

Minutes No. 21

of Motor Sich JSC General Meeting

General Meeting date	- March 27, 2014
General Meeting venue	- the conference room of the headquarters plant, 15, Motorostroiteley Ave.
Meeting time	- 14:00
Date of formation of list of persons who have the right to participate in the General Meeting	- March 21, 2014
General amount of persons who have been included into the list of shareholders having the right to participate in the General Meeting	- 189 persons
General amount of votes of shareholders who hold voting shares of the Company and have registered for taking part in the General Meeting	- 1,465,938.
Quorum of the General Meeting	- 70.55%.

Working Bodies of the Meeting:

Head of the Meeting

Vyacheslav A. Boguslayev – President of MOTOR SICH JSC

Secretary of the Meeting

Raisa O. Khristenko – Leading Engineer

Presidium of the Meeting

Vyacheslav A. Boguslayev – President of MOTOR SICH JSC

Anatoliy N. Malysh – Public Relations Director, Head of the Supervisory Body of the Company.

Agenda:

1. Election of the Counting Board of the Meeting.
2. Report on the activities done by the Supervisory Board of the Company in 2013.
3. About state of Motor Sich JSC business in 2013, main areas of production, financial and business activities of the Company for 2014. Adoption of the Company's annual report.
4. Report by the Auditing Committee on the results of the Company's business and financial performance in 2013.
5. Actual use of specialized funds created for the account of profit, distribution of net profit according to the results of 2013, generation and distribution of profit according to the plan for 2014.
6. Amendments and supplements to the Charter of Motor Sich JSC and to the organizational structure of the Company.

Voting procedure at the Meeting regarding issues of the agenda is carried out by means of ballot papers.

1. Reported:

Election of the Counting Board of the General Meeting.

Decided:

To elect the Counting Board of the Meeting in the amount of 25 persons, namely:

Agarkova K. V. – programming engineer of GFISCD
Balakireva E. O. – leading engineer of GFISCD
Golub K. G. - programming engineer of GFISCD
Eshtokin O. V. - programming engineer of GFISCD
Zherebnoy F. V. – deputy chief of GFISCD
Ivanova V. A. – chief of GFISCD bureau
Igolkin M. V. - chief of GFISCD bureau
Larkin Yu. Yu. - programming engineer of GFISCD
Lipikhina M. L. - leading programming engineer of GFISCD
Litvinenko I. G. – chief accountant of the Trade-Union Committee
Lola S. V. - programming engineer of GFISCD
Lotsman N. N. - programming engineer of GFISCD
Manilo A. V. – electronic engineer of GFISCD
Nepokrytaya A. A. - programming engineer of GFISCD
Nikolaenko N. V. - leading engineer of GFISCD
Onishchenko O. V. - programming engineer of GFISCD
Plieva D. T. - programming engineer of GFISCD
Revenko Yu. M. - deputy chief of GFISCD
Rybakov K. F. - chief of GFISCD bureau
Skidanyuk A. N. - programming engineer of GFISCD
Stroyeva T. V. - programming engineer of GFISCD
Tereshchenko S. V. - programming engineer of GFISCD
Fedorov O. K. - programming engineer of GFISCD
Kharitonov A. B. - deputy chief of GFISCD
Chizhik V. V. - leading programming engineer of GFISCD

Voted: “For” **1,465,257** votes (shares)

“Against” **0** votes (shares)

“Abstain” **0** votes (shares)

“Didn’t vote” **681** votes (shares)

Resolution carried by 99.95% of votes (shares).

2. Reported:

The Head of the Supervisory Board Anatoliy N. Malysh “Report on the Activities Done by the Supervisory Board of the Company in 2013”.

Anatoliy N. Malysh

Dear Shareholders!

In the reporting year the Supervisory Board of MOTOR SICH JSC followed the tasks of control over realization of the most important lines of industrial, financial and economic activity of the stock company, development of strategy aimed at increase of profit and competitive ability of the products in its work.

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According to the plan of work 10 sessions of the Supervisory Board were held. Thereat issues relating to investment, technical and pricing policy at the Company, work of leading structural subdivisions were discussed, the analysis of personnel management level, ensuring production efficiency and work quality was held.

The past 2013 year was not easy. Nevertheless, in difficult economic conditions sales increased by 11% as compared with 2012 and exceeded one billion of the US dollars. Within post-Soviet area MOTOR SICH JSC keeps leading positions in the output of aircraft engines among engine manufacturing enterprises.

Achieved results allowed continuation of production technical re-equipment. In the course of the reporting year 45 units of modern cutting equipment and 14 units of metal manufacturing equipment were acquired.

Portion of existing equipment upgrading carried out in the course of overhaul made by forces of Chief Mechanical Engineer's departments increased significantly. In the course of 2013 141 units of technological equipment including 114 machining centres and machines with CNC were upgraded, 13 test benches underwent reconstruction and upgrading works, the AI-222-25 engine test bench was manufactured and brought into service.

The company continues to expand its presence at the aviation market delivering new aircraft engines. In the past year type certificates were issued for the MS-14 turboprop engine and the TV3-117VMA-SBM1V 2 series turboshaft engine with new electronic controller. Certification tests of the MS-500V turboshaft engine are being finished.

