

## Quarterly Report

Public Stock Company VSMPO-AVISMA Corporation

Issuer Code: 

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for the First Quarter of 2007

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

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

Director General

\_\_\_\_\_

Signature

V.V. Tetyukhin

Date May 14, 2007

Chief Accountant

\_\_\_\_\_

Signature

D.Yu. Sannikov

Date May 14, 2007

Stamp here

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The information herein is available at web-site [www.vsmpto.ru](http://www.vsmpto.ru)

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## Introduction

Reason for the Issuer's liability to disclose the information in the form of a quarterly report:

The Issuer is the public stock company which was established as a result of privatization of the state-owned enterprise per the privatization plan that was approved in accordance with the established procedure and was the Issuer's prospectus as of the date of its approval. The above privatization plan allowed for carve-out of the Issuer's shares to more than 500 acquirers.

### 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: [NSlawyer@vsmpo.ru](mailto:NSlawyer@vsmpo.ru)

The quarterly report is available on the Issuer's website at: [www.vsm-po.ru](http://www.vsm-po.ru)

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

#### Shares Outstanding:

Category: Ordinary

Type: registered uncertificated

Number of securities: 11 529 538

Par value of one share: 1 ruble

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

This Quarterly Report contains estimates and assumptions of the Issuer's Authorized Control Authorities with respect to future events and / or actions, future prospects of the economic sector where the Issuer conducts its core activities, Issuer's performance, including plans of the Issuer, and probability of certain events and actions. Investor should not fully rely on the estimates and assumptions made by the Issuer's Control Authorities as the actual future results could differ materially from those projected herein as a result of various reasons. Acquisition of the Issuer's securities is connected with the risks described in this Quarterly Report.

## I. Brief Information on Members of the Issuer's Control Authorities, Issuer's Bank Accounts, Auditor, Appraiser, Financial Adviser and Other Persons Signing the Quarterly Report

### 1.1. Members of the Issuer's Control Authorities

#### Board of Directors:

Chemezov, Sergey Viktorovich – Chairman, b. 1952

Aleshin, Alexey Vladislavovich, b. 1959

Besedin, Vasily Alexandrovich, b. 1953

Voevodin, Mikhail Viktorovich, b. 1975

Melnikov, Nikolai Konstantinovich, b. 1955

Tetyukhin, Vladislav Valentinovich, b. 1932

Shelkov, Mikhail Evgenievich, b. 1968

#### 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 Institution	Location of Credit Institution
1	2	3	4
Settlement transit USD account	40702810700010795939 40702840300010004249	Closed Joint-Stock Company INTERNATIONAL MOSCOW BANK ZAO IMB INN 7710030411 BIK 044583545 Corr.Acc. 30101810300000000545	9, Prechistenskaya Naberezhnaya, Moscow, 119034
Settlement current USD account	40702810602800000042 40702840600000000018	Open Joint-Stock Company OAO Vneshtorgbank INN 7702070139 BIK 046577952 Corr.Acc 30101810400000000952	16, Stepana Razina St., Yekaterinburg, 620142

Type of Account	Account Number	Credit Institution	Location of Credit Institution
1	2	3	4
Settlement current USD account	40702810116150100055 40702840516150100007	Urals Bank of Sberbank of Russia INN 7707083893 BIK 046577674 Corr.Acc. 30101810500000000674	11, Moskovskaya St., Yekaterinburg, 620014
Settlement current USD account	40702810200700916014 40702840000700916006	Closed Joint-Stock Company KB CITIBANK INN 7710401987 BIK 044525202 Corr.Acc. 30101810300000000202	8-10, Gasheka St., Moscow, 125047
Settlement current USD account	40702810100020009977 40702840400020009977	Moscow branch of Closed Joint-Stock Company Corporate and Investment Bank "Calyon Rusbank", INN 7831000612 BIK 044583843 Corr.Acc. 30101810400000000843	1, Building 6, Bolshoi Zlatoustovsky Pereulok, Moscow, 101000

### 1.3. Issuer's Auditor

#### 1.3.1. Full and abbreviated name of the company:

Full name of the company: Closed Joint-Stock Company Analitik Express

Abbreviated name of the company: ZAO Analitic Express

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

Telephone: (495) 629-8484, Fax: (495) 629-3832

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

License No. for audit activities: E 005434

Date of issue: based on the RF Ministry of Finance Order No. 387, dd 9.12.2003

Validity of the license: 5 years

Authority that issued the aforesaid license: the Ministry of Finance of the Russian Federation.

The auditor is the member of NP Institute of Professional Auditors accredited by the Ministry of Finance of the Russian Federation by Order No. 574 dated 29.12.2006.

Fiscal years for which the auditor has carried independent audits of accounting practices and financial statements 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: based on the suggestion of the Audit committee the Board of Directors nominates a candidate to be approved at the General meeting of shareholders.

There are no material interests between the auditor (auditor's officers) and the Issuer (Issuer's officers):

- the auditor's (auditor's officers') has no interest in the registered capital of the Issuer;

-no loans were given by the Issuer to the auditor (auditor's officers);

-there are neither close business relationships (contribution to promotion of the Issuer made products (services), joint ventures, etc.) between the Issuer and the auditor, nor blood relations;

-there are no officers of the Issuer being at the same time officers of the auditor.

The amount of the auditor's fee is determined according to the signed contracts.

The actual fees paid by the Issuer to the auditor at each fiscal year end are as follows:

Audit of financial statements for 2002 – 400`000,00 rubles;

Audit of financial statements for 2003 – 500`000,00 rubles;

Audit of financial statements for 2004 – 600`000,00 rubles;

Audit of financial statements for 2005 – 1`460`000,00 rubles;

Contracted services in 2006 – 2`135`000, 00 rubles.

There are no deferred or overdue payments for the services provided by the auditor.

### 1.3.2. Full and abbreviated name of the company:

Full name of the company: Closed Joint-Stock Company  
PricewaterhouseCoopers Audit

Abbreviated name of the company: ZAO PricewaterhouseCoopers Audit

Location: 52, Building 5, Kosmodamianskaya Nab., Moscow, 113054

Telephone: (495) 967-60-00, Fax: (495) 967-60-01

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

License No. for audit activities: E 000376

Date of issue: based on the RF Ministry of Finance Order No. 98, dd 20.05.2002

Validity of the license: 5 years

Authority issued the aforesaid license: the Ministry of Finance of the Russian Federation

In May 2007 the license of ZAO PricewaterhouseCoopers Audit was extended by the Ministry of Finance of the Russian Federation for 5 years.

ZAO PricewaterhouseCoopers Audit is the member of NP Institute of Professional Auditors and NP Audit Chamber of Russia.

Fiscal years for which the auditor has carried independent audits of accounting practices and financial statements of the Issuer: since 2002 the auditor has been providing the services of auditing of the financial statements prepared in accordance with the US Generally Accepted Accounting Standards.

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

There are no material interests between the auditor (auditor's officers) and the Issuer (Issuer's officers):

- the auditor's (auditor's officers') has no interest in the registered capital of the Issuer;
- no loans were given by the Issuer to the auditor (auditor's officers);
- there are neither close business relationships (contribution to promotion of the Issuer made products (services), joint ventures, etc.) between the Issuer and the auditor, nor blood relations;
- there are no officers of the Issuer being at the same time officers of the auditor.

The amount of the auditor's fee is determined according to the signed contracts. The actual fees paid by the Issuer to the auditor at each fiscal year end are as follows:  
audit of consolidated financial statements for 2002, 2003 – 9`815`750,97 rubles;  
audit of consolidated financial statements for 2004 – 16`311`202,97 rubles;  
audit of consolidated financial statements for 2005 – 9`654`299,80 rubles.  
Contracted services in 2006 - 9`654`299,80 rubles

There are no deferred or overdue payments for the services provided by the auditor.

### 1.3.3 Full and abbreviated name of the company:

Full name of the company: Limited Liability Company Baker Tilly Rusaudit

Abbreviated name of the company: Baker Tilly Rusaudit LLC

Location: 95, Mira Avenue, Moscow, 129085, Russia

Telephone: (495) 788-0906, Fax: (495) 617-2585

E-mail:

License No. for audit activities: E 006075

Date of issue: 24.06.2004.

Validity of the license: 5 years

Authority issued the aforesaid license: the Ministry of Finance of the Russian Federation.

Baker Tilly Rusaudit is the establisher of the Institute of Professional Auditors of Russia, the member of the Institute of Professional Accountants of Russia, the Russian Board of Appraisers, the Autonomous Interregional Association of Appraisers, the International Centre of Accounting Reforms (ICAR), the Russian Union of Industrialists and Entrepreneurs, the Union of German Economics in Russia.

Fiscal year for which the auditor has carried independent audits of accounting practices and financial statements of the Issuer: 2006.

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

As part of the special tasks the auditor carries out the following work:

- consulting in taxation;
- consulting in accounting.

There are no material interests between the auditor (auditor's officers) and the Issuer (Issuer's officers):

- the auditor's (auditor's officers') has no interest in the registered capital of the Issuer;
- no loans were given by the Issuer to the auditor (auditor's officers);
- there are neither close business relationships (contribution to promotion of the Issuer made products (services), joint ventures, etc.) between the Issuer and the auditor, nor blood relations;
- there are no officers of the Issuer being at the same time officers of the auditor.

The amount of the auditor's fee is determined according to the signed contracts. The actual fees paid by the Issuer to the auditor under the contract for 2006 – 1`530`486,00 rubles.

#### **1.4 Issuer's Appraiser**

The Issuer did not recourse to the services of an appraiser for the purposes stated herein.

#### **1.5. Issuer's Advisors**

The Issuer did not recourse to the services of an advisor for the purposes stated herein.

#### **1.6. Other Persons Signing the Quarterly Report**

Sannikov, Dmitry Yurievich, b. 1976

Primary place of employment and position: Chief Accountant of VSMPO-AVISMA Corporation

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

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

Index Description	2 002	2 003	2 004	2005	2006	Q1 2007
1	3	4	5	6	7	8
Issuer's net assets, 000' rubles	5 248 116	6 894 976	8 377 043	14 614 473	20 037 644	21 418 932
Ratio of borrowed finances to capital and reserves, %	44.6%	45.9%	48.1%	40.0%	41.3%	38.2%
Ratio of short-term liabilities to capital and reserves, %	44.6%	45.8%	47.9%	39.4%	27.8%	28.9%
Payment cover for debt service, %	59.8%	41.8%	41.5%	59.2%	111.5%	25.2%
Outstanding debt, %	13.9%	4.0%	7.1%	1.0%	1.1%	1.8%
Accounts receivable turnover, times	5.2	4.9	4.6	3.9	2.6	0.6
Dividend-to-profit ratio, %			9.1%	10.1%		
Labour productivity, 000' rubles/man	589.9	549.4	691.9	891.5	1361.9	316.7
Amortization-to-proceeds ratio, %	2.2%	1.8%	2.0%	2.0%	2.4%	3.1%

As of 01.04.2007 the net assets came up to 21 418 932'000 rubles which is 4 times as much as this index as of 01.01.2003 and is considered a favourable trend.

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 funds.

The emerging trend of decrease in the index "Ratio of short-term liabilities to capital and reserves" remained in 2006 and the 1<sup>st</sup> quarter of 2007 which resulted from lowering in borrowed funds.

The index "Payment cover for debt service" shows the current debt percentage the company can discharge using its net profit. In 2006 this index significantly grew, i.e. the

company could discharge 100% of current debt out of its net profit.

Outstanding debt has reduced from 13.9% in 2002 down to 2% for recent two years which proves good performance of debt administration and high level of the Corporation financial discipline.

The index of accounts receivable turnover shows the number of accounts receivable turnovers per period under review. The reduction of this index in 2006 is caused by the fact that according to the terms of the products supply contracts with the foreign customers before 2006, title transfer and recoding of sales proceeds in accounting records had to be completed upon payment of products, and the products shipped but not paid for had been indicated in the balance sheet in line 215, i.e. Shipped Goods.

Products sales to the Russian customers had been recorded upon shipment in line 240, i.e. Accounts Receivable.

Starting from 2006 all the supply contracts establish that title transfer shall be completed upon products shipment, therefore all the shipped products are considered sold as per the accounting records, and the products shipped but not paid for yet shall be recorded in the balance sheet in line 240.

The index of labour productivity shows sales proceeds falling at one company employee. This index increased by 52.9% in 2006 as compared to 2005. Labour productivity growth is one of the main sources for output increase.

Amortization-to-proceeds ratio has been at the same level (approximately 2-3%) for recent five 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 01.01.2003:**

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 01.01.2007:**

Weighted average price/share: \$ 294,046

Market capitalization of the Issuer: \$ 3`390`214`531

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).

**As of 01.04.2007:**

Weighted average price/share: \$ 317,360

Market capitalization of the Issuer: \$ 3`659`014`180

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 01.01.2007		As of 01.04.2007	
		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	544 357	X	625 067	X
Including overdue	000' rubles	91 357	X	148 373	X
Accounts payable to the company personnel	000' rubles	47 224	X	47 401	X
Including overdue	000' rubles		X		X
Accounts payable to budget and public off-budget funds	000' rubles	378 209	X	415 421	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	1 835 342	X	1 968 634	X
Including overdue	000' rubles		X		X
Total	000' rubles	2 805 132	X	3 056 523	X
Including overdue	000' rubles	91 573	X	148 373	X

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

### 2.3.2. Credit History of the Issuer

The Issuer has no credit and/or loan agreements in force for the last 5 closed financial years and at the closing date of the reporting quarter that amount to 5 percent and over of the Issuer's net book value as of the date of the last closed reporting quarter preceding conclusion of such agreement.

No bond issue was carried out by the Issuer.

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

#	Beneficiary	Liabilities Given, rubles	Maturity
1	Physical persons (Corporation's employees) in 2005	17 728 293,59	Need not to be specified as the liability does not exceed 5% of the assets value
2	Physical persons (Corporation's employees) in 2006	20 150 736,33	Need not to be specified as the liability does not exceed 5% of the assets value
3	Physical persons (Corporation's employees) in Q1, 2007	19 522 507,56	Need not to be specified as the liability does not exceed 5% of the assets value
4	Surety to legal persons as of 01.01.2006	115 130 000,00	Need not to be specified as the liability does not exceed 5% of the assets value
5	Surety to legal persons as of 01.01.2007	105 324 400,00	Need not to be specified as the liability does not exceed 5% of the assets value

### 2.3.4. Other Liabilities of the Issuer

There are no other liabilities that could materially affect the financial position of the Issuer, its liquidity, financing sources and use conditions, and performance and expenses.

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

No funds were generated from placement of securities in the reporting quarter.

## **2.5. Risks Related to Acquisition of Placed Securities**

Discussed below are the risk factors related to acquisition of the placed securities, such as:

- industrial risks,
- national and regional risks,
- financial risks,
- legal risks,
- and risks connected with the Issuer's activities.

### **2.5.1. Industrial Risks**

Titanium products made by VSMPO – AVISMA Corporation are primarily used in aerospace, power engineering, chemical engineering, oil and gas production, nonconventional consumers, primarily, manufacturers of sports goods, and many others. Each of the aforesaid industries has its own development trends, therefore it is reasonable to review them individually.

About 65 percent of the VSMPO made products is intended for use in aerospace, therefore the situation in both Russian and global aerospace markets significantly influences technical and economic indices of the Company. The world aerospace market is characterized by a cyclic nature with each cycle lasting for approximately 4-5 years, and the world titanium market demonstrates a similar pattern of development. It should be noted though that in recent years these markets have been affected by the Asian financial crisis of 1998 and 9/11/2001 terrorist attacks in the US. However, in the long term titanium consumption by these markets is expected to further grow and no alternative metal is expected to come in to replace titanium in the foreseeable future. Moreover, the volume of titanium consumption by aerospace industry has already significantly increased due to high titanium content in aircraft of the latest design, such as Boeing's B787 and Airbus's A350 which are to become the main production models of middle-range aircraft.

Today power engineering, primarily nuclear power engineering consumes sufficiently large volumes of titanium which is used in heat-exchange systems particularly those employed in nuclear power plants using sea water, including mobile nuclear power plants that are under development now. There is a large potential demand for titanium for power plants being developed which will use the difference between sea water temperature on the surface and in the depths of the ocean.

Chemical industry takes advantage of the unique corrosion-resistant property of titanium alloys and is now a regular and promising consumer of these materials with its demand continuously growing.

In recent years energy resources, such as oil, gas, and gas condensate have been extracted from the continental platform. Titanium alloys are practically an ideal structural material for offshore drilling and producing platforms, risers and pipeline systems since titanium and titanium alloys have absolute corrosion resistance to sea water.

In recent five-seven years a significant volume of low-grade titanium alloys (up to 8,000 tons p.a.) has been used for manufacture of golf club heads. Even if titanium is replaced by some alternative material in the near future there still will be markets left with significant potential demand for manufacture of sports and leisure products, such as bicycles, hiking and mountaineering outfit, hand tools, etc.

In general, the industry trends do not imply any decrease in consumption of titanium alloys, therefore the risks are minimal here.

Moreover, a trend of rapid increase in demand for titanium alloys and significant growth in titanium production throughout the world started to develop in 2006. It results from complete overcoming of 9/11/2001 consequences and increase in aircraft build rates by all global aircraft manufacturers. At the same time titanium industrial market began increasingly growing, primarily power engineering sector in Southeast Asian countries, such as China and India. This tendency will continue in 2007 and 2008 as conventional aerospace customer's orders have rapidly grown, spot prices for titanium mill products have been high last year.

In late 2005 ferrotitanium prices remained strong at the level of 13 ... 16 USD per 1 kg of titanium in ferrotitanium in spite of reduced titanium scrap shortage and increased titanium semi-products output and a certain decreased demand for 70% ferrotitanium to support manufacture of structural and stainless steels.

Thus, titanium market is characterized by a record recovery, and titanium mill products shipments increased 19.8% in 2006.

Titanium is not an exceptional metal in terms of volatility of world prices for raw materials and energy sources. Titanium is not an exceptional metal in terms of volatility of world prices for raw materials and energy sources. Titanium ranks number four in terms of natural occurrence among structural materials after aluminium, magnesium and iron, and there are significant proven reserves of raw materials available. Given that only 5% of extracted raw materials are used for production of titanium metal (while the rest is used in pigment dye industry using titanium dioxide) there are virtually no risks related to shortage of raw materials and increase in prices for raw materials.

It should be noted that though prices for alloying elements contained in titanium alloys, primarily vanadium and molybdenum, remained relatively steady in 2006, they have significantly increased over recent three years, namely vanadium price has increased 3.7 times, and molybdenum – 4.4 times which materially affected costs and prices for titanium ingots and mill products. In order to remedy such risks the Issuer raises spot prices for titanium mill products from time to time, and long-term contracts stipulate regular revision of products pricing taking into account changes in alloying elements prices in the worldwide market.

