countries of the world. Currently, VSMPO-AVISMA Corporation provides up to 30% of all Boeing titanium requirements, 65% of EADS requirements, 100% of Embraer and 85% of Goodrich requirements.

The Company supplies titanium alloy bar for blade production in the amount of 30-50% of requirements, as well as ingot and billet for disk manufacture at such engine-building companies as GEAE, Snecma, Rolls Royce, Pratt&Whitney, and Honeywell.

In fact, there is no titanium using company in the world which would not use VSMPO-AVISMA Corporation titanium.

The contract with Chinese Company - Shansi Aircraft-building Company (SAC) - was signed and is executed for aluminum products delivery for Y8F600 aircraft.

Jointly with foreign companies, VSMPO-AVISMA Corporation expands research programs on development of titanium alloys and manufacture of aircraft application products from steel and aluminum. The new materials and technologies will find wide application both in aircraft designs and in future developments.

In Russia and the CIS, VSMPO-AVISMA Corporation cooperates with over 1500 companies. The Company products are used in all Russian aerospace projects, both for airframes and engines.

The main sales markets are:

- sponge titanium / titanium powder – Europe (Wogen Titanium, LSM. Bostlart, Thyssen Krupp), Asia (Stork, Sojitz), the USA (VSMPO-Tirus);
- titanium semi-finished products – aerospace companies in the USA, America, and Europe (Boeing, EADS, Embraer, GEAE, Snecma, Rolls Royce, Pratt & Whitney, Honeywell, etc.);
- titanium electrode for golf club casting in President Company, Taiwan;
- metal semi-finished products from CP titanium for chemical industry, power engineering, sea water desalination (welded and seamless tube, sheet, plate) are supplied via UniTi joint venture to Japan, and countries in South-East Asia and the Middle East;
- magnesium and magnesium alloys - the USA (VSMPO-Tirus), West Europe (Georg Fischer, TCG, DaymlierChrysler, Cezus).

### 3.2.6. Information on Issuer's Licenses

Number: TV 6476  
Date of issue: 13.09.2002  
Expiry date: 13.09.2007  
Issuing Authority: RF Ministry of Press  
Type of activity: telecasting.

Number: 63-PM-000410  
Date of issue: 06.02.2004  
Expiry date: 06.02.2009  
Issuing Authority: Ural Department of State Technical Surveillance of Russia  
Type of activity: mine surveys (monitoring the state of mining leases and justification of their boundaries; mining graphic documentation maintenance; registration and justification of volumes of mine workings).

Number: 10509/910009  
Date of issue: 14.03.2003  
Expiry date: 14.03.2006  
Issuing Authority: Nizhny Tagil Customs  
Type of activity: Temporary warehouse establishment

Number: 63-KA-1462  
Date of issue: 13.08.2001  
Expiry date: 13.08.2006  
Issuing Authority: Ural Department of State Technical Surveillance of Russia  
Type of activity: training of managers, specialists and workers for gas industry

Number: 63-ST-68  
Date of issue: 18.01.2002  
Expiry date: 18.01.2007  
Issuing Authority: Ural Department of State Technical Surveillance of Russia  
Type of activity: installation of gas control stations and units, gas pipes and gas equipment of industrial, agricultural enterprises and facilities providing maintenance services for public and residential buildings

Number: B 813989  
Date of issue: 16.08.2001  
Expiry date: 16.08.2006  
Issuing Authority: Sverdlovsk Regional Public Health Licensing and Accreditation Commission  
Type of activity: pharmaceutical activity

Number: SVE No. 01256  
Date of issue: 23.09.2002  
Expiry date: 1.07.2027  
Issuing Authority: Central Department for Natural Resources and Environmental Protection of the Ministry of Natural Resources of Russia for Sverdlovsk Region  
Type of activity: subsurface resources use

Number: SVE No. 00330  
Date of issue: 11.03.2002  
Expiry date: 11.03.2007  
Issuing Authority: Natural Resources Department for the Urals Region  
Type of activity: water use

Number: SVE No. 07040 TE  
Date of issue: 17.10.2005  
Expiry date: 01.08.2014  
Issuing Authority: Head of Municipal Administration of Verkhnyaya Salda District  
Type of activity: clayite mining at Severo-Salda deposit

Number: SVE No. 07041 TE  
Date of issue: 17.10.2005  
Expiry date: 31.12.2012  
Issuing authority: Head of Municipal Administration of Verkhnyaya Salda District  
Type of activity: peat mining at Ozersk deposit

Number: D 378805  
Date of issue: 28.07.2003  
Expiry date: 27.06.2008  
Issuing Authority: Ministry of Power Engineering of the Russian Federation  
Type of activity: storage of oil, gas and products of their processing

Number: RRS-63-00047  
Date of issue: 7.07.2003  
Expiry date: 7.07.2008  
Issuing Authority: Ural Department of State Technical Surveillance of Russia  
Type of activity: Authorization for manufacture and use of high pressure vessels and devices of austenitic and carbon steels, titanium and aluminum alloys in accordance with the attached list

Number: URG-00984G  
Date of issue: 24.09.2003  
Expiry date: 24.09.2008  
Issuing authority: Ural Inspectorate of State Survey Surveillance  
Type of activity: land surveying

Number: URG-00985K  
Date of issue: 24.09.2003  
Expiry date: 24.09.2008  
Issuing authority: Ural Inspectorate of State Survey Surveillance.  
Type of activity: mapping

Number: UO-11-101-0774  
Date of issue: 20.08.2002  
Expiry date: 1.10.2006  
Type of activity: Material and Technical Supplies Department of State Nuclear Surveillance of the Russian Federation  
Type of activity: design of equipment for nuclear plants

Number: UO-12-115-0787  
Date of issue: 12.09.2002  
Expiry date: 20.09.2007  
Issuing Authority: Material and Technical Supplies Department of State Nuclear Surveillance of the Russian Federation  
Type of activity: manufacture of equipment for structures, facilities, plants incorporating nuclear materials intended for production, recycling, transportation of nuclear fuel and nuclear materials

Number: UO-12-101-0786  
Date of issue: 12.09.2002  
Expiry date: 20.09.2007  
Issuing Authority: Material and Technical Supplies Department of State Nuclear Surveillance of the Russian Federation  
Type of activity: manufacture of equipment for nuclear plants

Number: 63-EKH-000543(ZhKh)  
Date of issue: 14.05.2004  
Expiry date: 14.05.2009  
Issuing Authority: State Technical Surveillance Department of Russia  
Type of activity: operation of chemically hazardous production facilities

Number: 63-EV-000542(ZhKMS)  
Date of issue: 14.05.2004  
Expiry date: 14.05.2009  
Issuing Authority: State Technical Surveillance Department of Russia  
Type of activity: operation of explosive production facilities

Number: UO-12-106-0450/01  
Date of issue: 04.05.2001  
Expiry date: 01.05.2007  
Issuing Authority: Material and Technical Supplies Department of State Nuclear Surveillance of the Russian Federation  
Type of activity: manufacture of equipment for structures and facilities incorporating industrial nuclear reactors subject to terms and conditions of the present license

Number: PV-54-000508 (V)  
Date of issue: 16.09.2005  
Expiry date: 16.09.2010  
Issuing Authority: Federal Environmental, Process and Nuclear Surveillance Service  
Type of activity: use of explosive materials of industrial application (handling, incoming inspection, packaging, registration, storage of explosive materials of industrial application and their testing during the storage process)

Number: KhV-54-000507 (V)  
Date of issue: 16.09.2005  
Expiry date: 16.09.2010  
Issuing Authority: Federal Environmental, Process and Nuclear Surveillance Service  
Type of activity: storage of explosive materials of industrial application (handling, incoming inspection, packaging, registration, storage of explosive materials of industrial application and their testing during the storage process).

Number: 66-01-000160  
Date of issue: 08.09.2005  
Expiry date: 08.09.2010  
Issuing Authority: Federal Surveillance Service in the Branch of Health Protection and Social Development  
Type of activity: medical activities

Number: No. RRS BK-12771

Date of issue: 23.06.2004

Expiry date: 23.06.2007

Issuing Authority: Federal Service of Process Surveillance

Type of activity: use of equipment and process piping at chemical, petrochemical, oil-refining and other plants and facilities involved in handling or storing of explosive and flammable and toxic substances and mixtures.

Number: No. UO-12-106-0973

Date of issue: 22.03.2004

Expiry date: 15.05.2009

Issuing Authority: State Nuclear Surveillance

Type of activity: manufacture of equipment for structures and facilities incorporating industrial nuclear reactors

Number: No. D 575999

Date of issue: 21.03.2005

Expiry date: 23.08.2009

Issuing Authority: Federal Agency for Construction and Housing and Public Utilities

Type of activity: construction of buildings and structures of Levels I and II

Number: No. A 507155

Date of issue: 23.08.2004

Expiry date: 23.08.2009

Issuing Authority: Federal Agency for Construction and Housing and Public Utilities

Type of activity: construction of buildings and structures of Levels I and II

Number: No. 000685-R

Date of issue: 30.03.2005

Expiry date: 30.03.2010

Issuing Authority: Federal Technical Regulation and Metrology Agency

Type of activity: fabrication and repair of measuring instruments

Number: No. PEM 00985 TPEIO

Date of issue: 04.10.2005

Expiry date: 01.03.2007

Issuing Authority: The Kama Basin Water Authority of Federal Water Resources Agency

Type of activity: process water supply for AVISMA Affiliate

Number: No. PEM 00986 TREVKh

Date of issue: 04.10.2005

Expiry date: 01.03.2007

Issuing Authority: The Kama Basin Water Authority of Federal Water Resources Agency

Type of activity: disposal of waste water from AVISMA Affiliate

Number: No. PEM 00987 TREVKh

Date of issue: 04.10.2005

Expiry date: 01.04.2006

Issuing Authority: The Kama Basin Water Authority of Federal Water Resources Agency

Type of activity: disposal of utility waste water from AVISMA Affiliate

Number: PV-54-000508 (V)  
Date of issue: 16.09.2005  
Expiry date: 16.09.2010  
Issuing Authority: Federal Environmental, Process and Nuclear Surveillance Service  
Type of activity: use of explosive materials of industrial application (shooting operations at surface mining)

Number: KhV-54-000507 (V)  
Date of issue: 16.09.2005  
Expiry date: 16.09.2010  
Issuing Authority: Federal Environmental, Process and Nuclear Surveillance Service  
Type of activity: storage of explosive materials of industrial application (handling, incoming inspection, packaging, registration, storage of explosive materials of industrial application and their testing during the storage process).

Number: No. PEM 01157 TE  
Date of issue: 09.12.2005  
Expiry date: 03.12.2018  
Issuing Authority: FGU "Regional Fund of Natural Resources and Environment Protection Information of Ministry of Natural Resources of Russia for Perm Region"  
Type of activity: mining of carbonate rock at "Gora Matyukovaya" deposit (Ivakin open pit) for lime and ballast stone

Number: No. 150001381  
Date of issue: 08.06.2005  
Expiry date: 08.06.2010  
Issuing Authority: Ministry of Finance of the Russian Federation, State Assay Office of Russia  
Type of activity: operations with precious metals and stones

Number: 63-EV-000542(ZhKMS)  
Date of issue: 25.03.2005  
Expiry date: 14.05.2009  
Issuing Authority: Federal Environmental, Process and Nuclear Surveillance Service  
Type of activity: operation of explosive production facilities

Number: R/2005/0003/100/L  
Date of issue: 18.02.2005  
Expiry date: 18.02.2010  
Issuing authority: Federal Service of Russian Hydrometeorology  
Type of activity: activities in hydrometeorology and allied branches

Number: A 171017  
Date of issue: 26.05.2005  
Expiry date: 24.01.2008  
Issuing authority: Ministry of General and Vocational Education of Sverdlovsk Region  
Type of activity: educational activities licensed by the Ministry of Education of the Russian Federation.

Number: OT-54-000358(66)  
Date of issue: 17.06.2005  
Expiry date: 17.06.2010  
Issuing authority: Federal Environmental, Process and Nuclear Surveillance Service.  
Type of activity: collection, use, processing, transportation and disposition of hazardous wastes

Number: PM-54-000581

Date of issue: 09.12.2005

Expiry date: 09.12.2010

Issuing authority: Federal Environmental, Process and Nuclear Surveillance Service

Type of activity: mine surveys (space and geometry measurements for mine workings and underground structures, determination of their parameters, location and compliance with the design documents; monitoring the state of mining leases and justification of their boundaries; mining graphic documentation maintenance; registration and justification of volumes of mine workings; determination of risk areas and protection of mine workings, buildings, structures and natural objects from effects of subsurface resource use)

Number: UO-03-209-1140

Date of issue: 28.11.2005

Expiry date: 28.11.2008

Issuing authority: Federal Environmental, Process and Nuclear Surveillance Service

Type of activity: operation and storage of products containing radioactive substances

Number: 3/01792

Date of issue: 29.12.2005

Expiry date: 29.12.2010

Issuing authority: the Russian Ministry for Emergency Situations

Type of activity: operation of fire-risk production facilities

Number: GS-5-66-01-27-0-6607000556-005977-1

Date of issue: 21.03.2005

Expiry date: 23.08.2009

Issuing authority: Federal Agency for Construction and Housing and Public Utilities

Type of activity: construction of buildings and structures of Levels I and II in accordance with national standard

Number: GS-5-66-01-26-0-6607000556-005976-1

Date of issue: 21.03.2005

Expiry date: 12.04.2009

Issuing authority: Federal Agency for Construction and Housing and Public Utilities

Type of activity: design of buildings and structures of Levels I and II in accordance with national standard

### ***3.2.7. Issuer's Joint Activity***

As of 01.04.2006 the issuer leads no joint activity with other organizations using investments of third parties.

## **3.3. Future Prospects**

### **MELTING**

VSMPO-AVISMA Corporation increases capacities for manufacturing titanium ingots and die forged slabs in order to establish melting production based on existing facilities and newly implemented equipment which would be able to produce titanium aircraft- and rotor-grade ingots and semi-finished products meeting the customers' requirements.

Melting capacities will increase as a result of the following:

- growth in number of operating VAR furnaces;
- commissioning of the new plasma cold-hearth furnace;
- increase in machining equipment for ingot and slab;

Produced ingot competitive capacity will be improved due to:

- yield growth;
- increase in reverts involvement;
- switch from AL-V master alloys supplied by foreign suppliers to master alloys manufactured at VSMPO.

The following main actions are planned for 2006:

- design of the manufacturing area of industrial skull furnaces with the productive capacity of 4800 tpy for production of titanium alloy ingots of aircraft- and rotor-grade with the weight of 4-6 tons, and annex to Building 90 for charge material storage;
- design and building of X-ray unit for chips inspection, and installation of X-ray unit for master alloy inspection;
- de-mothballing and commissioning of 2 VAR furnaces;
- upgrading of EBM furnace to increase melting output up to 30 tons per month;
- design and reconstruction of DTVG-4PF existing skull furnaces with mould and crucible of a new design, which would allow to raise output of the two furnaces from 2028 tpy to 3679 tpy;
- purchase and installation of two planers for slab machining; 1A660 lathe for processing of ingots melted in skull furnaces; chips crushers.

## **SHEET ROLLING**

Existing equipment units are upgraded and reconstructed, and new process lines are put into operation, in order to meet the customers' high requirements (international standards) to products technical properties and quality and to expand flat-rolled products range. Thus, it would allow to establish state-of-the-art sheet rolling production using special high-performance equipment and advanced processes.

The following main actions are planned in order to improve sheet rolling production in 2006:

- design and construction of the cell of heating furnaces with transferring devices for slab and stock rolling and annealing in order to increase flat-rolled products production volume;
- fabrication and installation of thickness gage on 2000 hot rolling mill and installation of guillotine shears in 2000 hot rolling mill line in stead of obsolete and worn-out shears in order to improve metal quality;
- with the purpose to raise production volume, construction of continuous abrasive grinding machines; sheet etching unit; ultrasonic inspection unit; installation of shot blast unit of a new design;
- construction and commissioning of sheet annealing and straightening unit in the planishing mill line would increase the output of thin pack-rolled sheets up to 600 tpy;
- purchase and installation of plate thermal cutting unit in order to reduce sheet and plate processing cycle;
- establishment of the area for precision stock cutting with band saws and water-jet cutting unit.

## **PRESS-FORGING**

Due to the increase in orders for delivery of premium quality die forgings, VSMPO-AVISMA Corporation has significantly reconstructed the main and auxiliary facilities, including repairs and upgrading of the presses; stock heating furnaces with the automatic control system incorporated ensuring the required accuracy of heating have been put into operation.

A number of die forgings for leading aircraft-building companies have been mastered. This type of work will remain in the foreground for the Corporation in the nearest future. For further improvement of press-forging production, the following is planned in 2006:

- achievement of design capacity on the new shaping area (forging to sketch) with 1500 ton forging press in order to manufacture high-quality shaped stocks for production of 1700 tons of die forgings and stop using 3000 ton press for this operation, and increase billet and forging output;
- purchase of 8 ton transporter and commissioning of new gas furnaces for 3000 ton press would allow to manufacture billets with the length up to 5000 mm;
- establishment of the die forging heat treat area would allow to quench die forgings in the vertical position in order to prevent distortion, as well as heat treat large-size rough-machined die forgings for landing gear (capacity of the 1<sup>st</sup> stage of the area comes to 1000 tons of die forgings per year);

- beginning of construction of the cell based on 6000 ton hydraulic press with two forging manipulators with the lifting capacity of 12 and 20 tons and 6 gas heating rolling-hearth furnaces (new area productivity will come to 12 tons of forged stock per year as soon as it achieves its design capacity in 2008);
- installation of heating furnace, purchase of loader; design and purchase of one more four-die-forging block for radial forging for further enhancement of capacities of the forging cell based on 2000 press;
- at the same time as forging capacities are increased, die forging machining facilities are expanded; delivery contracts for machines have been concluded, construction and commissioning are carried out, the first stage of new production line for rough machining of titanium alloy die forgings is put into operation.

## **BAR ROLLING**

In order to increase the rolled bar output, including rotor-grade bar, and assure the required quality of products to meet the customer's requirements, bar rolling facilities are re-equipped by reconstructing existing equipment and implementing new equipment with the purpose of stage-by-stage elimination of bottle-necks and maximum use of primary rolling equipment.

The following actions are planned:

- construction of the cell for 20-50 mm bar straightening and two heating furnaces for SRVP-130 rolling mill;
- expansion of the etching area and construction of the additional annealing furnace for intermediate stocks of rotor-grade bars;
- upgrading of control system of 3150 ton press in order to be capable of forming starting stock for subsequent bar rolling as per approved manufacturing plans and decrease load of forging equipment;
- installation of automated control system on SRVP-130 mill to ensure set temperature and strain parameters of rolling on the mill with on-line recording (requirements of foreign aerospace companies).

## **TUBE PRODUCTION**

Currently, the Corporation has implemented the 3<sup>rd</sup> stage of the project for manufacturing titanium alloy and stainless steel welded pipes from 10 to 40 mm in diameter. Five tube welding lines are in operation. Line #6 is commissioned. Thin-walled tube straightening unit has been put into operation.

## **NON-CONVENTIONAL GOODS**

- Manufacture of stainless steel kitchen utensils with the heat-distributing "sandwich" base.

In 1991 stainless steel household and kitchen tableware production was mastered.

In order to successfully compete with similar products manufactured by both Russian and foreign companies it is required that "sandwich"-bottom tableware be manufactured. Process Engineering and Design Departments have carried out research and design works required for manufacture of new products. For implementation of the project the following equipment has been purchased and installed:

- base straightening unit;
- base soldering equipment;
- base machining equipment;
- reconstruction of "8P1et" grinding machines.

Manufacture of stainless steel kitchen tableware is planned to be expanded with additional equipment to be purchased.

- Manufacture of die forged wheel discs from aluminum alloys.

In order to develop this production trend, expand the range of products and increase the output, special-purpose machines for turning and milling are purchased.

The rolling machine for wheel disc production by rolling has been purchased and is under installation and commissioning.

- Manufacture of titanium and stainless steel products for power engineering and oil-gas chemical industry.

In order to develop this production line, expand the range of products and increase the output, special-purpose equipment including testing equipment is planned to be purchased.

**In addition, the Corporation plans to:**

1. increase sponge titanium production capacities up to 44 tpy by 2010;
2. ensure magnesium production and magnesium chloride in order to raise the sponge titanium output;
3. ensure power reliability by arranging the external power supply system for the affiliate when connecting to JSC FSK EES power supply network;
4. expand the raw materials sources of titanium slag and implement the process for manufacture of titanium slag from briquetted charge materials;
5. put into operation the cell for critical sponge titanium in order to increase volume of rotor-grade sponge titanium;
6. establish die casting facilities for magnesium alloys;
7. continue manufacturing new alloys for automotive application.
8. continuously look for ways to magnesium production cost reduction, including:
  - commissioning of granulated calcium chloride unit;
  - upgrading of existing equipment of casting facilities in the electrolysis shop;
  - extension of life time of primary and auxiliary process equipment;
  - establishment of semi-continuous casting facilities for billet and slab from magnesium and magnesium alloys;
  - reconstruction of treatment plants in order to abate pollution of the Kama river basin and reduce environmental payments;
  - full utilization of spent electrolyte from magnesium production.

### **3.4. Issuer's Participation in Industrial, Banking and Financial Groups, Holdings, Concerns and Associations**

VSMPO – AVISMA Corporation is the member of the Western Ural Association of Power Engineers.

The members of the Association are the energy consumers that are interested in:

- improving effectiveness of power services in both industrial and municipal sectors of the region;
- more efficient use of energy resources;
- reduction of power costs;
- improving competitiveness of their products;
- influence on tariff policy.

The term of membership is not limited.

VSMPO – AVISMA Corporation is the member of the nonprofit organization “National Association of Automotive Components Makers”.

Abbreviated name is NO “NAPAK” (NO NAACM)

The objective of this Association is to coordinate and combine individual efforts in order to develop the domestic automotive industry, enter the market of automotive components for domestic and foreign automakers and offer magnesium die cast parts.

The term of membership is not limited.

VSMPO – AVISMA Corporation is the member of the “Russian Association of Electric Tool Manufacturers”.

Abbreviated name: “RAPE” (RAETM)

The mission of the Association is to contribute to conditions and joint efforts to ensure steady manufacture of domestic electric tools. VSMPO-AVISMA Corporation can establish the area for production of magnesium alloy components for electric tool manufacturers. The purpose of membership in this Association is the long-term cooperation with other members of the Association.

The term of membership is not limited.

### 3.5. Issuer's Subsidiaries and Related Companies

3.5.1. Full and abbreviated company name:

**VSMPO Aluminium Profil Limited Liability Company  
(AP VSMPO LLC)**

Location: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO – AVISMA Corporation in the registered capital of AP VSMPO LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0

**Description of the primary business of the Company:** manufacture of aluminium or aluminium alloy semi-finished products.

**Description of the role of such company in the issuer's activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors** (Supervisory Board):

Lokshin, Michael Zelikovich, b.1936

Participatory share of Mr. Lokshin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Lokshin: 0

Spazhev, Vladimir Nikolaevich, b.1948

Participatory share of Mr. Spazhev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Novossadova, Tamara Valerievna, b. 1957

Participatory share of Mrs. Novossadova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Novossadova: 0

Evdokimova, Nadezhda Nikolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zajcev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

Mikhailov, Evgeny Dmitrievich, b. 1962

Participatory share of Mr. Mikhailov in the issuer's registered capital: 0.0001

Proportion of ordinary shares of the issuer, which belong to Mr. Mikhailov: 0.0001

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Mikhailov, Evgeny Dmitrievich, b. 1962

Participatory share of Mr. Mikhailov in the issuer's registered capital: 0.0001

Proportion of ordinary shares of the issuer, which belong to Mr. Mikhailov: 0.0001

3.5.2. Full and abbreviated company name:

**Tirshop Limited Liability Company (Tirshop LLC)**

Location: 36, Engels St., Verkhnyaya Salda, Sverdlovsk Region, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO – AVISMA Corporation in the registered capital of Tirshop LLC

Issuer's participatory share in the registered capital of the subsidiary: 70%

Subsidiary's participatory share in the issuer's registered capital: 0

**Description of the primary business of the Company:** retail and wholesale of consumer goods.

**Description of the role of such company in the issuer's activity:** retail and wholesale of consumer goods.

**Board of Directors** (Supervisory Board):

BoD of the Company is not stipulated by the By-Laws.