First steps for mastering helicopter market, namely upgrading of the Mi-8T and Mi-2 helicopters, confirmed correctness of the chosen direction. In August 2013 upgraded helicopter Mi-8MSB powered with new generation engines TV3-117VMA-SBM1V 4E series established 11 world records at the Kirovskoe airdrome of Feodosiya. These records include the absolute world record at class E-1 (helicopters) as per classification of the International Aeronautical Federation: the maximum altitude 9,150 m of horizontal flight was gained. However, very soon departments of the company shall initiate activities for searching potential customers to order helicopter products, expediting procedure of contracts signing and starting of actual delivery of equipment.

I consider necessary to mention leading role of engineering departments, which they play in production activity. Actively introducing new equipment and technologies, increasing level of products completeness, continuously expanding the scope of technical documentation issued they play important role in creation of accurate production system that quickly reacts to market demands. Performance of tasks given by administration is ensured by efforts of department staff at the earliest possible date and with minimal cost.

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Mobility of production and auxiliary shops increased considerably. Precise organization of employees' work allows the company to ensure timely fulfillment of contractual obligations.

Reduction in overall amount of products that were removed out of acceptance tests from 6.1% (in 2012) to 3.8% (in 2013) was achieved as a result of activities performed in the course of the year and devoted to ensuring quality and increasing reliability of the products manufactured by the company. At the same time losses on rejects increased from 0.56% (in 2012) to 0.61% (in 2013) in relation to the cost of gross output of the company. Improvement of quality is the straight way towards growth of the economic welfare of each worker and office worker.

Considering the fact that the company develops and produces new engines at its own expense the Supervisory Board considers necessary to concentrate efforts and financial resources on the following priority directions:

1. Production of the following items:

- engines of the D-436 and AI-450MS families to power the An-148, An-158, Be-200 airplanes;

- engines of the AI-222 family to power combat training aircraft;
- the TV3-117VM/VMA, VK-2500, TV3-117VMA-SBM1V, TV3-117VMA-SBM1 V4/4E series engines to power helicopters “Mi” and “Ka”;
- ground equipment (gas turbine drives and power plants including heat-and-power engineering systems with steam-gas or cogeneration cycle).

2. Development, bringing to standard, certification and preparing production of the following items:

- the AI-450M/M1 turboshaft engines to power the Mi-2M, MSB-2 helicopters and others;
- the MS-450 small-sized engines to power light aircraft;
- the D-436TP-M engine with thrust neutralizing reverse to power the Be-200ChS **modernized** airplanes;
- double-fuel (gas/diesel fuel) power plant with rated power 6 MW;
- versions of the TV3-117VMA-SBM1V 1 series engine with new FADEC type electronic system of engine automatic control and monitoring with full authority, and hydromechanical component that backs it up to power the Mi-28NM and Mi-171 helicopters.

The Supervisory Board carefully tracks processes connected with salary of working people. It is planned to be increased for all categories of workers starting from April 1, 2014.

The Supervisory Board calls attention of the Corporate Rights and Investment Project Department to prevention of dissipation of resources, necessity of strict coordination of investment programs and resources potential of the stock company.

Activities on prevention and avoidance of labor and production discipline violation shall be improved as well. Role of social influence on violators shall be enhanced; atmosphere of intolerance towards them shall be created among employees.

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In regard to work of the Board of Directors of the stock company over 2013 the Supervisory Board considers it satisfactory. Flexible administrative policy of the Board of Directors related to the current activity of the Company ensures production of high technical level, positive dynamics of technical and economic parameters, and perspective of further development.

Decided:

1. Work of the Supervisory Board shall be considered satisfactory.
2. The Supervisory Board shall increase control over production, financial and economic activities of the Company in 2014.
 - 2.1 It shall ensure control over fulfillment of contracts and contractual obligations with respect to supply of products and provision of services.
 - 2.2 It shall increase control over purposeful, optimal spending of funds that come from selling of products, activities and services.
 - 2.3 Jointly with the Board of Directors of the Company it shall ensure taking necessary administrative and organizational decisions about improving production efficiency, reduction of internal costs and nonproductive losses, increase of pay rate and social protection for the employees.
 - 2.4 It shall ensure that employees are properly informed about progress of implementation of decisions taken by the General Meeting of Shareholders and concerning main lines of activity.

Voted: “For” **1,465,257** votes (shares)

“Against” **0** votes (shares)

“Abstain” **0** votes (shares)

“Didn’t vote” **681** votes (shares)

Resolution carried by 99.95% of votes (shares).

3. Reported:

President of MOTOR SICH JSC Vyacheslav A. Boguslayev “On Economic State of MOTOR SICH JSC at 2013, the Company’s Main Lines of Production, Financial and Economic Activity for 2014. Approval of the Company’s Annual Report”.

Vyacheslav A. Boguslayev

In 2013 all production, technical, financial and personnel policy activities of the Company, managerial procedures and efforts of the Board of Directors of MOTOR SICH JSC were directed towards fulfillment of contractual obligations accepted by the Company’s General Meeting.

Implementation of scientific and technical, engineering and design decisions corresponding to the newest achievements of world science and engineering into production is a guarantee of our successes and stable development in conditions of tough competitive activity.

Results of this work and outcomes of the past financial year are to be briefly described.

1. Production

The Company increased production output and sales of products in 2013 overcoming economic difficulties in the country and unstable financial state in Ukraine.

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By the reporting period of 2012 the growth of production output was 112.5% in comparable prices, the growth of industrial products sales volume was 111.3%.