**Major risks related to production of titanium sponge, magnesium and magnesium alloys are as follows:**

- Increased cost of energy sources which affects the product cost;
- Increased prices for raw materials and materials which also affect the product cost;
- Change of carnallite supplier as a result of flooding mine No. 1 of JSV Uralkaliy;
- Expansion of Chinese producers of cheap magnesium to the global market which reduces competitive advantages of the Corporation;
- The Russian Federation was denied the US Global System of Preferences status which resulted in a duty imposed on titanium supplied to the US market, i.e. from 5.5% on die forging to 15.0% on bar, sheet, plate and tube. This decision has not caused significant damage to VSMPO-AVISMA Corporation business in the US as most products are supplied to aerospace companies, such as Boeing, Pratt & Whitney, Perryman, Dynamet and TECT which export most of their products. Thus, they can have import duty reimbursed using TIB or other options to keep prices of VSMPO-AVISMA Corporation products unchanged;
- The US government protective policy which is oriented to protect domestic magnesium producers from imports of Russian magnesium As a result an antidumping duty was imposed on magnesium produced by VSMPO-AVISMA Corporation.

### 2.5.2. National and Regional Risks

Domestic political risks related to business relationships with VSMPO – AVISMA Corporation are minimal as:

- the Corporation is a major supplier of titanium and aluminium mill products for aerospace and rocket applications and to other key industries of the Russian Federation that is why it is supported by the regional and federal authorities regardless their political orientation;
- About 55% of the Corporation products was exported to high technology industries in 2006 which is supported by the regional and federal authorities and considered to be switch from raw material exports from the Russian Federation;
- The Corporation is one of the greatest exporters of Sverdlovsk Region and the major taxpayer in the region let alone Verkhnyaya Salda. Hence, it is supported by the regional and municipal authorities. Suffice it to note that based on 2006 results the Corporation was awarded by the government of Sverdlovsk Region with the Best Exporter prize of the contest “Business Laureates – Urals Stars”;
- VSMPO-AVISMA Corporation ranks No. 137 among 400 companies of the Russian Federation according to the rating developed by the Russian industrial analysts based on 2006 results.

International political risks related to business relationships with VSMPO – AVISMA Corporation are minimal as:

- Russia pursues a deliberate foreign policy focused on creation of a multipolar world which includes a concept of mutually beneficial and unrestricted trade with any countries that do not violate the United Nations Charter, therefore VSMPO – AVISMA Corporation being a Russian company is not exposed to any discrimination in its export activities;

- The Corporation has long and further developing relationship with the major global aerospace companies, such as Boeing, EADS, General Electric, Snecma, Rolls-Royce, Pratt & Whitney, etc. which guarantees the Company support of the government authorities and creates a positive image of the Company throughout the world. Huge international companies such as EADS and Boeing being the major customers of the Company have to lobby its interests both in Russia and abroad;

- The Company is fully integrated into the world economy and its performance meets the generally accepted standards;

- The Russian Federation intention to join the International Trade Organization in the short run also reduces political risks as relations with the Corporation will be based on the international business rules.

### Production Risks:

Typical hazards associated with metallurgy industry include fire and explosion risk, risk of production suspension caused by power supply loss, risk of production equipment damage.

Fire and explosion risk is typical of titanium sponge and titanium products production, including thermometallurgical processes, electrolytic process, chlorination, distillation and purification processes, and vacuum-arc and heating furnaces, rolling mills and metal working machines. Specific features of the produced materials are high reactivity of magnesium and titanium, mostly in hot metal and at water contact.

Titanium sponge manufacturing process and melting process depend to wide extent on power supply source. Power interruption over 4-8 hours can result in remelt solidification in magnesium electrolytic cells and then in shutdown of magnesium, chlorine and titanium sponge production.

To decrease emergency risk, the Company takes various actions to control and minimize the existing risks. The Corporation implements the plans for upgrading of primary capacities. One of the main upgrading actions is to improve automated control systems of primary production equipment which ensures manufacture of products of higher quality and higher safety of operating the process lines.

In order to ensure stable power supply for titanium sponge production, the actions are taken routinely to improve the internal and external power supply network at AVISMA site.

a) Raw material supplies. Titanium sponge is produced at AVISMA and is the

raw material for manufacture of titanium products at VSMPO. Titanium is abstracted from ilmenite ore by multi-step process including titanium chlorination plus metal reduction using magnesium. Magnesium is produced by electrolytic process of molted carnallite ore. Both the lines of main processes are interdependent. In October 2006 carnallite supplies were suspended because of accident flooding of mine fields BKRU-1 of JSC Uralkaliy, Berezniki. Today carnallite is provided using an alternative supply chain.

The Corporation aims to arrange supplies of all the types of raw materials from alternative sources. In order to reduce dependence of the Corporation on the Ukrainian supplies of titanium raw materials, about 40% of the requirements have been supplied from Sri Lanka since 2006. Various options of supplies of vanadium and molybdenum raw materials at stable prices to the Corporation are being reviewed. In light of titanium sponge shortage, VSMPO plans to invest in expansion of titanium sponge capacities at AVISMA to increase production by 7-8 % p.a.

However, provided commercially reasonable expenses the Corporation can become unable to overcome troubles associated with emergencies at power sources and communication lines, yielding/damage of buildings and facilities, and railway and road traffic accidents.

b) Production capabilities: for every product type VSMPO has several manufacturing routes, for example, ingots can be forged on forging hammers, forging presses, radial forging machine which ensures that orders will be fulfilled even in case of overloading or emergency shutdown of individual equipment units;

c) Production capacities: VSMPO existing equipment is loaded by 60 to 80% which allows to fulfill orders or increased orders within the minimum lead-time;

d) The Company invests the major portion of its profit into intensive reconstruction and development of its production in order to eliminate bottlenecks and increase product output. For example, during 2004-2006 titanium alloy ingot-to-billet conversion capacities were increased as the heating equipment had been reconstructed and 2.000 ton and 1.500 ton forgings presses had been put into operation. The equipment has been purchased, and additional 2.5 ton, 4 ton and 6 ton presses will be put into operation;

e) Processing cycle: unlike most titanium producers the Corporation is an integrated supplier that makes all types of titanium alloy semi-products starting from ore processing. This enables VSMPO-AVISMA Corporation to control the production cycles and price levels and be fully responsible for the product quality;

e) Production diversification: the Corporation has at its disposal tool-making, repair, power supply (water, steam, compressed air) and machine-building facilities which ensures its independence from subcontractors and enables to supply its customers not only all types of milled products but also some simple equipment in titanium alloys, such as heat-exchangers, containers, fans, pumps etc. The Corporation now is in the process of establishing a facility for rough machining of die forgings and in long term for manufacture of finished parts ready for assembly of aircraft components. This will allow the end users to reduce the number of their subcontractors and production lead times.

Moreover, the Corporation plans to expand its existing capacities for manufacture of semi-products from aluminium and magnesium alloys, high-strength steels and heat-resistant nickel-base alloys in addition to manufacture of titanium products. This will allow its customers to reduce the number of their suppliers and costs for process certification. At that VSMPO-AVISMA Corporation status as end-manufacturing site for a number of value-added products will enhance.

Risks related to human resources:

a) The Company is fully staffed. There is no staff migration for economic reasons and the population is historically settled;

b) In terms of the personnel stability it should be noted that in the Urals, the region where the Corporation is located, there is a family tradition to work for one and the same company, therefore it is usual when several generations of a family work the Company;

c) There are no grounds for strikes or labor disputes unlike TIMET, RMI, Aubert Duval and other companies that faced such situations in 2000-2004 resulting in detrimental consequences for their customers. The factors that exclude such developments are as follows:

- There are two trade unions with which the labor agreements are signed and renewed;

- The wage level is significantly higher than the average wage both in Russia and in Sverdlovsk region;

- The average wage is constantly increased so that it advances the level of inflation in Russia and ensures improved living standard of the employees;

- The social policy is focused on support of low-income groups of population, including retired company employees;

- The Company provides its employees and pensioners with highly qualified health services. There are health centers, a diagnostic medical center where all the company employees are examined annually, three rehabilitation centers, and also there are health facilities in the workshops, such as gyms with the necessary sports and recreation equipment, and saunas;

- Social facilities which form part of the Company's fixed assets are maintained, funded and developed. These are include the Center of Culture, sports centers, libraries, country holiday centers for children, as well as for employees and pensioners, etc.

Natural environment:

The facilities of VSMPO – AVISMA Corporation are located on the border between Europe and Asia where natural disasters, such as storms, typhoons, tornadoes, earthquakes, floods are excluded, unlike the US and Japanese titanium companies.

Supplies of energy resources to the Company are stable now and are expected to remain stable in the near future:

- Sverdlovsk Region has extra energy and there are no problems with power supplies. The government of the region considers development of generating electric power capacities in support of industrial capacity of the region, especially as the power sources such as gas and coal are available in the region;

- The Corporation is located in the area of Russian gas pipelines close to their gas sources, therefore there are no difficulties with ensuring the necessary gas pressure at the inlet of the company's system and supplying the necessary gas volume;

- The Corporation has at its disposal its own plants for supplying its production facilities with heat, steam, compressed air, drinking and process water and the Company experiences no difficulties with these energy resources;

- The 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 environmental activity has got certified to international environmental standards.

### 2.5.3. Financial Risks

VSMPO-AVISMA Corporation is a large exporter, most manufactured products are exported, and the Issuer imports production equipment and materials, therefore it is exposed to loss risk owing to exchange rate fluctuations.

Exchange risk can affect profit margin, i.e. rise in the exchange rate increases proceeds, and visa versa rise in the local currency rate reduces proceeds.

If unfavourable change in the exchange rate becomes heavy and strong, the Issuer can:

1. change currency of payment under export contracts;
2. partly hedge this risk by entering into import and export contracts with the same currency, as well as supply contracts and contracts for transportation and other services with foreign exchange;
3. reorient to the domestic market, use domestic raw materials sources in order to reduce the Issuer's products cost and its financial dependence.

Since VSMPO-AVISMA Corporation uses bank loans as financing sources, the Issuer can incur extra expenses in case of interest rate increase which would result in profit decline.

The risk of adverse effect of interest rate change is not estimated to be high as having perfect credit history and sound financial standing the Issuer can borrow loans under the most favourable terms.

Interest rate increase can not significantly influence the Issuer financial performance.

The Issuer does not believe that inflation can have any material effect on payment of securities dividends as the profitability of the Issuer sales is much higher than inflation rate.

### 2.5.4 Legal Risks

Legal risks in VSMPO-AVISMA Corporation activities arise for two reasons. First, change in the applicable laws resulting in some unpredictability of the results of long-term operations. Second, a certain conflict of applicable regulations specifying ambiguous interpretation of the same requirements.

VSMPO-AVISMA Corporation Legal Department takes efforts to minimize legal risks. The lawyers of VSMPO-AVISMA Corporation are bound to review new regulations and submit clarification on routine application thereof to the company divisions.

All the agreements concluded by VSMPO-AVISMA Corporation shall be checked for compliance with the applicable laws.

New processes, operations, factory standards can be implemented at VSMPO-AVISMA Corporation provided Legal Department reviews and concludes they are in compliance with applicable regulations. Every such an operation shall be accompanied by developing the forecast of probable legal and economic consequences.

If any of the below risks arises, VSMPO-AVISMA Corporation will take the best efforts to minimize disamenities. In case of any of the said risk factors, probable actions of VSMPO-AVISMA Corporation can not be determined now as development of efforts that will be adequate to the respective events is straitened with uncertainty of the situation. The actions to be taken will depend on the situation peculiarities as the case maybe. VSMPO-AVISMA Corporation can not assure that the actions to eliminate any unfavourable changes will improve the situation as the said factors are beyond VSMPO-AVISMA Corporation control.

#### [Risks of currency regulation change](#)

This risk is defined as risk of losses caused by change in exchange regulations.

VSMPO-AVISMA Corporation participates in foreign economic relations and has some foreign exchange liabilities and accounts; therefore, the Corporation is exposed to substantial risks associated with currency regulation modification.

Directive # 1676-U by the Bank of Russia dd. March 29, 2006 on Amendment to Instruction # 111-I of the Bank of Russia dd. March 30, 2004 on Mandatory Sale of Portion of Hard Currency Earnings in Domestic Currency Market of the Russian Federation which came into force on May 6, 2006, actually cancelled (0%) repatriation and ruble conversion of hard currency earnings from export sales that had been 10 % before.

In the past, the portion of earnings subject to repatriation and conversion to rubles used to be changed many times and even amounted 75% of total export earnings. Therefore, it is impossible to ensure that in the future the percentage of currency earnings subject to surrender in the domestic currency market will not be increased by the Russian authorities.

The law on currency regulation that was put into effect in 2004 allows the Government and Central Bank of the Russian Federation take actions to further regulate and possibly tighten currency controls, including foreign securities operations and foreign currency borrowings by the Russian companies.

As part of currency law liberalization, Directive # 1689-U dd. March 29, 2006 of the Central Bank of Russia came into force on July 1, 2006 and cancelled the requirement of the Bank of Russia with regard to reservation for certain currency operations which had been set by Directives of the Bank of Russia # 1465-U dated June 29, 2004 and # 1577-U dated May 6, 2005. Moreover, the regulation of the Government of the Russian Federation dated October 17, 2005 on mandatory advance registration of

an account (deposit) established in a bank outside the Russian Federation became invalid on January 1, 2007.

Restoration of restraints limiting conversion of ruble earnings to foreign currency earnings and reverse conversion of rubles can have an adverse effect on the Company results and ability to repay borrowings and loans in view of mandatory repatriation and conversion.

#### [Risks associated with tax legislation change](#)

The risk of taxation legislation change is defined as risk of unfavourable losses owing to change in the company tax burden.

VSMPO-AVISMA Corporation is among the principal taxpayers of the Russian Federation which pays federal, regional and municipal taxes, namely, value-added tax, corporate income tax, corporate property tax, land tax, etc.

Significant changes that can have an adverse effect on the Issuer performance include introduction of amendments or supplements to laws on taxes and dues regarding increase in tax rates and imposition of new taxes. The said changes in addition to other taxation legislation changes can result in increased tax payments and accordingly in the reduced net profit of the Issuer.

Due to economic reforms implemented in Russia, the Russian Federation laws have significantly modified in recent years. A large number of new legal acts have been put into force for recent five years. As a result some contradiction may arise both between the Russian Federation Tax Code provisions themselves, and the Russian Federation Tax Code provisions and other regulations.

Moreover, court practice has not been quite developed for certain applications of the taxes and dues legislation which results in some uncertainty of interpretation of individual provisions of tax legislation.

Legislative regulations on taxes are always changing. Every year a set of new tax legislation provisions including amendments, changes and supplements enters into force.

The risk of tax legislation change is considered moderate.

#### [Risks associated with change in customs control and duty regulations](#)

The Russian Federation customs code that came into force on 01.01.2004 and other regulations enacted in accordance with the code have not introduced any essential changes which can have any adverse effect on legal entities with regard to customs clearance and customs control of goods crossing the Russian Federation border. In this case one should mention favourable points of decreased customs clearance time, electronic declaring, etc. Taking into account that the current revision on the Customs Code specifies a number of strict requirements to customs legal acts and other regulations, legal risks associated with change in customs control regulations are not material, and changes themselves if any will not be spontaneous.

#### [Risks associated with change in requirements of licensing of VSMPO-AVISMA Corporation activities](#)

The Issuer core activities are not subject to licensing. The alteration of the

requirements to licensing the rights to use objects characterized with limited usage (including natural resources) may cause some extra expenses of the Issuer to obtain new licenses or change the existing licenses. However, the Issuer anticipates the risks of such events as unlikely.

The risk of implementing the requirements to license any of the Issuer activities carried out in the external markets is also insignificant.

#### [Risks associated with change in court practice in re VSMPO-AVISMA Corporation activities](#)

Development of the Russian legal system and adoption of many legal acts are the reasons for some uncertainty and potential risks of alteration of court practice with regard to the Issuer activities (including licensing issues) in the future. However, the Issuer does not anticipate the said changes which can have any adverse effect on the Issuer's results or results of legal proceedings where the Issuer can get involved are highly probable.

#### [2.5.5. Risks associated with the Issuer activities](#)

##### [Risks associated with the current legal proceedings and potential liability of VSMPO-AVISMA Corporation for debts of the third parties](#)

Civil Code of the Russian Federation, Federal Law on Joint Stock Companies No. 208-FZ dd. December 26, 1995 and Federal Law on Limited Liability Companies No. 14-FZ dd. February 8, 1998 stipulate that shareholders of the Russian joint-stock company and partners of the Russian limited liability company shall not be held liable for the company's obligations and shall bear the risk of losses associated with the company's activities within the value of shares owned by them or their share in the equity capital, correspondingly.

Such provisions do not apply when one company ("parent company") can define the decisions taken by another company ("subsidiary company"). Under some circumstances the parent company shall bear joint liability for obligations of the subsidiary company resulting from such decisions, and when the subsidiary company becomes insolvent or goes bankrupt in the result of act or omission to act by the parent company, the latter shall bear subsidiary liability for its obligations. Correspondingly, being the parent company of several subsidiaries in which VSMPO-AVISMA Corporation owns over 50% of registered capital, the Company can be held liable for their obligations. Such liabilities can affect the Company to a certain extent.

VSMPO-AVISMA Corporation has not been involved in legal proceedings in which any sanctions were applied against the Issuer or which could significantly affect the Issuer's economic activities.

##### [Risks associated with impossibility to extend licenses for certain types of activities or use of natural resources](#)

VSMPO-AVISMA Corporation observes all licensing requirements and takes all necessary actions to obtain and maintain the licenses and also to minimize the possibility of suspension, changing or withdrawal of licenses.

Risks associated with changes in legislation or resolutions of the federal or local authorities with regard to licensing are beyond control of VSMPO-AVISMA Corporation and the Company can not guarantee that in the future there will be no such changes which could affect the Issuer's activities. However at present there are no legal, economic or political prerequisites indicating the possible changes in the licensing procedure or impossibility to extend the license period for VSMPO-AVISMA Corporation.

#### Risks associated with environmental activities

The Company performs its activities in accordance with the approved Environmental Policy of VSMPO-AVISMA Corporation, which aims at minimizing potential effects of industrial activities on environment and employees' health. The Company performs its activities in accordance with the requirements of environmental legislation. The main lines of environmental activities of the Company include planning and implementation of actions aimed at reduction of the negative effect of pollution agents, efficient utilization of power, water, and natural gas, recycling of production scrap, continuous improvement of environmental management system. VSMPO-AVISMA Corporation has not received any claims with regard to violation of environmental requirements which could significantly affect the Issuer's economic activities.