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Golovanova, Tatyana Nickolaevna, b. 1954

Participatory share of Mrs. Golovanova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Golovanova: 0

3.5.3. Full and abbreviated company name:

**Closed Joint Stock Company Trade Company "Titan"  
(CJSC Trade Company "Titan")**

Location: 61, Engels St., Verkhnyaya Salda, Sverdlovsk Region, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO-AVISMA Corporation in the registered capital of CJSC Trade Company "Titan".

Issuer's participatory share in the registered capital of the subsidiary: 70%

Proportion of ordinary shares of the subsidiary which belong to the issuer: 70%

Subsidiary's participatory share in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to the subsidiary: 0

**Description of the primary business of the Company:** retail sale of goods

**Description of the role of such company in issuer's activity:** verification of competitiveness of consumer goods manufactured by the issuer in the local market.

**Board of Directors** (Supervisory Board):

Chernova, Galina Vladimirovna, b. 1959

Participatory share of Mrs. Chernova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Chernova: 0

Mogilnikova, Margarita Alexandrovna, b.1951

Participatory share of Mrs. Mogilnikova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Mogilnikova: 0

Panteleeva, Tatyana Maximovna, b. 1960

Participatory share of Mrs. Panteleeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Panteleeva: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Chernova, Galina Vladimirovna, b. 1959

Participatory share of Mrs. Chernova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Chernova: 0

3.5.4. Full and abbreviated company name:

**Joint Stock Company “Ural” (JSC “Ural”)**

Location: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO-AVISMA Corporation in the registered capital of JSC “Ural”

Issuer's participatory share in the registered capital of the subsidiary: 51%

Proportion of ordinary shares of the subsidiary which belong to the issuer: 51%

Subsidiary's participatory share in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to the subsidiary: 0

**Description of the primary business of the Company:** manufacture of tableware and kitchen utensils as well as small-size parts of consumer goods for main production shops

**Description of the role of such company in the issuer's activity:** involvement of previously established fixed assets and personnel

**Board of Directors** (Supervisory Board):

Odinokikh, Victor Vasilievich - chairman, b. 1949

Participatory share of Mr. Odinokikh in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Odinokikh: 0

Shagovaleev, Vladimir Alexeevich, b. 1950.

Participatory share of Mr. Shagovaleev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Shagovaleev: 0

Lomko, Alexey Petrovich, b. 1976

Participatory share of Mr. Lomko in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Lomko: 0

Semenov, Alexander Evgenievich,

Participatory share of Mr. Semenov in the issuer's registered capital: 0.0021

Proportion of ordinary shares of the issuer, which belong to Mr. Semenov: 0.0021

Evdokimova, Nadezhda Nikolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Shagovaleev, Vladimir Alexeevich, b. 1950

Participatory share of Mr. Shagovaleev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Shagovaleev: 0

3.5.5. Full and abbreviated company name:

**Closed Joint Stock Company Medical Insurance Company “Tirus-Medservice” (CJSC MIC “Tirus-Medservice”)**

Location: 105, Molodezhny Poselok St., Verkhnyaya Salda, Sverdlovsk Region, Russia.

Grounds for acknowledging the company as dependent: the issuer owns more than twenty percent of the voting shares

Issuer's participatory share in the registered capital of the subordinate company: 80.72192%

Proportion of ordinary shares of the subordinate company which belong to the issuer: 80.72192%

Subordinate company's participatory share in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to the subordinate company: 0

**Description of the primary business of the Company:** activities in the field of compulsory social security.

**Description of the role of such company in the issuer's activity:** social support of the issuer's employees, for the most part, medical insurance

**Board of Directors** (Supervisory Board):  
BoD of the Company is not stipulated by the By-Laws.

**Joint Executive Body** (management board, directory):  
Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Oks, Igor Mikhailovich, b. 1953  
Participatory share of Mr. Oks in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Oks: 0

3.5.6. Full and abbreviated company name:

**Limited Liability Company 'Culture and Sport Centre 'Metallurg' (C&SC Metallurg LLC)**

Location: 55, Lenin St., Berezniki, Perm Region, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO – AVISMA Corporation in the registered capital of C&SC Metallurg LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0

**Description of the primary business of the Company:** services of sports organization and popularization, arrangement of physical training and sports exercises, culture services; recreation services.

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer

**Board of Directors:**

Bragina, Elena Gennadievna - chairman, b. 1959  
Participatory share of Mrs. Bragina in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mrs. Bragina: 0

Kislichenko, Artem Valerievich, b. 1975  
Participatory share of Mr. Kislichenko in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Kislichenko: 0

Perminova, Olga Victorovna, b. 1970  
Participatory share of Mrs. Perminova in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Muraviov, Sergey Petrovich, b. 1965  
Participatory share of Mr. Muraviov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Muraviov: 0

**Joint Executive Body** (management board, directory):  
Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Vasyukov, Mikhail Alexeevich, b. 1957  
Participatory share of Mr. Vasyukov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Vasyukov: 0

3.5.7. Full and abbreviated company name:

**Limited Liability Company "Avitrans" (Avitrans LLC)**

Location: 55, Lenin St., Berezniki, Perm Region, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO – AVISMA Corporation in the registered capital of Avitrans LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0.05%

**Description of the primary business of the Company:** property leasing, conclusion of sales contracts, brokerage business

**Description of the role of such company in issuer's activity:** leasing to the issuer of premises for production activity

**Board of Directors:**

Sementsov, Alexander Vladimirovich - chairman, b. 1966

Participatory share of Mr. Sementsov in the issuer's registered capital: 0.0015

Proportion of ordinary shares of the issuer, which belong to Mr. Sementsov: 0.0015

Philippova, Tatyana Gennadievna, b. 1963

Participatory share of Mrs. Philippova in the issuer's registered capital: 0.0003

Proportion of ordinary shares of the issuer, which belong to Mrs. Philippova: 0.0003

Kislichenko, Artem Valerievich, b. 1975

Participatory share of Mr. Kislichenko in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kislichenko: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Tetyukhin, Vladislav Valentinovich, b. 1932

Participatory share of Mr. Tetyukhin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Tetyukhin: 0

3.5.8. Full and abbreviated company name:

**Limited Liability Company "Spetsodezhda" (Spetsodezhda LLC)**

Location: Berezniki, Perm Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO – AVISMA Corporation in the registered capital of Spetsodezhda LLC.

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0

**Description of the primary business of the Company:** tailoring of overalls, uniform, hats and other types of clothes; tailoring of working clothes and overalls for special objects; restoration, dry-cleaning and washing of special and working clothes

**Description of the role of such company in issuer's activity:** provision of the issuer with overalls for its production activity, tailoring, repair and washing of clothes

**Board of Directors:**

Ovchinnikov, Sergey Evgenievich – chairman, b. 1952

Participatory share of Mr. Ovchinnikov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Ovchinnikov: 0

Muraviova, Svetlana Vladimirovna, b. 1967

Participatory share of Mrs. Muraviova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Muraviova: 0

Turishcheva, Lyudmila Vasilievna, b. 1951

Participatory share of Mrs. Turishcheva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Turishchiva: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Turishcheva, Lyudmila Vasilievna, b. 1951

Participatory share of Mrs. Turishcheva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Turishchiva: 0

3.5.9. Full and abbreviated company name:

**Closed Joint Stock Company "Shag-1" (CJSC "Shag-1")**

Location: 5a, Gagarin St., Zhukovsky, Moscow Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO - AVISMA Corporation in the registered capital of CJSC "Shag-1"

Issuer's participatory share in the registered capital of the subsidiary: 51.2%

Proportion of ordinary shares of the subsidiary which belong to the issuer: 51.2%

Subsidiary's participatory share in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to the subsidiary: 0

**Description of the primary business of the Company:** state of the art production of orthopedic footwear as well as footwear of any other applications and types, sale of footwear

**Description of the role of such company in issuer's activity:** possible provision of the issuer with special footwear for its production activity

**Board of Directors:**

Tyurin, Victor Matveevich - chairman, b. 1950.

Participatory share of Mr. Tyurin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Tyurin: 0

Vydrina, Lyubov Valentinovna, b. 1950

Participatory share of Mrs. Vydrina in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Vydrina: 0

Kozlov, Yury Askoldovich, b. 1951

Participatory share of Mr. Kozlov in the issuer's registered capital: 0.0001

Proportion of ordinary shares of the issuer, which belong to Mr. Kozlov: 0.0001

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Kozlov, Yury Askoldovich, b. 1951

Participatory share of Mr. Kozlov in the issuer's registered capital: 0.0001

Proportion of ordinary shares of the issuer, which belong to Mr. Kozlov: 0.0001

3.5.10. Full and abbreviated company name:

**Limited Liability Company "SOLID" (SOLID LLC)**

Location: Berezniki, Perm Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO - AVISMA Corporation in the registered capital of SOLID LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0

**Description of the primary business of the Company:** brokerage business, technical and economic service, all kinds of foreign economic activity per the statute-established order, advertising

**Description of the role of such company in issuer's activity:** sales of sideline products, i.e. electrolytic potassium chloride

**Board of Directors:**

Ovchinnikov, Sergey Evgenievich - chairman, b. 1952.

Participatory share of Mr. Ovchinnikov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Ovchinnikov: 0

Muraviova, Svetlana Vladimirovna, b. 1967.

Participatory share of Mrs. Muraviova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Muraviova: 0

Torgashov, Anatoly Ivanovich, b. 1961.

Participatory share of Mr. Torgashov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Torgashov: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Torgashov, Anatoly Ivanovich, b. 1961.

Participatory share of Mr. Torgashov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Torgashov: 0

3.5.11. Full and abbreviated company name:

**Closed Joint Stock Company "AVISMA-Les" (CJSC AVISMA-Les)**

Location: Berezniki, Perm Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO - AVISMA in the registered capital of CJSC AVISMA-Les

Issuer's participatory share in the registered capital of the subsidiary: 51%

Proportion of ordinary shares of the subsidiary which belong to the issuer: 51%

Subsidiary's participatory share in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to the subsidiary: 0

**Description of the primary business of the Company:** logging, processing and selling of timber, production of converted timber, production of consumer goods, manufacture of building units and structures, repair of civic, public and production buildings, fabrication of furniture.

**Description of the role of such company in issuer's activity:** repair and construction services to the issuer

**Board of Directors:**

Besedin, Vasily Alexandrovich - chairman, b. 1953

Participatory share of Mr. Besedin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Besedin: 0

Perminova, Olga Victorovna, b. 1970

Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Shishkin, Pavel Alexandrovich, b. 1941.

Participatory share of Mr. Shishkin in the issuer's registered capital: 0.0028

Proportion of ordinary shares of the issuer, which belong to Mr. Shishkin: 0.0028

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Shishkin, Pavel Alexandrovich, b. 1941

Participatory share of Mr. Shishkin in the issuer's registered capital: 0.0028

Proportion of ordinary shares of the issuer, which belong to Mr. Shishkin: 0.0028

3.5.12. Full and abbreviated company name:

**Limited Liability Company Palace of Culture and Creative Activity "Metallurg" (PC&CA Metallurg LLC)**

Location: 88, Yubileinaya St., Berezniki, Perm Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO - AVISMA Corporation in the registered capital of PC&CA Metallurg

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0

**Description of the primary business of the Company:** culture services, services for organization of performances, recreation services, catering services, other kinds of activity

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer

**Board of Directors** (Supervisory Board):

Bragina, Elena Gennadievna - chairman, b. 1959

Participatory share of Mrs. Bragina in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Bragina: 0

Kislitchenko, Artem Valerievich, b. 1975.

Participatory share of Mr. Kislitchenko in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kislitchenko: 0

Perminova, Olga Victorovna, b. 1970.

Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Belkin, Victor Anatolievich, b. 1958.

Participatory share of Mr. Belkin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Belkin: 0

3.5.13. Full and abbreviated company name:

**Limited Liability Company Restaurant "Sportivnaya" (Restaurant "Sportivnaya" LLC)**

Location: 55, Lenin Avenue, Berezniki, Perm Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation VSMPO – AVISMA Corporation in the registered capital of Restaurant "Sportivnaya" LLC.

Issuer's participatory share in the registered capital of the subsidiary: 99.8%

Subsidiary's participatory share in the issuer's registered capital: 0

**Description of the primary business of the Company:** production and sale of cookery, floury, confectionary foods, meat dishes, cold collations, sale of in-house and outsourced products and foods

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer

**Board of Directors** (Supervisory Board):

BoD of the Company is not stipulated by the By-Laws.

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Vasyukov, Mikhail Alexeevich, b. 1957.

Participatory share of Mr. Vasyukov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Vasyukov: 0

3.5.14. Full and abbreviated company name:

**Limited Liability Company "Autostoyanka" (Autostoyanka LLC)**

Location: Berezniki, Perm Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO - AVISMA Corporation in the registered capital of Autostoyanka LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0

**Description of the primary business of the Company:** services of autotransport storage and safe-keeping, vehicle repair, other kinds of activity

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer

**Board of Directors:**

Styrnikov, Yury Nikolayevich - chairman, b. 1952

Participatory share of Mr. Styrnikov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Styrnikov: 0

Muraviova, Svetlana Vladimirovna, b. 1967.

Participatory share of Mrs. Muraviova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Muraviova: 0

Perminova, Olga Victorovna, b. 1970.

Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

**Joint Executive Body (management board, directory):**

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Kalinin, Igor Victorovich, b. 1973.

Participatory share of Mr. Kalinin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kalinin: 0

3.5.15. Full and abbreviated company name:

**Closed Joint Stock Company VGK AVISMA TITAN (VAT CJSC)**

At present, there is no financial and economic activity conducted.

Location: Berezniki, Perm Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation VSMPO - AVISMA Corporation in the registered capital of CJSC VAT

Issuer's participatory share in the registered capital of the subsidiary: 45%

Proportion of ordinary shares of the subsidiary which belong to the issuer: 45%

Subsidiary's participatory share in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to the subsidiary: 0

**Description of the primary business of the Company:** metallurgical manufacture of titanium and titanium alloys, purchase and brokerage business, including foreign economic activity.

**Description of the role of such company in issuer's activity:**

**Board of Directors (Supervisory Board):**

BoD of the Company is not stipulated by the By-Laws.

**Joint Executive Body (management board, directory):**

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body – none:**

3.5.16. Full and abbreviated company name:

**Joint Stock Company "Permatomenergoby" (JSC PermAES)**

Location: Perm, Russia

Grounds for acknowledging the company as a subsidiary: VSMPO - AVISMA Corporation owns more than 20% of the voting shares in the registered capital of JSC PermAES

Issuer's participatory share in the registered capital of the subsidiary: 23.99%

Proportion of ordinary shares of the subsidiary which belong to the issuer: 23.99%

Subsidiary's participatory share in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to the subsidiary: 0

**Description of the primary business of the Company:** purchase and sale of electric energy (power) in the federal wholesale and retail markets of electric power; commercial, brokerage business of providing services as commission agent, proxy and agent, as well as fulfilling functions of the purchaser and supplier in electric energy (power) selling operations in the federal and retail markets of electric power, other types of activity that are not prohibited by the laws

**Description of the role of such company in issuer's activity:**

**Board of Directors:**

Boyko, Sergey Nikolayevich, b. 1960.

Participatory share of Mr. Boyko in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Boyko: 0

Malyshev, Evgeny Avenirovich, b. 1952.

Participatory share of Mr. Malyshev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Malyshev: 0

Lapshin, Nikolay Yakovlevich, b. 1955.

Participatory share of Mr. Lapshin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Lapshin: 0

Vaskov, Vadim Mikhailovich, b. 1966.

Participatory share of Mr. Vaskov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Vaskov: 0

Balashov, Dmitry Evgenievich

Participatory share of Mr. Balashov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Balashov: 0

Oborin, Victor Pheodorovich

Participatory share of Mr. Oborin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Oborin: 0

Shaposhnikov, Oleg Evgenievich

Participatory share of Mr. Shaposhnikov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Shaposhnikov: 0

**Joint Executive Body (management board, directory):**

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Full company name: JSC AtomEnergoSbyt

Location: 14/9, Sadovnicheskaya St., Moscow, Russia

Participatory share of JSC AtomEnergoSbyt in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to JSC AtomEnergoSbyt: 0

**3.5.17. Full and abbreviated company name:**

**Limited Liability Company "AVISMA – Machinostroitel" (AVISMA-Machinostroitel LLC)**

Location of the Company: 29, Zagorodnaya St., Berezniki, Perm Region, the Russian Federation

Grounds for acknowledging the company as a subsidiary of the issuer – dominant participation of

VSMPO-AVISMA Corporation in the registered capital of AVISMA-Machinostroitel LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the registered capital of the issuer: 0%

**Description of the primary business of the Company:** manufacture of optional equipment, including boiler equipment; manufacture of various metal constructions, parts and units of machine-building application, repair of pump and compressor, casting of steel, cast-iron and non-ferrous metals, possibility of machining of castings, application of anticorrosive protection to hardware

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer

**Board of Directors:**

Besedin, Vasily Alexandrovich - chairman, b. 1953

Participatory share of Mr. Besedin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Besedin: 0

Sementsov, Alexander Vladimirovich, b. 1966

Participatory share of Mr. Sementsov in the issuer's registered capital: 0.0015

Proportion of ordinary shares of the issuer, which belong to Mr. Sementsov: 0.0015

Kashkarov, Igor Alexandrovich, b. 1966

Participatory share of Mr. Kashkarov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kashkarov: 0

Perminova, Olga Victorovna, b. 1970

Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Perminova: 0

Kislichenko, Artem Valerievich, b. 1975

Participatory share of Mr. Kislichenko in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kislichenko: 0

Vasiliev, Gennady Pavlovich, b. 1951

Participatory share of Mr. Vasiliev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Vasiliev: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Vasiliev, Gennady Pavlovich, b. 1951

Participatory share of Mr. Vasiliev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Vasiliev: 0

3.5.18. Full and abbreviated company name:

**Limited Liability Company "AVISMA – Spetsremont" (AVISMA – Spetsremont LLC)**

Location of the Company: 29, Zagorodnaya, Berezniki, Perm Region, the Russian Federation

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of

VSMPO-AVISMA Corporation in the registered capital of AVISMA – Spetsremont LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** fitting and assembling activities; repair of metal structure, hoisting device, crane track, pressure vessel; setting and lining activities, anticorrosive protection of structures and equipment, repair of electric devices and cable system, maintenance of energy lines, including natural gas lines, process piping, including categorical piping

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer.

**Board of Directors:**

Besedin, Vasily Alexandrovich – chairman, b. 1953

Participatory share of Mr. Besedin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Besedin: 0

Sementsov, Alexander Vladimirovich, b. 1966

Participatory share of Mr. Sementsov in the issuer's registered capital: 0.0015

Proportion of ordinary shares of the issuer, which belong to Mr. Sementsov: 0.0015

Kashkarov, Igor Alexandrovich, b. 1966

Participatory share of Mr. Kashkarov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kashkarov: 0

Perminova, Olga Victorovna, b. 1970

Participatory share of Mrs. Perminova in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Muraviova, Svetlana Vladimirovna, b. 1967  
Participatory share of Mrs. Muraviova in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mrs. Muraviova: 0

Kudrevatykh, Victor Vladimirovich, b. 1967  
Participatory share of Mr. Kudrevatykh in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Kudrevatykh: 0

**Joint Executive Body (management board, directory):**  
Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**  
Kudrevatykh, Victor Vladimirovich, b. 1967.  
Participatory share of Mr. Kudrevatykh in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Kudrevatykh: 0

3.5.19. Full and abbreviated company name:

**Limited Liability Company "AVISMA – Stroy" (AVISMA – Stroy LLC)**

Location of the Company: 29, Zagorodnaya St., Berezniki, Perm Region, the Russian Federation  
Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of AVISMA-Stroy LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** construction of buildings and erections, preparation of construction area, plumbing and heating installations in buildings and erections, finishing, production of concrete, mineral white and cement items, production of metal structural unit and item, processing of metals and application of coating to metals, treatment of hardware using main engineering processes

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer.

**Board of Directors:**

Besedin, Vasily Alexandrovich – chairman, b. 1953

Participatory share of Mr. Besedin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Besedin: 0

Kashkarov, Igor Alexandrovich, b.1966

Participatory share of Mr. Kashkarov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kashkarov: 0

Perminova, Olga Victorovna, b. 1970

Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Muravieva, Svetlana Vladimirovna, b. 1967

Participatory share of Mrs. Muravieva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Muravieva: 0

Gresev, Sergey Sergeevich, b. 1957

Participatory share of Mr. Gresev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Gresev: 0

**Joint Executive Body (management board, directory):**  
Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Gresev, Sergey Sergeevich, b. 1957

Participatory share of Mr. Gresev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Gresev: 0

3.5.20. Full and abbreviated company name:

**Limited Liability Company "AVISMA-TechnoExpert" (AVISMA-TechnoExpert LLC)**

Location: 29, Zagorodnaya St., Lenin Avenue, Berezniki, Perm Region, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation VSMPO - AVISMA Corporation in the registered capital of AVISMA-TechnoExpert LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** making an expertise of industrial safety of technical facilities used at hazardous production objects; inspection of the equipment and materials by NDT methods; examination of the documentation in terms of risk analysis of hazardous production objects; diagnostics, examination of units and equipment for metallurgical and coke and by-product process facilities including NDT methods; technical diagnostics and expert survey of lifting structures with the used standard life with the report on capability and conditions of further operation issued; technical examination of boiler inspection objects and lifting structures in cases stipulated by Safety Regulations; development and implementation of project, research and survey works.

**Description of the role of such company in the issuer's activity:** services related with the primary business of the Company rendered to the issuer

**Board of Directors:**

Besedin, Vasily Alexandrovich - chairman, b. 1953

Participatory share of Mr. Besedin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Besedin: 0

Kashkarov, Igor Alexandrovich, b.1966

Participatory share of Mr. Kashkarov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kashkarov: 0

Perminova, Olga Victorovna, b. 1970

Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Muravieva, Svetlana Vladimirovna, b. 1967

Participatory share of Mrs. Muravieva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Muravieva: 0

Zhulanov, Oleg Leonidovich, b. 1973

Participatory share of Mr. Zhulanov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zhulanov: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Zhulanov, Oleg Leonidovich, b. 1973

Participatory share of Mr. Zhulanov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zhulanov: 0

3.5.21. Full and abbreviated company name:

**Limited Liability Company "AVISMA- Catering Facility": (AVISMA-Catering Facility LLC)**

Location: 88, Yubileinaya St., Berezniki, Perm Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO - AVISMA Corporation in the registered capital of AVISMA-Catering Facility LLC.

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0

**Description of the primary business of the Company:** rendering of catering services

**Description of the role of such company in issuer's activity:** services provided to the issuer's employees within the catering scope

**Board of Directors:**

Bragina, Elena Gennadievna - chairman, b. 1959

Participatory share of Mrs. Bragina in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Bragina: 0

Sementsov, Alexander Vladimirovich, b. 1966

Participatory share of Mr. Sementsov in the issuer's registered capital: 0.0015

Proportion of ordinary shares of the issuer, which belong to Mr. Sementsov: 0.0015

Kashkarov, Igor Alexandrovich, b. 1966

Participatory share of Mr. Kashkarov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kashkarov: 0

Perminova, Olga Victorovna, b. 1970

Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Kislichenko, Artem Valerievich, b. 1975

Participatory share of Mr. Kislichenko in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kislichenko: 0

Starikova, Nadezhda Mihhailovna, b. 1948

Participatory share of Mrs. Starikova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Starikova: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Starikova, Nadezhda Mihhailovna, b. 1948

Participatory share of Mrs. Starikova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Starikova: 0

3.5.22. Full and abbreviated company name:

**Limited Liability Company "AVISMA – TransAuto" (AVISMA-TransAuto LLC)**

Location of the Company: 29, Zagorodnaya St., Berezniki, Perm Region, the Russian Federation

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of AVISMA – TransAuto LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** transportation business; services of motor vehicle maintenance and repair; land improvement; fencing; green planting (tillage, lawn-making, planting of trees and bushes, flower bed making); road base and carpet making.