344 contracts for delivery of serial and overhauled engines, drives, power generating sets are fulfilled as well as 101 contracts for delivery of spare parts.

The specific weight of aircraft equipment is 92.4% in the general volume of shipped products; the specific weight of general engineering products and consumer goods is 7.6%. The specific weight of the products shipped for export is 93.8%.

The rate of removal of serial units out of tests decreased from 6.1% to 3.8% in comparison with 2012.

Profitability of sales was 17.3% in the reporting year, which confirms efficiency of financial resources management.

In 2013 additional recruitment of staff took place in order to implement production program and new projects. During the year the amount of employees increased by 627 persons.

In December 2013 average salary of a working person amounted to UAH 3,660, average salary of industrial production personnel amounted to UAH 3,727. Salary of production workers of main shops amounted to UAH 4,057 in December.

In 2013 UAH 650.1 million was transferred to the budget and non-budget funds, out of which UAH 610.5 million was transferred to the local budget.

2. Preproduction of New Items, Investments

Modern production cannot be at a standstill. Development and implementation of new perspective types of aircraft engines into production are being held at the Company constantly. Investment of internal funds in production creation, mastering and preproduction of products of new types paid itself fully just as in the previous years.

The D-436TP, D-436-148, AI-450MS engines, AI-222-25 engine as well as new version of the TV3-117VMA-SBM1V helicopter engine, for which the Type Certificate was issued, are new engines that are currently in demand. Today the Company gains additional income for the account of these engines developed in uncomfortable economic conditions.

The TV3-117VMA-SBM1V engine has perspective of wide application in modern helicopters. It will be in large-scale production, and soon it shall replace the TV3-117V and VK-2500 engines of our production.

The D-436-148 engine powers the An-148 and An-158 airplanes, and has great perspectives in sales volume increasing at the market of Russia.

The AI-222-25 engine, which powers the Yak-130 and L-15 airplanes, is the engine with high service life parameters equipped with the FADEC system and characterized with good perspectives.

The following work shall be mentioned done with new products in 2013:

The AI-450M turboshaft engine intended for re-motorization of the Mi-2 helicopters.

Prototypes were manufactured, and bench tests were held. Installation of these engines will allow getting more efficient and high-power helicopter with widen application range due to ambient temperature and flight height parameters.

The AI-450S and AI-450S-2 turboprop versions intended for general aviation aircraft and trainer airplanes.

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The MS-14 turboprop engine intended for re-motorization of the An-2 airplane. The IAC Aviation Register issued the Type Certificate for the MS-14 cruise engine. Flight engineering tests of the An-2-100 airplane started at ANTONOV State Enterprise with this engine installed. Demand for these airplanes powered with our engines will be very high in perspective.

The MS-500V turboshaft engine. It powers helicopters with take-off mass 3.5-6 t. The engine passed tests in TsIAM environmental chamber, its certification work is being held.

The TV3-117VMA-SBM1V turboshaft engine. In April 2013 the Defense Ministry of the Russian Federation completed special joint flight test of this engine installed in the Mi-8MTB-5-1 successfully.

State bench tests of the TV3-117VMA-SBM1V 4 (4E) series brand new engine were successfully completed for the benefit of the Defense Ministry of Ukraine as well.

11 world records were established on the Mi-8MSB helicopter modernized by us and powered with the TV3-117VMA-SBM1V 4 4E series engine at the State Scientific and Test Center of the Armed Forces of Ukraine. Reaching maximum dynamic ceiling height 9,150 meters constitutes one of these records.

Supplement to the Type Certificate was obtained for the main change of the standard structure needed for increasing service life of this engine before first overhaul 5,000 h/cycles.

The TV3-117VMA-SBM1V 1 series version of engine is being developed with the FADEC electronic numerical automated control system and for application in new and modernized helicopters projects.

In August 2013 the IAC Aviation Register issued supplement to the Type Certificate for the TV3-117VMA-SBM1V 2 series with new electronic controller to Motor Sich JSC.

Our next new project is the TV3-117VMA-SBM2V engine.

Its contingency power is 3,700 h. p.

Gas-dynamic calculations were continued for the MS-700 new engine of the sixth generation.

Perspective high-technology projects have guaranteed our successful work for more than one decade. There are not only aircraft products among them. Ground equipment is in demand at the market and marked with MOTOR SICH emblem, which customers associate with quality mark constantly. Gas turbine drives occupy niche from 2 to 10 MW. We plan to design and produce power generating sets of higher power that are now in increasing demand. New drive of power 12 MW is planned to be developed jointly with Ivchenko-Progress State Enterprise. It can be installed in our power generating sets prospectively.

Helicopter Subject Area

In order to develop the helicopter production we formed the following: development bureau; mechanic shop of production and assembly of helicopter reduction gears; disks and shafts machining section; helicopter team subdivided into groups for Mi-2 and Mi-8MSB.

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Mi-17 helicopters re-motorization work was done being necessary for DM of Belarus and Peru (one item for each).

MSB-6 helicopter development work started being necessary for DM of Ukraine. MSB-6 production innovative project was recorded in the Register of Innovative Projects of Ukraine.

About Consumer Goods

The MS-470 and MS-475 petrol-powered saws were put into serial production, pilot batch of the Motor Sich MBE-6 electrical household churn was produced, and work was carried out on adaptation to production of the Motor Sich ETBS cement hip joint.