Implementation by the Company of the Environmental Policy allows to control and regulate the environment-related risk. This risk is considered to be moderate.

#### Risks associated with potential loss of customers accounting for no less than 10% of the total sales proceeds

These risks are minimal for the Issuer, because in 2007, for example, 82% of products were delivered to customers based on long-term (usually 5-year) agreements. It secures significant order volumes from strategic customers. In the future the portion of deliveries under long-term agreements will increase.

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

#### **3.1. Issuer's Background**

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

###### Full corporate name of the Issuer:

In Russian: Открытое акционерное общество «Корпорация ВСППО-АВИСМА».

In English: Public stock company VSMPO-AVISMA Corporation.

###### Abbreviated corporate name of the Issuer:

In Russian: ОАО «Корпорация ВСППО-АВИСМА»

In English: VSMPO-AVISMA Corporation.

Date and reason for change of the Issuer's name: Resolution of the Joint General Meeting of Shareholders of JSC "Verkhnyaya Salda Metallurgical Production

Association” and JSC “AVISMA Titanium-Magnesium Works” as of 28.12.2004. The certificate evidencing that the relevant entry was introduced into the Uniform Public Register of Legal Entities was given on January 24, 2005; state registration number: 2056600360254.

Previous full and abbreviated names of the Issuer:

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

Date and reason for change of the Issuer’s name: Resolution of Sverdlovsk Region Committee of State Property Control No. 38 as of 22.01.1993 regarding “Approval of the State Property Privatization Plan”.

State registration number: 162 II- VI

State registration date: 18.02.1993.

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

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

Date and reason for change of the Issuer’s name: 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.

**3.1.2. Information on Issuer’s State Registration**

State registration number: 162 II-VI

Date of state registration: 18.02.1993

Name of state registration authority: 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 on the entry introduced to the Uniform Public Register of Legal Entities on the legal entity registered before July 1, 2002): Regional Surveillance Authority No. 3 of the Ministry of Taxation of the RF for Sverdlovsk Region.

Entry date: 11.07.2002.

**3.1.3. Issuer’s Establishment and Development**

Date of the Issuer establishment: 18.02.1993.

The Issuer has been established for unlimited period.

Brief history of the 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 volume of titanium ingots melted at VSMPO was 50% higher compared to that in the US, Europe and Japan taken together.

At the beginning of 90s, due to 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, new management of VSMPO made a strategic decision to start diversification and produce not only titanium for military applications in the domestic market but also products 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 items meeting quality requirements of the foreign customers.

Capacities were upgraded 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 the 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 value-added products in the total output such as thin titanium sheet, welded thin-walled titanium pipe, die-forging.

Moreover, non-conventional production lines designated for construction business, manufacture of wheel 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, 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.

Construction of Berezniki magnesium plant began in 1941 under the government order.

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 50s due to intensive growth in titanium production.

The necessity of providing the magnesium-thermal stages of titanium sponge production with magnesium resulted in establishment of combined 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 privatization and reorganization of BTMW 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 the controlling interest in JSC AVISMA passed into the ownership of JSC VSMPO (Verkhnyaya Salda Metallurgical Production Association).

**Company objectives:**

- Manufacture of products meeting Customers' requirements and expectations, complying with the international and national standards and mandatory requirements of surveillance authorities.
- Enhancement of products competitiveness in domestic and foreign markets.

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

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

### 3.1.4. Contact Information

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

Location of the Issuer's Executive Body: 1, Parkovaya St., Verkhnyaya Salda, Sverdlovsk Region, Russia

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

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

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

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

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

Corporate documents – [www.vsm-po.ru](http://www.vsm-po.ru)

Securities - [www.vsmpto.ru](http://www.vsmpto.ru)

Information disclosure - [www.vsmpto.ru](http://www.vsmpto.ru)

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

Office 26, 12, Parkovaya St., Verkhnyaya Salda, Sverdlovsk region, 624760

Tel: +7(34345) 5-28-00

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. Affiliates and Representative Offices of the Issuer

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 31.12.2006.

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 of the Issuer

### 3.2.1. Industrial Sector

Codes of the main industrial activities of the Issuer in accordance with the All-Russian Classifier of Economic Activities (OKVED): 27.45, 27.53, 28.12, 28.22.1, 28.75.12, 45.21.1, 55.51, 51.70, 14.12

### 3.2.2. Primary Economic Activity

Primary economic activity of the Issuer is production of other non-ferrous metals (OKVED – 27.45)

Item	2002	2003	2004	2005	2006	Q1, 2007
Sales from the primary economic activity, '000 roubles	6 902 633	6 713 862	8 557 760	12 749 466	24 402 970	6 002 424
Share of the total earnings, %	44.5%	47.7%	44.7%	44.3%	56.8%	59.6%

Primary products accounting for not less than 10% of the total sales volume is production of titanium alloy items.

Item	2002	2003	2004	2005	2006	Q1, 2007
Sales of titanium products, '000 roubles	6 902 633	6 713 862	8 557 760	11 333 481	22 121 127	5 605 283
Share of the total earnings, %	44.5%	47.7%	44.7%	39.4%	51.5%	55.6%

#### General cost structure of the Issuer

Cost item	2006	Q1, 2007
Raw materials and supplies, %	55.0%	51.5%
Purchased components and semi-products, %		
Work and services provided by the third parties, %	8.3%	7.2%
Fuel, %	1.8%	2.7%
Power, %	6.7%	8.3%
Wages, %	19.5%	18.6%
Rentals, %	0.3%	0.4%
Social expenses, %	4.2%	5.0%
Depreciation of fixed assets, %	3.0%	3.2%
Tax included into product cost, %	0.5%	0.5%
Other expenses, including % :		
- depreciation of immaterial assets, %	0.0%	0.0%
- remuneration for rationalization proposal, %	0.0%	0.0%
- compulsory insurance payments, %	0.2%	0.4%
- representation expenses, %	0.0%	0.05
- other, %	0.6%	2.1%
Total: cost of production and sales of products (work, services) - production cost, %	100.0%	100.0%
For reference: proceeds from sales of products (work, services) vs production cost, %	175.0%	173.1%

Cost structure is calculated based on Form 5-3 «Cost of production and sales of products (work, services)».

#### 3.2.3 Raw Materials, Commodity and the Issuer's Suppliers

Suppliers of the Issuer accounting for 10% and more of all the purchased inventory items:

Raw material supplier which covered 10% of the total amount of purchases in 2006 – JSC Uralredmet, Petrova St. 29, Verkhnyaya Pyshma. In 2006 this supplier accounted for 17.5% and in Q1, 2007 – for 24.4% of all the purchased inventory items. The price for the raw materials didn't change by more than 10% during the reporting period compared to the same period of the previous year.

VSMPO-AVISMA Corporation uses master alloys produced by JSC Uralredmet. Only pure vanadium pentoxide and pure molybdenum oxide is used for titanium alloys manufacture. At present such high-quality materials are not produced in Russia, thus imported materials are used in master alloys fabrication. VSMPO-AVISMA Corporation and JSC Uralredmet source these raw materials from foreign suppliers: Glencore, Switzerland; GFE, Germany; Stratcore, USA; Pechine, UK. The prices for vanadium pentoxide and molybdenum oxide vary depending on stock exchange quotations.

Imported raw materials used in titanium production include ilmenite and its concentrates. Currently these raw materials are not produced in Russia. The share of imported goods in the total volume of purchases of VSMPO-AVISMA Corporation amounted to 26.7% in 2006 and 16.2% in Q1, 2007.

The demand for ilmenite concentrate and titanium slag (raw material for sponge titanium) is covered by the Ukrainian companies: Volnogorsky Mining-and-Metallurgical Works – subsidiary of ZAO «Krymsky Titan», Volnogorsk and Irshansk Mining and Processing Works - subsidiary of ZAO «Krymsky Titan», Irshansk, Zhitomir Region.

#### 3.2.4. Sales Markets of the Issuer's Products (Work, Services)

Sales markets of the basic Company's products (metallic semi-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 deliveries by countries (regions) in 2005 was as follows: the USA – 60.5%, European countries – 29.1%, Taiwan – 3.1%, Japan – 6.1%, other countries – 1.2%. VSMPO-AVISMA Corporation has over 300 partners from 48 countries. Currently, VSMPO-AVISMA Corporation covers 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 to such engine-building companies as GEAE, Snecma, Rolls Royce, Pratt&Whitney, and Honeywell.

In fact, there is not a single titanium consuming company in the world which does not use titanium produced by VSMPO-AVISMA Corporation.

The contract for delivery of aluminum products for Y8F600 aircraft was signed with Shansi Aircraft-Building Company (SAC), China.

Jointly with foreign companies, VSMPO-AVISMA Corporation expands research programs on development of titanium alloys and manufacture of steel and aluminum products for aircraft applications. 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's 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. Bostlan, Thyssen Krupp, Gel-Star), Asia (Sojitz), the USA (VSMPO-Tirus);

- titanium mill products – aerospace companies in North and South America, and Europe (Boeing, EADS, Embraer, GEAE, Snecma, Rolls Royce, Pratt & Whitney, Honeywell, etc.);

- titanium electrode for golf club casting for 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, DaymlerChrysler, Cezus).

#### **Sales markets of AVISMA – Affiliate:**

The primary sales markets of AVISMA products are:

- sponge titanium / titanium powder – Europe (Wogen Titanium, LSM, Bostlan, Thyssen Krupp, GfE-MIR GmbH), Asia (Stork, Sojitz), the USA (VSMPO Tirus);

- magnesium – the USA (VSMPO-Tirus).

### **3.2.5 Information on the Issuer's Licenses**

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: 10509/200014

Date of issue: 22.04.2006

Expiry date: 22.04.2012

Issuing Authority: Nizhny Tagil Customs

Type of activity: Temporary warehouse establishment

Number: SVE No. 01256

Date of issue: 23.09.2002

Expiry date: 01.07.2027

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. 00980  
Date of issue: 23.11.2006  
Expiry date: 20.11.2011  
Issuing Authority: Federal Agency for Water Resources. Nizhneobskoe Water Basin Authority. Water Resources Department for Sverdlovsk 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: 63-EH-000543 (ZhH)  
Date of issue: 14.05.2004  
Expiry date: 14.05.2009  
Type of activity: State Technical Surveillance of Russia  
Type of activity: operation of chemically hazardous objects

Number: UO-11-101-1191  
Date of issue: 20.07.2006  
Expiry date: 1.08.2011  
Type of activity: Federal Environmental, Process and Nuclear Surveillance Service  
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: 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: 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: 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: 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. 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: 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: UO-12-106-1171

Date of issue: 17.03.2006

Expiry date: 01.04.2011

Issuing authority: Federal Environmental, Process and Nuclear Surveillance Service

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

Number: UO-12-115-1169

Date of issue: 17.03.2006

Expiry date: 01.04.2011

Issuing authority: Federal Environmental, Process and Nuclear Surveillance Service

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-12-101-1170

Date of issue: 17.03.2006

Expiry date: 17.03.2011

Issuing authority: Federal Environmental, Process and Nuclear Surveillance Service.

Type of activity: manufacture of equipment for nuclear plants.

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: 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: 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: D 000120

Date of issue: 10.10.2001

Expiry date: 08.09.2009

Issuing authority: Government of Sverdlovsk Region

Type of activity: processing and sale of nonferrous scrap.

Number: PEM 01667 VE

Date of issue: 18.08.2006

Expiry date: 25.12.2026

Issuing authority: Regional Agency for Subsurface Use in Perm Region

Type of activity: subsurface use, fresh groundwater production for industrial water supply

Number: PEM 01666 VE

Date of issue: 07.07.2006

Expiry date: 05.05.2018

Issuing authority: Regional Agency for Subsurface Use in Perm Region

Type of activity: subsurface use, fresh groundwater production for industrial water supply to the works

Number: PEM 01093 TREVKh

Date of issue: 23.11.2006

Expiry date: 01.08.2011

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

Type of activity: water use (discharge of domestic wastewater from the division to the Ivakin open pit).

### 3.2.6. Joint Activity of the Issuer

As of 01.04.2007 the Issuer carries out no joint activity with other organizations.

### 3.3. Future Prospects of the Issuer

Strategic targets of VSMPO-AVISMA Corporation for 2007:

Increase in titanium products output by 15-17%, including increase in ingot, die-forging, billet and flat-rolled products manufacture.

Production development plan will be implemented first of all taking into account the demand for titanium alloys from the Russian industry. At the international level, one of the most promising lines of activities will be cooperation with Boeing Company. Also the new work will start connected with participation in Airbus A350 project.

Engineering line of production is developed very intensively, including manufacture of heat-exchanging equipment, equipment for power engineering, machine-building, and oil-and-gas industries. Manufacture of value-added titanium products is the promising direction of growth which will be followed by the Company in the nearest future.

Strategic targets of AVISMA – Affiliate for 2007:

Integrated development of production capacities and power supply system aimed at increase in sponge titanium output to 44 000 tons by 2010. Maintaining magnesium and magnesium chloride production at the level necessary to support manufacture of 44 000 tons of sponge per year. Expanding of raw material base for titanium slag production and introduction of the process for titanium slag production from the pelleted charge.

Environmental targets: to complete the next stage of reconstruction of the waste-disposal plant in order to reduce contamination of the Kama river basin and the amount of environmental payments; to reconstruct the waste material ground.

### **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”

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 Aluminum 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 aluminum or aluminum 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

Zaicev, Denis Gennadievich, b. 1977

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

Proportion of ordinary shares of the issuer, which belong to Mr. Zaicev: 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, Engelsa 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, Engelsa 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: 0.0003

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

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, Viktor 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

Krayev Leonid Nikolaievich, b.1956

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

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

Zaicev Denis Gennadievich, b.1977.

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

Proportion of ordinary shares of the issuer, which belong to Mr. Zaicev: 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:**

Krayev Leonid Nikolaievich, b.1956

Participatory share of Mr. Krayev in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Krayev: 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: 80.36096%

Proportion of ordinary shares of the subordinate company which belong to the issuer: 80.36096%

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, Lenina 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:** the issuer and its employees are provided with the said services.

**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

Krinitcyn, Alexander Viktorovich, b. 1954  
Participatory share of Mr. Krinitcyn in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Krinitcyn: 0

Perminova, Olga Viktorovna, 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

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

**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 Avenue, 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: 0.0498%

**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:** property leasing, conclusion of sales contracts, brokerage business

**Board of Directors:**

Sementsov, Alexander Vladimirovich - chairman, b. 1966

Participatory share of Mr. Sementsov in the issuer's registered capital: 0.0016

Proportion of ordinary shares of the issuer, which belong to Mr. Sementsov: 0.0016

Philippova, Tatyana Gennadievna, b. 1963

Participatory share of Mrs. Philippova in the issuer's registered capital: 0.0002

Proportion of ordinary shares of the issuer, which belong to Mrs. Philippova: 0.0002

Krinitcyn, Alexander Viktorovich, b. 1954

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

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

Turischeva, Lyudmila Vasilievna, b. 1951

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

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

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

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

**Person acting as Sole Executive Body:**

Turischeva, Lyudmila Vasilievna, b. 1951

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

Proportion of ordinary shares of the issuer, which belong to Mrs. Turischeva: 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, Viktor 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

Vaigel, Iosif Ivanovich, b. 1957

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

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

Tanaev, Alexander Fedotovitch, b. 1934

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

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

Gorban, Vyacheslav Ivanovich, 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

Kozlov, Yury Askoldovich, b. 1951

Participatory share of Mr. Kozlov in the issuer's registered capital: 0.0002

Proportion of ordinary shares of the issuer, which belong to Mr. Kozlov: 0.0002

#### **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: 0.0002

Proportion of ordinary shares of the issuer, which belong to Mr. Kozlov: 0.0002

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

Potekha, Sergey Ivanovich, b. 1953

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

Proportion of ordinary shares of the issuer, which belong to Mr. Potekha: 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 Viktorovna, 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: 0.0029

Proportion of ordinary shares of the issuer, which belong to Mr. Shishkin: 0.0029

**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: 0.0029

Proportion of ordinary shares of the issuer, which belong to Mr. Shishkin: 0.0029

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:** the issuer and its employees are provided with the said services.

**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

Krinitzyn, Alexander Viktorovich, b. 1954

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

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

Perminova, Olga Viktorovna, 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, Viktor 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 both in-house and outsourced products and foods

**Description of the role of such company in issuer's activity:** the issuer and its employees are provided with the said services.

**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:** the issuer and its employees are provided with the said services

**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 Viktorovna, 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 Viktorovich, 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:** the issuer is provided with the services related to its primary 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, Viktor 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:** the issuer is provided with the said services.

**Board of Directors:**

Tankeev, Vladimir Petrovich – chairman, b. 1938.

Participatory share of Mr. Tankeev in the issuer's registered capital: 0.0011

Proportion of ordinary shares of the issuer, which belong to Mr. Tankeev: 0.0011

Philippova, Tatyana Gennadievna, b. 1963

Participatory share of Mrs. Philippova in the issuer's registered capital: 0.0002

Proportion of ordinary shares of the issuer, which belong to Mrs. Philippova: 0.0002

Lapenkov, Lev Borisovich, b. 1982.

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

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

Sharkova, Viktoriya Sergeevna, b. 1971

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

Lapenkov, Lev Borisovich, b. 1982.

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

Sharkova, Viktoriya Sergeevna, b. 1971

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

Vaigel, Ivan Iosifovich, b. 1957

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

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

Kudrevatykh, Viktor 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, Viktor 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 are 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

Lapenkov, Lev Borisovich, b. 1982.

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

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

Perminova, Olga Viktorovna, 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

Perminova, Olga Viktorovna, 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

Vaigel, Ivan Iosifovich, b. 1957

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

Proportion of ordinary shares of the issuer, which belong to Mr. Vaigel: 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; contractual 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 are provided to the issuer

**Board of Directors:**

Boltrushevich, Evgeny Mikhailovich – chairman, b. 1953

Participatory share of Mr. Boltrushevich in the issuer's registered capital: 0.0008

Proportion of ordinary shares of the issuer, which belong to Mr. Boltrushevich: 0.0008

Chupin, Anton Sergeevich, b. 1981

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

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

Lapenkov, Lev Borisovich, b. 1982.