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer.

**Board of Directors:**

Ovchinnikov, Sergey Evgenievich – chairman, b. 1952

Participatory share of Mr. Ovchinnikov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Ovchinnikov: 0

Sementsov, Alexander Vladimirovich, b. 1966

Participatory share of Mr. Sementsov in the issuer's registered capital: 0.0015  
Proportion of ordinary shares of the issuer, which belong to Mr. Sementsov: 0.0015

Kashkarov, Igor Alexandrovich, b. 1966  
Participatory share of Mr. Kashkarov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Kashkarov: 0

Perminova, Olga Victorovna, b. 1970  
Participatory share of Mrs. Perminova in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Kislichenko, Artem Valerievich, b. 1975  
Participatory share of Mr. Kislichenko in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Kislichenko: 0

Tonkarev, Sergey Victorovich, b. 1960  
Participatory share of Mr. Tonkarev in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Tonkarev: 0

**Joint Executive Body** (management board, directory):  
Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Tonkarev, Sergey Victorovich, b. 1960  
Participatory share of Mr. Tonkarev in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Tonkarev: 0

3.5.23. Full and abbreviated company name:

**Limited Liability Company "AVISMA – MetrATek" (AVISMA – MetrATek LLC)**

Location of the Company: 29, Zagorodnaya St., Berezniki, Perm Region, the Russian Federation  
Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of AVISMA – MetrATek LLC.

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** standardization and metrology business (instrument verification and calibration); services of installation, repair and maintenance of control equipment; engineering design; plumbing and heating installations in buildings and erections; mounting of other engineering systems (fire and intruder alarm systems) and process control devices; services of installation, repair and maintenance of television and radio-transmitters; general construction activities of laying of local communication and power lines, including interrelated auxiliary activities; services of mounting, repair and maintenance of devices and tools for measurement, inspection and other purposes; services of installation of office equipment; maintenance and repair of office machines and computing machinery

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer.

**Board of Directors:**

Sizikov, Igor Anatolievich – chairman, b. 1964  
Participatory share of Mr. Sizikov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Sizikov: 0

Kashkarov, Igor Alexandrovich, b. 1966  
Participatory share of Mr. Kashkarov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Kashkarov: 0

Perminova, Olga Victorovna, b. 1970  
Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Muravieva, Svetlana Vladimirovna, b. 1967

Participatory share of Mrs. Muravieva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Muravieva: 0

Mityushov, Alexander Nikolayevich, b. 1952

Participatory share of Mr. Mityushov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Mityushov: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Mityushov, Alexander Nikolayevich, b. 1952

Participatory share of Mr. Mityushov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Mityushov: 0

3.5.24. Full and abbreviated company name:

**Limited Liability Company "Analytic – A" (Analytic – A LLC)**

Location of the Company: 29, Zagorodnaya St., Berezniki, Perm Region, the Russian Federation

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of Analytic-A LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** services of chemical analysis of various materials, emissions and dumpings of harmful substances into environment; services of determination of chemical and physical factors of environment; services of repair of chemical analysis equipment.

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer.

**Board of Directors:**

Ossipenko, Nikolay Grigorievich – chairman, b. 1964

Participatory share of Mr. Ossipenko in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Ossipenko: 0

Kashkarov, Igor Alexandrovich, b. 1966

Participatory share of Mr. Kashkarov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kashkarov: 0

Perminova, Olga Victorovna, b. 1970

Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Muravieva, Svetlana Vladimirovna, b. 1967

Participatory share of Mrs. Muravieva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Muravieva: 0

Bazgutdinov, Magsum Makhdutovich, b. 1951

Participatory share of Mr. Bazgutdinov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Bazgutdinov: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Bazgutdinov, Magsum Makhdutovich, b. 1951

Participatory share of Mr. Bazgutdinov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Bazgutdinov: 0

3.5.25. Full and abbreviated company name:

**Limited Liability Company "Trading House Tirus" (Trading House Tirus LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Reg.

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of Trading House Tirus LLC.

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** distributors' services of wholesale of versatile product mix.

**Description of the role of such company in issuer's activity:** check competitiveness of the issuer made consumer goods in the local market.

**Board of Directors** (supervisory board):

Not stipulated by the By-Laws.

**Joint Executive Body** (management board, directory):

Not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Kulik, Sergey Petrovich, b. 1957.

Participatory share of Mr. Kulik in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kulik: 0

3.5.26. Full and abbreviated company name:

**Limited Liability Company "VSMPO-LESTA" (VSMPO-LESTA LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation VSMPO – AVISMA Corporation in the registered capital of VSMPO-LESTA LLC.

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** manufacture of wooden building structures and joinery.

**Description of the role of such company in the issuer's activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors:**

Slobtsov, Pavel Ivanovich – chairman, b. 1949

Participatory share of Mr. Slobtsov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Slobtsov: 0

Spazhev, Vladimir Nikolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer's registered capital: 0.0007

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0.0007

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nikolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zajcev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

Lisitsyn, Igor Nickolaevich,

Participatory share of Mr. Lisitsyn in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Lisitsyn: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Lisitsyn, Igor Nickolaevich, b. 1958

Participatory share of Mr. Lisitsyn in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Lisitsyn: 0

3.5.27. Full and abbreviated company name:

**Limited Liability Company "Meridian" (Meridian LLC)**

Location: 88, Yubileinaya St., Berezniki, Perm Region, Russia

Grounds for acknowledging the company as a subsidiary: dominant participation of VSMPO - AVISMA Corporation in the registered capital of Meridian LLC.

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** demonstration of films, entertainment, foreign economic, production, economic, advertising, trade and purchasing activities.

**Description of the role of such company in issuer's activity:** services provided to the issuer and its employees within the scope of the cultural-mass work.

**Board of Directors:**

Gorban, Viacheslav Ivanovich – chairman, b. 1954

Participatory share of Mr. Gorban in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Gorban: 0

Bragina, Elena Gennadievna - chairman, b. 1959

Participatory share of Mrs. Bragina in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Bragina: 0

Perminova, Olga Victorovna, b. 1970

Participatory share of Mrs. Perminova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Perminova: 0

Muravieva, Svetlana Vladimirovna, b. 1967

Participatory share of Mrs. Muravieva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Muravieva: 0

Kashkarov, Igor Alexandrovich, b. 1966

Participatory share of Mr. Kashkarov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kashkarov: 0

Shepotin, Dmitry Victorovich, b. 1978

Participatory share of Mr. Shepotin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Shepotin: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Shepotin, Dmitry Victorovich, b. 1978

Participatory share of Mr. Shepotin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Shepotin: 0

3.5.28. Full and abbreviated company name:

**Limited Liability Company “VSMPO-Stroitel (UKS)” (VSMPO-Stroitel (UKS) LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, Russia.

Grounds for acknowledging the company as a subsidiary of the issuer – dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO-Stroitel (UKS) LLC.

Issuer’s participatory share in the registered capital of the subsidiary: 100%.

Subsidiary’s participatory share in the issuer’s registered capital: 0%

**Description of the primary business of the Company:** construction of dwelling, social and cultural objects, industrial construction, reconstruction, re-equipment and overhauls of buildings and premises, trade and purchasing, agency activities.

**Description of the role of such company in issuer’s activity:** production and commercial activities, performance of works and rendering of services.

**Board of Directors:**

Korkin, Nikolai Pavlovich – chairman, b. 1950

Participatory share of Mr. Korkin in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Korkin: 0

Shemyakin, Anatoly Gavrilovich, b. 1953

Participatory share of Mr. Shemyakin in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Shemyakin: 0

Spazhev, Vladimir Nickolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer’s registered capital: 0.0007

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0.0007

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nikolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zajcev in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

Boyarskikh, Yury Alekseevich, b. 1947

Participatory share of Mr. Boyarskikh in the issuer’s registered capital: 0.0017

Proportion of ordinary shares of the issuer, which belong to Mr. Boyarskikh: 0.0017

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Boyarskikh, Yury Alekseevich, b. 1947

Participatory share of Mr. Boyarskikh in the issuer’s registered capital: 0.0017

Proportion of ordinary shares of the issuer, which belong to Mr. Boyarskikh: 0.0017

3.5.29. Full and abbreviated company name:

**Limited Liability Company “VSMPO-POSUDA” (VSMPO-POSUDA LLC)**

Location of the Company: House 6, Building 1, Malaya Sukharevskaya Sq., Moscow, Russia.

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO-POSUDA LLC.

Issuer's participatory share in the registered capital of the subsidiary: 47%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** manufacture of metal tableware from steel, aluminium, titanium alloys as well as stainless steel with heat-distributing and retaining bottom, manufacture of table, kitchen and other household items, finished metal products, finishing of metals and application of coatings to metals, wholesale, retail trade, researches and developments, operations with capital assets, advertising, foreign economic activities.

**Description of the role of such company in issuer's activity:** services related to the primary business of the Company provided to the issuer.

**Board of Directors:**

Board of Directors of the Company is not stipulated by the By-Laws.

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Management Company K-Trade LLC.

Location of the Company: House 6, Building 1, Malaya Sukharevskaya Sq., Moscow.

Participatory share of K-Trade LLC in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to K-Trade LLC: 0

3.5.30. Full and abbreviated company name:

**"Karl Edbloom. Titan AB" Company**

Location of the Company: 11, Newgatan, Ernsheldswick, 891 93, Sweden.

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of "Karl Edbloom. Titan AB" Company.

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** seamless tube marketing.

**Description of the role of such company in issuer's activity:** marketing of seamless tubes from titanium and its alloys in the world market beyond the limits of CIS.

**Board of Directors:**

Karl Gunnar Folker Edbloom – chairman, b. 1944

Participatory share of Karl Gunnar Folker Edbloom in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Karl Gunnar Folker Edbloom: 0

Antonov, Konstantin Mikhailovich, b. 1954

Participatory share of Mr. Antonov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Antonov: 0

Leder, Oleg Ottovich, b. 1962

Participatory share of Mr. Leder in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Leder: 0

Gromovich, Dmitry Vladimirovich, b. 1968

Participatory share of Mr. Gromovich in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Gromovich: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Antonov, Konstantin Mikhailovich, b. 1954

Participatory share of Mr. Antonov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Antonov: 0

3.5.31. Full and abbreviated company name:

**Closed Joint Stock Company “VSMPO-AVISMA Tube Plant” (CJSC VSMPO-AVISMA Tube Plant)**

Location of the Company: 56, Trubnikov Avenue, Nikopol, the Ukraine.

Grounds for acknowledging the company as a subsidiary: dominant participation via “Karl Edbloom. Titanium AB” Company in the registered capital CJSC SETAB Nikopol Plant.

Issuer's participatory share in the registered capital of the subsidiary: 50.1%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** tube manufacture.

**Description of the role of such company in the issuer's activity:** tube manufacture.

**Supervisory Board:**

Karl Gunnar Filker Edbloom – chairman, b. 1944

Participatory share of Karl Gunnar Folker Edbloom in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Karl Gunnar Folker Edbloom: 0

Leder, Oleg Ottovich, b. 1962

Participatory share of Mr. Leder in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Leder: 0

Gromovich, Dmitry Vladimirovich, b. 1968

Participatory share of Mr. Gromovich in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Gromovich: 0

Okishor Alexander Illarionovich, b. 1956

Participatory share of Mr. Okishor in issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Okishor: 0

Khamraeva, Tatyana Nickolaevna, b. 1960

Participatory share of Mrs. Khamraeva in issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Khamraeva: 0

**Joint Executive Body (management board, directory):**

Antonov, Konstantin Mikhailovich, b. 1954

Participatory share of Mr. Antonov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Antonov: 0

Antonov, Sergey Nickolaevich, b. 1956

Participatory share of Mr. Antonov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Antonov: 0

Revenok, Viacheslav Pavlovich, b. 1939

Participatory share of Mr. Revenok in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Revenok: 0

Zhuravlev, Andrey Victorovich, b. 1959

Participatory share of Mr. Zhuravlev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zhuravlev: 0

Kolesnik, Victor Nickolaevich, b. 1957

Participatory share of Mr. Kolesnik in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kolesnik: 0

**Person acting as Sole Executive Body:**

Antonov, Konstantin Mikhailovich, b. 1954

Participatory share of Mr. Antonov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Antonov: 0

3.5.32. Full and abbreviated company name:

**“SETAB Dnepr” Subsidiary of “SETAB/Karl Edbloom. Titan.AB” Company (DK SETAB Dnepr of SETAB/Karl Edbloom. Titan.AB Company)**

Location of the Company: 129Б, Kirov Prospekt, Denepropetrovsk, the Ukraine.

Grounds for acknowledging the company as a subsidiary: dominant participation via Karl Edbloom. Titan.AB Company in the registered capital of DK SETAB Dnepr of SETAB/Karl Edbloom. Titan.AB Company

Issuer’s participatory share in the registered capital of the subsidiary: 100%

Subsidiary’s participatory share in the issuer’s registered capital: 0

**Description of the primary business of the Company:** wholesale and retail trade, agency activity related with marketing of different goods, consulting services for commercial business and management issues.

**Description of the role of such company in issuer’s activity:** wholesale and retail trade, agency activity related with marketing of different goods, consulting services for commercial business and management issues.

**Board of Directors** (Supervisory Board):

BoD of the Company is not stipulated by the By-Laws.

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Kolesnik, Victor Nickolaevich, b. 1957

Participatory share of Mr. Kolesnik in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kolesnik: 0

3.5.33. Full and abbreviated company name:

**Limited Liability Company “VSMPO-Energomontazh” (VSMPO- Energomontazh LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, Russia.

Grounds for acknowledging the company as a subsidiary of the issuer – dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO- Energomontazh LLC.

Issuer’s participatory share in the registered capital of the subsidiary: 100%.

Subsidiary’s participatory share in the issuer’s registered capital: 0%

**Description of the primary business of the Company:** manufacture of furnaces and furnace burners; fabrication, assembly, repair and maintenance of industrial refrigerating and ventilating equipment, equipment of general application, machines, pumps and compressors. Construction works; assembly of engineering equipment; manufacture of steel tubes and fittings, construction and other metallic items, tanks and other vessels.

**Description of the role of such company in the issuer’s activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors:**

Tikhomirov, Michail Phillipovich – chairman, b. 1947

Participatory share of Mr. Tikhomirov in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Tikhomirov: 0

Korkin, Nikolai Pavlovich, b. 1950

Participatory share of Mr. Korkin in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Korkin: 0

Spazhev, Vladimir Nickolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer’s registered capital: 0.0007

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0.0007

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nikolaevna, b. 1974  
Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977  
Participatory share of Mr. Zajcev in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

Fazlyev, Nakip Mannapovich, b. 1954  
Participatory share of Mr. Fazlyev in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Fazlyev: 0

**Joint Executive Body** (management board, directory):  
Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**  
Fazlyev, Nakip Mannapovich, b. 1954  
Participatory share of Mr. Fazlyev in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Fazlyev: 0

3.5.34. Full and abbreviated company name:

**Limited Liability Company "VSMPO-Remontno – Mekhanichesky Zavod" (VSMPO-RMZ LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, Russia.

Grounds for acknowledging the company as a subsidiary of the issuer – dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO-RMZ LLC.

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** fabrication, repair, strengthening of spare parts and assemblies for furnaces, press – forging, metal cutting, sheet-rolling equipment and motor transport. Repair of vacuum devices, metal cutting and other equipment. Repair, fabrication and assembly of average-size metal structures; fabrication of rubber and polyurethane items. Services on machining of commodity goods and semis from titanium, aluminum alloys and steels.

**Description of the role of such company in issuer's activity:** industrial and commercial activity; performance of orders and rendering of services.

**Board of Directors:**

Shumilov, Alexander Venediktovich – chairman, b. 1945

Participatory share of Mr. Shumilov in the issuer's registered capital: 0.0001

Proportion of ordinary shares of the issuer, which belong to Mr. Shumilov: 0.0001

Korkin, Nikolai Pavlovich – chairman, b. 1950

Participatory share of Mr. Korkin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Korkin: 0

Spazhev, Vladimir Nickolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer's registered capital: 0.0007

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0.0007

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nickolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zajcev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

Pryanichnikov, Nikolay Grigorievich, b. 1950

Participatory share of Mr. Boyarskikh in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Boyarskikh: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Pryanichnikov, Nikolay Grigorievich, b. 1950

Participatory share of Mr. Pryanichnikov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Pryanichnikov: 0

3.5.35. Full and abbreviated company name:

**Limited Liability Company "VSMPO – Spetsodezhda-Lyuks" (VSMPO – Spetsodezhda-Lyuks LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia

Grounds for acknowledging the company as a subsidiary of the issuer – dominant participation of

VSMPO-AVISMA Corporation in the registered capital of VSMPO – Spetsodezhda-Lyuks LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** clothes making

**Description of the role of such company in issuer's activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors:**

Kasyanov, Vladimir Nikolaevich – chairman, b. 1950

Participatory share of Mr. Kasyanov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kasyanov: 0

Slobtsov, Pavel Ivanovich, b. 1949

Participatory share of Mr. Slobtsov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Slobtsov: 0

Spazhev, Vladimir Nickolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nickolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zajcev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

Ryazhinov, Anatoly Ivanovich, b. 1958

Participatory share of Mr. Ryazhinov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Ryazhinov: 0

**Joint Executive Body** (management board, directory):  
Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Ryazhinov, Anatoly Ivanovich, b. 1958  
Participatory share of Mr. Ryazhinov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Ryazhinov: 0

3.5.36. Full and abbreviated company name:

**Limited Liability Company "VSMPO – Mebel" (VSMPO – Mebel LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia.  
Grounds for acknowledging the company as a subsidiary: dominant participation VSMPO – AVISMA Corporation in the registered capital of VSMPO-Mebel LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** furniture fabrication.

**Description of the role of such company in issuer's activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors:**

Kasyanov, Vladimir Nikolaevich – chairman, b. 1950  
Participatory share of Mr. Kasyanov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Kasyanov: 0

Slobtsov, Pavel Ivanovich, b. 1949  
Participatory share of Mr. Slobtsov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Slobtsov: 0

Spazhev, Vladimir Nikolaevich, b. 1948  
Participatory share of Mr. Spazhev in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0

Rashektaeva, Tatyana Viktorovna, b. 1955  
Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nikolaevna, b. 1974  
Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977  
Participatory share of Mr. Zajcev in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

Ivanov, Alexander Alexeevich, b. 1960  
Participatory share of Mr. Ivanov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Ivanov: 0

**Joint Executive Body** (management board, directory):  
Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Ivanov, Alexander Alexeevich, b. 1960

Participatory share of Mr. Ivanov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Ivanov: 0

3.5.37. Full and abbreviated company name:

**Limited Liability Company "VSMPO-Instrument" (VSMPO-Instrument LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation VSMPO – AVISMA Corporation in the registered capital of VSMPO-Instrument LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** tool making.

**Description of the role of such company in issuer's activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors:**

Triphonov, Dmitry Valerievich – chairman, b. 1962

Participatory share of Mr. Triphonov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Triphonov: 0

Odinokikh, Victor Vasilievich, b. 1949

Participatory share of Mr. Odinokikh in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Odinokikh: 0

Spazhev, Vladimir Nickolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0

Vedyashev, Sergey Anatolievich, b. 1955

Participatory share of Mr. Vedyashev in the issuer's registered capital: 0.0001

Proportion of ordinary shares of the issuer, which belong to Mr. Vedyashev: 0.0001

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nickolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zajcev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Odinokikh, Victor Vasilievich, b. 1949

Participatory share of Mr. Odinokikh in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Odinokikh: 0

3.5.38. Full and abbreviated company name:

**Limited Liability Company "VSMPO- Kuznechno-Pressovy Instrument (KPI)" (VSMPO – Kuznechno-Pressovy Instrument (KPI) LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation VSMPO – AVISMA Corporation in the registered capital of VSMPO – Kuznechno-Pressovy Instrument (KPI) LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** tool making.

**Description of the role of such company in issuer's activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors:**

Triphonov, Dmitry Valerievich – chairman, b. 1962

Participatory share of Mr. Triphonov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Triphonov: 0

Ovchinnikov, Alexander Vladimirovich, b. 1961

Participatory share of Mr. Ovchinnikov in the issuer's registered capital: 0.0010

Proportion of ordinary shares of the issuer, which belong to Mr. Ovchinnikov: 0.0010

Spazhev, Vladimir Nickolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0

Vedyashev, Sergey Anatolievich, b. 1955

Participatory share of Mr. Vedyashev in the issuer's registered capital: 0.0001

Proportion of ordinary shares of the issuer, which belong to Mr. Vedyashev: 0.0001

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nickolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zajcev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Ovchinnikov, Alexander Vladimirovich, b. 1961

Participatory share of Mr. Ovchinnikov in the issuer's registered capital: 0.0010

Proportion of ordinary shares of the issuer, which belong to Mr. Ovchinnikov: 0.0010

3.5.39. Full and abbreviated company name:

**Limited Liability Company "VSMPO-Autotrans" (VSMPO-Autotrans LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia.

Grounds for acknowledging the company as a subsidiary of the issuer – dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO-Autotrans LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** freight motor transportation.

**Description of the role of such company in issuer's activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors:**

Slobtsov, Pavel Ivanovich – chairman, b. 1949

Participatory share of Mr. Slobtsov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Slobtsov: 0

Spazhev, Vladimir Nickolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0

Kozlov, Alexey Konstantinovich, b. 1958

Participatory share of Mr. Kozlov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kozlov: 0

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nickolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zajcev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Kozlov, Alexey Konstantinovich, b. 1958

Participatory share of Mr. Kozlov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Kozlov: 0

## 3.5.40. Full and abbreviated company name:

**Limited Liability Company "VSMPO-MONTAZH" (VSMPO-MONTAZH LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia.

Grounds for acknowledging the company as a subsidiary of the issuer – dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO-MONTAZH LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** construction of buildings and structures of Level II; provision of raw materials, materials, equipment, tools, etc.

**Description of the role of such company in issuer's activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors:**

Shumilov, Alexander Venediktovich – chairman, b. 1945

Participatory share of Mr. Shumilov in the issuer's registered capital: 0.0001

Proportion of ordinary shares of the issuer, which belong to Mr. Shumilov: 0.0001

Korkin, Nikolai Pavlovich, b. 1950

Participatory share of Mr. Korkin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Korkin: 0

Spazhev, Vladimir Nickolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer's registered capital: 0.0007

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0.0007

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nickolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zajcev in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

Denisov, Yury Nikolaevich, b. 1949

Participatory share of Mr. Denisov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Denisov: 0

**Joint Executive Body** (management board, directory):

Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**

Denisov, Yury Nikolaevich, b. 1949

Participatory share of Mr. Denisov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Denisov: 0

3.5.41. Full and abbreviated company name:

**Limited Liability Company "VSMPO-Electro" (VSMPO-Electro LLC)**

Location of the Company: 1, Parkovaya St. Verkhnyaya Salda, Sverdlovsk Region, 624760, Russia.

Grounds for acknowledging the company as a subsidiary of the issuer – dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO-Electro LLC

Issuer's participatory share in the registered capital of the subsidiary: 100%.

Subsidiary's participatory share in the issuer's registered capital: 0%

**Description of the primary business of the Company:** electric power distribution and operability assurance in power plants and power supply network.

**Description of the role of such company in issuer's activity:** satisfaction of public needs and receipt by the issuer of maximum return on contributed capital as a result of manufacturing, scientific and engineering, and commercial activities.