Production, which meets the recent demands of a customer and is competitive not only at inner, but at the international market as well, stipulates renewal of processing equipment – acquisition of new equipment and upgrading of existing one, equipping it with automatic machinery, new systems of program control.

141 equipment units were upgraded during the year. They include machining centers and machines with CNC, special equipment, measuring systems of coordinate boring and general-purpose machines, testing and processing equipment.

The Company carries on systematic and task-oriented work in order to provide subdivisions with new, progressive processing equipment in a balanced manner. During the year 227 units of new equipment were distributed to subdivisions. This equipment includes equipment for tooth machining, 5 axial machining centers, turn/mill machine with CNC, automatic turning lathe, special grinding machines, SIEMENS composite control systems for machining centers and machines, metering systems for measurement of coordinates of leading European firms and other equipment.

Commissioning of new equipment allowed elimination of limits, enhancement of products quality, replacement of equipment worn out physically and functionally, decrease of labor input of parts manufacturing by 15-25%.

Constant control over right application of time allowances at machines with CNC, analysis of utilization coefficient and shift index are undertaken for organization of uninterrupted work of high-performance equipment. In order to ensure effective use of this equipment its work mode was changed to three-shift work mode.

Material saving, quality of manufactured parts and units, efficiency of the production in whole are considerably ensured by the result of introduction of progressive workpieces, accessories and tools, control programs for equipment with CNC.

3. Input of Plants Being the Part of Motor Sich Joint Stock Company into Solving Assigned Tasks

Zaporozhye Omelchenko Machine-Building Plant

The main lines of activity are manufacture of large-size casts of almost all parts produced by the company, testing the D-18 turbojet engines, engines of the AI-222K-25 family, the D-336 drives for gas-pumping stations, assembly and testing portable power generating sets of 6.8 MW.

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The company fulfilled 102.3% of the plan for 2013.

As the ISV-016 melting furnace had been put into service, melting of heat-resistant alloys of in-house manufacture was mastered.

Snezhnoye Machine-Building Plant

The main lines of plant activity are production of parts for aircraft engines, production of consumer products, and manufacture of industrial products of general purpose. 1300 different purpose items of aviation sphere are assigned to the plant. They include compressor disks, rotor blades, guide vanes and straightening vanes of compressors and turbines, small steel parts. In 2013 6 designations of general technical purpose products were sold including steam boilers, connecting links, water treatment installations as well as 53 designations of consumer goods.

During the year the plant took part in mastering production of new products, namely MS-14, D-18T series 3M, TV3-117VMA-SBM1I, TV3-117VMA-SBM2V.

Growth rate of marketable products production volume amounted to 110.6% in standard hours by the report of 2012, and growth rate of motor products production volume amounted to 117.2%.

Volochisk Machine – Building Plant

The main lines of activity are production of mobile automated power generating sets, manufacture of aircraft engines parts and production of consumer goods.

5955 designations of parts for the main products are assigned to VMBP; wide range of consumer goods is being produced.

Growth rate of marketable products production volume amounted to 103.2% in standard hours by the report of 2012; 100.4% of the plan for 2013 was fulfilled.

Kiev Accessories Plant

The main activity of the plant is repair of the D-36 engine units. During the year 60 pieces of units were repaired and delivered to the headquarters plant. The plant shall be developed, its production volume shall be increased, and the quality of work shall be ensured.

Pervomaisk Accessories Plant

The amount of commercial and fully approved parts and assembly units has increased from 18 to 29 during the year. The plant fulfilled 104.5% of the plan for 2013. 138,389 pieces of parts were manufactured.

Lubny Machine-Tool Plant

The plant manufactured, modernized and repaired cylindrical grinders and surface-grinding machines, machining centers, semi-automatic lathes.

During 2013 70 machines and 8 upgraded slide assemblies were shipped, from which 44 machines (23 machines were manufactured, 21 machines were upgraded and had overhaul) and 8 upgraded slide assemblies were shipped to MOTOR SICH JSC.

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4. Work with Personnel

In 2013 personnel policy was directed toward improvement of production organization system, providing qualified workers and specialists, enhancement of workers' motivation for more productive labor.

Being the company with more than century-long history MOTOR SICH JSC has been and is attractive to the youth.

In 2013 442 young specialists were hired at their first working place. There are 217 specialists with higher education, 75 college graduates and 150 graduates of higher vocational and training school among them. Today 44.5% of workers are people under 35, and the average age of personnel is 41.

In order to work with this personnel category the Youth Policy was developed in the stock company that is directed toward consolidation of the youth among employees, communion with the corporate culture, creation of equal conditions for self-realization, professional development, career promotion, improvement of the life quality of young workers. To achieve these goals financing is granted, events are held, from which the traditional ones are professional skill competitions, International Youth Scientific and Technical Readings named after A. F. Mozhayskiy and others.

International Technical Center of MOTOR SICH JSC carries out personnel professional training and development work that ensures professional competence level and performed work quality in accordance with requirements of international standards.

In 2013 the planned evaluation of managers, engineers and office workers was held. 5,673 specialists were evaluated. There are 139 chief executive officers among them. According to results of evaluation the professional categories of 526 specialists were increased.

During the year the training was organized, and 261 workers received new profession, 118 workers mastered the second allied profession, 221 workers improved professional skill, 472 workers received certifying organizations requirements training.