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

Proportion of ordinary shares of the issuer, which belong to Mr. Lapenkov: 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:** the issuer's employees are provided with the catering services

**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: 0.0016

Proportion of ordinary shares of the issuer, which belong to Mr. Sementsov: 0.0016

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 Viktorovna, 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 are 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: 0.0016

Proportion of ordinary shares of the issuer, which belong to Mr. Sementsov: 0.0016

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 Viktorovna, 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 Viktorovich, 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 Viktorovich, 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 are 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 Viktorovna, 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 discharges 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 are 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 Viktorovna, 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

Lapenkov, Lev Borisovich, b. 1982.  
Participatory share of Mr. Lapenkov in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Lapenkov: 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):

Board of Directors 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:**

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 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 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

Zaicev, Denis Gennadievich, b. 1977

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

Proportion of ordinary shares of the issuer, which belong to Mr. Zaicev: 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:** the issuer and its employees are provided with the said services.

**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

Lapenkov, Lev Borisovich, b. 1982.

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

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

Mizeva, Elena Ivanovna, b. 1965

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

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

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

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

**Person acting as Sole Executive Body:**

Schepotin, Dmitry Viktorovich, b. 1978

Participatory share of Mr. Schepotin in the issuer's registered capital: 0.0004

Proportion of ordinary shares of the issuer, which belong to Mr. Schepotin: 0.0004

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

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

Zaicev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zaicev in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Mr. Zaicev: 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: VSMPO - AVISMA Corporation owns more than 20% of the voting shares 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, aluminum, 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:

**"Carl Edblom. Titan AB" Company**

Location of the Company: 11, Newgatan, Örnköldsvik, 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 "Carl Edblom. 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 CIS.

**Board of Directors:**

Carl Gunnar Folke Edblom – chairman, b. 1944

Participatory share of Carl Gunnar Folke Edblom in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Carl Gunnar Folke Edblom: 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: 0.0001

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

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 Works” (CJSC VSMPO-AVISMA Tube Works)**

Location of the Company: 56, Trubnikov Avenue, Nikopol, the Ukraine.

Grounds for acknowledging the company as a subsidiary: dominant participation via “Carl Edblom. 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:**

Carl Gunnar Folke Edblom – chairman, b. 1944

Participatory share of Carl Gunnar Folke Edblom in the issuer’s registered capital: 0

Proportion of ordinary shares of the issuer, which belong to Carl Gunnar Folke Edbloom: 0

Leder, Oleg Ottovich, b. 1962

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

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

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. 1953

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 Viktorovich, 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, Viktor 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/Carl Edblom. Titan.AB” Company (DK SETAB Dnepr of SETAB/Carl Edblom. Titan.AB Company)**

Location of the Company: 129Б, Kirov Prospekt, Office 7/3, Dnepropetrovsk, the Ukraine.

Grounds for acknowledging the company as a subsidiary: dominant participation via Carl Edblom. Titan.AB Company in the registered capital of DK SETAB Dnepr of SETAB/Carl Edblom. 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, Viktor Nikolaevich, 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 products, 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, Nickolai 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  
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

Zaicev, Denis Gennadievich, b. 1977

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

**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, Nickolai 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

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

Zaicev, Denis Gennadievich, b. 1977

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

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

Pryanichnikov, Nikolay Grigorievich, b. 1950

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

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

**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: 0.0001

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

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

Zaicev, Denis Gennadievich, b. 1977

Participatory share of Mr. Zaicev in the issuer’s registered capital: 0

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

Zaicev, Denis Gennadievich, b. 1977

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

Proportion of ordinary shares of the issuer, which belong to Mr. Zaicev: 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, Viktor 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: 0.0002

Proportion of ordinary shares of the issuer, which belong to Mr. Vedyashev: 0.0002

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

Zaicev, Denis Gennadievich, b. 1977

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

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

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

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

**Person acting as Sole Executive Body:**

Odinokikh, Viktor 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 of 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: 0.0003

Proportion of ordinary shares of the issuer, which belong to Mr. Ovchinnikov: 0.0003

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: 0.0002

Proportion of ordinary shares of the issuer, which belong to Mr. Vedyashev: 0.0002

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

Zaicev, Denis Gennadievich, b. 1977

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

Proportion of ordinary shares of the issuer, which belong to Mr. Zaicev: 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: 0.0003

Proportion of ordinary shares of the issuer, which belong to Mr. Ovchinnikov: 0.0003

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

Zaicev, Denis Gennadievich, b. 1977

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

Proportion of ordinary shares of the issuer, which belong to Mr. Zaicev: 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, Nickolai 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  
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

Zaicev, Denis Gennadievich, b. 1977  
Participatory share of Mr. Zaicev in the issuer's registered capital: 0  
Proportion of ordinary shares of the issuer, which belong to Mr. Zaicev: 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, Nickolai 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

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

Zaicev, Denis Gennadievich, b. 1977

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

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

Kolmakov, Leonid Grigorievich, b. 1949

Participatory share of Mr. Kolmakov in the issuer's registered capital: 0.0002

Proportion of ordinary shares of the issuer, which belong to Mr. Kolmakov: 0.0002

**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: 0.0002

Proportion of ordinary shares of the issuer, which belong to Mr. Kolmakov: 0.0002

3.5.42. Full and abbreviated company name:

**VSMPO – TIRUS, U.S., INC.**

Location of the Company: 603 Park Point Drive, Suite 150, Golden, Colorado, 80401, U.S.

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO – TIRUS, U.S., INC.

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:** ensuring local timely shipments to satisfy customers' needs. Additional services, such as cutting of plate,

sheet, bar and billet into mults, heat treating, precision grinding and machining to customers' specifications.

**Description of the role of such company in issuer's activity:** sales and distribution services in Europe and North America provided to the Corporation.

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

John Monahan, b.1945

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

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

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

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

**Person acting as Sole Executive Body:**

John Monahan, b.1945

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

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

3.5.43. Full and abbreviated company name:

**VSMPO – TIRUS GmbH**

Location of the Company: Homburger Landstrasse 266, D-60433 Frankfurt am Main, Germany

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

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:** ensuring local timely shipments to satisfy customers' needs. Additional services, such as cutting of plate, sheet, bar and billet into mults, heat treating, precision grinding and machining to customers' specifications.

**Description of the role of such company in issuer's activity:** sales and distribution services in Europe provided to the Corporation, trade services to the customers.

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

Board of Directors 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:**

Dirk Mansfeldt, b. 1960

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

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

3.5.44. Full and abbreviated company name:

**VSMPO – TIRUS UK, Ltd.**

Location of the Company: Cardiff, UK.

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO – TIRUS UK, Ltd.

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:** ensuring local timely shipments to satisfy customers' needs. Additional services, such as cutting of plate, sheet, bar and billet into mults, heat treating, precision grinding and machining to customers' specifications.

**Description of the role of such company in issuer's activity:** the Issuer is provided with the services related to its primary activity.

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

Board of Directors 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:**

Christopher Hall, b.1955

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

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

3.5.45. Full and abbreviated company name:

**NF&M International, Inc. (NF&M)**

Location of the Company: State of Colorado, Denver, U.S.

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of NF&M International, Inc. via VSMPO – TIRUS, U.S., INC.

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 services related to metal sales and conversion of customers' material. The certificates for rotor grade metal manufacture received from the leading engine-building companies allow NF&M to produce material for critical applications. Besides conventional round section items, NF&M also produce rectangular billet and stock per specification 011-49-6990-547713.

**Description of the role of such company in issuer's activity:** the Issuer is provided with the services related to its primary activity.

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

John Monahan, b.1945

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

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

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

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

**Person acting as Sole Executive Body:**

John Monahan, b.1945

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

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

3.5.46. Full and abbreviated company name:

**Uniti, LLC**

Location of the Company: Delaware, Colorado, U.S.

Grounds for acknowledging the company as a subsidiary of the issuer: participatory share of VSMPO-AVISMA Corporation in the registered capital of Uniti, LLC via VSMPO FUNDING CORPORATION is over 20%.

Issuer's participatory share in the registered capital of the subsidiary: 50%.

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

**Description of the primary business of the Company:** manufacture and marketing of the wide range of products from CP titanium of non-aerospace application. Uniti, LLC services the following markets: power-engineering, desalination units, chemical and oil industries, paper-and-pulp industry, construction, automotive and transportation sectors, consumer goods and electronics.

**Description of the role of such company in issuer's activity:** the Issuer is provided with the services related to its primary activity.

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

John Monahan, b.1945

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

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

Leder, Oleg Ottovich, b. 1962

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

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

Jack Shilling

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

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

John Walton

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

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

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

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

**Person acting as Sole Executive Body:**

Carl Moulton

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

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

3.5.47. Full and abbreviated company name:

**VSMPO FUNDING CORPORATION (FUNDING)**

Location of the Company: State of Colorado, Denver, U.S.

Grounds for acknowledging the company as a subsidiary of the issuer: dominant participation of VSMPO-AVISMA Corporation in the registered capital of VSMPO FUNDING CORPORATION via VSMPO – TIRUS, U.S., INC.

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:** business activity.

**Description of the role of such company in issuer's activity:** the Issuer is provided with the services related to its primary activity.

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

John Monahan, b.1945

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

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

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

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

**Person acting as Sole Executive Body:**

John Monahan, b.1945

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

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

**3.6 Content, Structure and Value of the Issuer's Fixed Assets, Information on the Planned Acquisition, Replacement, Retirement of Fixed Assets as well as on the Fixed Assets Encumbrance**

**3.6.1. Fixed assets**

<b>Structure and Value of the Fixed Assets as of 01.01.2004</b>			
<b>Group of fixed assets</b>	<b>Group designation</b>	<b>Initial value, roubles</b>	<b>Amount of accumulated depreciation, roubles</b>
1	All short-life assets with the useful life of 1 - 2 years inclusive	11 567	9 157
2	Assets with the useful life of over 2 years to 3 years inclusive	1 167 943	490 014
3	Assets with the useful life of over 3 years to 5 years inclusive	146 134 456	84 059 962
4	Assets with the useful life of over 5 years to 7 years inclusive	110 373 420	19 695 256
5	Assets with the useful life of over 7 years to 10 years inclusive	576 124 959	92 541 355
6	Assets with the useful life of over 10 years to 15 years inclusive	396 743 653	48 031 521

7	Assets with the useful life of over 15 years to 20 years inclusive	454 374 909	80 914 523
8	Assets with the useful life of over 20 years to 25 years inclusive	19 464 883	5 327 907
9	Assets with the useful life of over 25 years to 30 years inclusive	27 132 934	6 546 314
10	Assets with the useful life of over 30 years	528 071 096	83 841 535
Total		2 259 599 820	421 457 544

**Structure and Value of the Fixed Assets as of 01.01.2005**

<b>Group of fixed assets</b>	<b>Group designation</b>	<b>Initial value, roubles</b>	<b>Amount of accumulated depreciation, roubles</b>
1	All short-life assets with the useful life of 1 - 2 years inclusive	11 567	11 567
2	Assets with the useful life of over 2 years to 3 years inclusive	3 338 961	1 149 072
3	Assets with the useful life of over 3 years to 5 years inclusive	189 363 710	112 111 349
4	Assets with the useful life of over 5 years to 7 years inclusive	121 354 634	31 743 243
5	Assets with the useful life of over 7 years to 10 years inclusive	741 735 681	176 492 514
6	Assets with the useful life of over 10 years to 15 years inclusive	448 757 428	91 940 079
7	Assets with the useful life of over 15 years to 20 years inclusive	558 428 833	125 784 620
8	Assets with the useful life of over 20 years to 25 years inclusive	24 631 757	8 230 238
9	Assets with the useful life of over 25 years to 30 years inclusive	27 145 264	9 671 497
10	Assets with the useful life of over 30 years	635 634 628	131 030 688
Total		2 750 402 463	688 164 867

**Structure and Value of the Fixed Assets as of 01.01.2006**

<b>Group of fixed assets</b>	<b>Group designation</b>	<b>Initial value, roubles</b>	<b>Amount of accumulated depreciation, roubles</b>
1	All short-life assets with the useful life of 1 - 2 years inclusive	190 375 915	32 642 121
2	Assets with the useful life of over 2 years to 3 years inclusive	50 883 875	15 872 829
3	Assets with the useful life of over 3 years to 5 years inclusive	496 516 103	310 846 431
4	Assets with the useful life of over 5 years to 7 years inclusive	399 856 761	126 220 157
5	Assets with the useful life of over 7 years to 10 years inclusive	1 120 094 473	400 721 553

6	Assets with the useful life of over 10 years to 15 years inclusive	1 236 024 490	290 025 113
7	Assets with the useful life of over 15 years to 20 years inclusive	931 777 507	206 258 642
8	Assets with the useful life of over 20 years to 25 years inclusive	54 118 882	17 218 114
9	Assets with the useful life of over 25 years to 30 years inclusive	40 754 241	14 834 322
10	Assets with the useful life of over 30 years	1 292 913 665	282 332 153
Total		5 813 315 912	1 696 971 435

**Structure and Value of the Fixed Assets as of 01.01.2007**

<b>Group of fixed assets</b>	<b>Group designation</b>	<b>Initial value, roubles</b>	<b>Amount of accumulated depreciation, roubles</b>
1	All short-life assets with the useful life of 1 - 2 years inclusive	397 305 079	240 967 237
2	Assets with the useful life of over 2 years to 3 years inclusive	104 429 697	59 569 634
3	Assets with the useful life of over 3 years to 5 years inclusive	443 906 915	234 859 904
4	Assets with the useful life of over 5 years to 7 years inclusive	532 165 600	185 693 539
5	Assets with the useful life of over 7 years to 10 years inclusive	1 803 404 167	501 640 427
6	Assets with the useful life of over 10 years to 15 years inclusive	1 379 473 875	431 095 536
7	Assets with the useful life of over 15 years to 20 years inclusive	1 323 730 634	394 667 518
8	Assets with the useful life of over 20 years to 25 years inclusive	64 247 601	33 898 888
9	Assets with the useful life of over 25 years to 30 years inclusive	40 739 995	26 577 603
10	Assets with the useful life of over 30 years	1 471 890 989	864 852 583
Total		7 561 294 552	2 973 822 869

**Structure and Value of the Fixed Assets as of 01.04.2007**

<b>Group of fixed assets</b>	<b>Group designation</b>	<b>Initial value, roubles</b>	<b>Amount of accumulated depreciation, roubles</b>
1	All short-life assets with the useful life of 1 - 2 years inclusive	408 074 981	176 051 270
2	Assets with the useful life of over 2 years to 3 years inclusive	120 156 749	41 420 042
3	Assets with the useful life of over 3 years to 5 years inclusive	437 626 919	271 302 763

4	Assets with the useful life of over 5 years to 7 years inclusive	582 981 668	206 191 861
5	Assets with the useful life of over 7 years to 10 years inclusive	1 979 788 444	595 513 009
6	Assets with the useful life of over 10 years to 15 years inclusive	1 419 936 137	443 841 647
7	Assets with the useful life of over 15 years to 20 years inclusive	1 326 384 459	305 507 808
8	Assets with the useful life of over 20 years to 25 years inclusive	64 446 879	22 700 302
9	Assets with the useful life of over 25 years to 30 years inclusive	40 739 994	19 191 744
10	Assets with the useful life of over 30 years	1 478 058 184	385 622 915
Total		<b>7 858 194 414</b>	<b>2 467 343 361</b>

The Issuer has no plans on acquisition, replacement or retirement of the fixed assets with the value equal to or exceeding 10% of the total fixed assets value.

**Value of the encumbered fixed assets:**

pledged:

balance-sheet value - 1 200 068 435,21 roubles

net depreciated value - 1 020 015 419,96 roubles

leased:

balance-sheet value - 721 141 271,15 roubles

net depreciated value - 384 908 710,61 roubles

## IV. Financial and Economic Activities Information

### 4.1. Financial and Economic Performance Results

#### 4.1.1. Profit and Loss

Index	2002	2003	2004	2005	2006	Q1 2007
Proceeds, 000' rubles	8 768 747	8 369 550	10 571 946	16 800 410	28 364 389	6 626 758
Gross profit, 000' rubles	3 865 790	3 146 119	3 194 553	6 742 848	12 151 642	2 799 572
Net profit (retained profit (uncovered loss), 000' rubles	1 390 330	1 279 415	1 600 767	3 174 137	5 859 925	1 381 362
Proceeds, 000' rubles	25%	18.6%	19.1%	21.7%	29.2%	6.4%
Gross profit, 000' rubles	17.1%	12.7%	12.9%	15.5%	20.7%	4.7%
Net profit (retained profit (uncovered loss), 000' rubles	15.9%	15.3%	15.1%	18.9%	20.7%	20.8%
Proceeds, 000' rubles	32.3%	23.0%	16.5%	27.4%	32.4%	31.6%
Gross profit, 000' rubles	2.10	2.63	2.59	2.16	2.05	0.48
Net profit (retained profit (uncovered loss), 000' rubles	0	0	0	0	0	0
Proceeds, 000' rubles	0	0	0	0	0	0

There was growth of proceeds, gross and net profit last year. In 2006 proceeds increased by 68.8% compared to 2005, or by 11 563 979'000 rubles. Gross profit increased by 80.2% in the reporting period which exceeds the increment of sales proceeds and demonstrates that proceeds increment rate (68.8%) outstrips the rate of cost growth (61.2%).

In 2006 the net profit increment equaled 84.6% or 2 685 788'000 rubles.

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 profitability and trends for further growth. As of the end of the reporting period, return on assets of net profit equaled 20.7% per annum, return on equity came up to 29.2%, and return on sales of sales proceeds equaled 32.4% per annum.

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 four 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.

- on July 1, 2005 JSC AVISMA broke off the activities as legal entity and was affiliated by VSMPO-AVISMA Corporation, 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 the terms of products supply agreements with the foreign customers by 2006 the title was to be transferred and sales proceeds were to be recorded in accounting reports once the products were paid for.

Proceeds from sales to the Russian customers were recorded upon shipment.

Starting from 2006 all the supply agreements state the title transfer date to be upon products shipment, therefore, all the shipped products are acknowledged as sold based on the accounting information.

Moreover, in 2006 the Corporation received the funds for the products which had been shipped for export before but not paid in 2005 which resulted in increased sold products indices both in tons and money terms.

## 4.2. Issuer's Liquidity, Adequacy of the Capital and Current Assets

Index	2002	2003	2004	2005	2006	Q1 2007
Own current assets, 000' rubles	3 500 698	3 170 722	4 061 210	7 702 672	11 097 147	11 910 336
Fixed assets ratio	0.38	0.54	0.52	0.47	0.45	0.44
Current liquidity ratio	2.40	2.01	2.02	2.35	3.48	3.245
Quick liquidity ratio	0.967	0.612	0.591	0.795	2.004	1.811
Own assets non-interaction ratio	0.69	0.69	0.68	0.71	0.708	0.724

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 48% in 2006. As of the end of the period, current liquidity equaled 3.48 (with the standard of 2). At the beginning of the year, the Company possessed 2 rubles 35 kopeks of assets value falling to one ruble of loans. By the end of the year this figure came to 3 rubles 48 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 152% during the period under review. At the end of the year, quick liquidity equaled 2. At the beginning of the year the Company possessed 80 kopeks of mid-liquid assets which fell to one ruble of liabilities. At the end of the year this figure equaled 2 rubles which can awake significant interest of banks and finance companies.