**Board of Directors:**

Tikhomirov, Michael Philippovich – chairman, b. 1947

Participatory share of Mr. Tikhomirov in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Tikhomirov: 0

Korkin, Nikolai Pavlovich, b. 1950

Participatory share of Mr. Korkin in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Korkin: 0

Spazhev, Vladimir Nickolaevich, b. 1948

Participatory share of Mr. Spazhev in the issuer's registered capital: 0.0007

Proportion of ordinary shares of the issuer, which belong to Mr. Spazhev: 0.0007

Rashektaeva, Tatyana Viktorovna, b. 1955

Participatory share of Mrs. Rashektaeva in the issuer's registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mrs. Rashektaeva: 0

Evdokimova, Nadezhda Nickolaevna, b. 1974

Participatory share of Mrs. Evdokimova in the issuer's registered capital: 0  
 Proportion of ordinary shares of the issuer, which belong to Mrs. Evdokimova: 0

Zajcev, Denis Gennadievich, b. 1977  
 Participatory share of Mr. Zajcev in the issuer's registered capital: 0  
 Proportion of ordinary shares of the issuer, which belong to Mr. Zajcev: 0

Kolmakov, Leonid Grigorievich, b. 1949  
 Participatory share of Mr. Kolmakov in the issuer's registered capital: 0.0001  
 Proportion of ordinary shares of the issuer, which belong to Mr. Kolmakov: 0.0001

**Joint Executive Body** (management board, directory):  
 Joint Executive Body is not stipulated by the By-Laws.

**Person acting as Sole Executive Body:**  
 Kolmakov, Leonid Grigorievich, b. 1949  
 Participatory share of Mr. Kolmakov in the issuer's registered capital: 0.0001  
 Proportion of ordinary shares of the issuer, which belong to Mr. Kolmakov: 0.0001

### 3.6. Composition, Structure and Value of Issuer's Fixed Assets, Information on Plans of Acquisition, Replacement, Retirement of Fixed Assets as well as on all the Facts of Fixed Assets Encumbrance

#### 3.6.1. Fixed Assets

##	Fixed Assets	Original Cost, rubles	Accrued Amortization, rubles
Reporting date: 01.01.2004			
1	All short life assets with the useful life from 1 year to 2 years inclusive	11`567	9`157
2	Assets with the useful life over 2 years to 3 years inclusive	1`167`943	490`014
3	Assets with the useful life over 3 years to 5 years inclusive	146`134`456	84`059`962
4	Assets with the useful life over 5 years to 7 years inclusive	110`373`420	19`695`256
5	Assets with the useful life over 7 years to 10 years inclusive	576`124`959	92`541`355
6	Assets with the useful life over 10 years to 15 years inclusive	396`743`653	48`031`521
7	Assets with the useful life over 15 years to 20 years inclusive	454`374`909	80`914`523
8	Assets with the useful life over 20 years to 25 years inclusive	19`464`883	5`327`907
9	Assets with the useful life over 25 years to 30 years inclusive	27`132`934	6`546`314
10	Assets with the useful life over 30 years	528`071`096	83`841`535
Total, rubles:		2`259`599`820	421`457`544

Reporting date: 01.01.2005			
1	All short life assets with the useful life from 1 year to 2 years inclusive	11`567	11`567
2	Assets with the useful life over 2 years to 3 years inclusive	3`338`961	1`149`072
3	Assets with the useful life over 3 years to 5 years inclusive	189`363`710	112`111`349
4	Assets with the useful life over 5 years to 7 years inclusive	121`354`634	31`743`243
5	Assets with the useful life over 7 years to 10 years inclusive	741`735`681	176`492`514
6	Assets with the useful life over 10 years to 15 years inclusive	448`757`428	91`940`079
7	Assets with the useful life over 15 years to 20 years inclusive	558`428`833	125`784`620
8	Assets with the useful life over 20 years to 25 years inclusive	24`631`757	8`230`238
9	Assets with the useful life over 25 years to 30 years inclusive	27`145`264	9`671`497
10	Assets with the useful life over 30 years	635`634`628	131`030`688
Total, rubles:		2`750`402`463	688`164`867
Reporting date: 01.01.2006			
1	All short life assets with the useful life from 1 year to 2 years inclusive	190`375`915	32`642`121
2	Assets with the useful life over 2 years to 3 years inclusive	50`883`875	15`872`829
3	Assets with the useful life over 3 years to 5 years inclusive	496`516`103	310`846`431
4	Assets with the useful life over 5 years to 7 years inclusive	399`856`761	126`220`157
5	Assets with the useful life over 7 years to 10 years inclusive	1`120`094`473	400`721`553
6	Assets with the useful life over 10 years to 15 years inclusive	1`236`024`490	290`025`113
7	Assets with the useful life over 15 years to 20 years inclusive	931`777`507	206`258`642
8	Assets with the useful life over 20 years to 25 years inclusive	54`118`882	17`218`114
9	Assets with the useful life over 25 years to 30 years inclusive	40`754`241	14`834`322
10	Assets with the useful life over 30 years	1`292`913`665	282`332`153
Total, rubles:		5`813`315`912	1`696`971`435

Reporting date: 01.04.2006			
1	All short life assets with the useful life from 1 year to 2 years inclusive	237`435`564	57`504`106
2	Assets with the useful life over 2 years to 3 years inclusive	60`285`152	20`783`428
3	Assets with the useful life over 3 years to 5 years inclusive	468`981`459	302`571`212
4	Assets with the useful life over 5 years to 7 years inclusive	411`376`584	136`041`971
5	Assets with the useful life over 7 years to 10 years inclusive	1`180`543`903	432`402`800
6	Assets with the useful life over 10 years to 15 years inclusive	1`235`705`552	321`845`546
7	Assets with the useful life over 15 years to 20 years inclusive	970`922`491	222`420`902
8	Assets with the useful life over 20 years to 25 years inclusive	53`941`604	18`172`330
9	Assets with the useful life over 25 years to 30 years inclusive	40`754`242	15`713`378
10	Assets with the useful life over 30 years	1`285`582`553	301`592`446
Total, rubles:		5`945`529`104	1`829`048`119

The issuer has no plans of acquisition, replacement, and retirement of the fixed assets the cost of which equals at least 10 % of the total fixed assets cost.

Balance sheet value of the issuer's fixed assets in pawn as of 01.04.2006: 1`339`865`698.24 rubles.  
 Depreciated cost of the issuer's fixed assets in pawn as of 01.04.2006: 849`277`257.25 rubles.

Balance sheet value of the issuer's fixed assets under lease as of 01.04.2006: 300`688`708.80 rubles.  
 Depreciated cost of the issuer's fixed assets under lease as of 01.04.2006: 191`841`495.57 rubles.

## IV. Financial and Economic Activities Information

### 4.1. Financial and Economic Performance Results

#### 4.1.1. Profit and Loss

Index	2001	2002	2003	2004	2005	Q1 2006
Proceeds, 000' rubles	7 346 341	8 768 747	8 369 550	10 571 946	16 800 410	8 391 081
Gross profit, 000' rubles	3 276 869	3 865 790	3 146 119	3 194 553	6 742 848	3 400 098

Net profit (retained profit (uncovered loss), 000' rubles	1 480 061	1 390 330	1 279 415	1 600 767	3 174 137	2 215 624
Return on equity, %	37.5	25	18.6	19.1	21.7	13.2
Return on assets, %	24.8	17.1	12.7	12.9	15.5	9.7
Profit margin, %	20.1	15.9	15.3	15.1	18.9	26.4
Return on products (sales), %	32.2	32.3	23.0	16.5	27.4	33.1
Capital turnover, times	1.87	2.10	2.63	2.59	2.16	0.86
Total uncovered loss as of the reporting date, 000' rubles	0	0	0	0	0	0
Ratio of uncovered loss as of the reporting date to balance currency, %	0	0	0	0	0	0

There was growth of proceeds, gross and net profit last year. In 2005 net profit increased by 98% compared to that in 2004.

The Company is characterized by its profitability in respect to return on invested capital. Return on the total capital is net profit falling to one ruble of the Company invested capital. Return on equity is net profit falling to one ruble of the Company equity, in other words, it characterizes the Company performance from its owners' point of view. The Company is distinguished by high performance and opportunities for further growth.

Equity turnover ratio shows rate of invested equity turnover or activity of the shareholders' funds run a risk. Turnover period regarding this index has trended to decrease for the last three years.

#### ***4.1.2. Factors which impacted on the change in proceeds from the issuer's sales of goods, products, operations and services and the issuer's profit (loss) from primary activities***

As for the increase in proceeds:

- in 2001, the beginning on a 4-year cycle of growth of demand for titanium products in the aerospace market (titanium output for export increased 1.6 times compared to 2000) interrupted in September 2001 by the terrorist attack in the USA.
- in 2003, a decrease in proceeds by 4.5 % compared to 2002, the effect of the consequences of the terrorist attack in the US in September 2001 as well as the negative effect of the decrease in the dollar exchange rate (exports amount to 60 % of total sales).
- in 2004, the proceeds increased by 26.3 % including the increase in export sales by 42.6%, mainly for value added products.
- in July 1, 2005 VSMPO-AVISMA Corporation affiliated JSC AVISMA, as of 1.10.05 all the data is given considering the affiliation, the proceeds grew by 74.5% in 2005.
- in 2006, Federal Law No. 58-FZ on Amending the Second Part of Tax Code of the Russian Federation and Other Legislative Acts of the Russian Federation on Taxes and Dues dd. 06.06.2005 was implemented. Based on accounting information by 2006 the products were considered sold if the products were either shipped in case of the Russian customers or paid for in case of the foreign customers, i.e. acknowledgement of proceeds from export sales was postponed till receipt on the Corpora-

tion settlement account. Starting from 2006 after implementation of Federal Law No. 58-FZ dd. 06.06.2005 all the shipped products are deemed sold based on accounting information. In 2006 the Corporation will receive funds for export shipments which were not paid for in 2005. It will result in increase of sold products indices both in tons and money terms.

## 4.2. Issuer's Liquidity, Adequacy of the Capital and Current Assets

Index	2001	2002	2003	2004	2005	Q1 2006
Own current assets, 000' rubles	331 669	3 500 698	3 170 722	4 061 210	7 702 672	9 666 458
Fixed assets ratio	0.78	0.38	0.54	0.52	0.47	0.43
Current liquidity ratio	1.33	2.40	2.01	2.02	2.35	2.64
Quick liquidity ratio	0.420	0.967	0.612	0.591	0.795	1.382
Own assets non-interaction ratio	0.58	0.69	0.69	0.68	0.71	0.74

Share purchasers and holders evaluate the Company's financial stability by current liquidity ratio. It determines assets liquidity in general and shows how many rubles fall to one ruble of current liabilities and what loan commitments and payments can be carried out using all the current assets. It is the primary index of solvency.

The index increased by 17% in 2005. As of the end of the period, current liquidity equaled 2.35 (with the standard of 2). At the beginning of the year, the Company possessed 2 rubles 2 kopeks of assets value falling to one ruble of loans. By the end of the year this figure came to 2 rubles 35 kopeks. The fact that the Company meets this standard means that at least 2 rubles of the Company's liquid assets fall to each ruble of its short-term liabilities. Exceeding the specified standard implies that the Company has enough available assets formed by own sources. Creditors consider such method of current assets formation the most preferable.

Quick liquidity ratio shows the Company's projected paying abilities provided on-time payments of debtors. The standard of this index approximates 0.7-0.8. The index grew by 34% during the period under review. At the end of the year, quick liquidity equaled 0.80. Thus, the index achieved the standard. At the beginning of the year the Company possessed 59 kopeks of mid-liquid assets which fell to one ruble of liabilities. At the end of the year this figure equaled 80 kopeks which can awake significant interest of banks and finance companies.

During the period under review non-interaction ratio increased by 6% compared to that in 2004 to 0.71. The standard of this index is over 0.5. Non-interaction ratio growth shows positive trends of the Company's development.

## 4.3. Size and Structure of the Issuer's Capital and Current Assets

### 4.3.1. Size and Structure of the Issuer's Capital and Current Assets

#### Size and Structure of Capital

Index	2001	2002	2003	2004	2005	Q1 2006
Registered capital, 000' rubles	11 806	10 626	10 626	10 626	11 530	11 530
Total cost of issuer's shares repurchased by the issuer for subsequent resale (transfer) with indication of percentage of such shares in placed shares	0	0	0	(2 056)	0	0

(registered capital) of issuer, 000' rubles						
Size of issuer's reserve capital formed at the expense of deductions from issuer's profit, 000' rubles	624	624	624	624	668	668
Size of issuer's additional capital reflecting increase in the value of assets resulting from revaluation and difference between the sale price (allocation price) and par value of shares of the company due to sale of shares at the price exceeding par value	1 359 991	1 359 991	1 359 991	1 359 991	6 373 457	6 373 457
Size of issuer's retained net profit	2 853 588	4 243 918	5 523 333	7 007 255	8 223 661	10 439 285
Size of issuer's target financing including total funds allocated for special purpose actions, funds received from other organizations and persons, budget funds, etc.	92	0	0	0	0	0
Issuer's total capital	4 226 101	5 615 159	6 894 574	8 376 440	14 609 316	16 824 940

#### Size and Structure of the Issuer's Current Assets

Index	2001	2002	2003	2004	2005	Q1 2006
Inventory	2 781 023	3 215 343	3 888 810	5 055 928	8 074 779	6 716 384
VAT on acquisitions	202 785	367 238	517 178	664 201	884 735	769 961
Accounts receivable (due in more than 12 months after the reporting date)	0	0	0	0	0	0
Accounts receivable (due within 12 months after the reporting date)	912 935	1 693 415	1 724 344	2 296 611	4 279 421	8 043 328
Short-term financial investments (58,59,81)	279 885	712 579	175 827	36	87 117	4 298
Cash	40 341	17 809	32 122	74 787	208 771	155 218
Other current assets	0	0	0	0	0	0
Total working capital	4 216 969	6 006 384	6 338 281	8 091 563	13 534 823	15 689 189

Sources of financing the issuer's current assets are the Company profit and borrowings.

In order to ensure financial stability in the situation of production expansion, VSMPO-AVISMA Corporation uses borrowed funds as current assets and carries out its liabilities on time.

It is highly improbable that any events would cause change in the issuer's policy of current assets financing as VSMPO-AVISMA Corporation is distinguished with its brilliant credit history. At present, every bank capability is used for the benefit of the Company's continuously developing business.

#### ***4.3.2. Issuer's Financial Investments***

**The amount of all the issuer's financial investments as of 31.12.2005:** 620`428`931.73 rubles

The list of financial investments which constitute 10 and more percent of all its total financial investments at the final date of the reporting quarter:

Full corporate name – Limited Liability Company “Avitrans”;  
Abbreviated corporate name – Avitrans LLC;  
Location – 55, Lenin Avenue, Berezniki, Perm Region, 618400, Russia;  
Taxpayer identification number – 5911010108;  
Investment size, in percent of the capital – 100%;  
Investment size, in terms of money as of 31.12.2005 – 396`200`000.12 rubles;  
Procedure of profit calculation from the investment: within the sole sharer's authority;  
Income payment period – not established.

Full corporate name – Limited Liability Company “Tirus Holding”;  
Abbreviated corporate name – Tirus Holding LLC;  
Location - apt. 8, 18, Victor Ambartsumyan St., Yerevan, Armenia;  
Taxpayer identification number -  
Investment size, in percent of the capital – 100%;  
Investment size, in terms of money – 89`127`883.20 rubles;

Full corporate name - Karl Edbloom. Titan AB Company  
Abbreviated corporate name – Karl Edbloom. Titan AB Company  
Location: 11, Newgatan, Ernsheldswick, 891 93, Sweden  
Investment size, in percent of the capital – 100%;  
Investment size, in terms of money as of 31.12.2005 – 63`397`824.20 rubles;

**The amount of all the issuer's financial investments as of 01.04.2006:** 617`045`901.38 rubles

The list of financial investments which constitute 10 and more percent of all its total financial investments at the final date of the reporting quarter:

Full corporate name – Limited Liability Company “Avitrans”;  
Abbreviated corporate name – Avitrans LLC;  
Location – 55, Lenin Avenue, Berezniki, Perm Region, 618400, Russia;  
Taxpayer identification number – 5911010108;  
Investment size, in percent of the capital – 100%;  
Investment size, in terms of money as of 01.04.2006 – 405`567`850.20 rubles;  
Procedure of profit calculation from the investment: within the sole sharer's authority;  
Income payment period – not established.

Full corporate name - Karl Edbloom. Titan AB Company  
Abbreviated corporate name – Karl Edbloom. Titan AB Company  
Location: 11, Newgatan, Ernsheldswick, 891 93, Sweden  
Investment size, in percent of the capital – 100%;  
Investment size, in terms of money as of 01.04.2006 – 63`397`824.20 rubles.

### 4.3.3. Issuer's Intangible Assets

##	Intangible Assets	Original Cost, rubles	Amortization, rubles
Reporting date: 31.12.2005			
1	Invention right	2`212`821	1`191`346
2	Trademark right	21`500	6`517
3.	Useful model patent right	4`950	774
Total, rubles:		2`239`271	1`198`637
Reporting date: 01.04.2006			
1.	Invention right	2`216`241	1`232`832
2.	Trademark right	21`500	7`080
3.	Useful model patent right	35`358	5`306
Total, rubles:		2`273`099	1`245`218

The information on intangible assets is given by the issuer in accordance with Accounting Provision 14/2000 approved by the Order of the Finance Ministry of the Russian Federation dd. 16.10.2000 No.91n.

### 4.4. Issuer's Policy and Expenses for Scientific and Engineering Activity, Licenses, Patents, Developments and Research

The issuer's policy for scientific and engineering development associated with licenses and patents, new developments and researches is aimed at:

- acquisition of the exclusive right to intellectual property objects in the field of production of magnesium and titanium, protection of priority trends in scientific and engineering development;
- decrease in products cost and expansion of markets;
- involvement of alternative source of raw materials into production (including within the Russian Federation);
- development of no-waste production technology;
- increase in output of finished products.

Data on creation and acquisition of legal protection for intellectual property for Q1, 2006:

SEQ	Document #	Intellectual Property Object Description	Date of Issue/Entry	Commencement Date. Validity Period
1	2266171	Manufacturing process for intermediate stock from (a+b) – titanium alloys	10.01.2006	04.06.2004 20 years

2	2267543	Technique for metal chips briquetting	23.01.2006	16.02.2004 20 years
3	2269584	Titanium-base alloy	20.02.2006	30.07.2004 20 years
4	2270264	Vacuum-arc furnace with heat storage	06.03.2006	16.06.2004 20 years
5	55810	Design of "Saucepan"	20.01.2006	18.08.2003 10 years
6	55811	Design of "Stew-pan" (two versions)	20.01.2006	11.09.2003 10 years
7	825064	Trademark TIRUS (international registration)	02.02.2006	26.11.2003 10 years
8	50542	Useful model "Band heater for drying of magnesium electrolytic cells"	20.01.2006	18.04.2005 5 years

Main trends and results of usage of intellectual property objects:

The following objects of intellectual property were used in production in Q1, 2006:

SEQ	Patent/ Ap- plication No.	Intellectual Property Object Description
1	2216419	Manufacturing process for hollow cylindrical products
2	31581	Device for vacuum separation of sponge titanium
3	2201984	Manufacturing process for sponge titanium

Risk factors associated with the possibility of expiration of patents, licenses for trademarks:  
Risk factor consists in use of cancelled patents by competitors.

Information on Scientific and Engineering Expenses of AVISMA, VSMPO-AVISMA Corporation Affiliate  
out of its Internal Funds as of 31.03 2006

rubles

Order No.	Shop	Order Description	Balance as of 01.04.06
410	TO	Submerged burning unit for heating of calcium hypochloride solution	1 315 622.01
804	TO	Energy-saving conditions of titanium slag production	871 518.61
805	TO	Research of thermal hydrolysis of return magnesium chloride	345 928.33
807	TO	Installation of new apparatuses and devices for magnesium conversion	182 679.95
808	TO	Comparative testing of electrolytic cell designs	4 567 586.59
809	TO	Design of dies and tooling for die casting machines	1 053 500.66
817	TO	Improvement of process and design of vessels for reduction and vacuum separation with upper condenser and increase in cycle productivity	2 862 403.27
830	TO	Designing and testing of magnesium electrolytic cells characterized by small cathode-electrode distance that use chlorine-magnesium raw materials and produce twice as much under current production load	5 278 694.77
831	TO	Manufacturing process for cathode (KFC) from magnesium and alloys	2151.00
832	TO	Development of new types of products	1 211 154.83
855	TO	Design and process development for apparatus of the 2 <sup>nd</sup> stage of carnallite dehydration	399 457.08
859	TO	Experimental and industrial testing of combined-supply circuit for Bay I and Shop 33	1 820 725.79
863	TO	Development of noise reduction actions	708 324.63
867	TO	Fabrication and testing of trial contact welded assembly of magnesium	

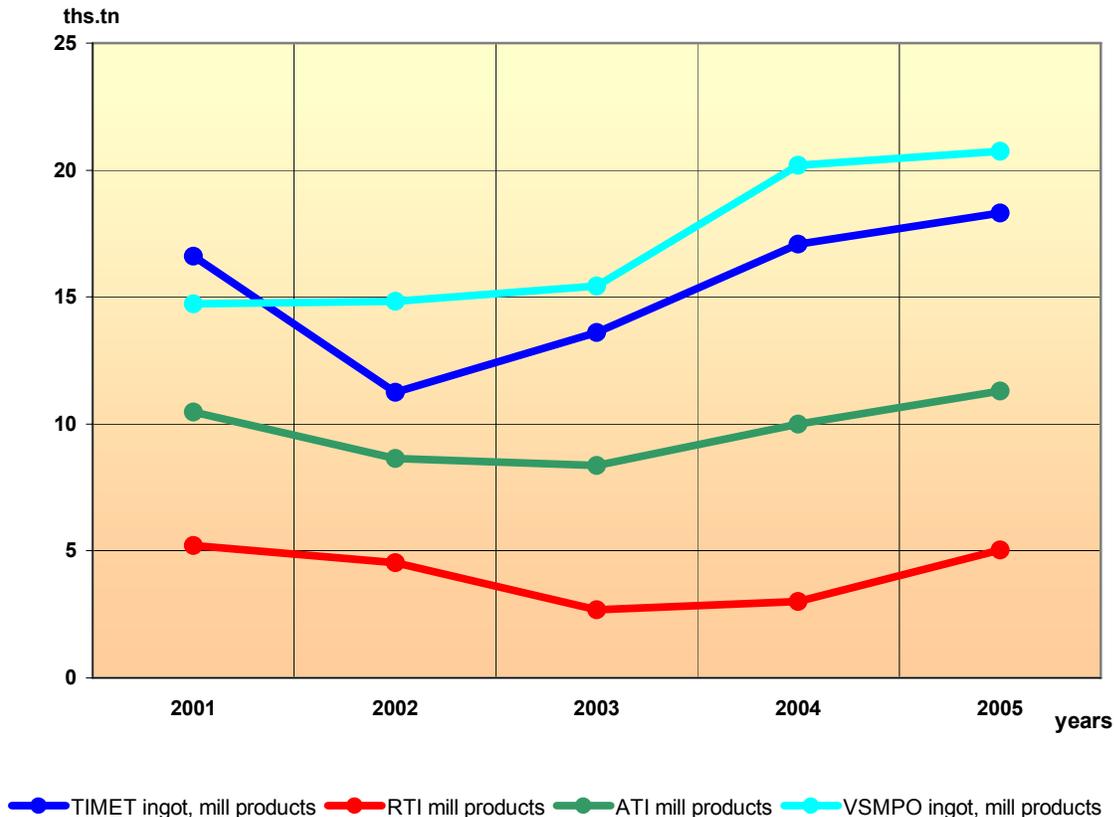
		electrolytic cells	1 679 196.19
872	TO	Introduction of new materials	1 073 477.66
875	TO	Improvement of process of TiCl4 purification from vanadium. Improvement of operation mode of rectification tower	900 000.00
876	TO	Heat balancing of chlorinating unit and development of actions to improve its productivity. Experimental and industrial testing of high-performance heat exchanging devices in chlorinating unit system	544 909.38
878	TO	Development of limestone burning furnace reconstruction	189 937.75
882	TO	Research to register the company as mineral fertilizers manufacturer	232 737.67
		TOTAL:	25 240 006.17

#### 4.5 Overview of Development Trends in Issuer's Primary Activities

About 65 % of products manufactured by VSMPO-AVISMA Corporation is intended for aerospace applications, therefore, the condition of this sector of the Russian and world economy significantly affects technical and economic indices of the Company. The aerospace sector of the world market features a cyclic nature of 4-year development; the global titanium market develops in the similar way. Actually, it should be noted that Asian financial crisis in 1998 and the terrorist attack on 11 September, 2001 in the USA affected the condition of these markets.