27 company's employees studied the subject "Airplanes and Helicopters" at the National Aerospace University named after N. Ye. Zhukovskiy "KhAI" at the company's expense and off-the-job.

Currently more than 1,100 workers are getting on-the-job extramural education, 33 persons were sent to the ZNTU University for state subsidized studying.

MOTOR SICH has strong reputation of the company, which is the base for undergoing all kinds of practical training. In 2003 1,997 persons underwent practical training including:

- 546 students from 9 higher educational establishments at 45 trades;
- 621 students from 8 technical training schools and colleges at 20 trades;
- 830 pupils from 13 vocational and training schools and lyceums at 15 trades.

In 2004 the Personnel Policy will keep the main directions of work with personnel.

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Labor remuneration of MOTOR SICH JSC workers is done on the basis of legislative and standard acts of Ukraine concerning issues of labor remuneration, regulations and orders that are effective at the company, Labor Contract, and depends on professional skill, worker's responsibility, conditions of the performed work, and results of industrial and economic activity of a subdivision.

MOTOR SICH JSC takes the twelfth place for the salary level among industrial enterprises of Zaporozhye. From 01.04.2014 it is planned to increase salary of all categories workers.

Due to revision of norms and man-hour costs decrease of labor input was reached at company and amounted to 197.6 thousand standard hours. Decrease of products manufacture cost and increase of labor efficiency were reached as well.

5. Reconstruction and Technical Re-Equipment of the Existing Production

As in the previous years the great attention was paid to technical re-equipment and reconstruction of production facilities in order to ensure the growth of production volume and improvement of work conditions.

UAH 925.8 million of internal funds was directed towards fulfillment of these measures including:

- UAH 506.4 million for commissioning equipment for the main production and social sphere;
- UAH 143.7 million for equipment modernization;
- UAH 154.5 million for construction and mounting activities of existing production and social sphere reconstruction;
- UAH 81.9 million for reconstruction and technical re-equipment of subsidiaries;
- UAH 39.3 million for overhaul and corrective maintenance.

All performed activities allowed providing replacement of equipment worn out physically and functionally, reconstruction of production facilities that gave opportunity to increase labor efficiency, improve production standards and work conditions of personnel.

In 2014 activities for reconstruction and repair of the basic assets are planned in the same volume provided the stability of situation in Ukraine will be preserved.

8 test benches will be reconstructed as high tech aircraft building enterprise that works on new equipment development must have the most modern testing equipment.

6. Social Sphere

Assurance of workers social security, creation of favorable conditions for their work and rest became one of the priority lines of the company's activity in 2013.

The source of social sphere financing is means of the company.

UAH 25.2 million was directed to capital investments into objects of social sphere including UAH 7.0 million for equipment acquisition.

The main amount of funds was directed to reconstruction of MOTOR SICH Sport Center, the Therapeutic-and-Health-Improving Center, Entertainment Center named after T. G. Shevchenko, Camping Site “Meridian”, sanatorium-preventorium, hostels, Health Resort “Mayak”, housing stock and other objects of social sphere.

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Approximately 8.5 thousand of the company’s workers and their 500 children improved their health in Health Resorts “Motor”, “Priboy” (Primorsk), Health Resort “Mayak”, sanatorium-preventorium “MOTOR SICH” (Volno-Andreyevka village), Sanatorium “Raduga” (Voločisk) during the year.

In addition 1732 children rested in children’s health and sporting camps where all conditions were created for physical development, individual personality up-growth and discovery of creative potential of children and teenagers. Annually more than 9.5 thousand sick people receive hospital treatment in the Therapeutic-and-Health-Improving Center provided with modern equipment. In 2013 morbidity rates of quite a number of diseases were decreases due to workers’ health inspections and diagnostics at early stages (including 50% decrease of tuberculosis morbidity rate) in comparison with 2012.

Increase in artificial joints implantation operations became the achievement of our traumatic surgeons. In 2013 75 endoprostheses of large joints were implanted. It was 29 operations more than in 2012. The Plant Center of Preschool Education ensures realization of the Preschool Education State Legal Policy. 526 children are being educated in preschool educational establishments.

Preschool children’s regular preventive health care and improvement work is being performed here. For 2013 219 children improved their health in children’s medical and health-improving complex. 89 children of the company’s workers received treatment and improved their health at sanatorium group. Improvement of children’s health takes place at the expense of the Company’s Trade-Union Committee.

Per day approximately 1500 persons attend Sports Center “MOTOR SICH”, from which 820 persons are the company’s workers and members of their families. In 2013 the 59th Spartakiad was held for fifteen scoring sports. 51 physical training teams of company’s subdivisions took part in it. It included 243 sporting mass events, cup competitions for mini-football among veterans and for volleyball among men and women. On weekends physical training teams carry out Health Days. The best sportsmen of subdivisions defend the honor of the company at competitions of higher levels. MOTOR SICH team became winner of the Ukrainian Aircraft Builders Spatakiad. In 2013 sports center prepared 26 champions and Ukrainian cup winners, 67 champions and Ukrainian cup winners among juniors, 5 champions of Europe among juniors, 3 world champions among juniors, 1 world champion among adults.

20 amateur performances groups amounted to 695 persons work in the company’s Entertainment Center named after T. G. Shevchenko. 423 children attend children’s groups. There are 7 folk groups among all groups.