During the period under review non-interaction ratio remained at the level of 2005 and equaled 0.71. The standard of this index is over 0.5. In the first quarter of 2007 this index grew by 2.3%. 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

<b>Index</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Q1 2007</b>
Registered capital	10 626	10 626	10 626	11 530	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 (registered capital) of Issuer, 000' rubles	0	0	2 056 (0.0084%)	0	0	0
Size of Issuer's reserve capital formed at the expense of deductions from Issuer's profit, 000' rubles	624	624	624	668	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	6 373 457	6 373 457	6 373 457
Size of Issuer's retained net profit	4 243 918	5 523 333	7 007 255	8 223 661	13 646 846	15 028 208
Size of Issuer's target financing including total funds allocated for special purpose actions, funds received from other organizations and persons, budget funds, etc.	0		0	0	0	0
<b>Issuer's total capital</b>	<b>5 615 159</b>	<b>6 894 574</b>	<b>8 376 440</b>	<b>14 609 316</b>	<b>20 032 501</b>	<b>21 413 863</b>

## Size and Structure of the Issuer's Current Assets

Index	2002	2003	2004	2005	2006	Q1 2007
Inventory	3 215 343	3 888 810	5 055 928	8 074 779	7 466 526	8 101 125
VAT on acquisitions	367 238	517 178	664 201	884 735	751 216	766 703
Accounts receivable (due in more than 12 months after the reporting date)	0	0	0	0		
Accounts receivable (due within 12 months after the reporting date)	1 693 415	1 724 344	2 296 611	4 279 421	10 717 300	10 701 554
Short-term financial investments (58,59,81)	712 579	175 827	36	87 117	490	162 054
Cash	17 809	32 122	74 787	208 771	439 862	345 284
Other current assets	0	0	0	0		
<b>Total working capital</b>	<b>6 006 384</b>	<b>6 338 281</b>	<b>8 091 563</b>	<b>13 534 823</b>	<b>19 375 394</b>	<b>20 076 720</b>

### 4.3.2. Issuer's Financial Investments

**The amount of all the Issuer's financial investments as of 01.01.2007: 890443879.03 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 St., 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 01.01.2007 – 405 567 850 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, Ernseldswick, 891 93, Sweden

Investment size, in percent of the capital – 100%;

Investment size, in terms of money as of 31.12.2006 – 256 828 464 rubles;

**The amount of all the Issuer's financial investments as of 01.04.2007:**

**897218635.49 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 St., 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 01.04.2007 – 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 01.04.2007 – 256 828 464 rubles;  
 As of March 31, 2007 VSMPO-AVISMA Corporation had no funds placed in deposit or other accounts in banks and other financial establishments with licenses either suspended or revoked, or in banks and other financial establishments where the decision has been taken to reorganize, liquidate, commence proceedings of bankruptcy or insolvency acknowledgement (bankrupts).

### 4.3.3. Issuer’s Intangible Assets

#### Intangible Assets as of 1.01.2007

##	Intangible Assets	Original Cost, rubles	Amortization, rubles
1	Trademark right	21 500	8 722
2	Invention right	3 396 093	1 460 296
3	Useful model patent right	37 158	11 985
4	R&D implemented in production	9 580 288	0
	Total	13 035 039	1 481 003

#### Intangible Assets as of 1.04.2007

##	Intangible Assets	Original Cost, rubles	Amortization, rubles
1	Trademark right	21 500	9 239

2	Invention right	3 769 013	1 522 787
3	Useful model right	77 926	17 243
4	R&D's implemented in production	8 211 676	0
	Total	12 080 115	1 549 269

#### **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 of product cost and expansion of sales markets;
- involvement of alternative sources of raw materials into production (including in the territory of 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, 2007.

<b>##</b>	<b>Document (Patent) No. Area of Patent</b>	<b>Intellectual Property Object Description</b>	<b>Date of Issue</b>	<b>Commencement Date. Validity Period</b>
1	2289634 Russian Federation	Method for briquetting charge materials	09.01.2007	18.04.2005 20 years
2	2289635 Russian Federation	Control method for crucible of vacuum arc furnace	09.01.2007	13.05.2005 20 years
3	2289638 Russian Federation	Recovery method for waste acid solutions resulting from processing of titanium alloys	09.01.2007	18.07.2005 20 years
4	2291008 Russian Federation	Tool for products extrusion	22.01.2007	17.06.2005 20 years
5	2291030 Russian Federation	Process and die for semi-continuous compaction of consumable electrode	22.01.2007	20.06.2005 20 years
6	2294812 Russian Federation	Die for closed die forging	27.03.2007	18.07.2005 20 years
7	2294973 Russian Federation	Technique for consumable electrode setting and welding in vacuum arc furnace	27.03.2007	18.05.2005 20 years
8	1302555 Sweden	Titanium-base alloy and heat treatment of large-size semi-	01.02.2007	05.02.2000 20 years

		products from this alloy		
9	Patent No. 2290369	Invention: Manufacturing process for granular calcium chloride	27.12.2006	01.08.2005 20 years till 01.08.2025
10	Patent No. 2290456	Invention: Electric contact connection of electrolytic cell for magnesium production	27.12.2006	28.03.2005 20 years till 28.03.2025
11	Patent No. 2290459	Invention: Electric contact unit of electrolytic cell for magnesium production	27.12.2006	28.03.2005 20 years till 28.03.2025
12	Patent No. 2291107	Invention: Recycling process for salt wastes of magnesium production	10.01.2007	22.02.2005 20 years till 22.02.2025
13	Patent No. 2295497	Invention: Manufacturing process for fine titanium dioxide	20.03.2007	09.03.2005 20 years till 09.03.2025
14	Patent No. 59559	Useful model: Device for carnallite dehydration	27.12.2006	02.10.2006 5 years till 02.10.2011
15	Patent No. 60081	Useful model: Device for sludge removal from electrolytic cell for magnesium production	10.01.2007	11.10.2006 5 years till 11.10.2011
16	Patent No. 61713	Useful model: Device for vacuum separation of titanium sponge	10.03.2007	07.12.2006 5 years till 07.12.2011

In the 1<sup>st</sup> quarter of 2007 two patents for intellectual property objects were used:

1. Patent No. 2261926: Recycling process for salt wastes of magnesium production

2. Patent No. 59559 for useful model: Device for carnallite dehydration

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 Expenditures of AVISMA Affiliate of VSMPO-AVISMA Corporation at the Expense of its Internal Funds as of 01.04.2007](#)

##	Shop	Order Description	Amount, rubles
1	TO	Submerged burning unit for heating of calcium hypochloride solution	1 378 034,22
2	TO	Energy-saving conditions of titanium slag production	3 967 872,55
3	TO	Research of thermal hydrolysis of return magnesium chloride	1 399 108,37
4	TO	Installation of new apparatuses and devices for magnesium conversion	634 827,95
5	TO	Comparative testing of electrolytic cell designs	11 349 192,09

6	TO	Design of dies and tooling for die casting machines	1 062 663,40
7	TO	Integrated processing of copper-vanadium cake	114 931,79
8	TO	Improvement of process and design of vessels for reduction and vacuum separation with upper condenser and increase in cycle productivity	4 918 657,98
9	TO	Development of software for OPU 3, Shop 35	264 415,97
10	TO	Development of magnesium control system in reduction vessel	1 286 311,59
11	TO	Testing of one-stage gas treatment using ring-type emulsifier	131 660,21
12	TO	Extension of service life of primary and auxiliary equipment	835 168,25
13	TO	Improvement of manufacturing process for granular calcium chloride	8 427,13
14	TO	Development of new types of products	27 885,37
15	TO	Testing of electrolytic cell characterized by small cathode-electrode distance	5 966 475,78
16	TO	Manufacturing process for T-ingots in magnesium and magnesium alloys	72 202,15
17	TO	Development of new types of products	4 735 052,32
18	TO	Alternative sources of raw materials for magnesium production	424 464,31
19	TO	Testing of improved design of bag-type filter	40 553,79
20	TO	Implementation in group of HBA electrolytic cells	137 486,23
21	TO	Manufacturing process for calcium chloride solutions	26 748,57
22	TO	Introduction of new materials	96 423,41
23	TO	Improvement of design of reactor for chlorinator melting pot	399 457,08
24	TO	Experimental and industrial testing of combined-supply circuit for Bay I, Shop 33	3 694 039,12
25	TO	Development of noise reduction actions	708 324,63
26	TO	Fabrication and testing of trial contact welded assemblies of magnesium electrolytic cells	2 385 196,19
27	TO	Introduction of new materials	1 756 511,63
28	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	3 233 904,92
29	TO	Development of limestone burning furnace reconstruction	986 001,16
<b>T O T A L :</b>			<b>52 041 998,16</b>

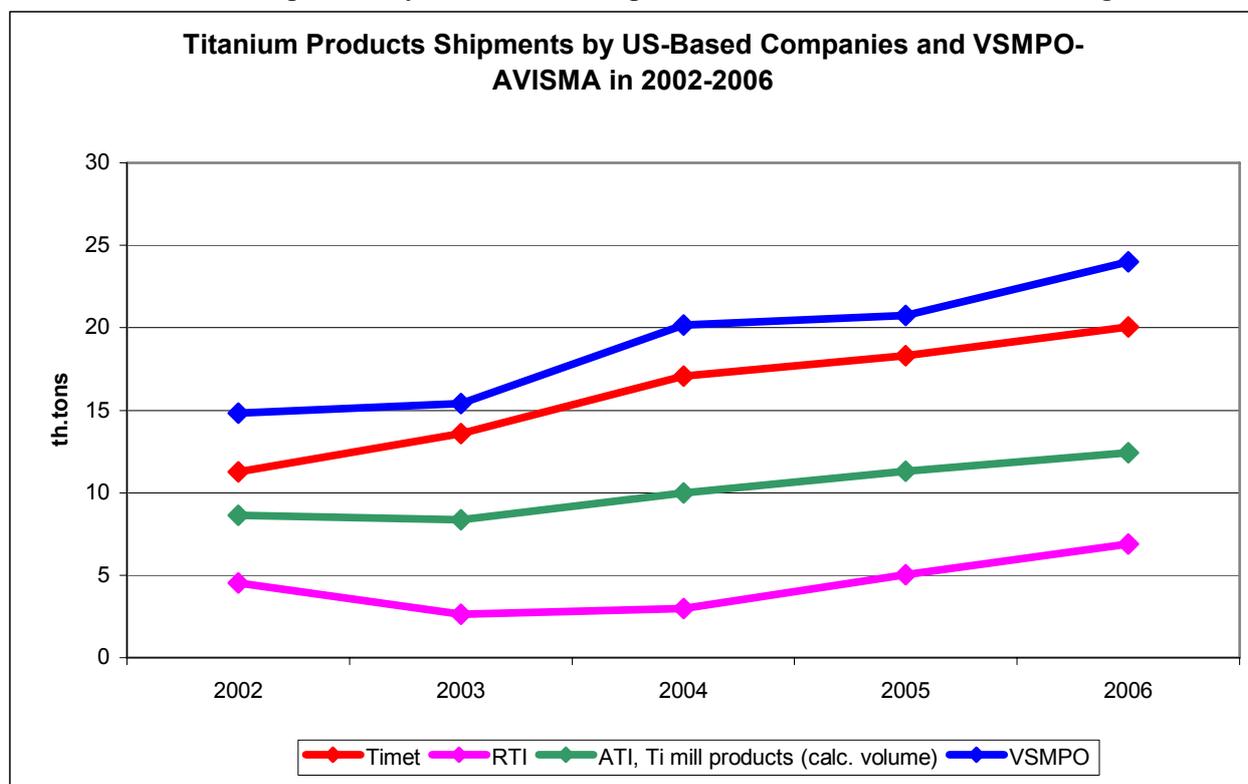
## 4.5 Overview of Development Trends in Issuer's Primary Activities

About 65 % of products manufactured by VSMPO-AVISMA Corporation are intended for aerospace applications, therefore the condition of this sector of the Russian and world economy significantly influences technical and economic indices of the Company. The world aerospace market is characterized by a cyclic nature with each cycle lasting about 4-5 years, and the world titanium market demonstrates a similar pattern of development. Actually, it should be noted that the Asian financial crisis in 1998 and the terrorist attack on September 11, 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 2003-2005 (Fig.1, Table 1). At this the Corporation takes the first place in supplying titanium products.

Figure 1

Titanium Products Shipments by US-Based Companies and VSMPO-AVISMA during 2002-2006



Source: Companies' reports

Table 1

Basic Indices of Timet, RTI, ATI and VSMPO-AVISMA in 2002-2006

Index	Unit	Year				
		2002	2003	2004	2005	2006
<b>Sales</b>	<b>\$ mln</b>					
Timet		366.5	385.3	501.8	749.8	1183.2
RTI		270.9	195.0	209.6	346.9	505.4
ATI		1907.8	1937.4	2733.0	3540.0	4936.6
VSMPO-AVISMA		275.5	268.1	363.9	593.1	1043.4

<b>Net profit (loss)</b>	<b>\$ mln</b>					
Timet		(111.5)	(13.1)	47.7	155.9	281.3
RTI		15.1	4.7	(2.8)	38.9	75.7
ATI		(65.8)	(314.6)	19.8	361.4	571.9
VSMPO-AVISMA		45.3	41.5	55.7	112.2	215.6
<b>Titanium products shipment</b>	<b>th.tons</b>					
Timet, total		11.26	13.60	17.09	18.32	20.1
Mill products		8.86	8.88	11.73	12.66	14.2
Ingot, slab		2.40	4.72	5.36	5.66	5.9
RTI, mill products		4.54	2.68	3.00	5.04	6.9
ATI, mill products		8.65	8.37	9.99	11.30	12.4
VSMPO-AVISMA, total		14.83	15.42	20.18	20.73	24.0
Mill products		9.72	10.47	12.67	15.38	18.48
Ingot, slab		5.11	4.95	7.51	5.35	5.52
<b>Average product price</b>	<b>\$/kg</b>					
Timet, total (calculated price)		27.80	24.78	26.22	34.98	52.11
Mill products		31.40	31.50	32.05	41.75	57.85
Ingot, slab		14.50	12.15	13.45	19.85	38.30
RTI, mill products		33.33	35.13	30.81	33.85	45.77
ATI, mill products		26.06	25.33	27.18	50.11	74.52
VSMPO-AVISMA, export		13.16	12.15	13.01	19.18	27.92
Export mill products		16.64	15.07	16.47	21.60	31.67
Export ingot, slab		8.63	7.80	8.59	13.13	17.72
Domestic market		17.90	20.75	23.77	28.42	36.84

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 titanium sponge production are Ust-Kamenogorsky Titanium and Magnesium Works, Kazakhstan which manufactures high-grade titanium sponge used in aircraft building as well, and Zaporozhsky Titanium and Magnesium Works, the Ukraine which manufactures titanium sponge for metallurgy industry.

As to magnesium, the main competitors are Chinese manufacturers having low production cost and, therefore offering lower 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 VSMPO-AVISMA Corporation 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 titanium sector for the purpose of manufacturing other types of products: aluminum, steel, ferrotitanium, and consumer goods (Table 2)

Table 2

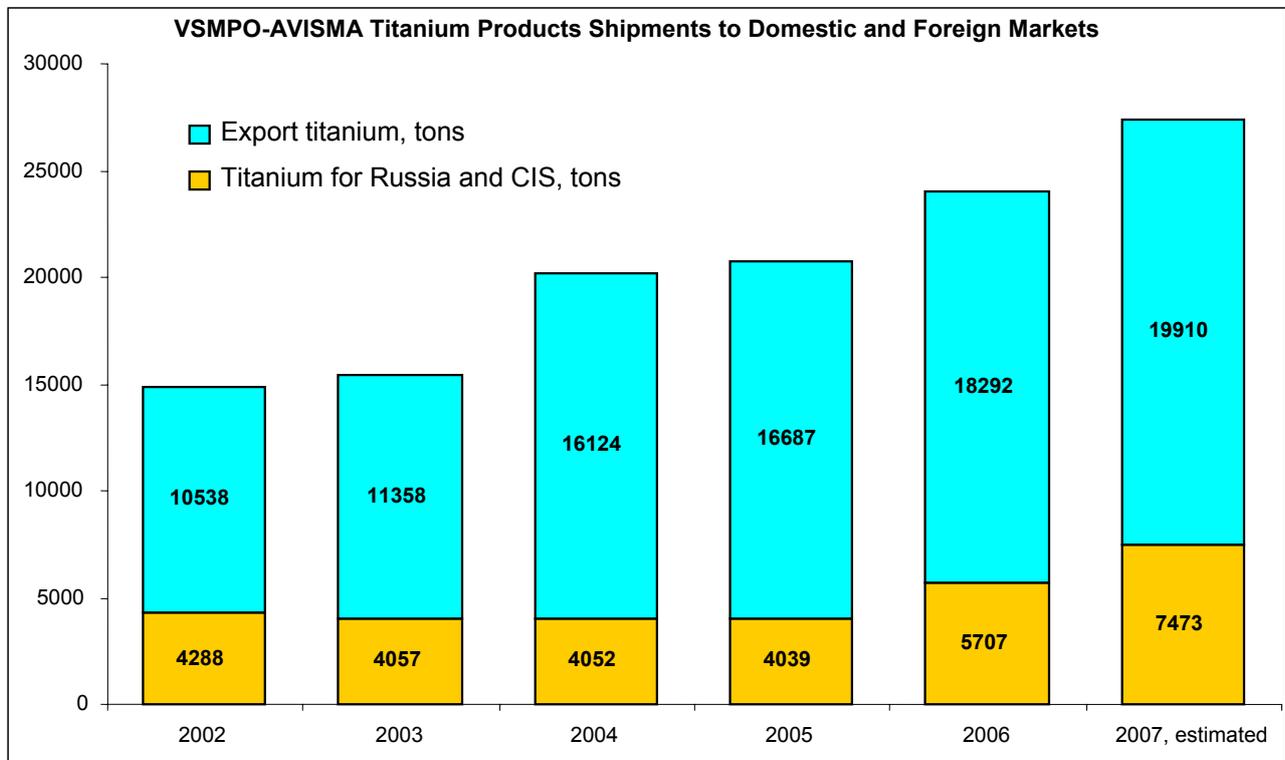
Structure of Products Shipped by VSMPO-AVISMA Corporation, by Product Type

Product Type	Year				
	2002	2003	2004	2005	2006
	%				
Titanium products	82.1	82.7	80.7	70.6	79.7
Aluminium products	5.5	5.7	4.1	2.5	2.4
Non-conventional aluminum products	3.2	3.4	2.8	1.6	1.2
Steel	2.6	2.4	2.6	1.5	0.4
Ferrotitanium	4.7	3.2	5.6	13.1	4.4
Titanium sponge				3.9	3.0
Magnesium and magnesium alloys				2.4	4.1
Titanium powder				1.8	2.2
Other products	1.9	2.6	4.2	2.7	2.6
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: reports of VSMPO-AVISMA Corporation

Figure 2

VSMPO-AVISMA Titanium Products Shipments to Domestic and Foreign Markets



- VSMPO-AVISMA Corporation is an integrated manufacturer of titanium semi-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) strengthens the Corporation position in the global titanium market.