Hence, the world's leading titanium manufacturers faced difficulties in products sales in 2001-2002; this negative tendency was subdued in 2003-2004 (Fig.1, Table 1). At this the Corporation takes the first place in supplying titanium products.

**Fig.1 TITANIUM PRODUCTS SHIPMENTS BY US-BASED COMPANIES AND VSMPO-AVISMA CORPORATION IN B 2001 – 2005**



Source: Companies' reports

**Table 1. Basic Indices of Timet, RTI, ATI and VSMPO-AVISMA Corporation in 2001-2005**

Companies Indices	Units	Years				
		2001	2002	2003	2004	2005
<b>Sales</b>	<b>\$ mln</b>					
Timet		486.9	366.5	385.3	501.8	749.8
RTI		285.9	270.9	195.0	209.6	346.9
ATI		2128.0	1907.8	1937.4	2733.0	3540.0
VSMPO		247.7	275.5	268.1	362.9	527.9
<b>Net profit (loss)</b>	<b>\$ mln</b>					
Timet		(41.8)	(111.5)	(13.1)	47.7	155.9
RTI		12.1	15.1	4.7	(2.8)	38.9
ATI		(25.2)	(65.8)	(314.6)	19.8	361.4
VSMPO		50.6	45.3	41.5	55.7	112.3
<b>Titanium products shipment</b>	<b>ths.tn</b>					
Timet, total		16.60	11.26	13.60	17.09	18.32
Mill products		12.18	8.86	8.88	11.73	12.66
Ingot, slab		4.41	2.40	4.72	5.36	5.66
RTI, mill products		5.22	4.54	2.68	3.00	5.04
ATI, mill products		10.48	8.65	8.37	9.99	11.30
VSMPO, total		14.74	14.83	15.42	20.18	20.73
Mill products		9.68	9.72	10.47	12.67	15.38
Ingot, slab		5.06	5.11	4.95	7.51	5.35
<b>Average product price</b>	<b>\$ / kg</b>					
Timet, total (calculated price)		25.73	27.80	24.78	26.22	34.98
Mill products		29.80	31.40	31.50	32.05	41.75
Ingot, slab		14.50	14.50	12.15	13.45	19.85
RTI, mill products		29.48	33.33	35.13	30.81	33.85
ATI, mill products		25.77	26.06	25.33	27.18	50.11
VSMPO, export		14.82	13.16	12.15	13.01	19.18
Export mill products		18.50	16.64	15.07	16.47	21.60
Export ingot, slab		9.38	8.63	7.80	8.59	13.13
Domestic market		13.96	17.90	20.75	23.77	28.42

Sources: Companies' reports

Unlike its major competitors the Corporation features stable growth of the output and hence, stable increase of profit ensuring the possibility of reconstruction and development of its production facilities.

The main competitors in sponge titanium production are Ust-Kamenogorsky Titanium and Magnesium Works, Kazakhstan which manufactures high-grade sponge titanium used in aircraft building as well, and Zaporozhsky Titanium and Magnesium Works, the Ukraine which manufactures sponge titanium for metallurgy industry.

As to magnesium, the main competitors are Chinese manufacturers having low production cost and, therefore offering low prices for magnesium. In the Russian Federation the Corporation competes with JSC Solikamsk Magnesium Plant (44% of output in the Russian Federation).

The main advantages of the Company in comparison with the competitors:

- complete production cycle starting from ore materials to metallurgical semi-finished and finished products for machine building (heat-exchanging equipment and containers);

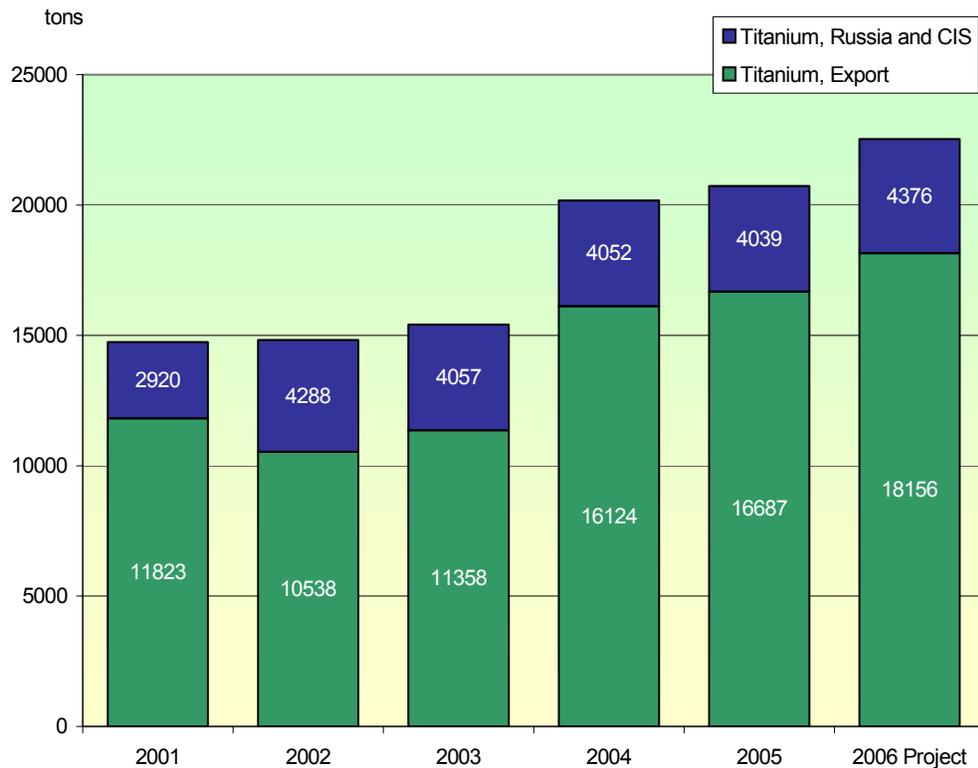
- diversification allowing to transfer resources from the titanium sector for the purpose of manufacturing other types of products: aluminum, steel, ferrotitanium, and consumer goods (Table 2);

**Table 2. Structure of Types of Products Shipped by VSMPO-AVISMA Corporation**

Type of Products	Years				
	2001	2002	2003	2004	2005
	%				
Titanium products	84.7	82.1	82.7	80.7	77.8
Aluminum products	4.6	5.5	5.7	4.1	2.7
Non-conventional aluminum products	3.1	3.2	3.4	2.8	1.8
Steel	2.9	2.6	2.4	2.6	1.6
Ferrotitanium	2.8	4.7	3.2	5.6	14.4
Non-conventional products	0.3	0.3	0.4	0.6	0.1
Other marketable products	1.6	1.6	2.2	3.6	1.6
Total	100.0	100.0	100.0	100.0	100.0

Source: VSMPO reports

**Fig.2. TITANIUM PRODUCTS SHIPPED BY VSMPO-AVISMA CORPORATION TO DOMESTIC AND FOREIGN MARKETS**



- VSMPO-AVISMA Corporation is an integrated manufacturer of titanium semi-finished products, and in contrast to its competitors the Company fulfills all manufacturing processes as well as inspection and tests on its own (without involving contractors);

- implementation of the program aimed at increasing the share of value-added products (die forging, welded pipe, sheet) consolidates VSMPO rating in the global titanium market.

## V. Details on Persons included in the Issuer's Control Authorities, Financial and Economic Activity Control Authorities and Brief Information on Issuer's Employees

### 5.1. Structure and Competence of Issuer's Control Authorities

**Company's Control Authorities** are:

- General meeting of shareholders;
- Board of Directors;
- Sole executive body (Director General)

The powers of the general meeting of shareholders (participants) shall be in accordance with the By-Laws (statutory documents):

Solution of the following issues is included into **the competence of the general meeting of shareholders**:

- introduction of changes and amendments into the By-Laws of the Company or approval a new revision of the By-Laws (except for cases stipulated by paras. 2-5 of Article 12 of the Federal Law on "Joint Stock Companies");
- reorganization of the Company;
- liquidation of the company, appointment of the liquidation committee and approval of interim and final liquidation balance sheets;
- determination of number of the members of the Board of Directors, election of members thereto and early termination of their authorities;
- election of the sole executive body;
- early termination of the authorities of the sole executive body;
- determination of number of the members of the Auditing Committee, election of the Auditing Committee and early termination of its authorities;
- approval of the Company's auditor;
- determination of the number, par value, category (type) of declared shares and the rights granted by such shares;
- increase of the registered capital of the Company by increasing the par value of shares;
- increase of the registered capital of the Company by placing additional shares in cases stipulated by the Federal Law and the Company By-Laws;
- increase of the registered capital of the Company by placing additional shares within the number and categories (types) of the declared shares at the expense of the Company's assets provided placing of additional shares is performed by allocating them among the shareholders, if the Board of Directors fails to make the unanimous decision on this issue;
- decrease of the registered capital of the Company by reducing the par value of shares, purchasing part of shares by the Company for the purpose of reduction of their total number as well as redeeming shares having been acquired or repurchased by the Company (shares being at the Company's disposal);
- approval of annual reports, annual financial reports, including profit and loss reports (profit and loss accounts) of the Company as well as distribution of profit including payment (declaration) of dividends, and losses of the Company based on the results of the financial year;
- determination of the procedure for general meetings of shareholders;
- split and consolidation of shares;
- decision making in regard to approval of transactions in cases stipulated by Article 83 of the Federal Law on "Joint Stock Companies";
- decision making in regard to approval of major transactions in cases stipulated by clause 2 of Article 79 of the Federal Law on "Joint Stock Companies";
- decision making in regard to approval of major transactions in cases stipulated by clause 3 of Article 79 of the Federal Law on "Joint Stock Companies";
- decision making in regard to participation in holding companies, financial & industrial groups, associations and other associations of commercial organizations;
- approval of internal documents regulating the activities of the Company's Authorities;
- decision making in regard to remuneration and (or) compensation of expenses of the Auditing Com-

mittee associated with execution of its obligations during the effective period; determination of the size of such remuneration and compensation;

- decision making in regard to remuneration and (or) compensation of expenses of members of the Board of Directors associated with execution of the obligations of members of the Board of Directors within a period of executing their duties; determination of the size of such remuneration or compensation;
- decision making in regard to reimbursement, at the expense of the Company, of the expenses on preparation and holding the extra general meeting of shareholders incurred by persons and authorities who initiated such general meeting of shareholders;
- determination of the list of additional documents to be mandatory kept at the Company;
- other issues attributed by the Federal Law to the competence of the general meeting of shareholders. The general meeting of shareholders has no right to review and take decisions on the issues not attributed to its competence based on the Federal Law and the By-Laws. The general meeting of shareholders has no right to take decisions on issues not included into the agenda of the general meeting of shareholders as well as to change the agenda.

**Competence of the Board of Directors** shall be in accordance with the By-Laws:

the Board of Directors shall carry out general management of Company's activities except for taking decisions on issues attributed by the Federal Law and the By-Laws to the competence of the general meeting of shareholders.

The following issues shall be attributed to the competence of the Board of Directors:

- determination of priority trends of the Company's business;
- convocation of the annual general or extra meeting of shareholders except for cases stipulated by clause 8 of Article 55 of the Federal Law on "Joint Stock Companies";
- approval of the agenda of the general meeting of shareholders;
- determination of the date of drawing up the list of persons having the right to take part in the general meeting of shareholders and other issues attributed to the competence of the Board of Directors in accordance with provisions of Article VII of the Federal Law on "Joint Stock Companies" and connected with preparation and holding the general meeting of shareholders;
- preliminary approval of annual reports of the Company;
- increase of the registered capital of the Company by means of allocating additional shares within the number and categories (types) of declared shares at the expense of the Company's assets provided placing of additional shares is performed by allocating them among the shareholders;
- increase of the registered capital of the Company by means of allocating additional shares within the number and categories (types) of declared shares by open subscription to ordinary shares in the amount of 25 % and less of the previously placed ordinary shares;
- increase of the registered capital of the Company by means of allocating additional shares within the number and categories (types) of declared shares by open subscription to preferred shares;
- allocation of additional shares at the expense of the Company's assets provided placing of additional shares is performed by allocating them among the shareholders;
- allocation of debentures not convertible into shares and other emission securities not convertible into shares;
- approval of the decision on the issue of securities, the offering circular, the report on the results of the issue of securities, introduction changes and amendments thereof;
- determination of the price (pecuniary valuation) of the property, the price of allocation and repurchase of emission securities in cases stipulated by the Federal Law on "Joint Stock Companies";
- acquisition of the shares placed by the Company in accordance with clause 2 of Article 72 of the Federal Law on "Joint Stock Companies";
- acquisition of debentures placed by the Company and other securities in cases stipulated by the Federal Law on "Joint Stock Companies";
- approval of the report on shares acquisition results purchased in accordance with clause 1 of Article 72 of the Federal Law on "Joint Stock Companies";
- recommendations to the general meeting of shareholders in regard to the amount of remuneration and compensations to be paid to the members of the Auditing Committee of the Company;
- determination of the amount of payment for the services of the Auditor of the Company;
- recommendations to the general meeting of shareholders in regard to the amount of dividends on

shares of all categories and the procedure for payment thereof;

- recommendations to the general meeting of shareholders in regard to the procedure for distribution of profits and losses of the Company based on the results of the financial year;
- use of the reserve and other funds of the Company;
- approval of internal documents of the Company except for internal documents regulating activities of Company's Authorities to be approved by the resolution of the general meeting of shareholders as well as other internal documents of the Company approval of which is attributed by the By-Laws to the competence of the sole executive body of the Company, introduction of changes and amendments into these documents;
- establishment and liquidation of affiliates, opening and closing down of representative offices of the Company, approval of provisions for affiliates and representative offices, introduction of changes and amendments thereto; appointment of managers of affiliates and representative offices and termination of their authorities;
- introduction of changes associated with establishment of affiliates, opening of representative offices and their liquidation into the Company By-Laws;
- approval of major transactions in cases stipulated by Article X of the Federal Law on "Joint Stock Companies";
- approval of transactions stipulated by Article XI of the Federal Law on "Joint Stock Companies";
- approval of the registrar of the Company and contract terms therewith as well as termination of the contract therewith;
- decision making in regard to auditing financial and economic activities of the Company at any time;
- appointment of the person authorized to sign the contract on behalf of the Company having the sole executive body;
- determination of the list of additional documents to be mandatory kept at the Company;
- approval of the contract by the person acting as a sole executive body of the Company;
- decision making in regard to termination of authorities of the sole executive body of the Company;
- other issues stipulated by the Federal Law on "Joint Stock Companies" and the By-Laws.

Issues attributed to the competence of the Board of Directors can not be submitted for decision making to the executive body of the Company.

**The competence of the sole and joint executive bodies of the issuer** shall be in accordance with its By-Laws (statutory documents):

Management of current activities of the Company shall be carried out by the Director General (the sole executive body of the Company).

The sole executive body shall report to the general meeting of shareholders and the Board of Directors. All the issues of management of current activities of the Company except for the issues attributed to the exclusive competence of the general meeting of shareholders and the Board of Directors **shall be attributed to the competence of the Director General.**

The Director General shall arrange implementation of decisions of the general meetings of shareholders and the Board of Directors.

The Director General shall act without power of attorney on behalf of the Company. He shall:

- perform operational management of activities of the Company;
- have the right of first signature in financial documents;
- dispose of the assets of the Company for ensuring its current activities within the limits established by the By-Laws;
- represent the interests of the Company both within the Russian Federation and outside including foreign countries;
- approve staffing lists, conclude labor contracts with employees of the Company, apply incentives to them and impose penalties thereon;
- handle transactions on behalf of the Company except for the cases stipulated by the Federal Law on "Joint Stock Companies" and the By-Laws of the Company;
- issue powers of attorney on behalf of the Company;
- open accounts of the Company in the banks;
- organize book-keeping and reporting in the Company;
- issue orders and give instructions which are mandatory for execution by all employees of the Company;
- fulfill other functions required for achieving the objectives of the Company's activities and ensuring its

standard operation in accordance with the current law and the By-Laws except for the functions attributed by the Federal Law on "Joint Stock Companies" and the By-Laws to other Control Authorities of the Company.

The Director General shall be elected by the general meeting of shareholders for a term of 4 years. The issuer has no code of corporate conduct (management) or any similar document.

**For the last reporting period the following changes have been introduced into the issuer's By-Laws:**

Para 6.5. of VSMPO-AVISMA Corporation By-Laws shall be revised as follows:

"6.5. The structure of the Company includes the following affiliates:

- VSMPO Affiliate. Location: 12, Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Region, the Russian Federation;

- AVISMA Affiliate. Location: 29, Zagorodnaya Str., Berezniki, Perm Region, the Russian Federation.

The full text of the current issue of the issuer's By-Laws and internal documents regulating activities of the Company's control authorities is provided for the open access in the Internet at web-site

[www.vsm-po.ru/core.php?p=442](http://www.vsm-po.ru/core.php?p=442).

## 5.2. Persons Included in the Issuer's Control Authorities

### Board of Directors:

**Besedin, Vasily Alexandrovich**, b. 1953

Education: higher

Positions for the last 5 years:

Period: 2001 – June 30, 2005

Position: Director of Maintenance, Reconstruction and Repairs, JSC AVISMA

Share in the issuer's authorized capital: none

Period: July 1, 2005 till present time

Position: Director of Maintenance, Reconstruction and Repairs, AVISMA affiliate of VSMPO – AVISMA Corporation

Share in the issuer's authorized capital: none

**Bresht, Vyacheslav Iosifovich**, b.1953

Education: higher vocational

Positions for the last 5 years:

Period: 2001 – 2002

Position: Deputy Director General, Foreign Trade Activities, JSC VSMPO

Period: 2002 – June 2004.

Position: Deputy Director General, Marketing and Sales, JSC VSMPO

Period: June 2004 till present time

Position: Chairman of the Board of Directors

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**Dennis Kelly**, b. 1946

Education: Seton Hall University, Accounting

Positions for the last 5 years:

Period: 2001-2002

Position: Vice President, Strategic Planning, Metallurgist Group, New York

Period: 2003 till present time

Position: Vice President, Finance, Tirus US Company

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**Melnikov, Nikolai Konstantinovich, b. 1955**

Education: higher vocational

Positions for the last 5 years:

Period: 2001 - 2004

Position: Production Planning and Control Director, JSC VSMPO

Period: 2004 till present time

Position: Deputy Director General, Production Planning and Control, VSMPO – AVISMA Corporation

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**John Monahan, b. 1945**

Education: San Francisco College, Economy and History

Positions for the last 5 years:

Period: 2000

Position: Vice President, Sales and Marketing, Timet Company

Period: 2000 till present time

Position: President, Tirus US Company

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**Rizanenko, Pavel Alexandrovich, b. 1975**

Education: bachelor

Positions for the last 5 years:

Period: 2001

Position: consultant, investment banking services, Troika-Dialog Company.

Period: 2001-2003

Position: vice-president, investment banking services, Troika-Dialog Company

Period: 2003 – 2005

Position: director, investment banking services, Troika-Dialog Company

Period: 2005 till present time

Position: director, investment banking services, Renaissance Capital

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**Tetyukhin, Vladislav Valentinovich, b. 1932**

Education: higher vocational

Positions for the last 5 years:

Period: 2001-2005

Position: Director General of JSC VSMPO

Period: 2005 till present time

Position: Director General of VSMPO-AVISMA Corporation

Period: 2001 – June 30, 2005

Position: Director General of JSC AVISMA

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**Sole Executive Body:**

**Tetyukhin, Vladislav Valentinovich, b. 1932.**

### **5.3. Remuneration, Benefits and/or Compensation of Expenses of Each Issuer's Control Authority**

Total income of all the members of the Board of Directors for 2005 equals 7`394`567.29 rubles, including:

- in accordance with the Regulations for the Board of Directors, remuneration for 2005 was not paid to the members of the Board of Directors;
- the salary of the members of the Board of Directors who are staff employees of VSMPO-AVISMA Corporation for 2005 is 7`394`567.29 rubles in accordance with the staff list of VSMPO-AVISMA Corporation.

### **5.4. Structure and Competence of the Issuer's Financial & Economic Control Authorities**

Financial, economic and legal activities of the Company shall be controlled by the Internal Auditing Committee.

Any shareholder or any person nominated by the shareholder may become a member of the Internal Auditing Committee.

The members of the Internal Auditing Committee of the Company may not concurrently be the members of the Board of Directors or the executive bodies of the Company.

The Internal Auditing Committee shall be elected at the annual general meeting of shareholders for 1 year-period and shall consist of at least three persons.

The Internal Auditing Committee shall elect a chairman and a secretary of the Internal Auditing Committee from its members.

Control (audit) of financial and economic activities of the Company is carried out on the basis of the Company annual performance results, as well as at any time on initiative of the Auditing Committee, according to resolution of the general meeting of shareholders or the Board of Directors, or upon request from the shareholder (shareholders) of the Company holding in aggregate not less than 10 percent of the voting shares.

The following is attributed to the competence of the Internal Auditing Committee:

- audit of financial documentation of the Company, accounting reports, statements of the property inventory committee and comparison of the abovementioned documents with primary accounting records;
- review of accounting, taxation, management and statistical books for accuracy and comprehensiveness;
- review of financial status of the Company, its solvency, liquidity of assets, own funds to borrowings ratio, net assets and the authorized capital, identification of reserves for improvement of economic status of the Company, development of recommendations for control authorities of the Company;
- review of timeliness and accuracy of payments made to suppliers of products and services, payments to the budget and off-budget funds, charges and payments of dividends, interests on debenture bonds, repayment of other liabilities;
- confirmation of data adequacy included in the annual reports of the Company, annual accounts, income statements (profit and loss accounts), profit allocation, reporting documentation for tax and statistical purposes, state administration authorities;
- verification of competence of Director General with regard to conclusion of contracts on behalf of the Company;
- verification of competence of resolutions adopted by the Board of Directors, the Director General, the Liquidation Committee and their compliance to the By-Laws and resolutions adopted by the general meeting of shareholders;
- review of resolutions adopted by the general meeting of shareholders for their compliance to the law and By-Laws.

The Internal Auditing Committee has the right to:

- request personal explanation from the members of the Board of Directors, employees of the Company including any officers, on the issues attributed to the competence of the Internal Auditing Committee;
- bring to the attention of the control authorities the issue with regard to the responsibility of the employees of the Company including the officers in case of their violation of the By-Laws, provisions, regulations and instructions approved by the Company;
- recruit specialists who are not staff employees of the Company on a contractual basis.

Upon request of the Internal Auditing Committee persons occupying positions in the control authorities of the Company shall submit reports disclosing financial and economic activities of the Company.

The Internal Auditing Committee has the right to request to call an extraordinary general meeting of shareholders according to the procedure set forth in the By-Laws.

Based on the audit of financial and economic activities of the Company the Internal Auditing Committee draws up a conclusion that includes the following:

- confirmation of data adequacy included in the reports and other financial documents of the Company;
- information on facts of violation of the accounting procedure and financial presentation stipulated by the legal acts of the Russian Federation, as well as of the legal acts of the Russian Federation when conducting financial and economic activities.

## **5.5. Members of Financial & Economic Control Authorities**

### **Members of the Internal Auditing Committee:**

**Ryzhova, Tatyana Eliseyevna**, b.1950.

Education: secondary vocational

Positions for the last 5 years:

Period: 2001 till present time

Position: Chairman of the Internal Auditing Committee

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**Zabolotskaya, Natalia Mikhailovna**, b. 1973.