In the reporting year 53 thousand of people visited the Technical Museum opened in 2012. Museum exposition amounts to approximately 200 exhibits.

The company spent UAH 99.7 million on taking health-improving measures and keeping objects of social sphere in general in the reporting year.

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Undertaken financing allowed performing necessary cultural, sporting and health-improving activities in full and in accordance with assigned tasks. Moreover, UAH 43.6 million of the company's funds was spent on charitable purposes.

In addition to traditional areas of charity the financing was allocated for modernization of tram-trolleybus depot. At present 10 trams and 2 trolleybuses of "Zaporozhtelyektrotrans" were modernized.

Constant help is being provided to veterans of the Great Patriotic War and labor veterans, disabled persons, and unemployed retirees of the company, low-income and large families.

Measures Aimed at Successful Work in 2014

Growth rate of products selling has been fixed at 105.0 per cent level to 2013 in accordance with Technical Industrial Financial Plan on the basis of achieved production volume and concluded contracts for 2014.

Receipt of funds as per fabricated products shipment contracts is planned to be at the level of 2013.

The major portion of contracts for aircraft engines to be delivered and repaired in 2014 has been already signed or is at the completing stage of signing. The activities are being performed as per contracts for spare parts delivery to aircraft repair and overhaul plants as well as for delivery and repair of gas-turbine drives and power generating sets for clients.

World market of aircraft engine building is characterized with enormously severe competition. In order to retain its competitive positions and to determine priority areas of development MOTOR SICH JSC carries out constant work on research of product markets, analysis of their current state, existing problems and progress trends.

As before Russia remains a priority partner for our company. In general, the reached volume of collaboration with Russian companies is expected to be retained in 2014.

In addition to collaboration with the Russian Federation the great attention is paid to retention and extension of product markets far abroad, where aviation equipment is operated with engines of our production. In particular, we signed contracts with India concerning the AI-20D series 5 engines delivery, repair of the D-36 engines, the AI-9V engines and the TV3-117V engines of different versions, delivery of spare parts. We signed contracts with China concerning delivery of the AI-25TLK, TV3-117VMA-SBM1V, AI-222K-25 engines. Collaboration with Algeria will be continued within the framework of contracts for repair of aircraft engines of different types and versions.

Long-term contracts consolidated relations with our company perspective partners from countries of South-East Asia and Latin America, such as Bangladesh, Sri-Lanka, Peru, Columbia and others.

Long-standing partnership relations connect us with companies from CIS: Kazakhstan, Belarus, Uzbekistan, Azerbaijan, Moldova and others. Overhaul of aircraft engines and gas-turbine drives of different types and versions will be done for them in 2014.

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State Enterprise “ANTONOV”, Kharkov Aviation Enterprise, airlines “Ukrainskiye Vertolyoty”, State Enterprise “Ukrspetseksport” are the main consumers of our products among Ukrainian consumers. It is planned to deliver and repair aircraft engines of different types for these clients in 2014.

In order to support its competitive ability MOTOR SICH JSC promotes new types of products and services at market. At present the company actively works on projects for re-motorization of the Mi-8 and Mi-2 helicopters with new TV3-117VMA-SBM1V engines of different series and AI-450M engines that allow improving performance and flight characteristics.

In 2014 according to the ESPOSA project production of a prototype of the BE2+ engine on the basis of the AI-450S is planned for performing experimental and development activities and testing. Tentative financing amount from Europe is € 358.4 thousand.

In the sphere of customer goods production and selling it is planned to launch production of new products, namely household electric churns, motor cultivator, endoprostheses system for hip joint, instruments for this system.

For the purpose of sales volume increase the company intends to take part in the largest international exhibitions in India, Chile, Great Britain, China, the UAE, Germany, Russia and others. Moreover, due to its representative offices MOTOR SICH JSC takes part in all tenders for delivery of products and services of company’s profile that are held by state organizations of Algeria, India, Bangladesh, Cuba, Mexico, Peru, Bulgaria, Turkmenistan, Russia and other countries.

In 2014 according to results of tenders delivery and repair of ground equipment (power generating sets and gas-turbine drives of different power) are planned for companies from Russia, Belarus, Uzbekistan, and Kazakhstan.

In general secure orders and concluded contracts available give the reason for positive forecast for 2014.

Dear Meeting Participants!

Annual summing the results of the financial year makes it possible to determine strategy of our development for the near-term outlook.

As I’ve said, we see our future in creation of brand new items that conditions concentration of financial and material resources, reduction of internal losses, supreme responsibility of all staff, and systematic technical re-equipment of production.

Only high tech and effective production fitting demand perspectives ensures high level of manufactured products and rendered services.

However, in order that competition may be successfully met, really innovative and qualitative products shall be offered and, surely, portion of engines certified as per international

requirements and standards shall be increased. Of course this is difficult and long-run work for perspective, but it is the work that opens new international markets for us.

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Stainless export history of the Joint Stock Company is built up on a number of fundamental principles that are reliability, effectiveness and price. Due to this we extend our presence at world markets steadily, developing collaboration with foreign partners on firm mutually beneficial background.

More than one generation of workers has been changed for more than 107 year-long history of the company. By their labor, mind and heart tens of thousands of reliable and effective aircraft engines have been created.

Scopes and difficulty of tasks the company faces require highly professional employees, progressively thinking and responsible managers and executors.