## **V. Details on Members of 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 the Issuer's shareholders (participants) shall be in accordance with the Issuer's By-Laws:

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 Committee 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 extraordinary 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:

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 with 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:](#)

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.

No changes were introduced during the last reporting period.

The full text of the current issue of the Issuer's By-Laws and internal documents regulating activities of the Issuer's authorities is provided for the open access in the Internet at [www.vsmmpo.ru](http://www.vsmmpo.ru).

## **5.2. Persons Included in the Issuer's Control Authorities**

Board of Directors (elected by the Annual General Meeting of Shareholders on 28.06.2006):

**Aleshin, Alexey Vladislavovich, b. 1959**

Education: higher, candidate of legal sciences.

Places of employment and positions for the last 5 years:

Deputy Director General, FGUP Rosoboronexport, Moscow.

Positions held in control authorities of other legal entities for the last five years:

2000 till present time: member of the Board of Directors of JSC AKB "MIB";

2002 – 2003: member of the Board of Directors of JSC Interstate Aircraft Building Company "Illushin";

2002 – 2003: member of the Board of Directors of JSC Moscow Helicopter Plant named after M.L. Mil;

2002 – 2003: member of the Board of Directors of JSC Baltic Ship Building Plant “Yantar”;

2003 till present time: member of the Board of Directors of JSC OPK “Oboronprom”;

2005 till present time: member of the Supervisory Board of Joint Pension Fund.

Share in the Issuer’s registered 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 and/or financial & economic control authorities.

**Voevodin, Mikhail Viktorovich, b. 1975**

Education: higher

Places of employment and positions for the last 5 years:

1996 – 2002: contract service as officer in the Foreign Intelligence Service of the Russian Federation;

03.2002: specialist of Finance Department, JSC OboronImpex, Moscow;

12.2002: manager of Finance Department, JSC OboronImpex, Moscow;

04.2003: manager of Finance and Commercial Project Department, JSC OboronImpex, Moscow;

12.2004: Deputy Director General, JSC OboronImpex, Moscow;

03.2005 till present time: Senior Deputy Director General and CEO, JSC OboronImpex, Moscow.

Positions held in control authorities of other legal entities for the last five years: none.

Share in the Issuer’s registered 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.

**Besedin, Vasily Alexandrovich, b. 1953**

Education: higher

Places of employment and positions for the last 5 years:

1999 г. – 2001: Deputy Production Director, Manager of Production Department, JSC AVISMA, Berezniki, Perm Region;

2003 – July 2005: Chairman of Board of Directors of JSC AVISMA, Berezniki, Perm Region;

2001 – 06.2005: Director of Maintenance, Reconstruction and Repair, AVISMA, Berezniki, Perm Region.

07.2005 till present time: Director of Maintenance, Reconstruction and Repair, AVISMA affiliate of VSMPO – AVISMA Corporation, Berezniki, Perm Region.

Positions held in control authorities of other legal entities for the last five years:

2001 till present time

Position: Chairman of the Board of Directors, CJSC AVISMA-Les, Berezniki, Perm Region;

2005 – 2006: Chairman of the Board of Directors, AVISMA-Machinostroitel LLC, Berezniki, Perm Region;

2005 till present time: Chairman of the Board of Directors, AVISMA-Spetsremont

LLC, Berezniki, Perm Region,

2005 till present time: Chairman of the Board of Directors, AVISMA-Story LLC, Berezniki, Perm Region,

2005 – 2006: Chairman of the Board of Directors, AVISMA-TechnoExpert LLC, Berezniki, Perm Region,

2003 – 2005: Position: member of the Board of Directors, JSC PermAES, Perm.

Share in the Issuer's registered 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

Places of employment and positions for the last 5 years:

2001 – 2004: Production Planning and Control Director, JSC VSMPO

2004 till present time: Deputy Director General, Production Planning and Control, VSMPO – AVISMA Corporation; member of Board of Directors of VSMPO – AVISMA Corporation.

Positions held in control authorities of other legal entities for the last five years: none.

Share in the Issuer's registered 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 and/or financial & economic control authorities.

**Chemezov, Sergey Viktorovich, b. 1952**

Education: higher, Doctor of Economics.

Places of employment and positions for the last 5 years:

Director General, FGUP Rosoboronexport, Moscow.

Positions held in control authorities of other legal entities for the last five years:

Member of Board of Directors, JSC KAMAZ;

Member of Board of Directors, JSC Kazan Optical Mechanical Plant;

Member of Board of Directors, JSC Research and Production Corporation "Irkut";

Chairman of Board of Directors, JSC OPK "Oboronprom";

Member of Board of Directors, JSC Group Company PVO "Almaz-Antey";

Member of Board of Directors, JSC Aviation Holding Company "Sukhoi".

Member of Board of Directors, JSC AVTOVAZ.

Share in the Issuer's registered 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 and/or financial & economic control authorities.

**Shelkov, Mikhail Evgenievich, b. 1968**

Education: higher

Places of employment and positions for the last 5 years:

Director General, JSC Gas Technologies and Investments, Moscow;

Director General, JSC OboronImpex, Moscow

Positions held in control authorities of other legal entities for the last five years:

2004 till present time: Chairman of Board of Joint Pension Fund, Moscow;

2006 till present time: Chairman of Board of Directors, Sibintek.

Share in the Issuer's registered 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 and/or financial & economic control authorities.

**Tetyukhin, Vladislav Valentinovich**, b. 1932

Education: higher, Doctor of Engineering.

Places of employment and positions for the last 5 years:

1992 till present time: Director General of VSMPO – AVISMA Corporation, Verkhnyaya Salda, Sverdlovsk Region.

Positions held in control authorities of other legal entities for the last five years:

1998 – 2005: Director General of JSC AVISMA, Berezniki, Perm Region, member of Board of Directors of JSC AVISMA.

2000 till present time: Director General of Aviatrans, Berezniki, Perm Region.

Share in the Issuer's registered 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 and/or financial & economic control authorities.

**Sole Executive Body of the Issuer:**

**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 2006 equals: 9828367.74 rubles, including:

- the salary of the members of the Board of Directors who are staff employees of VSMPO-AVISMA Corporation for 2006 is 8988367.74 rubles in accordance with the staff list of VSMPO-AVISMA Corporation.

- In 2006 under the decision of the general annual meeting of shareholders, the remuneration of 840'000 rubles was paid to the members of the Board of Directors based on the 2005 results.

### **5.4. Structure and Competence of the Issuer's Financial & Economic Control Authorities**

Financial and 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.

On 29.12.2005 the Board of Directors approved the Provisions for Use of Information on VSMPO-AVISMA Corporation activities available at web-site [www.vsm-po.ru](http://www.vsm-po.ru)

### **5.5. Members of Financial & Economic Control Authorities**

**Members of the Issuer's Internal Auditing Committee** responsible for control over the financial and economic activity:

**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 of VSMPO – AVISMA Corporation, Verkhnyaya Salda, Sverdlovsk Region

**Positions held in other companies:**

Period: 2004 till present time

Position: Chairman of the Municipal Duma of Verkhnyaya Salda, Sverdlovsk Region.

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 Expert, Consumer Goods Sector of Marketing Service of VSMPO, Verkhnyaya Salda, Sverdlovsk Region

Period: 2002-2005

Position: Assistant Manager, Shipbuilding Sector of Marketing Service of VSMPO – AVISMA Corporation

Period: 2005 till present time

Position: Auditor of the Internal Auditing Committee, Finance & Economy, VSMPO – AVISMA Corporation

**Positions held in other companies:**

Period: 2000-2001

Position: Accountant of Trade Company “Titan”, Verkhnyaya Salda, Sverdlovsk Region

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: 2002 – 2005

Position: Auditor of the Internal Auditing Committee, Finance and Accounting, VSMPO – AVISMA Corporation

Period: 2005 till present time

Position: Deputy Chairman of the Internal Auditing Committee of 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.

**Uglov, Oleg Borisovich, b. 1973.**

Education: higher

Positions for the last 5 years:

Period: 2000 till present time

Position: Leading Specialist, Economic Analysis Group of Security Service of VSMPO – AVISMA Corporation, Verkhnyaya Salda, Sverdlovsk Region

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.

**Bodrikov, Alexei Yurievich, b.1971**

Education: higher

Positions for the last 5 years:

Period: 2002 till present time

Position: Accountant of the Internal Auditing Bureau of the Accounting Department of VSMPO – AVISMA Corporation, Verkhnyaya Salda, Sverdlovsk Region

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 2006 equals: 1874076 rubles,

In 2006 under the decision of the general annual meeting of shareholders, the remuneration of 360000 rubles was paid to the members of the Internal Auditing Committee based on the 2005 results.

## **5.7. Number of the Issuer Employees, Education and Structure of the Issuer Employees and Changes in the Number of Employees**

<b>Index</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Q1 2007</b>
Staff on the payroll, people	14 866	15 234	15 280	18 846	20 828	20 924
Portion of the Issuer's employees having higher education	17.3%	17.8%	18.6%	19.4%	19.7%	19.1%
Funds spent for labor payment, 000' rubles	1 184 550	1 395 517	1 682 325	2 666 914	3 589 005	1 001 513
Funds spent for social welfare, 000' rubles.	383 193	437 663	526 023	686 575.1	900 591	262 843
Total funds spent, 000' rubles	1 567 743	1 833 181	2 208 348	3 353 489	4 489 596	1 264 355

## **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 its 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 closing date of the reporting quarter is 4 628, including 12 nominal shareholders.

### **6.2. Shareholders Holding not less than 5% of the Issuer's Authorized (Stock) Capital (Share Fund) 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 (Stock) Capital (Share Fund) or not less than 20% of their Ordinary Shares**

Full and abbreviated name of the nominal shareholder of the Issuer:

**Closed Joint Stock Company “Depositarno-Kliringovaya Kompania” (ZAO DKK)**

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.

Number of the Issuer’s ordinary shares registered in the Issuer’s shareholder register in the nominal shareholder name: 8 989 329

Share in the Issuer’s authorized capital: 77.9678%.

Portion of the Issuer’s ordinary shares it holds: 77.9678 %.

Full and abbreviated name of the nominal holder of the Issuer:

**Closed Joint Stock Company Citibank (ZAO KB Citibank)**

Address: 8-10, Gasheka 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.

Number of the Issuer’s ordinary shares registered in the Issuer’s shareholder register in the nominal shareholder name: 633 121

Share in the Issuer’s authorized capital: 5.4912%.

Portion of the Issuer’s ordinary shares it holds: 5.4912%.

Full and abbreviated name of the nominal holder of the Issuer:

**ING BANK (Eurasia) Closed Joint Stock Company (ING BANK (Eurasia) ZAO)**

Location: 36, Krasnoproletarskaya St., Moscow, 127473.

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.

Number of the Issuer’s ordinary shares registered in the Issuer’s shareholder register in the nominal shareholder name: 578 130

Share in the Issuer’s authorized capital: 5.0143%.

Portion of the Issuer’s ordinary shares it holds: 5.0143%.

### **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 the Issuer's 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 the Issuer's 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 the Issuer's 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 the Issuer's 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 the Issuer's 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 the Issuer's 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 the Issuer's 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 the Issuer's 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

The date on which the list of persons entitled to participate in the general meeting of the Issuer's shareholders was made: **12.05.2006**

Full and abbreviated corporate name: Coldsteam Limited  
Share in the Issuer's authorized capital: 9.9541  
Portion of the ordinary shares it holds: 9.9541

Full and abbreviated corporate name: Deplex Limited  
Share in the Issuer's authorized capital: 18.9420  
Portion of the ordinary shares it holds: 18.9420

Full and abbreviated corporate name: Finebond Limited  
Share in the Issuer's authorized capital: 18.9420  
Portion of the ordinary shares it holds: 18.9420

Full and abbreviated corporate name: Multibrook Ltd  
Share in the Issuer's authorized capital: 9.9541  
Portion of the ordinary shares it holds: 9.9541

Full and abbreviated corporate name: Renaissance Securities (Cyprus) Limited  
Share in the Issuer's authorized capital: 12.1299  
Portion of the ordinary shares it holds: 12.1299

The date on which the list of persons entitled to participate in the general meeting of the Issuer's shareholders was made: **04.09.2006**

Full and abbreviated corporate name: Coldsteam Limited  
Share in the Issuer's authorized capital: 9.9541  
Portion of the ordinary shares it holds: 9.9541

Full and abbreviated corporate name: Deplex Limited

Share in the Issuer's authorized capital: 18.9420  
Portion of the ordinary shares it holds: 18.9420

Full and abbreviated corporate name: Finebond Limited  
Share in the Issuer's authorized capital: 18.9420  
Portion of the ordinary shares it holds: 18.9420

Full and abbreviated corporate name: Multibrook Ltd  
Share in the Issuer's authorized capital: 9.9541  
Portion of the ordinary shares it holds: 9.9541

Full and abbreviated corporate name: Renaissance Securities (Cyprus) Limited  
Share in the Issuer's authorized capital: 12.1299  
Portion of the ordinary shares it holds: 12.1299

The date on which the list of persons entitled to participate in the general meeting of the Issuer's shareholders was made: **23.01.2007**  
Full and abbreviated corporate name: Coldsteam Limited  
Share in the Issuer's authorized capital: 9.9541  
Portion of the ordinary shares it holds: 9.9541

Full and abbreviated corporate name: Deplex Limited  
Share in the Issuer's authorized capital: 18.9420  
Portion of the ordinary shares it holds: 18.9420

Full and abbreviated corporate name: Finebond Limited  
Share in the Issuer's authorized capital: 18.9420  
Portion of the ordinary shares it holds: 18.9420

Full and abbreviated corporate name: Multibrook Ltd  
Share in the Issuer's authorized capital: 9.9541  
Portion of the ordinary shares it holds: 9.9541

Full and abbreviated corporate name: Renaissance Securities (Cyprus) Limited  
Share in the Issuer's authorized capital: 12.1299  
Portion of the ordinary shares it holds: 12.1299

## **6.6. Interest Transactions of the Issuer**

There were no interest transactions during the last reporting quarter.

## 6.7. Accounts Receivable

Type of Receivables	Unit	01.01.2007		01.04.2007	
		Payment Due Date		Payment Due Date	
		Up to one year	Over a year	Up to one year	Over a year
Accounts receivables from buyers and customers	000' rubles	6 289 245	X	6 296 919	X
including past dues	000' rubles	821 685	X	1 132 159	X
Notes receivable	000' rubles	According to Order No. 67n dd. 22.07.2003 issued by the RF Ministry of Finance "Forms of Company Accounting", starting from 2003 this information is not included into accounting records	X	According to Order No. 67n dd. 22.07.2003 issued by the RF Ministry of Finance "Forms of Company Accounting", starting from 2003 this information is not included into accounting records.	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 receivables	000' rubles		X		X
including past dues	000' rubles		X		X
Total	000' rubles	10 717 300	X	10 701 554	X
including past dues	000' rubles	1 884 009	X	1 945 067	X

## VII. Financial Statements of the Issuer 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 are included in the Q1 report.

### BALANCE SHEET (PSC "VSMPO-AVISMA Corporation")

		<b>Codes</b>
	Form 1 per OKUD	<b>710001</b>
As at December 31, 2006	Date (year, month, date)	<b>31.12.2006</b>
Company PSC "VSMPO-AVISMA Corporation"	per OKPO	<b>07510017</b>
Taxpayer Identification Number	INN	<b>6607000556</b>
Type of Activity <u>Metallurgy</u>	per OKVED	<b>27.45</b>
Legal Form / Form of Ownership <u>joint- stock company</u>	per OKOPF/ OKFS	<b>47/34</b>
Unit: 000'RR / <del>mln RR</del> (Cross out as appropriate)	per OKEI	<b>384/385</b>

Location (Address) Verkhnyaya Salda, Sverdlovsk  
Region

Assets	Line	At Beginning of Period	At End of Period
1	2	3	4
<b>I. NON-CURRENT ASSETS</b>			
Intangible assets	110	1038	1974
Property, plant and equipment	120	4543705	5877234
Construction in progress	130	1743163	2137284
Profitable investments in tangible assets	135	0	15093
Long-term financial investments	140	620428	890444
Deferred tax assets	145	3467	8888
Other non-current assets	150	0	9580
<b>TOTAL NON-CURRENT ASSETS</b>	190	6911801	8940497
<b>II. CURRENT ASSETS</b>			
<b>Inventories</b>	210	8074779	7466526
including:			
Raw materials, materials and other similar assets	211	2387694	3497842
Live stock	212	0	0
WIP costs	213	1737661	1967610
Finished goods and goods for resale	214	1643308	1841835
Goods shipped	215	2205182	3324
Deferred expenses	216	100934	155915
Other inventories and costs	217	0	0
VAT on acquired assets	220	884735	751216

Accounts receivable (amounts falling due over 12 months from the reporting date)	230	0	0
Including:			
Trade accounts receivable	231	0	0
Accounts receivable (amounts falling due within 12 months from the reporting date)	240	4279421	10717300
Including:			
Trade accounts receivable	241	1886609	6289245
Short-term financial investments	250	87117	490
Cash	260	208771	439862
Other current assets	270	0	0
<b>TOTAL CURRENT ASSETS</b>	290	13534823	19375394
<b>BALANCE</b>	300	20446624	28315891