Education: higher

Positions for the last 5 years:

Period: 2001 – 2002

Position: accounting system expert

Period: 2002 – 2005

Position: assistant manager

Period: 2005 till present time

Position: Auditor, Financial and Economic Issues

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**Tanaev, Alexander Fedotov**, b. 1934

Education: higher

Positions for the last 5 years:

Period: 2001 – June 30, 2005

Position: head of the auditing department of JSC AVISMA

Period: July 1, 2005 till present time

Position: head of the auditing department of AVISMA Affiliate

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**Pryanichnikova, Nadezhda Ivanovna**, b. 1950.

Education: secondary vocational

Positions for the last 5 years:

Period: 2001 – 2002

Position: Accountant, Shop 16

Period: 2002 till present time

Position: Auditor, Financial and Economic Issues

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities.

**Uglov, Oleg Borisovich**, b. 1973.

Education: higher

Positions for the last 5 years:

Period: 2001 – 2002

Position: senior specialist, Security Service

Period: 2002 – 2005

Position: senior specialist, economic security

Period: 2005 till present time

Position: senior specialist, group leader

Share in the issuer's authorized capital: none

Shares in subsidiary/related companies of the issuer: none

There are no blood relations with other persons in the issuer's control authorities or financial & economic control authorities

## **5.6. Remuneration, Benefits and/or Compensation of Expenses of Financial & Economic Control Authorities**

Total income of all members of the Internal Auditing Committee employed on a regular basis for 2005 equals 1`896`156.17 rubles.

Based on the resolution adopted by the annual general meeting of shareholders of VSMPO-AVISMA Corporation as of June 10, 2005 the amount of remuneration to be paid to the members of the Internal Auditing Committee for the last completed financial year for 2004 is 128 000 rubles.

## **5.7. Number of the Issuer Employees, Education and Structure of the Issuer Employees and Changes in the Number of Employees**

Index	2001	2002	2003	2004	2005	Q1 2006
Average number of employees, people	14 765	14 866	15 234	15 280	18 846	21 259
Funds spent for labor payment, 000' rubles	951 519	1 184 550	1 395 517	1 682 325	2 666 914	802 482
Funds spent for social welfare, 000' rubles	324 497	383 193	437 663	526 023	686 575.1	202 887
Total funds spent, 000' rubles	1 276 015	1 567 743	1 833 181	2 208 348	3 353 489	1 005 369

Increase in the number of employees in 2005 is caused by JSC AVISMA termination of its activities as legal entity on July 1, 2005 by affiliating to VSMPO-AVISMA Corporation.

Trade union bodies were established by the Issuer's staff (employees).

## **5.8. Issuer's Obligations to the Staff (Employees) Associated with their Participation in the Issuer's Authorized Capital**

There are no agreements or obligations concerning the possibility of the issuer's staff (employees) participation in the authorized capital.

## **VI. Shareholders and Interest Transactions of the Issuer**

### **6.1. Total Number of Shareholders**

The number of persons registered in the Shareholders' Register as at the close date of the reporting quarter is 5 090, including 12 nominal shareholders.

### **6.2. Shareholders Holding not less than 5% of the Issuer's Authorized Capital or not less than 5% of the Issuer's Ordinary Shares, as well as Shareholders of such Persons Holding not less than 20 % of their Authorized Capital or not less than 20% of their Ordinary Shares**

Full and abbreviated name of the nominal shareholder of the issuer:

**Closed Joint Stock Company "Depositary and Clearing Company" (CJSC "D&CC")**

Address: 31, Building Б, Shabolovka St., Moscow, 115162

Telephone: +7(095) 956-09-99

Fax: +7(095) 232-68-04

E-mail: dcc@dcc.ru

License No. 177-062-36-000100 as of 09.10.02. granted by the Federal Service for Financial Markets of Russia to the professional securities market participant for open-ended depository activity.

Share in the issuer's authorized capital: 77.0868%.

Portion of the issuer's ordinary shares it holds: 77.0868%.

Full and abbreviated name of the nominal holder of the issuer:

**Closed Joint Stock Company ING BANK (Eurasia) (CJSC ING BANK (Eurasia))**

Address: 36, Krasnoproletarskaya, Moscow, 123022.

Telephone: +7(095) 755-54-00

Fax: +7(095) 755-54-99

E-mail: mail@ibimos.ru

License No. 177-03728-000100 granted by the Federal Service for Financial Markets of Russia to the professional securities market participant for open-ended depository activity

Share in the issuer's authorized capital: 5.0830%.

Portion of the issuer's ordinary shares it holds: 5.0830%.

Full and abbreviated name of the nominal holder of the issuer:

**Closed Joint Stock Company "Citybank" Commercial Bank (CJSC "Citybank")**

Address: 8-10, Gashek St., Moscow, 125047.

Telephone: +7(095) 725-10-00

Fax: +7(095) 725-67-00

License No. 177-02719-000100 as of 01.11.00. granted by the Federal Service for Financial Markets of Russia to the professional securities market participant for open-ended depository activity

Share in the issuer's authorized capital: 8.3144%.

Portion of the issuer's ordinary shares it holds: 8.3144%.

### **6.3. State or Municipal Share in the Issuer's Authorized Capital. Special Right ("Golden Share")**

The State has no share in the issuer's authorized capital. Special right ("golden share") to participation of the Russian Federation, subjects of the Russian Federation, and municipal formations in management of the issuer is not stipulated.

#### **6.4. Restricted Participation in the Issuer's Authorized Capital**

The By-Laws do not provide for any restrictions on the number of shares that may be held by one shareholder and/or on their total par value and/or maximum number of votes that may be granted to one shareholder.

Neither the law of the Russian Federation nor other statutory acts provide for restrictions on the foreign share in the issuer's authorized capital.

There are no any other restrictions related to participation in the issuer's authorized capital.

#### **6.5. Changes in Structure and Share of the Issuer's Shareholders Holding not less than 5% of its Authorized Capital or not less than 5% of its Ordinary Shares**

The date on which the list of persons entitled to participate in the general meeting of shareholders was made: **23.04.2001**

Full and abbreviated corporate name: Closed Joint Stock Company "Soyuz VS" (CJSC "Soyuz VS")

Share in the issuer's authorized capital: 38.6098

Portion of the ordinary shares it holds: 38.6098

Full and abbreviated corporate name: Joint Stock Company "Avitrans" (JSC "Avitrans")

Share in the issuer's authorized capital: 8.1922

Portion of the ordinary shares it holds: 8.1922

Full and abbreviated corporate name: OBA Enterprises Limited

Share in the issuer's authorized capital: 15.5

Portion of the ordinary shares it holds: 15.5

The date on which the list of persons entitled to participate in the general meeting of shareholders was made: **09.04.2002**

Full and abbreviated corporate name: Closed Joint Stock Company "Soyuz VS" (CJSC "Soyuz VS")

Share in the issuer's authorized capital: 38.6110

Portion of the ordinary shares it holds: 38.6110

Full and abbreviated corporate name: OBA Enterprises Limited

Share in the issuer's authorized capital: 17.6037

Portion of the ordinary shares it holds: 17.6037

Full and abbreviated corporate name: Nikitas Brokerage Limited

Share in the issuer's authorized capital: 14.1312

Portion of the ordinary shares it holds: 14.1312

The date on which the list of persons entitled to participate in the general meeting of shareholders was made: **10.04.2003**

Full and abbreviated corporate name: Closed Joint Stock Company "Soyuz VS" (CJSC "Soyuz VS")

Share in the issuer's authorized capital: 42.9003

Portion of the ordinary shares it holds: 42.9003

Full and abbreviated corporate name: Nikitas Brokerage Limited

Share in the issuer's authorized capital: 13.1082

Portion of the ordinary shares it holds: 13.1082

Full and abbreviated corporate name: JSC AVISMA Titanium and Magnesium Works (JSC AVISMA)  
Share in the issuer's authorized capital: 17.7025  
Portion of the ordinary shares it holds: 17.7025

The date on which the list of persons entitled to participate in the general meeting of shareholders was made: **05.12.2003**

Full and abbreviated corporate name: Closed Joint Stock Company "Soyuz VS" (CJSC "Soyuz VS")  
Share in the issuer's authorized capital: 8.1595  
Portion of the ordinary shares it holds: 8.1595

Full and abbreviated corporate name: Limited Liability Company "RENOVA-INVESTMENTS" (RENOVA-INVESTMENTS LLC)  
Share in the issuer's authorized capital: 5.5941  
Portion of the ordinary shares it holds: 5.5941

Full and abbreviated corporate name: Colbridge Limited  
Share in the issuer's authorized capital: 20.0000  
Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Colgrove Limited  
Share in the issuer's authorized capital: 6.3526  
Portion of the ordinary shares it holds: 6.3526

Full and abbreviated corporate name: Finecroft Limited  
Share in the issuer's authorized capital: 11.2499  
Portion of the ordinary shares it holds: 11.2499

Full and abbreviated corporate name: Maxbay Limited  
Share in the issuer's authorized capital: 6.3517  
Portion of the ordinary shares it holds: 6.3517

Full and abbreviated corporate name: Rockcastle Enterprises Limited  
Share in the issuer's authorized capital: 5.0812  
Portion of the ordinary shares it holds: 5.0812

Full and abbreviated corporate name: Winfair Limited  
Share in the issuer's authorized capital: 10.4888  
Portion of the ordinary shares it holds: 10.4888

The date on which the list of persons entitled to participate in the general meeting of shareholders was made: **29.03.2004**

Full and abbreviated corporate name: Deplex Limited  
Share in the issuer's authorized capital: 20.0000  
Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Finebond Limited  
Share in the issuer's authorized capital: 20.0000  
Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Osengo Investments limited  
Share in the issuer's authorized capital: 12.0164  
Portion of the ordinary shares it holds: 12.0164

Full and abbreviated corporate name: Coldsteam Limited  
Share in the issuer's authorized capital: 10.0134

Portion of the ordinary shares it holds: 10.0134

Full and abbreviated corporate name: Multibrook Ltd

Share in the issuer's authorized capital: 10.0134

Portion of the ordinary shares it holds: 10.0134

The date on which the list of persons entitled to participate in the general meeting of shareholders was made: **05.08.2004**

Full and abbreviated corporate name: Deplex Limited

Share in the issuer's authorized capital: 20.0000

Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Finebond Limited

Share in the issuer's authorized capital: 20.0000

Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Osengo Investments limited

Share in the issuer's authorized capital: 12.0206

Portion of the ordinary shares it holds: 12.0206

Full and abbreviated corporate name: Coldsteam Limited

Share in the issuer's authorized capital: 10.0134

Portion of the ordinary shares it holds: 10.0134

Full and abbreviated corporate name: Multibrook Ltd

Share in the issuer's authorized capital: 10.0134

Portion of the ordinary shares it holds: 10.0134

The date on which the list of persons entitled to participate in the general meeting of shareholders was made: **22.11.2004**

Full and abbreviated corporate name: Deplex Limited

Share in the issuer's authorized capital: 20.0000

Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Finebond Limited

Share in the issuer's authorized capital: 20.0000

Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Osengo Investments limited

Share in the issuer's authorized capital: 12.0206

Portion of the ordinary shares it holds: 12.0206

Full and abbreviated corporate name: Coldsteam Limited

Share in the issuer's authorized capital: 10.0134

Portion of the ordinary shares it holds: 10.0134

Full and abbreviated corporate name: Multibrook Ltd

Share in the issuer's authorized capital: 10.0134

Portion of the ordinary shares it holds: 10.0134

The date on which the list of persons entitled to participate in the general meeting of shareholders was made: **28.04.2005**

Full and abbreviated corporate name: Deplex Limited

Share in the issuer's authorized capital: 20.0000

Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Finebond Limited  
Share in the issuer's authorized capital: 20.0000  
Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Osengo Investments limited  
Share in the issuer's authorized capital: 12.0206  
Portion of the ordinary shares it holds: 12.0206

Full and abbreviated corporate name: Coldsteam Limited  
Share in the issuer's authorized capital: 10.0134  
Portion of the ordinary shares it holds: 10.0134

Full and abbreviated corporate name: Multibrook Ltd  
Share in the issuer's authorized capital: 10.0134  
Portion of the ordinary shares it holds: 10.0134

The date on which the list of persons entitled to participate in the general meeting of shareholders was made: **15.08.2005**

Full and abbreviated corporate name: Deplex Limited  
Share in the issuer's authorized capital: 18,2536  
Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Finebond Limited  
Share in the issuer's authorized capital: 18,2536  
Portion of the ordinary shares it holds: 20.0000

Full and abbreviated corporate name: Osengo Investments limited  
Share in the issuer's authorized capital: 12.9370  
Portion of the ordinary shares it holds: 12.9370

Full and abbreviated corporate name: Coldsteam Limited  
Share in the issuer's authorized capital: 9.5923  
Portion of the ordinary shares it holds: 9.5923

Full and abbreviated corporate name: Multibrook Ltd  
Share in the issuer's authorized capital: 9.5923  
Portion of the ordinary shares it holds: 9.5923

## 6.6. Interest Transactions of the Issuer

There were no interest transactions during the last reporting quarter.

## 6.7. Accounts Receivable

Type of Re-	Unit	01.01.2006	01.04.2006
-------------	------	------------	------------

ceivables		Payment Due Date		Payment Due Date			
		Up to one year	Over a year	Up to one year	Over a year		
Accounts re- ceivables from buyers and cus- tomers	000' rubles	1 886 609	X	5 108 418	X		
including past dues	000' rubles	703 325	X	697 102	X		
Notes receiv- able	000' rubles	According to Order No. 67n dd. 22.07.2003 issued by RF Ministry of Fi- nance "Forms of Company Accounting", starting from 2003 this infor- mation is not included into reports	X	According to Order No. 67n dd. 22.07.2003 issued by RF Ministry of Fi- nance "Forms of Company Accounting", starting from 2003 this infor- mation is not included into reports	X		
including past dues	000' rubles		X		X		
Contributions to the authorized capital from participants (founders)	000' rubles		X		X		
including past dues	000' rubles		X		X		
Advances given	000' rubles		X		X		
including past dues	000' rubles		X		X		
Other receiv- ables	000' rubles		X		X		
including past dues	000' rubles		X		X		
Total	000' rubles		4 279 421		X	8 043 328	X
including past dues	000' rubles		1 485 127		X	1 617 829	X

## VII. Issuer's Financial Statements and Other Financial Information

### 7.1. Annual Financial Statements of the Issuer

The annual financial statements of the issuer for the last completed financial year were made in accordance with the laws of the Russian Federation.

The financial statements consist of:

a) Balance Sheet – Form No.1

b) Profit and Loss Account – Form No. 2

c) appendixes to Balance Sheet and Profit and Loss Account:

- Statement on capital changes – Form No. 3;

- Cash flow statement – Form No. 4;

- Appendix to balance sheet – Form No. 5;

d) audit report based on the financial statements audit required by the laws of the Russian Federation.

## BALANCE SHEET

As of December 31, 2005

Company: VSMPO – AVISMA Corporation

Taxpayer Identification Number

Type of Activity: Metallurgical Production

Legal Form / Form of Ownership: Public Stock Company

Unit: 000' rubles

Location (Address)

Verkhnyaya Salda, Sverdlovsk Region

Form No. 1  
Date (yy, mm, dd)

Codes
710001
07510017
6607000556
27.45
47/34
384

ASSETS	Line	Opening Balance	Closing Balance
1	2	3	4
<b>I. NON-CURRENT ASSETS</b>			
Intangible assets	110	1 087	1 038
Fixed assets	120	2 245 965	4 543 705
Construction in progress	130	1 035 802	1 743 163
Profitable investments in tangible assets	135	0	0
Long-term financial investments	140	1 032 910	620 428
Deferred tax assets	145	69	3 467
Other non-current assets	150	0	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>190</b>	<b>4 315 833</b>	<b>6 911 801</b>
<b>II. CURRENT ASSETS</b>			
<b>Inventories</b>	<b>210</b>	<b>5 055 928</b>	<b>8 074 779</b>
including:			
Raw materials, materials and other similar assets	211	1 329 029	2 387 694
Cattle kept for breeding	212	0	0
Work in process	213	1 202 189	1 737 661
Finished products and goods for resale	214	1 049 653	1 643 308
Shipped goods	215	1 462 704	2 205 182
Deferred expenses	216	12 353	100 934
Other inventories and costs	217	0	0
VAT on acquired assets	220	664 201	884 735
Accounts receivable (amounts falling due above one year)	230	0	0
including:			
Buyers and customers	231	0	0
Accounts receivable (amounts falling due within one year)	240	2 296 611	4 279 421
including:			
Buyers and customers	241	804 673	1 886 609

Short-term financial investments	250	36	87 117
Cash	260	74 787	208 771
Other current assets	270	0	0
<b>TOTAL CURRENT ASSETS</b>	290	8 091 563	13 534 823
<b>BALANCE</b>	300	12 407 396	20 446 624

LIABILITIES	Line	Opening Balance	Closing Bal- ance
1	2	3	4
<b>III. CAPITAL AND RESERVES</b>			
Authorized capital	410	10 626	11 530
Treasury stock	411	(2 056)	0
Additional capital	420	1 359 991	6 373 457
Capital reserves including:	430	624	668
Legal reserves	431	624	668
Statutory reserves	432	0	0
Retained earnings (outstanding loss)	470	7 007 255	8 223 661
Including retained earnings of current year	471	0	3 174 137
<b>TOTAL CAPITAL AND RESERVES</b>	490	8 376 440	14 609 316
<b>IV. LONG-TERM LIABILITIES</b>			
Borrowings and loans	510	0	0
Deferred tax liability	515	20 957	77 065
Other long-term liabilities	520	0	967
<b>TOTAL LONG-TERM LIABILITIES</b>	590	20 957	78 032
<b>V. SHORT-TERM LIABILITIES</b>			
Borrowings and loans (66)	610	1 811 324	3 369 438
Accounts payable including:	620	2 147 363	2 242 998
Suppliers and contractors	621	629 247	494 638
Accrued personnel compensation	622	1 982	37 033
Liability against public off-budget funds	623	23 421	29 210
Tax liability	624	415 164	401 836
Other creditors	625	1 077 549	1280 281
Dividends in arrears	630	709	2 664
Deferred income	640	603	5 157
Provision for future expenses	650	50 000	139 019
Other short-term liabilities	660	0	0
<b>TOTAL SHORT-TERM LIABILITIES</b>	690	4 009 999	5 759 276
<b>BALANCE</b>	700	12 407 396	20 446 624

**OFF-BALANCE SHEET ITEMS**

Item	Line	Opening Balance	Closing Bal- ance
1	2	3	4
Rented fixed assets	910	22 388	352 343
including lease	911	21 931	297 442
Material assets in safe keeping	920	5	29 983
Goods on commission	930	0	248
Bad debts	940	141 011	141 215
Collaterals received	950	0	0
Collaterals given	960	2 430 937	2 251 469
Depreciation of residential real estate	970	0	10 892
Depreciation of infrastructure, landscape and road con- structions	980	0	0
Intangible assets received for use	990	0	0
Other	1000	276 093	302 866

## PROFIT AND LOSS ACCOUNT

As of December 31, 2005  
 Company: VSMPO – AVISMA Corporation  
 Taxpayer Identification Number  
 Type of Activity: Metallurgical Production  
 Legal Form / Form of Ownership: Public Stock Company  
 Unit: 000' rubles  
 Address Verkhnyaya Salda, Sverdlovsk Region

Form No.2  
 Date (yy, mm,dd)

Codes
710002
7510017
6607000556
27.45
47/34
384

Item		Reporting Pe- riod	Previous Year Period
Description	Line		
1	2	3	4
<b>Income and Expenses Related to Conventional Ac- tivities</b>			
Net sales of goods, products, operations and services (less VAT, excise taxes and similar payments)	10	16 800 410	10 571 946
Cost of goods, products, operations, and services sold	20	(10 057 562)	(7 377 393)
Gross profit	29	6 742 848	3 194 553
Business Expenses	30	(524 040)	(318 040)
Administrative expenses	40	(1 609 688)	(1 127 988)
Sales profit (loss)	50	4 609 120	1 748 525
<b>Other Income and Expenses</b>			
Interest receivable	60	363	1 587
Interest payable	70	(187 196)	(83 032)
Share in revenue of other companies	80	374	-
Other operating income	90	10 691 835	7 368 392
Other operating expenses	100	(11 117 236)	(7 592 456)
Off-sales income	120	1 276 248	1 203 818
Off-sales expenses	130	(904 342)	(447 938)
<b>Profit (Loss) Before Tax</b>	140	4 369 166	2 198 896
Deferred tax assets	141	3 398	-
Deferred tax liabilities	142	(56 107)	(8 541)
Current year profit tax	150	(1 142 320)	(589 588)
<b>Net Profit (Loss) for Reporting Period</b>	190	3 174 137	1 600 767
For reference. Fixed tax liabilities (assets)	200	146 429	70 394

## BREAKDOWN OF INDIVIDUAL PROFIT AND LOSS ITEMS

Item Description	For the Reporting Period			For the Same Period of the Previous Year	
	Line	Profit	Loss	Profit	Loss
1	2	3	4	5	6
Penalties and fines recognized or enforced by court (arbitration court)	210	945	2 710	1 017	4 414
Profit (loss) for the past years	220	281 937	153 598	129 999	29 215
Compensation for losses incurred due to default or improper fulfillment of obligations	230	2 230	206	-	116
Profit and loss on foreign currency	240	138 349	213 079	158 991	72 637
Write-off of accounts receivable and payable with the expired limitation period	260	6 973	1 382	4 944	19 993

## STATEMENT ON CAPITAL CHANGE

for 2005  
 Company: VSMPO – AVISMA Corporation  
 Taxpayer Identification Number  
 Type of Activity: Metallurgical Production  
 Legal Form / Form of Ownership: Public Stock Company  
 Unit: 000' rubles

Form No.3  
 Date (yy, mm,dd)

Codes
710003
07510017
6607000556
27.45
47/34
384

### I. Capital Change

Item		Author- ized Capital	Additional Capital	Reserve Capital	Retained Earn- ings (Uncovered Loss)	Total
Description	Line					
1	2	3	4	5	6	7
Balance as of December 31 of the year preceding the previous one <u>2004</u> (previous year)	10	10 626	1 359 991	624	5 523 333	6 894 574
Changes in accounting policy	11	x	x	x	-	-
Revaluation of fixed assets	12	x	-	x	-	-
Balance as of January 1 of the previous year	20	10 626	1 359 991	624	5 523 333	6 894 574
Revaluation of foreign exchange	23	x	-	x	x	-
Net profit	25	x	x	x	1 600 767	1 600 767
Dividends	26	x	x	x	(116 845)	(116 845)
Reserve allocation	30	x	x	-	-	-
Capital increase due to: Additional issue of shares	41	-	x	x	x	-
Increase in par value of shares	42	-	x	x	x	-
Legal entity reorganization	43	-	x	x	-	-
Capital decrease due to: Decrease in par value of shares	51	-	x	x	x	-
Decrease in number of shares	52	-	x	x	x	-
Legal entity reorganization	53	-	-	x	x	-
Balance as of December 31 of the previous year <u>2005</u> (reporting year)	60	10 626	1 359 991	624	7 007 255	8 378 496
Changes in accounting policy	61	x	x	x	-	-
Revaluation of fixed assets	62	x	-	x	-	-
Balance as of January 1 of the reporting year	100	10 626	1 359 991	624	7 007 255	8 378 496
Revaluation of foreign exchange	103	x	-	x	-	-
Net profit	105	x	x	x	3 174 137	3 174 137

Dividends	106	x	x	x	(308 114)	(308 114)
Reserve allocation	110	x	x	-	-	-
Capital increase due to: Additional issue of shares	121	-	x	x	x	-
Increase in par value of shares	122	-	x	x	x	-
Legal entity reorganization	123	905	5 013 466	44	x	5 014 415
Capital decrease due to: Decrease in par value of shares	131	-	x	x	x	-
Decrease in number of shares	132	(1)	x	x	x	(1)
Legal entity reorganization	133	-	-	x	(1 649 617)	(1 649 617)
Balance as of December 31 of the reporting year	140	11 530	6 373 457	668	8 223 661	14 609 316