It is necessary to create conditions in order that each young specialist may find the right place at our production and have interesting and comfortable work.

Decision:

In spite of difficult political, financial and economic situation in the country the results of MOTOR SICH JSC work in 2013 are characterized with positive dynamics of development.

Organizational, material, financial and personnel resources were directed to providing technical and economic performance characteristics approved in the Technical Industrial Financial Plan of the company.

Growth of production volume amounted to 112.5 per cent in comparable prices.

Contracts have been executed concerning delivery of serial and overhauled engines, their spare parts, gas-turbine drives for ground equipment and power generating sets to clients.

Activities were carried on concerning serial production of the D-436TP, D-436-148, AI-222-25, TV3117VMA-SBM1V, AI-450MS engines; mastering new AI-450M, AI-450S and AI-450S-2, MS-14, TV3-117VMA-SBM1V 4E series engines and others.

The company directed UAH 144.9 million of internal funds for development and preparation for serial production of new types of aircraft items, products of general technical purpose and customer goods.

A whole package of organizational and technical measures was applied for improvement of quality and operational reliability of manufactured products, for prolongation and receiving of certificates.

UAH 925.8 million of company's funds was directed to reconstruction and technical re-equipment of the existing production, construction of social sphere objects, overhaul and routine repair of buildings and facilities.

For fulfillment of production program and implementation of new projects in 2013 quantity of workers of the stock company was increased by 627 persons and amounted to 27,455 persons at the end of the year.

In December salary of production workers of main shops amounted to UAH 4,057 in December.

Obligations were fulfilled with respect to the Labor Contract, preservation and development of social infrastructure, health-improving and recreation of workers of the company and their family members.

The company did not have any indebtedness on salary payment and contribution to the budget. UAH 650.1million was transferred to the budget and non-budgetary funds.

Decided:

1. To approve the Annual Report of MOTOR SICH JSC on results of production, financial and economic activity of the Company for 2013.

2. To approve the Technical, Production and Financial Plan of the Company for 2014 and to ensure its full implementation.

3. To continue work of implementation of the main components of the Company's effective strategy:

- design and production of new aircraft engines that are competitive at the world market as well as power plants based on them, science intensive industrial products and consumer goods for the purpose of increasing sales volume;

- constant improvement of all stages of life cycle of manufactured products, namely design, production, sale, after-sale service and repair in order to satisfy needs of a customer fully;

- close control over the quality at all production stages in order to ensure correspondence of products to the higher world standards;

- build-up of innovative potential of the company aimed at modernization of its industrial and administrative systems;

- maintenance and elaboration of fruitful cooperation and mutually beneficial integration and cooperation communications with numerous partners that allow development of engines of the future;

- constant improvement of system for training of highly qualified personnel and staff education.

Voted: "For" **1,464,386** votes (shares)

"Against" **871** votes (shares)

"Abstain" **0** votes (shares)

"Didn't vote" **681** votes (shares)

Resolution carried by 99.89% of votes (shares).

4. Reported:

The Head of the Auditing Committee Aleksandr N. Polyviany. "Report of the Auditing Committee on the Results of the Company's Financial and Economic Activity in 2013".

Aleksandr N. Polyviany

The Auditing Committee has audited financial and economic activity of the stock company in 2013 following the Charter of the stock company and Provision on auditing committee in its work.

Financial state of the company for the reporting year is characterized as stable. Operating assets were used effectively that ensured continuous work of the company.

Implementation of intended measures on optimization of expenses allowed decrease of unfinished production augmentation from 31.7 per cent in 2012 to 9.1 per cent.

While solving issues concerning financial and economic activity of the company the Board of Directors adhered to requirements of current legislation of Ukraine and the Charter of the stock company.

Involvement of borrowed resources for carrying on current economic activity was reduced as a result of rational distribution and application of own cash flows. In general, the involved borrowed means were directed to development and modernization of production.

Ratio of borrowed and owned capital changed from 0.3 to 0.23 that is evidence of enhancement of financial stability and independence of the company.

Output of commercial products amounted to 112.5% in comparable prices in 2012, sales increased by 11.3%.

Inflow of cash means as per contracts increased by 12% in comparison with 2012.

In 2013 UAH 144.9 million was directed to development and preparations for serial output of new kinds of aircraft items, technical products of general purpose and customer goods. UAH 25.2 million was directed to capital investments into objects of social sphere. UAH 143.3 million was directed to taking health-improving measures, keeping objects of social sphere and rendering charitable assistance.

Losses caused by rejects failed to be considerably reduced for the reporting year. There were cases of exceeding monthly maximum allowable limit for products with non-conformities in a number of production shops. Main reasons are unsteady quality of supplied auxiliary materials for cast house shops, untimely taken measures for prevention and elimination of defects, weak control over compliance with technological processes.

During the year 29 audits and checks were made in accordance with plan of checking and auditing work. Their main purpose was assurance of registration, safekeeping of inventories and cash means, correctness of parts write-off.

Audits and checks revealed the following (UAH):

- deficit of material assets	- 50,631;
- excess of material assets	- 78,260;
- ungrounded write-off of materials	- 350,735.

Moreover, more than 100 checks were carried out by different controlling bodies in the reporting year.

Persons guilty of the revealed violations were given reprimands; off-schedule inventories were conducted.