<b>LIABILITIES</b>	<b>Line</b>	<b>At Beginning of Period</b>	<b>At End of Period</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>III.CAPITAL AND RESERVES</b>			
Shareholders' Equity	410	11530	11530
Treasury stock	411	0	0
Additional capital	420	6373457	6373457
Reserve capital	430	668	668
Including:			0
Legal reserves	431	668	668
Statutory reserves	432	0	0
Retained earnings (uncovered loss)	470	8223661	13646846
<b>TOTAL CAPITAL AND RESERVES</b>	490	14609316	20032501
<b>IV.NON-CURRENT LIABILITIES</b>			
Borrowings and loans	510	0	2615264
Deferred tax liabilities	515	77065	95538
Other non-current liabilities	520	967	253
<b>TOTAL NON-CURRENT LIABILITIES</b>	590	78032	2711055
<b>V.CURRENT LIABILITIES</b>			
Borrowings and loans	610	3369438	2543728
Accounts payable	620	2242998	2805132
Including:			
Trade accounts payable	621	494638	544357
Payables to employees	622	37033	47224
Payables to state extra-budgetary funds	623	29210	44269
Taxes payable	624	401836	333940
Other creditors	625	1280281	1835342
Dividends payable	630	2664	7100
Deferred income	640	5157	5143
Reserves for future expenses	650	139019	211232
Other current liabilities	660	0	0
<b>TOTAL CURRENT LIABILITIES</b>	690	5759276	5572335
<b>BALANCE</b>	700	20446624	28315891

## Off-Balance Sheet Items

Item	Line	At Beginning of Period	At End of Period
1	2	3	4
Property, plant and equipment rented	910	352343	385067
Including leased	911	297442	305884
Material assets in safe keeping	920	29983	31066
Goods accepted for commission	930	248	0
Bad debts written off	940	141215	119222
Collaterals received	950	0	0
Collaterals given	960	2251469	1496221
Depreciation of residential real estate	970	10892	11058
Depreciation of infrastructure, landscape and road constructions	980	0	0
Intangible assets received for use	990	0	0
Goods accepted for processing	995	0	59091
Other	1000	302866	1495204

## Profit & Loss Account

(PSC "VSMPO-AVISMA Corporation")

As at December 31, 2006

Company PSC "VSMPO-AVISMA Corporation"

Taxpayer Identification Number

Type of Activity Metallurgy

Legal Form / Form of Ownership

joint-stock company

Unit: 000'RR

Location (Address) Verkhnyaya Salda, Sverdlovsk Region

Form 2  
per OKUD  
Date (year,  
month,  
date)

per OKPO

INN

per OKVED

per  
OKOPF/  
OKFS

per OKEI

Codes
710002
7510017
6607000556
27.45
47/34
384

Item	Reporting Period	Year-Ago Period	
Description	Line		
1	2	3	
4	3	4	
<b>Income and Expenses on Ordinary Activities</b>			
Net revenue from sales of goods, products, operations and services (less VAT, excise taxes and similar payments)	10	28364389	16800410
Cost of goods, products, operations, and services sold	20	(16212747)	(10057562)
Gross profit	29	12151642	6742848
Selling expenses	30	(743789)	(524040)
Administrative expenses	40	(2210438)	(1609688)
Sales profit (loss)	50	9197415	4609120
<b>Other Income and Expenses</b>			
Interest receivable	60	1923	363

Interest payable	70	(294630)	(187196)
Earnings from other entities	80	0	374
Other income	90	14576804	11968083
Other expenses	100	(15361950)	(12021578)
<b>Profit (Loss) Before Tax</b>	<b>140</b>	<b>8119562</b>	<b>4369166</b>
Deferred tax assets	141	5489	3398
Deferred tax liabilities	142	(18473)	(56107)
Current profit tax	150	(2067332)	(1142320)
Profit tax of prior years	151	(179321)	0
<b>Net Profit (Loss) of the Reporting Year</b>	<b>190</b>	<b>5859925</b>	<b>3174137</b>
<i>FOR REFERENCE</i>			
Fixed tax liabilities (assets)	200	310942	146429
Basic profit (loss) per share		0	0
Diluted profit (loss) per share		0	0

### Breakdown of Separate P & L Items

Item		Current Year		Prior Year	
Description	Line	Profit	Loss	Profit	Loss
1	2	3	4	5	6
Penalties and fines recognized or enforced by court (arbitration court)	210	1038	2762	945	2710
Profit (loss) of prior years	220	365295	105164	281937	153598
Compensation for losses incurred due to default or improper fulfillment of obligations	230	5398	434881	2230	206
Foreign exchange gain / loss	240	450596	484551	138349	213079
Valuation allowance	250	x	0	x	0
Write-off of accounts receivable and payable with the expired limitation period	260	25294	10830	6973	1382
	270				

## STATEMENT ON CAPITAL CHANGE

**For Financial Year 2006**  
**Company PSC "VSMPO-AVISMA Corporation"**  
**Taxpayer Identification Number**  
**Type of Activity Metallurgy**  
**Legal Form / Form of Ownership**  
joint-stock company

**Form 3**  
**per OKUD**  
**Date (year,**  
**month, date)**  
**per OKPO**  
**INN**  
**per OKVED**  
**per OKOPF/**  
**OKFS**  
**per OKEI**

Codes
710003
31.12.2006
07510017
6607000556
27.45
47/34
384/385

Unit: 000'RR / ~~mln RR~~ (Cross out as appropriate)

### I. Capital Change

Item		Authorized Capital	Additional Capital	Reserve Capital	Retained Earnings (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>2005</u> (previous year)	10	10626	1359991	624	7007255	8378496
Changes in accounting policy	11	x	x	X	0	0
Revaluation of fixed assets	12	x	0	X	0	0
		x				
Balance as of January 1 of the previous year	20	10626	1359991	624	7007255	8378496
Revaluation of foreign exchange	23	x	0	X	X	0
Net profit	25	x	x	X	3174137	3174137
Dividends	26	x	x	X	(308114)	(308114)
Reserve allocation	30	x	x	0	0	0
Capital increase due to:						
Additional issue of shares	41	0	x	X	X	0
Increase in par value of shares	42	0	x	X	X	0
Legal entity reorganization	43	905	5013466	44	0	5014415
Capital decrease due to:						
Decrease in par value of shares	51	0	x	X	X	0
Decrease in number of shares	52	(1)	x	X	X	(1)
Legal entity reorganization	53	0	0	X	(1649617)	(1649617)
Balance as of December 31 of the previous year <u>2006</u> (reporting year)	60	11530	6373457	668	8223661	14609316
Changes in accounting policy	61	x	x	x	0	0
Revaluation of fixed assets	62	x		x	0	0
		x				

Item		Authorized Capital	Additional Capital	Reserve Capital	Retained Earnings (Uncovered Loss)	Total
Description	Line					
1	2	3	4	5	6	7
Balance as of January 1 of the reporting year	100	11530	6373457	668	8223661	14609316
Revaluation of foreign exchange						
	103	x	0	x	X	0
Net profit	105	x	x	x	5859925	5859925
Dividends	106	x	x	x	(436740)	(436740)
Reserve allocation	110	x	x	0	0	0
Capital increase due to:						
Additional issue of shares	121	0	x	x	X	0
Increase in par value of shares						
	122	0	x	x	X	0
Legal entity reorganization	123	0	0	0	X	0
Capital decrease due to:						
Decrease in par value of shares	131	0	x	x	X	0
Decrease in number of shares	132	0	x	x	X	0
Legal entity reorganization	133	0	0	x	0	0
Balance as of December 31 of the reporting year	140	11530	6373457	668	13646846	20032501

## II. Reserves

Item		Balance	Received	Used	Balance
Description	Line				
1	2	3	4	5	6
<b>Legal reserves:</b>					
<u>Reserve fund</u>	Reserve				
description					
For the previous year		624	44	0	668
For the reporting year		668	0	0	668
Reserve description					
For the previous year		0	0	0	0
For the reporting year		0	0	0	0
<b>Statutory reserves:</b>					
Reserve description					
For the previous year		0	0	0	0
For the reporting year		0	0	0	0
Reserve description					
For the previous year		0	0	0	0
For the reporting year		0	0	0	0

Item		Balance	Received	Used	Balance
Description	Line				
1	2	3	4	5	6
<b>Valuation reserves:</b>					
<u>Bad debt allowance</u>					
Reserve description					
For the previous year		0	0	0	0
For the reporting year		0	0	0	0
<u>Collateral for Central bank deposit</u>					
Reserve description					
For the previous year		0	0	0	0
For the reporting year		0	0	0	0
Reserve description					
For the previous year		0	0	0	0
For the reporting year		0	0	0	0
<b>Future expenses reserve:</b>					
<u>Future vacation pay</u>					
Reserve description					
For the previous year		0	373324	(373324)	0
For the reporting year		0	468262	(468262)	0
<u>Reserve for fixed assets repair</u>					
Reserve description					
For the previous year		50000	970972	(881953)	139019
For the reporting year		139019	1218222	(1146009)	211232
<b>FOR REFERENCE</b>					
Item		Reporting Year Opening Balance		Reporting Year Closing Balance	
Description	Line				
1	2	3		4	
1) Net assets	200	14614473		20037644	
		<b>Budget</b>		<b>Off-Budget Funds</b>	
		<b>Reporting Year</b>	<b>Previous Year</b>	<b>Reporting Year</b>	<b>Previous Year</b>
		<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
2) Received for: Expenses for ordinary activities – total,	210	0	0	0	0
		0	0	0	0
R&D financing		0	0	0	0
Other purposes		0	0	0	0
capital investments in non-current assets including:	220	0	0	0	0
		0	0	0	0
		0	0	0	0

## CASH FLOW STATEMENT

For Financial Year 2006

Company PSC "VSMPO-AVISMA Corporation"

Taxpayer Identification Number

Type of Activity Metallurgy

Legal Form / Form of Ownership

joint-stock company

Unit: 000'RR / ~~mln RR~~ (Cross out as appropriate)

Form 4  
per OKUD

Date (year,  
month, date)

per OKPO

INN

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OKFS

per OKEI

Codes
710004
31.12.2006
7510017
6607000556
27.45
47/34
384/385

Item		Reporting Period	Year-Ago Period
Description	Line		
1	2	3	4
<b>Cash Balance - Beginning of Period</b>	10	235137	74787
<b><i>Cash Flow from Operating Activities</i></b>			
Cash from buyers and customers	20	24968010	17444509
Cash from foreign currency transactions	30	11732669	9977244
Other income	50	1425708	991874
Cash for :			
Payments to acquire goods, operations, services, raw materials and other current assets	150	(7709814)	(6424292)
Advances given to suppliers and contractors	155	(8855961)	(8260389)
Currency purchase	156	(73689)	(57327)
Currency sale	157	(14173694)	(9990523)
Payment for labor	160	(2226415)	(1994828)
Imprests	165	(102267)	(92238)
Payments of dividends and interest	170	(716256)	(295981)
Taxes payable	180	(2208840)	(1420201)
Payables to extra-budgetary funds	185	(1063201)	(471646)
Other expenses	190	(617562)	(437874)
Net Cash Provided by Operating Activities	200	378688	(1031672)
<b><i>Cash Flow from Investing Activities</i></b>			
Revenue from sale of property and equipment and other non-current assets	210	3204	589
Revenue from sale of securities and other financial investments	220	0	846548
Dividends received	230	0	2029
Interest received	240	1926	307
Earnings from payment of loans given to other entities	250	3775	160

Acquisition of subsidiaries	280	(20472)	(68481)
Acquisitions of property and equipment, profitable investments in tangible assets, intangible assets	290	(2020409)	(1007231)
Acquisitions of securities and other financial investments	300	(98050)	(49659)
Loans given to other entities	310	(3600)	(300)
Net Cash Provided by Investing Activities	340	(2133626)	(276038)

Item		Reporting Period	Year-Ago Period
Description	Line		
1	2	3	4
<b>Cash Flow from Financing Activities</b>			
Proceeds from stock issuance or other securities	350	0	0
Coverage of losses	355	0	0
Earnings from loans and borrowings given by other entities	360	9854781	7105691
Purchase of own shares	365	(0)	(0)
Payment of loans and borrowings (interest-free)	390	(7808399)	(5612354)
Payment of financial lease	400	(86229)	(25277)
Net Cash Provided by Financing Activities	410	1960153	1468060
Net Increase ( Decrease) in Cash and Cash Equivalents	420	205215	160350
<b>Cash Balance – End of Period</b>	430	440352	235137
Change in the exchange rate against Russian Rouble	440		

## SUPPLEMENT TO THE BALANCE SHEET

For Financial Year 2006

Company PSC "VSMPO-AVISMA Corporation"  
 Taxpayer Identification Number  
 Type of Activity Metallurgy

Legal Form / Form of Ownership  
joint-stock company

Unit: 000'RR / ~~mln RR~~-(Cross out as appropriate)

Form 5  
 per OKUD  
 Date (year,  
 month, date)  
 per OKPO  
 INN  
 per OKVED  
 per OKOPF/  
 OKFS  
 per OKEI

Codes
710005
31.12.2006
7510017
6607000556
27.45
47/34
384/385

### INTANGIBLE ASSETS

Item	Line	At Beginning of Reporting Period	Received	Disposed	At End of Reporting Period	
Description	1	2	3	4	5	6
Intellectual property (exclusive rights for intellectual property)	10	2159	1295	0	3454	
including:						
of the patent holder for an invention, industrial design, utility model	11	2159	1275	0	3434	
of possessor of the right for computer programs, data bases	12	0	0	0	0	
of possessor of the right for integrated circuit layout	13	0	0	0	0	
of owner of the trade mark and service mark, appellation of goods origin	14	0	20	0	20	
of holder of the selection patent	15	0	0	0	0	
Organizational expenses	20	0	0	0	0	
Goodwill	30	0	0	0	0	
Other	40	80	0	(80)	0	

Item	Line	At Beginning of Reporting Period	At End of Reporting Period	
Description	1	2	3	4
Depreciation of intangible assets- total	50	1201	1480	
including:				
Other	51	0	0	

**PROPERTY, PLANT AND EQUIPMENT**

Item		At Beginning of Reporting Period	Received	Disposed	At End of Reporting Period
Description	Line				
1	2	3	4	5	6
Buildings	110	1512504	212706	(92520)	1632690
Constructions and transfer devices	111	981797	55606	(30984)	1006419
Machinery and equipment	112	5391335	1705209	(300486)	6796058
Transport vehicles	113	175316	50935	(10562)	215689
Fixtures	114	299862	61959	(59297)	302524
Workstock	115	0	0	(0)	0
Productive livestock	116	0	0	(0)	0
Perennial plants	117	905	0	(0)	905
Other types of PPE	118	593232	390708	(190531)	793409
Land and natural resources	119	98661	429	(0)	99090
Capital investments for land reclamation	120	0	0	(00	0
Total	130	9053612	2477552	(684380)	10846784

Item		At Beginning of Reporting Period	At End of Reporting Period
Description	Line		
1	2	3	4
Depreciation of property, plant and equipment-total	140	4509907	4969550
including:			
Buildings and constructions	141	1259124	1285949
Machinery, equipment, transport vehicles	142	2992301	3372486
Other	143	258482	311115
Property, plant and equipment leased out - total	150	386495	684014
including:			
Buildings	151	147577	229291
Constructions	152	4679	81106
Machinery, equipment, transport vehicles	153	211474	355192
Other	154	22765	18425
Property, plant and equipment mothballed	155	124998	261082
Property, plant and equipment rented-total	160	352343	385067
including:			
leased	161	297442	305884
Real property accepted for usage and being under state registration	165	95992	200298

	Line	At Beginning of Reporting Period	At End of Reporting Period
	2	3	4
<b>FOR REFERENCE</b>			
PPE revaluation surplus:	170	0	0
Historical (replacement) value	171	0	0
Depreciation	172	0	0
	Line	At Beginning of Reporting Period	At End of Reporting Period
	2	3	4
Change in PPE value resulting from completion, retrofit, rebuild, partial liquidation	180	778822	907453

#### PROFITABLE INVESTMENTS IN TANGIBLE ASSETS

Item		At Beginning of Reporting Period	Received	Disposed	At End of Reporting Period
Description	Line				
1	2	3	4	5	6
Property for lease	210	0	0	0	0
Property provided under hiring contract	220	0	0	0	0
Other	230	0	16278	0	16278
Total	240	0	16278	0	16278

	Line	At Beginning of Reporting Period	At End of Reporting Period
1	2	3	4
Depreciation of profitable investments in tangible assets	250	0	1185

### R&D EXPENSES

Activity		At Beginning of Period	Received	Written Off	At End of Period
Description	Line				
1	2	3	4	5	6
Total including:	310	0	10949	(1369)	9580
<b>FOR REFERENCE</b> Amount of expenses on unaccomplished R&D activities			Line	At Beginning of Period	At End of Period
			2	3	4
			320	46510	53341
Amount of expenses on R&D that did not produce positive results applied to non-sale expenses			Line	Reporting Period	Year-Ago Period
			2	3	4
			330	13342	0

### EXPENSES ON RESOURCE DEVELOPMENT

Item		Balance At Beginning of Period	Received	Written Off	Balance At End of Period
Description	Line				
1	2	3	4	5	6
Expenses on resource development-total including:	410	0	0	0	0
		0	0	0	0
<b>FOR REFERENCE</b> Expenses on subsurface portions, unaccomplished search and evaluation of deposits, reconnaissance and (or) hydrogeological investigations and other similar activities			Line	At Beginning of Period	At End of Period
			2	3	4
			420	-	-
Expenses on resource development applied during the reporting period to non-operating costs as ineffective.			430	-	-

**FINANCIAL INVESTMENTS**

Item		Long -Term		Short-Term	
		At Beginning of Period	At End of Period	At Beginning of Period	At End of Period
Description	Line				
1	2	3	4	5	6
Contributions to shareholders' (reserve) capital of other entities-total including subsidiaries and related companies	510	583988	785960	0	0
	511	573630	775746	0	0
State and municipal securities	515	0	0	0	0
Other entities' securities-total	520	35840	103884	306	0
including debt securities (bonds, notes)	521	35810	103854	306	0
Loans given	525	0	0	175	0
Deposits	530	0	0	86636	490
Other	535	600	600	0	0
<b>TOTAL</b>	<b>540</b>	<b>620428</b>	<b>890444</b>	<b>87117</b>	<b>490</b>
<b>Financial investments out of the total amount with the fair market value:</b>					
Contributions to shareholders' (reserve) capital of other entities-total including subsidiaries and related companies		0	0	0	0
		0	0	0	0
State and municipal securities		0	0	0	0
Other entities' securities-total		0	0	0	0
including debt securities (bonds, notes)		0	0	0	0
Other		0	0	0	0
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FOR REFERENCE</b>					
For financial investments with the fair market value - change in value due to valuation adjustment		0	0	0	0
For debt securities the difference between the historical value and nominal value is applied to the financial result of the reporting period		0	0	0	0