## II. Reserves

Item		Balance	Received	Used	Balance
Description	Line				
1	2	3	4	5	6
<b>Legal reserves:</b>					
Reserve fund					
Reserve description					
For the previous year		624	-	-	624
For the reporting year		624	44	-	668
<b>Statutory reserves:</b>					
Reserve description					
For the previous year		-	-	-	-
For the reporting year		-	-	-	-
<b>Future expenses reserve:</b>					
Future vacation pay					
For the previous year		-	216 900	(216 900)	-
For the reporting year		-	373 324	(373 324)	-
Reserve for fixed assets repair					
Reserve description					
For the previous year		14 017	563 076	(527 093)	50 000
For the reporting year		50 000	970 972	(881 953)	139 019

**REFERENCE**

Item		Opening Balance		Closing Balance	
Description	Line				
1	2	3		4	
1) Net assets	200	8 377 043		14 614 473	
		<b>Budget</b>		<b>Off-Budget Funds</b>	
		<b>Reporting Year</b>	<b>Previous Year</b>	<b>Reporting Year</b>	<b>Previous Year</b>
		3	4	5	6
2) Received for: Expenses for ordinary activities – total, Including immediate reserve maintenance	210	-	-	-	-
		543	880	-	-
Research financing		-	-	-	-
Other objectives		-	-	-	-
Investments in non-current as- sets	220	-	-	-	-

## CASH FLOW STATEMENT

For 2005  
 Company: VSMPO – AVISMA Corporation  
 Taxpayer Identification Number  
 Type of Activity: Metallurgical Production  
 Legal Form / Form of Ownership: Public Stock Company  
 Unit: 000' rubles

Form No. 4  
 Date (yy, mm,dd)

Codes
710004
7510017
6607000556
27.45
47/34
384

Item		Reporting Period	Previous Year Period
Description	Line		
1	2	3	4
<b>Cash beginning</b>	10	74 787	207 779
<b>Cash flows from operating activities</b>			
Funds received from buyers and customers	20	17 444 509	11 801 696
Funds from foreign exchange operations	30	9 977 244	10 507 209
Other income	50	991 874	663 472
Funds for:			
payment of purchased goods, operations, services, raw materials and other current assets	150	(6 424 292)	(1 440 063)
advances to suppliers and contractors	155	(8 260 389)	(6 784 015)
currency purchase	156	(57 327)	(466 570)
currency sale	157	(9 990 523)	(10 064 825)
wages	160	(1 994 828)	(1 234 248)
expense accounts	165	(92 238)	(65 447)
dividends and interests	170	(295 981)	(103 362)
taxes and dues	180	(1 420 201)	(831 465)
payments to off-budget funds	185	(471 646)	(468 923)
other expenses	190	(437 874)	(277 373)
Net cash from operating activities	200	(1 031 672)	1 236 086
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets and other non-current assets	210	589	5 748
Proceeds from sales of securities and other financial investments	220	846 548	10
Dividends received	230	2 029	921
Interests received	240	307	-

Loan repayments from other companies	250	160	-
Acquisition of subsidiaries	280	(68 481)	(68 174)
Acquisition of fixed assets, profitable investments in tangible assets, and intangible assets	290	(1 007 231)	(1 496 102)
Acquisition of securities and other financial investments	300	(49 659)	(-)
Loans granted to other companies	310	(300)	(4 000)
Net cash from investing activities	340	(276 038)	(1 561 597)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares or other equities	350	-	-
Losses paying-off	355	-	-
Loan and borrowing repayments from other companies	360	7 105 691	4 019 247
Buyback	365	-	(1 962)
Loan and credit repayment (interest-free)	390	(5 612 354)	(3 824 766)
Payment of finance lease	400	(25 277)	-
Net cash from financing activities	410	1 468 060	192 519
Net increase (decrease) in cash and its equivalent	420	160 350	(132 992)
<b>Cash end of period</b>	430	235 137	74 787

Line 430 (col.3) is equal to F.1 (col.4) in line 260 (less invoice 57 for the amount of 60000 ths. rubles) plus line 250 (less invoice 58 for the amount of 751 ths. rubles)

## APPENDIX TO BALANCE SHEET

For 2005  
 Company: VSMPO – AVISMA Corporation  
 Taxpayer Identification Number  
 Type of Activity : Metallurgical Production  
 Legal Form / Form of Ownership: Public Stock Company  
 Unit: 000' rubles

Form No. 5  
 Date (yy, mm, dd)

Codes
710005
07510017
6607000556
27.45
47/34
384

### Intangible Assets

Item		At Beginning of Period	Received	Retired	At End of Period
1	2	3	4	5	6
Intellectual property (exclusive right to intellectual property)	10	2 513	31	(3850)	2 159
including: patent holder's right to invention, design, useful model	11	2 513	31	(385)	2 159
Other	40	-	80	-	80

Item		At Beginning of Period	At End of Period
1	2	3	4
Amortization of intangible assets - total	50	1 426	1 201

### Fixed Assets

Item		At Beginning of Period	Received	Retired	At End of Period
1	2	3	4	5	6
Buildings	110	725 948	900 344	(113 788)	1 512 504
Constructions and transfer units	111	554 806	436 643	(9 652)	981 797
Machinery and equipment	112	3 307 462	2 439 795	(355 922)	5 391 335
Transport vehicles	113	71 908	110 585	(7 177)	175 316
Production inventory and household equipment	114	236 396	93 423	(29 957)	299 862
Longstanding plantations	117	641	264	-	905
Other fixed assets	118	176 996	497 674	(81 438)	593 232
Land and natural resources	119	61 576	37 085	-	98 661
<b>Total</b>	<b>130</b>	<b>5 135 733</b>	<b>4 515 813</b>	<b>(597 934)</b>	<b>9 053 612</b>

Item		At Beginning of Period	At End of Period
Description			
1	2	3	4
Depreciation of fixed assets – total	140	2 889 768	4 509 907
including buildings and constructions	141	722 491	1 259 124
machinery, equipment, transport vehicles	142	2 118 872	2 992 301
other	143	48 405	258 482
Fixed assets leased out, total	150	22 619	386 495
including buildings	151	22 368	147 577
constructions	152	251	4 679
machinery, equipment, transport vehicles	153	-	211 474
other	154	-	22 765
Fixed assets mothballed	155	120 446	124 998
Fixed assets rented, total	160	22 388	352 343
including lease	161	21 931	297 442
Premises in operation under state registration	165	100 302	95 992
		At Beginning of Period	At End of Period
1	2	3	4
Change in fixed assets value as a result of construction and equipment completion, reconstruction and partial liquidation	180	165 128	139 578

### Research, Development and Process Expenses

Activity		At Beginning of Period	Received	Written-Off	At End of Period
Description	Line				
1	2	3	4	5	6
Total	310	-	46 510	-	46 510
FOR REFERENCE.			Line	Reporting Period	Previous Year Period
Total expenses of uncompleted research, development and process activities			2	3	4
			320	-	46 510
Total expenses of research, development and process activities having no beneficial effect and attributed to off-sales expenses			Line	Reporting Period	Previous Year Period
			2	3	4
			330	-	-

### Financial Investments

Item		Long-Term		Short-Term	
Description	Line	At Beginning of Period	Closing Balance	Opening Balance	At End of Period
1	2	3	4	5	6
Investments in registered (stock) capitals of other companies - total	510	1 032 310	583 988	-	-
including subsidiaries and controlled companies	511	1 021 911	573 630	-	-
Securities of other companies – total	520	-	35 840	-	306
including debt securities (bond, note)	521	-	35 810	-	306
Loan given	525	-	-	35	175
Deposit	530	-	-	1	86 636
Other	535	600	600	-	-
<b>Total</b>	<b>540</b>	<b>1 032 910</b>	<b>620 428</b>	<b>36</b>	<b>87 117</b>

### ACCOUNTS RECEIVABLE AND PAYABLE

Item		Opening Balance	Closing Balance
Description	Line		
1	2	3	4
<b>Accounts receivable:</b>			
Short-term - total	610	2 296 611	4 279 421
including payments from buyers and customers	611	803 881	1 886 609

advances given	612	864 629	1 068 965
other	613	628 101	1 323 847
<b>Total</b>	630	2 296 611	4 279 421
<b>Accounts payable:</b>			
Short-term, total	640	3 958 687	5 612 436
including			
payments to suppliers and contractors	641	623 430	494 638
advances received	642	463 544	630 194
taxes and dues	643	415 989	401 836
borrowings	644	1 811 324	3 369 438
loans	645	-	-
other	646	644 400	716 330
Long-term, total	650	-	-
including			
borrowings	654	-	-
loans	655	-	-
deferred tax liabilities	656	20 957	77 065
other long-term liabilities	657	-	967
<b>Total</b>	660	3 958 687	5 612 436

### Expenses on Ordinary Activities (Costs Item)

Item		Reporting Year	Previous Year
Description	Line		
1	2	3	4
Material costs	710	8 823 709	6 683 783
Wages	720	2 302 819	1 580 813
Social sphere	730	587 316	515 546
Amortization	740	341 052	214 723
Other expenses	750	1 988 607	418 074
Total costs	760	14 043 503	9 412 939
Change in balance (increment [+], reduction [-]); work in process	765	+269 759	+99 668
deferred expenses	766	+31 742	+4 097
future expenses reserve	767	+50 000	+35 983

## Guarantee

Item		Opening Balance	Closing Balance
Description	Line		
1	2	3	4
Given, total	830	2 430 937	2 279 469
including notes	831	-	28 000
Property in pledge	840	2 000 832	2 234 844
including fixed assets	841	628 582	1 115 205

## Governmental Assistance

Item		Reporting Period	Previous Year Period
Description	Line		
1	2	3	4
Budget funds received in the reporting year, total	910	543	880
including maintenance of immediate reserve		543	880

## Audit Report on VSMPO-AVISMA Corporation Financial Statements in 2005

March 27, 2006

Outgoing message No. L 45-06

Addressee: VSMPO-AVISMA Corporation

Auditor:

Name: Closed Joint-Stock Company "Analytic Express"

Location: 3, building 2, Gazetny Per., Moscow, 103918

State registration: Certificate of state registration No. 539688 dd. 24.12.1993, Certificate of the entry into the Uniform Public Register of Legal Entities, issue 77 No. 004301111 dd. July 22, 2002, registration number 1027700047451.

License No. E 005434 for auditing activities issued by the Ministry of Finance of the Russian Federation in accordance with the order No. 387 dd. December 9, 2003 (for five years)

Audited Entity:

Name: Public Stock Company VSMPO-AVISMA Corporation

Location: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia  
State registration: Certificate of state registration No. 162 dd. 18.02.1993, Certificate of the entry into the Uniform Public Register of Legal Entities, issue 66 No. 002624651 dd. July 11, 2002, registration number 1026600784011.

We performed the audit of the attached financial statements of VSMPO-AVISMA Corporation for the period from January 1 to December 31, 2005 inclusive. The company financial statements consist of the following:

Balance sheet;  
Profit and Loss Account;  
Appendixes to Balance Sheet and Profit and Loss Account;  
Explanatory note.

The executive body of VSMPO-AVISMA Corporation is responsible for preparation and submission of these financial statements. Our responsibility is to express the opinion on validity of these statements in every essential respect and compliance of accounting with the laws of the Russian Federation based on the conducted audit. We carried out the audit in accordance with the Federal Law on Auditing Activities No. 119-FZ dd. August 7, 2001, the Federal Rules (Standards) of Auditing Activities approved by the Regulation of the Russian Federation Government No. 696 dd. September 23, 2002 (with amendments), and the Company standards.

The audit was planned and performed in order to be reasonably sure that the financial statements contain no false data. The audit was carried out on a sample basis and consisted in review of the evidences confirming the meaning and disclosure of the information on the financial and economic activities in financial statements by testing; evaluation of the accounting principles and practices, and rules of financial reporting; determination of main estimated values obtained by the management of the audited entity, as well as evaluation of general understanding of financial reporting. We believe the conducted audit gave us sufficient grounds to offer the opinion on validity of the financial statements in every essential respect and accounting compliance with the laws of the Russian Federation.

No significant violations of the current procedure for financial reporting and accounting were detected during the audit.

We find that VSMPO-AVISMA Corporation financial statements reliably reflect the financial status in every essential respect as of December 31, 2005 and the results of financial and economic activities for the period from January 1 to December 31, 2005 inclusive.

Keeping the opinion on validity of the financial statements unchanged, we draw attention to the information in the explanatory note to the financial statements, i.e. in 2005 JSC AVISMA was reorganized through affiliation to JSC VSMPO, and all the rights and obligations of JSC AVISMA were transferred to JSC VSMPO; balance carried down as of the affiliation date, July 1, 2005 was confirmed by the auditing company JSC Baker Tili Rusaudit.

Director General,  
Auditing Company  
CJSC Analytic Express



Yu.G.Gritsun

Competence certificate of auditor No. K003059 issued on April 14, 2003 by the Ministry of Finance of the Russian Federation for unlimited period

Audit Supervisor,  
Leading Auditor,  
Auditing Company  
CJSC Analytic Express

A.A.Postelnikov

Competence certificate of auditor No. K003226 issued on April 14, 2003 by the Ministry of Finance of the Russian Federation for unlimited period

## 7.2. Quarterly Financial Statements of the Issuer for the Last Completed Reporting Quarter

The quarterly financial statements of the issuer for the reporting quarter were made in accordance with the law of the Russian Federation.

The financial statements consist of:

- a) Balance Sheet – Form No.1
- b) Profit and Loss Account – Form No. 2

### BALANCE SHEET

As of March 31, 2006

Company: VSMPO – AVISMA Corporation

Taxpayer Identification Number

Type of Activity: Other Non-Ferrous Metal Production

Legal Form / Form of Ownership: Public Stock Company / joint private and foreign property

Unit: 000' rubles

Location (address) 643,624760,66 1, Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Region

Form No. 1			Codes		
			710001		
Date (yy, mm, dd)			2006	03	31
			07510017		
			6607000556		
			27.45.00		
			47/34		
			384		

ASSETS	Line	Opening Balance	Closing Balance
1	2	3	4
<b>I. NON-CURRENT ASSETS</b>			
Intangible assets	110	1 038	1 028
Fixed assets	120	4 543 705	4 560 431
Construction in progress	130	1 743 163	1 978 757
Profitable investments in tangible assets	135	0	0
Long-term financial investments	140	620 428	617 046
Deferred tax assets	145	3 467	6 225
Other non-current assets	150	0	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>190</b>	<b>6 911 801</b>	<b>7 163 487</b>
<b>II. CURRENT ASSETS</b>			
<b>Inventories</b> including:	210	8 074 779	6 716 384
Raw materials, materials and other similar assets	211	2 387 694	2 740 477
Cattle kept for breeding	212	0	0
Work in process	213	1 737 661	1 711 550
Finished products and goods for resale	214	1 643 308	1 564 819
Shipped goods	215	2 205 182	590 651
Deferred expenses	216	100 934	108 887

Other inventories and costs	217	0	0
VAT on acquired assets	220	884 735	769 961
Accounts receivable (amounts falling due above one year)	230	0	0
including buyers and customers	231	0	0
Accounts receivable (amounts falling due within one year)	240	4 279 421	8 043 328
including buyers and customers	241	1 886 609	5 108 418
Short-term financial investments	250	87 117	4 298
Cash	260	208 771	155 218
Other current assets	270	0	0
<b>TOTAL CURRENT ASSETS</b>	290	13 534 823	15 689 189
<b>BALANCE</b>	300	20 446 624	22 852 676
<b>LIABILITIES</b>	<b>Line</b>	<b>Opening Balance</b>	<b>Closing Balance</b>
1	2	3	4
<b>III. CAPITAL AND RESERVES</b>			
Authorized capital	410	11 530	11 530
Treasury stock	411	0	0
Additional capital	420	6 373 457	6 373 457
Capital reserves	430	668	668
including			
Legal reserves	431	668	668
Statutory reserves	432	0	0
Retained earnings (outstanding loss)	470	8 223 661	10 439 285
<b>TOTAL CAPITAL AND RESERVES</b>	490	14 609 316	16 824 940
<b>IV. LONG-TERM LIABILITIES</b>			
Borrowings and loans	510	0	0
Deferred tax liability	515	77 065	84 567
Other long-term liabilities	520	967	783
<b>TOTAL LONG-TERM LIABILITIES</b>	590	78 032	85 350
<b>V. SHORT-TERM LIABILITIES</b>			
Borrowings and loans	610	3 369 438	3 002 541
Accounts payable	620	2 242 998	2 538 256
including			
suppliers and contractors	621	494 638	364 895
Accrued personnel compensation	622	37 033	38 282
Liability against public off-budget funds	623	29 210	59 356
Tax liability	624	401 836	806 921
Other creditors	625	1 280 281	1 268 802

Dividends in arrears	630	2 664	2 612
Deferred income	640	5 157	5 005
Provision for future expenses	650	139 019	393 972
Other short-term liabilities	660	0	0
<b>TOTAL SHORT-TERM LIABILITIES</b>	690	5 759 276	5 942 386
<b>BALANCE</b>	700	20 446 624	22 852 676
<b>Information on funds on off-balance accounts</b>			
Rented fixed assets			
	910	352 343	384 726
including lease	911	297 442	305 774
Material assets in safe keeping	920	29 983	30 009
Goods on commission	930	248	141
Bad debts			
	940	141 215	140 911
Collaterals received	950	0	0
Collaterals given	960	2 251 469	1 949 496
Depreciation of residential real estate	970	10 892	10 935
Depreciation of infrastructure, landscape and road constructions	980	0	0
Intangible assets received for use	990	0	0
Other	1000	302 866	1 127 549

## PROFIT AND LOSS ACCOUNT

For Q1, 2006

Company: VSMPO – AVISMA Corporation

Taxpayer Identification Number

Type of Activity: Other Non-Ferrous Metal Production

Legal Form / Form of Ownership: Public Stock Company / joint private and foreign property

Unit: 000' rubles

Codes		
710002		
2006	03	31
07510017		
6607000556		
27.45.00		
47/34		
384		

Form No. 2

Date (yy, mm,dd)

Item		Reporting Period	Previous Year Period
Description	Line		
1	2	3	4
<b>Income and Expenses Related to Conventional Activities</b>			
Net sales of goods, products, operations and services (less VAT, excise taxes and similar payments)	010	8 391 081	2 975 356
Cost of goods, products, operations, and services sold	020	(4 990 983)	(1 842 563)
Gross profit	029	3 400 098	1 132 793
Business Expenses	030	(155 678)	(86 377)
Administrative expenses	040	(467 864)	(327 276)
Sales profit (loss)	050	2 776 556	719 140
<b>Other Income and Expenses</b>			
Interest receivable	060	286	13
Interest payable	070	(56 889)	(31 149)
Share in revenue of other companies	080	0	0
Other operating income	090	2 621 223	2 154 625
Other operating expenses	100	(2 824 606)	(2 232 541)
Off-sales income	120	647 009	197 894
Off-sales expenses	130	(246 968)	(110 443)
<b>Profit (Loss) Before Tax</b>	140	2 916 611	697 539
Deferred tax assets	141	2 758	0
Deferred tax liabilities	142	(7 502)	(1 657)
Current profit tax	150	(696 243)	(182 551)
<b>Net Profit (Loss) for Reporting Period</b>	190	2 215 624	513 331
FOR REFERENCE			
Fixed tax liabilities (assets)	200	7 887	16 799
Basic profit (loss) per share		0	0
Diluted profit (loss) per share		0	0

#### BREAKDOWN OF INDIVIDUAL P&L ITEMS

Item		For the Reporting Period		For the Same Period of the Previous Year	
Description	Line	Profit	Loss	Profit	Loss
1	2	3	4	5	6
Penalties and fines recognized or enforced by court (arbitration court)		9	590	0	291
Profit (loss) for the past years		497 117	75 019	92 308	1 404
Compensation for losses incurred due to default or improper fulfillment of obligations		2 722	47	0	0

Profit and loss on foreign currency		131 130	101 423	43 197	36 475
Valuation allowances		x	0	x	0
Write-off of accounts receivable and payable with the expired limitation period		0	108	6 568	520

### 7.3. Consolidated Financial Statements of the Issuer for the Last Complete Financial Year.

The consolidated financial statement of the issuer is included into the quarterly report for the second quarter

### 7.4. Issuer's Accounting Policy

Accounting policy for the purpose of accounting and tax registration was put into effect based on Order No. 54 dated February 1, 2005.

For the purpose of accounting the major items of the accounting policy are as follows:

- the following is attributed to fixed assets: buildings, structures, operating and power machines and equipment, measuring and control gages and devices, computer facilities, vehicles, tooling, production inventory and household equipment and appliances, longstanding plantations, internal roads and other corresponding objects;
- the Company includes in the fixed assets the apartments owned by the Company based on the ownership except for the cases when the apartments are purchased for resale or transfer for repayment of any liabilities (in this case apartments are accounted as goods). Regardless of the fact of using apartments for renting purposes they are not transferred to the profitable investments;
- revaluation of fixed assets objects is not performed;
- amounts of accrued depreciation for the objects of fixed assets are reflected in accounting by means of accumulation of corresponding sums on account 02 "Fixed Assets Depreciation". Charged amount of fixed assets depreciation is reflected in the accounting for the credit of account 02 "Fixed Assets Depreciation" in correspondence with accounts for accounting of production expenses and sales costs. As for the fixed assets given in rent or for free use, depreciation shall be charged for account 91 "Other income and Expenses";
- depreciation shall be charged on a monthly basis by the linear method;
- construction in progress is reflected in accounting and reports for actual expenses related thereof;
- the following objects can be attributed to intangible assets: intellectual property objects (exclusive right to the results of intellectual activities); exclusive right of the patent holder to the invention, industrial prototype, utility model; exclusive copyright to computer software, data bases; property right of the owner or other right owner to topologies of integrated circuits; exclusive right of the owner to the trademark and service designation, the name of goods origin location; exclusive right of the patent holder to selection achievements;
- works associated with scientific (research), scientific and technical activities and experimental developments stipulated by the Federal Law No. 127-FZ on "Science and State Scientific & Technical Policy" dated 23.08.96 are attributed to research works;
- expenses for research and product developments are accounted separately on the individual sub-account to account 08 "Investments in non-current assets";
- the following assets are attributed to inventories: used as raw and other materials etc. when manufacturing products designated for sale (operations, services); designated for sale including finished products and goods; used for administrative needs of the Company;
- inventories are accounted on the balance account 10 "Materials" based on the actual cost generated prior to the date of their actual receipt at the warehouse;
- transport and procurement expenses (T&PE) of the Company are accounted by attributing T&PEs to a separate sub-account to account "Materials";
- writing-off of T&PEs by separate types or groups of materials is carried out in proportion to the accounting cost of materials based on the ratio of the amount of balance of T&PEs at the beginning of the

month (reporting period) and current T&PEs for the month (reporting period) to the amount of balance of materials at the beginning of the month (reporting period) and materials supplied during the month (reporting period) at the accounting cost;

- financial investments are investments of the Company's funds in registered (stock) capitals of other companies, securities, joint activities, loans given to other companies for the purpose of taking part in profit allocation, dividends, interests or other income.

VAT in accordance with the accounting policy shall be calculated based on the proceeds for the payment date. Income and expenses for profit tax calculation are determined by the charging method in accordance with the Tax Code provisions.

## 7.5. Total Exports and its Share in Total Sales

Index	2003	2004	2005	Q1 2006
1. Net sales of goods, products, operations and services (less VAT, excise taxes and similar payments), 000' rubles	8 369 550	10 571 946	16 800 410	8 391 081
including				
2. Net export sales of goods, 000' rubles	4 510 042	6 431 529	11 582 115	6 921 967
3. Share of income from export sales of goods in total sales, %	53.9%	60.8%	68.9%	82.5%

Significant increase in income from export sales of goods is caused by the changes described in Para 4.1.2.