**ACCOUNTS RECEIVABLE AND PAYABLE**

Item		Balance At Beginning of Reporting Period	Balance At End of Reporting Period
Description	Line		
1	2	3	4
<b>Accounts receivable:</b>			
Short-term - total	610	4279421	10717300
including:			
Trade accounts receivable	611	1886609	6289245
Advances given	612	1068965	2370350
Other	613	1323847	2057705
Long-term -total	620	0	0
including:			
Trade accounts receivable	621	0	0
Advances given	622	0	0
Other	623	0	0
<b>TOTAL</b>	<b>630</b>	<b>4279421</b>	<b>10717300</b>
<b>Accounts payable:</b>			
Short-term - total	640	5612436	5348860
including:			
Trade accounts payable	641	494638	544357
Advances received	642	630194	1319806
Taxes payable	643	401836	333940
Loans	644	3369438	2543728
Borrowings	645	0	0
Other	646	716330	607029
Long-term- total	650	78032	2711055
including:			
Loans	654	0	2615264
Borrowings	655	0	0
Deferred tax liabilities	656	77065	95538
Other non-current liabilities	657	967	253
<b>TOTAL</b>	<b>660</b>	<b>5690468</b>	<b>8059915</b>

**EXPENSES ON ORDINARY ACTIVITIES (BY COST ELEMENT)**

Item		Reporting Period	Prior Period
Description	Line		
	2	3	4
Material expenses	710	9380968	8823709
Wage expenses	720	2857705	2302819
Social security expenses	730	730406	587316
Depreciation	740	529159	341052
Other expenses	750	845142	1988607
Total by cost element	760	14343380	14043503
Change in inventory increase[+], decrease [-]; WIP	765	+227126	+199075
in deferred expenses	766	+54981	+31742
in reserves for future expenses	767	+72213	-75436

**COLLATERALS**

Item		At Beginning of Period	At End of Period
Description	Line		
1	2	3	4
Received - total	810	0	0
including:			
Notes	811	0	0
Pledged property	820	0	0
out of which:			
PPE	821	0	0
Securities and other financial investments	822	0	0
Other	823	0	0
Given - total	830	2279469	1496221
including:			
Notes	831	28000	0
Pledged property	840	2234844	1370746
out of which:			
PPE	841	1115205	1045746
Securities and other financial investments	842	0	0
Other	843	0	0

**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 Russian legislation requirements.

The financial statements consist of:

- a) Balance Sheet – Form No.1
- b) Profit and Loss Account – Form No. 2

## BALANCE SHEET

As at March 31, 2007

Company PSC "VSMPO-AVISMA Corporation"

Taxpayer Identification Number

Type of Activity Metallurgy

Legal Form / Form of Ownership

joint-stock company

Unit: 000'RR

Form 1  
OKUD

Date (year,  
month, date)

per OKPO

INN

per OKVED

per OKOPF/

per OKEI

per

OKFS

Codes	
	710001
	2006 06 30
	07510017
	6607000556
	27.45.00
	47/34
	384

Location (Address): 1 Parkovaya St., Verkhnyaya Salda,  
Sverdlovsk Region

Assets	Line	At Beginning of Period	At End of Period
1	2	3	4
<b>I. NON-CURRENT ASSETS</b>			
Intangible assets	110	1974	2319
Property, plant and equipment	120	5877234	6037754
Construction in progress	130	2137284	2478215
Profitable investments in tangible assets	135	15093	18817
Long-term financial investments	140	890444	897219
Deferred tax assets	145	8888	52718
Other non-current assets	150	9580	21554
<b>TOTAL NON-CURRENT ASSETS</b>	190	8940497	9508596
<b>II. CURRENT ASSETS</b>			
<b>Inventories</b>	210	7466526	8101125
including: Raw materials, materials and other similar assets	211	3497842	3597531
Live stock	212	0	0
WIP costs	213	1967610	2204607
Finished goods and goods for resale	214	1841835	1908248
Goods shipped	215	3324	231748
Deferred expenses	216	155915	158991
Other inventories and costs	217	0	0
VAT on acquired assets	220	751216	766703
Accounts receivable (amounts falling due over 12 months from the reporting date)	230	0	0
Including: Trade accounts receivable	231	0	0
Accounts receivable (amounts falling due within 12 months from the reporting date)	240	10717300	10701554
Including: Trade accounts receivable	241	6289245	6296919

Short-term financial investments	250	490	162054
Cash	260	439862	345284
Other current assets	270	0	0
<b>TOTAL CURRENT ASSETS</b>	290	19375394	20076720
<b>BALANCE</b>	300	28315891	29585316
<b>LIABILITIES</b>	<b>Line</b>	<b>At Beginning of Period</b>	<b>At End of Period</b>
1	2	3	4
<b>III.CAPITAL AND RESERVES</b>			
Shareholders' Equity	410	11530	11530
Treasury stock	411	0	0
Additional capital	420	6373457	6373457
Reserve capital	430	668	668
Including: Legal reserves	431	668	668
Statutory reserves	432	0	0
Retained earnings (uncovered loss)	470	13646846	15028208
<b>TOTAL CAPITAL AND RESERVES</b>	490	20032501	21413863
<b>IV.NON-CURRENT LIABILITIES</b>			
Borrowings and loans	510	2615264	1747502
Deferred tax liabilities	515	95538	230840
Other non-current liabilities	520	253	253
<b>TOTAL NON-CURRENT LIABILITIES</b>	590	2711055	1978595
<b>V.CURRENT LIABILITIES</b>			
Borrowings and loans	610	2543728	2614411
Accounts payable	620	2805132	3056523
Including: Trade accounts payable	621	544357	625067
Payables to employees	622	47224	47401
Payables to state extra-budgetary funds	623	44269	42163
Taxes payable	624	333940	373258
Other creditors	625	1835342	1968634
Dividends payable	630	7100	6924
Deferred income	640	5143	5069
Reserves for future expenses	650	211232	509931
Other current liabilities	660	0	0
<b>TOTAL CURRENT LIABILITIES</b>	690	5572335	6192858
<b>BALANCE</b>	700	28315891	29583316

### Off-Balance Sheet Items

Property, plant and equipment rented	910	385067	516479
Including leased	911	305884	437295
Material assets in safe keeping	920	31066	31681
Goods accepted for commission	930	0	0
Bad debts written off	940	119222	118534
Collaterals received	950	0	0
Collaterals given	960	1496221	1364538
Depreciation of residential real estate	970	11058	11099
Depreciation of infrastructure, landscape and road constructions	980	0	0
Intangible assets received for use	990	0	0
Goods accepted for processing	1000	59091	51449
Other	1000	1495204	1678459

### Profit & Loss Account

As at March 31, 2007

Company PSC "VSMPO-AVISMA Corporation"

Taxpayer Identification Number

Type of Activity Metallurgy

Legal Form / Form of Ownership  
joint-stock company

Unit: 000'RR

Form 2  
per OKUD

Date (year,  
month, date)

per OKPO

INN

per OKVED

per OKOPF/  
OKFS

per OKEI

Codes
710002
2006 06 30
7510017
6607000556
27.45.00
47/34
384

Item		Reporting Period	Prior Period
Description	Line		
1	2	3	4
<b>Income and Expenses on Ordinary Activities</b>			
Net revenue from sales of goods, products, operations and services (less VAT, excise taxes and similar payments)	010	14 917 970	6 635 332
Cost of goods, products, operations, and services sold	020	(8 653 756)	(4 012 773)
Gross profit	029	6 264 214	2 622 559
Selling expenses	030	(347 034)	(188 903)
Administrative expenses	040	(977 400)	(664 873)
Sales profit (loss)	050	4 939 780	1 768 783
<b>Other Income and Expenses</b>			
Interest receivable	060	705	21
Interest payable	070	(124 083)	(68 078)

Earnings from other entities	080	0	0
Other operating income	090	5 967 844	4 788 629
Other operating expenses	100	(6 278 909)	(5 011 699)
Non-sale income	120	965 131	777 027
Non-sale expenses	130	(625 255)	(328 138)
<b>Profit (Loss) Before Tax</b>	140	4 845 213	1 926 545
Deferred tax assets	141	6 808	0
Deferred tax liabilities	142	(14 359)	(3 226)
Current profit tax	150	(1 183 504)	(499 872)
<b>Net Profit (Loss) of the Reporting Year</b>	190	3 654 158	1 423 447
<b>FOR REFERENCE</b>			
Fixed tax liabilities (assets)	200	28 259	40 728
Basic profit (loss) per share		0	0
Diluted profit (loss) per share		0	0

### Breakdown of Separate P & L Items

Item		Reporting Period		Prior Period	
Description	Line	Profit	Loss	Profit	Loss
1	2	3	4	5	6
Penalties and fines recognized or enforced by court (arbitration court)		22	1128	0	251
Profit (loss) of prior years		196 534	92 557	187 582	50 351
Compensation for losses incurred due to default or improper fulfillment of obligations		2 733	123	1 064	0
Foreign exchange gain / loss		263 494	269 034	67 433	121 462
Valuation allowance		x	0	x	0
Write-off of accounts receivable and payable with the expired limitation period		3 904	2 989	6 571	537

### 7.3. Consolidated Financial Statements of the Issuer for the Last Complete Financial Year

The consolidated financial statement of the Issuer for the last complete financial year is included into Q2 report.

### 7.4. Issuer's Accounting Policy

Accounting policy for the purposes of book keeping and tax accounting was put into effect based on Order No. 64 dated December 29, 2006.

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, replaceable equipment, production inventory and household

equipment and appliances, longstanding plantations, internal roads and other corresponding objects;

- fixed assets also include: capital investments into land reclamation (land drainage, irrigation and other reclamation work); capital investments into the leased objects of fixed assets provided such capital investments remain in the ownership of the leaseholder based on the lease agreement; land plots and natural resources (water, mineral resources, etc). The Company includes in the fixed assets the apartments beneficially owned by the Company, 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);

- 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 amounts on account 02 "Fixed Assets Depreciation". The accrued amount of fixed assets depreciation is reflected in the accounting to the credit of account 02 "Fixed Assets Depreciation" in correspondence with the accounts for accounting of production, selling and general-operating expenses. As for the fixed assets given in rent or for free use, depreciation shall be accrued to the credit of account 02 "Fixed Assets Depreciation" in correspondence with the account 91 "Other Income and Expenses";

- depreciation on the fixed assets newly put into operation shall be accrued by the straight line method based on a monthly depreciation rates calculated in accordance with the RF Government Regulation No. 1 dd. 01.01.2002;

- for the fixed assets previously put into operation depreciation procedure and depreciation rates shall not be changed, except for the cases stipulated by the legislation;

- analytical accounting on account 08 "Investments into non-current assets" shall be performed:

- for expenses related to construction and acquisition of fixed assets – by each constructed and acquired object of fixed assets. At that analytical accounting shall ensure availability of data on the expenses for construction and reconstruction activities, equipment assembly, equipment requiring assembly, tools and fixtures stipulated by the capital construction estimates, design and survey work, other capital investments;
- for expenses related to acquisition of intangible assets - by each acquired object of intangible assets;
- for expenses related to R&D, experimental development and technical activities – by type of activity, contract (order).

- 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, useful model; exclusive copyright to computer software, data bases; property right of the author or other right owner to topologies of integrated circuits; R&D activities with positive results; exclusive right of the owner to the trademark and service mark, designation of the goods origin.

-the objects are recognized as intangible assets based on the properly issued documents confirming existence of such objects and exclusive rights of the Company

for intellectual property objects.

- depreciation on intangible assets shall be accrued by the straight line method.
- the following assets are attributed to inventories: used as raw and other materials etc. for manufacture of 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 on the separate sub-account to account “Materials”;
- transport and procurement expenses (T&PE) are accounted by separate types or groups of materials. When difference between separate types of T&PE is insignificant, or when it is impossible to differentiate T&PE by separate types or groups of materials, T&PE can be accounted in whole on the separate sub-account “Materials cost variation” to the account “Materials”;
- the Company differentiates its income between income from ordinary activities and other income. Income from ordinary activities includes earnings from sales of goods, products, operations and services.
- expenses on ordinary activities include expenses on manufacture and sales of goods, products, operations and services.
- financial investments include 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 participation in profit allocation, receipt of dividends, interest or other income.
- VAT is calculated and paid in accordance with Article “Value-Added Tax” of the RF Tax Code, Federal Law on Introduction of Changes to Article 21, Part II of the RF Tax Code and Invalidating the Separate RF Taxation Law Provisions No. 119-FZ, dd. July 22, 2005 and other applicable federal laws.
- income and expenses for profit tax calculation are accounted on an accrual basis in accordance with Articles 271 and 272 of the RF Tax Code for the reporting period when they occurred, irrespective of the actual date of cash, assets (work, services) or property rights receipt.

## **7.5. Total Exports and its Share in Total Sales**

Index	2004	2005	2006	Q1, 2007
1. Net sales of goods, products, operations and services (less VAT, excise taxes and similar payments), 000’	10 571 946	16 800 410	28 364 389	6 626 758

rubles				
including				
2. Net export sales of goods, 000' rubles	6 431 529	11 582 115	20 774 375	4 238 909
3. Share of income from export sales of goods in total sales, %	60.8%	68.9%	73.2%	64.0%

Significant increase in income from export sales of goods in 2006 total sales earnings is caused by the changes described in Para 4.1.2.

#### **7.6. Issuer's Real Assets Value 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 01.04.2007:**

balance sheet value - 2 652 372 964,54 roubles

accumulated depreciation- 1 165 696 560,30 roubles

Real assets were not evaluated during 12 months prior to the closing date of the reporting quarter.

#### **7.7. Participation of the Issuer in Legal Proceedings Which Can Have Material Effect on Financial and Economic Activities of the Issuer**

On 03.05.06 the Issuer applied to the Moscow Arbitration Court (proceedings No. A40-29083/06-33-211) to invalidate the decision No. 56-18-25/1 of the Regional Board of the Federal Tax Authority for Major Tax-Payers No. 5. dd. 28.04.2006 that required the Issuer to pay 2`277`937`680 rubles of taxes and 455`594`736 of penalties.

On 13.07.2006 the Moscow Arbitration Court invalidated the decision of the tax authority and thus satisfied the Issuer's claim.

## 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 (Stock) Capital (Share Fund)

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 (Stock) Capital (Share Fund) of the Issuer

**Size of the Issuer's 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 Issuer's authorized capital: general meeting of shareholders

The date and the number of the minutes of the general meeting of the Issuer's shareholders at which the resolution on changing the size of the registered capital was adopted: no number, dated 24.05.2002.

**Size of the Issuer's 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 Issuer's authorized capital: general meeting of shareholders

The date and the number of the minutes of the general meeting of the Issuer's shareholders at which the resolution on changing the size of the Issuer's registered capital was adopted: no number, dated 21.09.2004.

**Size of the Issuer's 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 Issuer's authorized capital: Board of Directors

The date and the number of the minutes of the general meeting of the Issuer's shareholders at which the resolution on changing the size of the registered capital was adopted: no number, dated 13.10.2005.

### 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 general meeting of shareholders shall establish the Company reserve fund in the amount of 25% of the Company's authorized capital in accordance with clause 20.2 of the Company By-Laws approved on 10.06.2005.

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 01.04.2007: 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

**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 the Company 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.

**Procedure for announcement of the resolutions taken by the superior control authority of the Issuer, as well as the voting results:**

The resolutions taken by the general meeting of shareholders as well as the voting results shall be declared at the general meeting of shareholders where the voting has taken place, or the persons enumerated in the list of persons entitled to participate in the general meeting of shareholders shall be notified of the resolutions and voting results in accordance with the procedure for notification of the general meeting of shareholders ten days at the latest after the minutes on the voting results is drawn up in the form of the report of voting results.

**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 20% of the registered (stock) capital (share fund), or not less than 20% of ordinary shares are indicated in clause 3.5 herein.

Commercial organizations in which the Issuer holds less than 20% of the registered (stock) capital (share fund), or less than 20% of ordinary shares:

8.1.5.1. Full and abbreviated corporate name:

**Limited Liability Insurance Company "TIRUS"  
(CK TIRUS 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

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 net 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 outstanding:

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) shares at the par value of 1 ruble 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's 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, i.e. 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, i.e. 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, i.e. 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 Pereulok, 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. 173 – FZ dated 10.12.2003 on "Currency Regulation and Currency Control"
- 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 non-residents 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	2005
		Ordinary shares	Ordinary shares	Ordinary shares
1	Total dividends declared, rubles	116 845 157	308 114 270	436 738 899,44
2	Declared Dividends per Share, rubles	11.00	29.00	37.88
3	Date of the General Meeting of Shareholders	May 14, 2004	June 10, 2005	June 28, 2006
4	Decision of the Annual General Meeting of Shareholders on payment of dividends	Minutes dated June 2, 2004	Minutes dated June 17, 2005	Minutes dated June 29, 2006
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 on Shares	In money terms		
7	Reporting Period for which Dividends were Paid	2003	2004	2005
8	Total Dividends Paid	116 021 224 rubles	307 169 319.5 rubles	432 104 186. 74
9	Total Dividends not Paid	823 933*	830 830.5*	4 634 712. 70

\* Wrong, incomplete, obsolete bank details of shareholders indicated in the registration forms.

As of March 31, 2007 the dividends for 2006 have not been determined yet as the general meeting of shareholders will be held later to discuss the 2006 results.

Information on AVISMA dividends declared and paid by the Issuer in 2002 – 2006

##	Index	2002		2003		2004		2005		2006
		Preferred Shares of Type "A"	Ordinary Shares of Issue 56-1-P-167	Preferred Shares of Type "A"	Ordinary Shares of Issue 56-1-P-167	Preferred Shares of Type "A"	Ordinary Shares of Issue 56-1-P-167	Preferred Shares of Type "A"	Preferred Shares of Type "A"	Ordinary Shares of Issue 56-1-P-167 Preferred Shares of Type "A"
1	Total Dividends Declared, 000' rubles	11 185	-	10 417	-	15 114	-	51 447	-	5 472
2	Declared Dividends per Share, rubles	30.34	-	28.26	-	41.01	-	140.61	-	37.88
3	Date of Annual General Meeting of Shareholders	March 22, 2002		March 28, 2003		June 29, 2004		March 30, 2005		June 28, 2006
4	Decision of the Annual General Meeting of Shareholders on Payment of dividends	Minutes No. 12		Minutes No. 13		Minutes No. 15		Minutes No. 17		Minutes no number
5	Date of Payment of Declared Dividends	Not later than the end of the corresponding financial year								Within 60 days
6	Form of Payment of Declared Dividends	In money terms								

##	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	Preferred Shares of Type "A"
		2001		2002		2003		2004		2005	
7	Reporting Period for which Dividends were Paid	2001		2002		2003		2004		2005	
8	Total Dividends Paid	-	11 185	-	10 410	-	14 696	-	50 233	5140	-
9	Total Dividends not paid - physical persons** - legal persons	-	-	-	7* 0	-	284* 134*	-	828* 386*	332* -	-

\* 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.

\*\* Dividends not received by physical persons in view of absence of a recipient's details or other objective reasons are kept on the company's deposits.

## 8.10. Other Information

There is no other information about the Issuer or its securities.