## 7.6. Issuer's Real Assets Cost and Significant Changes in the Issuer's Assets since the Close Date of the Last Complete Financial Year

Total value of the real assets as of 01.04.2006: 2`455`888`549.85 rubles

Accumulated amortization: 1`131`334`676.36 rubles

Real assets were not evaluated during 12 months prior the closing date of the reporting quarter.

## 7.7. Participation of the Issuer in Legal Proceedings in case such Participation could have a Significant Effect on Financial and Economic Activities of the Issuer

The issuer has not taken part in any proceedings which could have a significant effect on financial and economic activities of the issuer.

## VIII. Additional Information on the Issuer and Securities Placed

### 8.1. Additional Information on the Issuer

#### 8.1.1. Size and Structure of the Issuer's Authorized Capital

**Size of the authorized capital as of 01.04.2006: 11`529`538 rubles**

Breakdown of the issuer's authorized capital by categories of shares:

Ordinary shares: 11`529`538 pcs

Total par value: 11`529`538 rubles

Share in the authorized capital: 100%

Preferred shares: none  
Total par value: none  
Share in the authorized capital: none

### ***8.1.2. Changes in the Size of the Authorized Capital of the Issuer***

#### **Size of the authorized capital as of 01.01.2001: 11`806`008 rubles.**

Breakdown of the issuer's authorized capital by categories of shares:

Ordinary shares: 11`806`008 pcs  
Total par value: 11`806`008 rubles  
Share in the authorized capital: 100%  
Preferred shares: none  
Total par value: none  
Share in the authorized capital: none

The name of the issuer's control body which took the decision on changing the size of the authorized capital: Board of Directors

The date and the number of the minutes of the meeting of Board of Directors at which the resolution on changing the size of the registered capital was adopted: without No., dated 23.04.1998.

#### **Size of the authorized capital as of 12.07.2002: 10`625`600 rubles.**

Breakdown of the issuer's authorized capital by categories of shares:

Ordinary shares: 10`625`600 pcs.  
Total par value: 10`625`600 rubles  
Share in the authorized capital: 100%  
Preferred shares: none  
Total par value: none  
Share in the authorized capital: none

The name of the issuer's control body which took the decision on changing the size of the authorized capital: general meeting of shareholders

The date and the number of the minutes of the general meeting of shareholders at which the resolution on changing the size of the registered capital was adopted: without No., dated 24.05.2002.

#### **Size of the authorized capital as of 01.07.2005: 11`530`508 rubles.**

Breakdown of the issuer's authorized capital by categories of shares:

Ordinary shares: 11`530`508 pcs.  
Total par value: 11`530`508 rubles  
Share in the authorized capital: 100%  
Preferred shares: none  
Total par value: none  
Share in the authorized capital: none

The name of the issuer's control body which took the decision on changing the size of the authorized capital: general meeting of shareholders

The date and the number of the minutes of the general meeting of shareholders at which the resolution on changing the size of the registered capital was adopted: without No., dated 21.09.2004.

#### **Size of the authorized capital as of 21.07.2005: 11`529`538 rubles.**

Breakdown of the issuer's authorized capital by categories of shares:

Ordinary shares: 11`529`538 pcs.  
Total par value: 11`529`538 rubles  
Share in the authorized capital: 100%  
Preferred shares: none  
Total par value: none  
Share in the authorized capital: none

The name of the issuer's control body which took the decision on changing the size of the authorized capital: Board of Directors

The date and the number of the minutes of the general meeting of shareholders at which the resolution on changing the size of the registered capital was adopted: without No., dated 22.11.2004.

### ***8.1.3. Formation and Use of the Reserve Fund and other Funds of the Issuer***

Name of the fund: reserve fund

Size of the fund established by the statutory documents: the Company shall establish the reserve fund in the amount of 25 % of the Company's authorized capital in accordance with clause 20.2. of current Revision of By-Laws.

Size of the fund in money terms as of 01.01.2002: 623`551 rubles

Size of the fund in percentage of the authorized capital: 5.3

Size of the fund in money terms as of 01.01.2003: 623`551 rubles

Size of the fund in percentage of the authorized capital: 5.9

Size of the fund in money terms as of 01.01.2004: 623`551 rubles

Size of the fund in percentage of the authorized capital: 5.9

Size of the fund in money terms as of 01.01.2005: 623`551 rubles

Size of the fund in percentage of the authorized capital: 5.9

**Size of the fund in money terms as of 01.01.2006: 668`000 rubles**

Size of the fund in percentage of the authorized capital: 5.8

**Size of the fund in money terms as of 01.04.2006: 668`000 rubles**

Size of the fund in percentage of the authorized capital: 5.8

### ***8.1.4. Procedure for Calling and Holding of the General Meeting of the Superior Control Authority of the Issuer***

Name of the superior control authority of the issuer: **general meeting of shareholders.**

**Procedure for notification of shareholders** of the general meeting of the superior control authority of the issuer:

At least 20 day notice of the general meeting of shareholders and 30 day notice of the general meeting of shareholders if the agenda includes the issue on reorganization shall be submitted before the date of the meeting.

Within the aforesaid dates the notice of the general meeting of shareholders shall be published in the Novator newspaper, as well as within the aforesaid dates the notice of the general meeting of shareholders shall be forwarded to each person enumerated in the list of persons entitled to participate in the general meeting of shareholders by the registered letter or handed over to each of the specified persons against the signature.

The company has the right to additionally notify shareholders of the general meeting of shareholders via mass media (TV, radio) as well as via Internet.

**The right to call (require) an extraordinary meeting:**

The extraordinary general meeting of shareholders is carried out in accordance with the decision of the Board of Directors based on its own initiative, the requirement of the Internal Auditing Committee, Company's auditor as well as shareholders (a shareholder) holding not less than 10 % of the voting shares of the Company as of the date of such requirement.

The extraordinary general meeting of shareholders upon request of the Internal Auditing Committee, Company's auditor or shareholders (a shareholder) holding not less than 10 % of the voting shares of the Company shall be called by the Board of Directors.

**The procedure for establishing the date of the general meeting of shareholders:**

The company shall hold the annual general meeting of shareholders every year not earlier than 2 months and not later than 6 months after completion of the financial year.

The convocation of the annual and extraordinary general meetings of shareholders except for the cases stipulated by clause 8 of Article 55 of the Federal Law on "Joint Stock Companies" is attributed to the competence of the Board of Directors.

**Persons having the right to make proposals to the agenda of the general meeting of shareholders** as well as the procedure for introduction of such proposals:

Shareholders (a shareholder) holding together not less than 2 percent of the voting shares of the Company have the right to introduce items into the agenda of the annual general meeting of shareholders.

Such proposals shall be submitted to the Company not later than 30 days after the end of the financial year.

The proposal for introduction of items into the agenda of the general meeting of shareholders shall include the statement of each item proposed.

The proposal for introduction of items into the agenda of the general meeting of shareholders can include the statement of the resolution for each item proposed.

Proposals for introduction of items into the agenda of the general meeting of shareholders and nomination of candidates shall be made in writing including the name (designation) of the shareholders (a shareholder) who presented them, the number and the category (type) of shares held by them and shall be signed by the shareholders (a shareholder).

The Board of Directors shall review the proposals submitted and take a decision on introduction them into the agenda of the general meeting of shareholders or on refusal to include them into agenda not later than 5 days after completion of dates of proposals for the agenda of the annual general meeting to be submitted to the Company in accordance with the By-Laws and nomination of the candidates to the Board of Directors and the Internal Auditing Committee as well as a candidate for the post of the Director General.

The item proposed by the shareholders (a shareholder) shall be included into the agenda of a general meeting of shareholders, as well as nominated candidates shall be included into the list of nominees for voting for elections to the relevant authority of the Company, except for cases when:

- shareholders (a shareholder) fail to meet the deadlines, established by the By-Laws, for introduction of items into the agenda and nomination of candidates for the annual general meeting of shareholders;
- shareholders (a shareholder) fail to meet the deadlines, established by the By-Laws, for nominating candidates for election as members of the Board of Directors at the extraordinary general meeting of shareholders;
- shareholders (a shareholder) are not considered to be holders of the number of voting shares of the Company in accordance with clauses 1 and 2 of Article 53 of the Federal Law on “Joint Stock Companies”;
- the proposal does not meet the requirements stated in clauses 3 and 4 of Article 53 of the Federal Law on “Joint Stock Companies” and the requirements of the By-Laws based thereof;
- the item proposed for introduction into the agenda of the general meeting of shareholders is not attributed to its competence by the law and the By-Laws and (or) does not meet the requirements of the Federal Law on “Joint Stock Companies” and other legal acts of the Russian Federation.

The justified decision of the Board of Directors in regard to the refusal to introduce the proposed item into the agenda of the general meeting of shareholders or a candidate into the list of nominees for voting for elections to the corresponding authority of the Company shall be forwarded to shareholders (a shareholder) who introduced the item or nominated the candidate not later than 3 days of the date of its adoption.

The Board of Directors has no right to make changes in the statements of items proposed for introduction into the agenda of the general meeting of shareholders and statements of resolutions related to such items.

In addition to the items proposed by shareholders for introduction into the agenda of the general meeting of shareholders as well as in case of lack of such proposal and lack of or insufficient number of candidates nominated by shareholders for forming the corresponding authority, the Board of Directors is entitled to include the items in the agenda of the general meeting of shareholders or candidates in the list of nominees at its discretion.

**Persons who have the right to get acquainted with the information submitted for preparation and holding the meeting of shareholders** as well as the procedure for getting acquainted with such information (documents):

In accordance with the Federal Law on “Joint Stock Companies”, the above-mentioned is related to the persons having the right to participate in the general meeting of shareholders.

The list of persons having the right to participate in the general meeting of shareholders shall be drawn up on the basis of data of the register of Company’s shareholders.

The procedure for getting acquainted with information submitted for preparation of the meeting of shareholders – at the location of the executive bodies of the Company; during the general meeting of shareholders at the place where it is held; in other places specified in the notice of the general meeting of shareholders; upon shareholder’s request during not more than five days at that the payment for copies can not exceed their cost; in the office of the sole executive body.

### **8.1.5. Commercial Organizations in Which the Issuer Holds not less than 5% of the Registered (Stock) Capital (Share Fund) or not less than 5% of Ordinary Shares**

Commercial organizations in which the issuer holds not less than 5% of the registered (stock) capital (share fund), or not less than 5% of ordinary shares are indicated in para. 3.5.

8.1.5.1. Full and abbreviated corporate name:

**Limited Liability Insurance Company “Salda-ASKO” (Insurance Company “Salda-ASKO” LLC)**

Location: 71 A, Engels St., Verkhnyaya Salda, Sverdlovsk Region, Russia, 624760

Participatory share of the issuer in the registered capital of the subsidiary: 19.9%

Portion of the ordinary shares of the subsidiary held by the issuer: 19.9%

Participatory share of the subsidiary in the issuer’s registered capital: 0

8.1.5.2. Full and abbreviated corporate name:

**Closed Joint Stock Company “International Association Titan” (ZAO “Association Titan”)**

Location: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia, 624760

Participatory share of the issuer in the registered capital of the subsidiary: 19.05%

Portion of the ordinary shares of the subsidiary held by the issuer: 19.05%

Participatory share of the subsidiary in the issuer’s registered capital: 0

### **8.1.6. Material Transactions Effected by the Issuer**

Material transactions effected by the Issuer, the size of liabilities under which equals 10% and more of the book value of the issuer’s assets according to its financial report for the last complete reporting period preceding the date of such transactions have not been registered.

### **8.1.7. Credit Ratings of the Issuer**

No credit rating (ratings) has been given to the issuer and/or issuer’s securities.

## **8.2. Categories (Types) of the Issuer’s Shares**

*Shares in circulation:*

Category of shares: ordinary

Par value of each share: 1 ruble

Number of shares in circulation: 11`529`538

State registration number: 1-01-30202-D

State registration date: 11.11.2004

The Company has the right to place, in addition to the already placed shares, the following categories of shares (declared shares):

- preferred shares in the amount of 2`500`000 (two million five hundred thousand) pcs. at the par value of 1 rub. per share.

**Declared preferred shares shall give the following rights:**

- the right to annual receipt of the dividend in the amount of 2.25 of the par value;

- preferential right compared to ordinary shares to receive accrued but not paid dividends;

- preferential right to receive the portion of the cost of assets (liquidation value) on preferred shares which remained after liquidation of the Company.

**Rights granted to the shareholders:**

General rights of the holders of shares of all categories (types):

- to dispose the shares belonging to them without the consent of other shareholders and the Company according to the procedure stipulated by the By-Laws;

- Company shareholders who voted against or did not take part in voting with regard to allocation, by closed subscription, of shares and emission securities convertible into shares, have the priority right to purchase additional shares and emission securities convertible into shares allocated by means of closed subscription in the amount proportional to the number of shares of this category (type) belonging to them.

This right shall not apply to allocation of shares and other emission securities convertible into shares carried out by means of closed subscription only among the shareholders, if, at that, shareholders have the possibility to purchase the integer number of allocated shares and other emission securities convertible into shares in proportion to the number of shares of the corresponding category (type) belonging to them;

- to receive the part of net profit (dividends) subject to distribution among the shareholders according to the procedure stipulated by the law and by the Company By-Laws depending on the category (type) of shares belonging to him;

- to receive the part of the Company assets (liquidation quota) which remained after liquidation of the Company in proportion to the number of shares of the corresponding category (type) held by him;

- to have access to the Company documents according to the procedure stipulated by the law and the Company By-Laws, and to receive copies thereof at a charge;

- to delegate all or some of the rights granted by the share of the corresponding category (type) to the representative (representatives) based on power of attorney;

- to exercise other rights stipulated by the law of the Russian Federation, the Company By-Laws as well as resolutions of the general meeting of shareholders made within its competence.

### **Ordinary shares:**

Each ordinary share of the Company has the similar par value and grants shareholders – their owners - the same scope of rights.

Ordinary shares of the Company are considered to be voting shares with regard to all issues within the competence of the general meeting.

Shareholders – the owners of the ordinary shares of the Company – may, according to the Federal Law on “Joint-Stock Companies”, participate in general meetings of shareholders with the voting authority in regard to all the issues within its competence.

Shareholders – the owners of the ordinary shares - have the right to receive dividends, but only after the holders of preferred shares, the size of dividends for which is specified in the Company By-Laws.

Shareholders – the owners of the ordinary shares - may participate in allocation of assets in case of liquidation of the Company in the third priority, after payments on shares which should be redeemed in the first place, after payment of accrued but unpaid dividends on preferred shares and after payment of part of the cost of the assets (liquidation value) which remained after liquidation of the Company on preferred shares (second priority).

### **Preferred shares:**

Preferred shares of the Company of the same type have the similar par value and grant shareholders – the owners - the same scope of rights.

Shareholders – owners of the preferred shares - have the right to take part in general meetings of the Company without the voting authority, except for cases stipulated by the current law of the Russian Federation and the Company By-Laws.

A shareholder – the owner of the preferred shares - participates in the general meeting of shareholders with the voting authority when solving the issues on reorganization of the Company.

A shareholder – the owner of the preferred shares – has the preferential right compared to the holders of ordinary shares to receive:

dividends in amounts and according to the procedure stipulated by the current By-Laws;

accrued but not paid dividends upon liquidation of the Company;

part of the cost of the Company’s assets (liquidation value) remaining upon its liquidation.

The size of annual dividend per one preferred share is determined at the rate of 9 par values of one preferred share.

**Voting shares:**

A voting share is a share giving the shareholder – its owner – the voting authority with regard to either all the issues within the competence of the general meeting or individual issues stipulated by the Federal Law.

A share gives the vote with regard to all issues within the competence of the general meeting if it is:

a fully paid up ordinary share except for shares being at the Company's disposal;

a preferred share the amount of the dividend on which is determined in the By-Laws starting from the meeting following the annual general meeting at which, irrespective of the reasons therefore, no decision on payment of dividends or the decision on incomplete payment of the dividends on preferred shares was made. The right of shareholders – owners of preferred shares - to participate in the general meeting of shareholders with the vote is terminated of the date of full payment of dividends on specified shares.

The preferred share of any type gives the vote when solving the issue on reorganization and liquidation of the Company.

The preferred share of the specific type gives the vote when solving the issue on introduction of changes and amendments into the By-Laws, limiting the rights of shareholders – the owners of preferred shares of this type - including cases of determination or increase of the amount of the dividend and (or) determination or increase of the liquidation value paid on preferred shares of the preceding priority as well as granting the shareholders – owners of the preferred shares - another type of advantages in the order of priority for payment of dividend and (or) the liquidation value of shares.

Shares voting on all the issues within the competence of the general meeting of shareholders grant their owners the following rights:

- to take part in attendee or absentee voting at general meetings with regard to all issues within its competence;
- to nominate candidates and to elect them to Company's authorities according to the procedure and under conditions established by the law and the By-Laws;
- to introduce proposals into the agenda of the annual general meeting of shareholders according to the procedure and under conditions established by the law and the By-Laws;
- to elect the working bodies of the meeting in cases stipulated by the By-Laws;
- to require convocation of the special general meeting of shareholders or audit of the financial and economic activities of the Company by the Auditing Committee of the Company according to the procedure and under conditions established by the law and the By-Laws;
- to require repurchasing by the Company of all or a portion of shares belonging to them according to the procedure and in cases stipulated by the Federal Law on "Joint Stock Companies";
- to require convocation of the meeting of the Board of Directors according to the procedure and under conditions stipulated by the By-Laws.

Preferred shares voting only on specific issues within the competence of the general meeting of shareholders grant their owners the following rights:

- to take part in attendee or absentee voting at general meetings only when solving such specific issues;
- to require repurchasing by the Company of all or a portion of the shares belonging to them in cases established by the Federal Law.

### **8.3. Previous Issues of Securities, except for the Issuer's Shares**

No issues of issuer's securities except for its shares have been made.

### **8.4. Person (Persons) who Provided Security for Debentures of the Issue**

No debentures have been issued.

### **8.5. Terms and Conditions for Discharge of Obligations for Debentures of the Issue**

No debentures have been issued.

## 8.6. Organizations Keeping Records of Rights for the Issuer's Securities

Full and abbreviated corporate name:

**Open Joint Stock Company "Central Moscow Depository" (JSC "CMD")**

Location: 3, Orlikov per., building B, Moscow, Russia, 107078

Postal Address: 34, Bolshaya Pochtovaya St., building 8, Moscow, Russia, 105082

License No. 10-000-1-00255 dd. 13.09.2002.

Validity of the license: not limited

Authority which issued the aforesaid license: Federal Commission for the Securities Market of Russia

*No centralized custody of the issuer's securities has been accomplished in the reporting quarter.*

## 8.7. Legislation Regulating Import and Export of the Capital, Effecting Payment of Dividends, Interest and Other Payments to Non-Residents

- Civil Code of the Russian Federation
- Law of the Russian Federation No. 3615-1 on "Currency Regulation and Currency Control" dated 09.10.1992
- Resolution of the Government of the Russian Federation No. 699 dated 24.09.2002 on "Procedure for Issuing Authorizations to Residents for Deferral of Payment for the Period of more than 90 Days with regard to Export of Goods (Operations, Services, and Intellectual Activity Results)".
- Instruction of the Central Bank of the Russian Federation and the State Customs Committee of the Russian Federation No. 91-I and No.01-11/28644 dated 04.10.2000 on "Procedure for Currency Control over Justification of Imported Goods Payment to Residents"
- Instruction of the Central Bank of the Russian Federation and the State Customs Committee of the Russian Federation No.86-I and No.01-23/26541 dated 13.10.1999 on "Procedure for Currency Control over Receipt of Proceeds from Export of Goods in the Russian Federation"
- Tax Code of the Russian Federation

## 8.8. Taxation of Income from the Issuer's Securities Placed and Being Placed

The procedure and conditions of taxation of physical persons (both for taxable residents of the Russian Federation and for those who receive income from sources in the Russian Federation) on income such as dividends and interests received from the issuer of securities, and income from sales of shares and other securities of the issuer in the Russian Federation or outside, are determined by Article 214.1 of the Tax Code of the Russian Federation.

The rates of corresponding taxes are determined by Article 224 of the Tax Code of the Russian Federation.

The procedure and conditions of taxation of legal persons (both Russian and foreign organizations conducting their activities in the Russian Federation through permanent representative offices and/or receiving income from sources in the Russian Federation) on profit calculated allowing for income received by the organization from sales of securities is determined by Article 275 of the Tax Code of the Russian Federation.

The rates of corresponding taxes are determined by Article 284 of the Tax Code of the Russian Federation.

### 8.9. Declared (Accrued) and Paid Dividends on the Issuer's Shares and Income from the Issuer's Debentures

No dividends on ordinary shares were paid for 2001 in accordance with the resolution of the general meeting of shareholders based on the results of 2001 (Minutes dd. 24.05.2002)

No dividends on ordinary shares were paid for 2002 in accordance with the resolution of the general meeting of shareholders based on the results of 2002 (Minutes dd. 16.05.2003)

Information on VSMPO dividends declared and paid by the Issuer in 2003 - 2004

##	Item	2003	2004
		Ordinary shares	Ordinary shares
1	Total dividends declared, rubles	116 845 157	308 114 270
2	Declared Dividends per Share, rubles	11,00	29,00
3	Date of the General Meeting of Shareholders	May 14, 2004	June 10, 2005
4	Decision of the Annual General Meeting of Shareholders on Payment of dividends	Minutes dated June 2, 2004	Minutes dated June 17, 2005
5	Date of Payment of the Declared Dividends	Not later than 60 days of the date of the decision made by the general meeting of shareholders	
6	Form of Payment of Declared Dividends	In money terms	
7	Reporting Period for which Dividends to be Paid	2003	2004
8	Total Dividends Paid	116 021 224 rubles	306 975 933 rubles
9	Total Dividends not Paid	823 933*	1 138 337*

\* Wrong, incomplete, obsolete bank details of shareholders indicated in the registration forms.

As of March 31, 2006 dividends for 2005 were not adopted as the general meeting of shareholders on the results of 2005 will be held later on.

Information on AVISMA dividends declared and paid by the Issuer in 2000 – 2005

##	Index	2002		2003		2004		2005		2006	
		Ordinary shares of issue 56-1-II-167	Preferred shares of type «A»	Ordinary shares of issue 56-1-II-167	Preferred shares of type «A»	Ordinary shares of issue 56-1-II-167	Preferred shares of type «A»	Ordinary shares of issue 56-1-II-167	Preferred shares of type «A»	Ordinary shares of issue 56-1-II-167	Preferred shares of type «A»
1	Total Dividends Declared, 000' rubles	-	11 185	-	10 417	-	15 114	-	51 447	-	-
2	Declared Dividends per Share, rubles	-	30,34	-	28,26	-	41,01	-	140,61	-	-
3	Date of General Meeting of Shareholders	March 22, 2002		March 28, 2003		June 29, 2004		March 30, 2005		No meeting held	
4	Decision of the Annual General Meeting of Shareholders on Payment of dividends	Minutes № 12		Minutes № 13		Minutes № 15		Minutes № 17		-	
5	Date of Payment of Declared Dividends	By the end of the corresponding financial year									
6	Form of Payment of Declared Dividends	In money terms									

##	Item	2002		2003		2004		2005		2006	
		Ordinary shares of issue 56-1-П-167	Preferred shares of type «A»	Ordinary shares of issue 56-1-П-167	Preferred shares of type «A»	Ordinary shares of issue 56-1-П-167	Preferred shares of type «A»	Ordinary shares of issue 56-1-П-167	Preferred shares of type «A»	Ordinary shares of issue 56-1-П-167	Preferred shares of type «A»
7	Reporting Period for which Dividends to be Paid	2001		2002		2003		2004		2005	
8	Total Dividends Paid	-	11 179	-	10 036	-	14 663	-	50 099	-	-
9	Total Dividends not paid		6* -		199* 182*		317* 134*		962* 386*		

\* The dividends were not paid due to absence of information on the shareholders in the register of the Central Moscow Depository and incomplete bank details of legal entities.

#### 8.10. Other Information

There is no other information about the issuer and its securities.