Based on the results of official checks done by specialists of the Economic Security Department and Department of Property Interests Defense 64 cases of stealing and attempts of stealing were detected and revealed. 73 persons were made disciplinary liable.

1174 treaties were checked in order to ensure security of contractual process, conclusion of treaties was prevented to the amount of UAH 99 thousand and with groundlessly increased

prices. In general, loss-making to the company was prevented to the amount of approximately UAH one million due to performed work.

Property interests of the company were protected to the amount of more than UAH 350 million due to performing claims and actional activities by specialists of the Legal Groundwork Service in 2013.

The Auditing Committee pays attention of the General Meeting, the Board of directors, main specialists and managers of structural subdivisions of the stock company on the necessity of the following actions:

- to take measures for completing arrangements directed towards increasing labor productivity by means of reduction of working hours and improvement of production organization in order to ensure direct and timely fulfillment of contracts in the conditions of unstable economic situation;
- to toughen incoming inspection of quality of procured materials and assemblies, enhance responsibility of performers for manufacturing qualitative products, perform constant work on raising level of their professional skill for the purpose of decreasing losses caused by production rejects;
- considering materials consumption of production and constant growth of prices for procured materials to minimize materials completion expenses, continue work on implementation of more progressive work pieces that allow increase of material usage rate in order to reduce cost of output products;
- to enhance responsibility of persons, who have access to material valuables, carry out preventive and educational work, take the strictest measures to persons guilty of stealing in order to prevent stealing and to ensure security of communal assets;
- to acquire materials only according to approved plan of production of products considering their actual availability at storehouse and shop storerooms and in strict compliance with effective engineering and design documentation in order to reduce stock of inventories.

In 2014 volume of cash means inflow planned on the basis of concluded contracts will allow ensuring stability of production, continuing its technical re-equipment and mastering new items.

Based on the abovementioned the Auditing Committee offers the General Meeting to approve results of financial and economic activity of MOTOR SICH Joint Stock Company in 2013.

Decided:

1. To approve the Report of the Auditing Committee on results of production, financial and economic activity of the Company for 2013.
2. To consider provision of systematic internal control as the main task of the Auditing Committee for 2014. The control shall be over the following:

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- observance of the effective law of Ukraine and the Charter of the joint stock company;
- implementation of decisions made by the Board of Directors and concerning the elimination of defects and violations revealed in the course of checks of financial and economic activity of the Company;
- performance of activities aimed at increasing labour productivity by means of reduction in labour cost, improvement of management of production and administration, provision of timely performance of contracts;
- safety of material valuables and communal assets of the Company;

- generation and use of means gained in the result of industrial and financial activity of the joint stock company;

- correctness of calculation of profit that is intended for settling with shareholders according to shares;

- validity of data that are contained in the annual financial statements of the joint stock company.

Voted: “For” **1,465,257** votes (shares)

“Against” **0** votes (shares)

“Abstain” **0** votes (shares)

“Didn’t vote” **681** votes (shares)

Resolution carried by 99.95% of votes (shares).

5. Reported:

Finance Director Victor A. Lunin “Actual Use of Specialized Funds Comprised of Profits, Distribution of Net Profit at 2013, Generation and Distribution of Profits According to the Plan for 2014”.

Victor A. Lunin

Intended production volume growth plans were executed and profit was gained by the company in 2013.

In 2013 the General Meeting generated specialized funds, namely production development fund, social development fund, financial incentives fund, expenditure of which was made according to the approved decision. It is offered to consider and approve the following use of specialized funds.

Based on the results of economic activity for 2013 UAH 191.6 million from production development fund was spent for fulfillment of work on development and serial production preparation of new kinds of aircraft and ground equipment, consumer goods, for fulfillment of work on helicopter subject area, for payment for scientific, research and development activities, personnel training. It is UAH 35.6 million (22.8%) more than in the previous year. Growth of production development fund is connected with fulfillment of activities on perspective AI-450M, MS-500V, MS-14 engines, new developments of ground equipment, carrying out scientific, research and development activities, mastering new technologies.

It is offered to approve expenditure of production development fund means in the amount of UAH 191.6 million.

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According to cost estimation of social development fund reconstruction and economic maintenance of social sphere objects, cultural and mass, sport, health-improving events were held; financial support was given to non-profitable public organizations. Financing of social development fund exceeded figures of 2012 by UAH 23.2 million (19.3%). For the purpose of ensuring passengers transportation quality financing of activities on updating tram and trolleybus depot was one of the items that influenced the growth of expenditures.

It is offered to approve financing of expenditures on social development in the amount of UAH 143.3 million.

In 2013 financing of all items of the Labor Contract was made fully; social benefits were granted to workers by the company; financial aid was rendered. Using means of financial incentives fund

aid was rendered to young workers, who got married for the first time, financial aid was rendered to workers and veterans on their applications, payment was made to workers, who came back to MOTOR SIC JSC after serving at Armed Forces of Ukraine, compensation of rented accommodation cost was provided to young specialists.

It is offered to approve means in the amount of UAH 1.8 million used for financial incentives fund.

Other payments (paid fines, surcharges, penalties, shortages and losses caused by damage of valuables) shall be approved in the amount of UAH 8.4 million as well.

Aggregate income gained based on the results of 2013 exceeded expenditures of the company including expenditures for specialized funds. The company worked profitably.

The stock company carries on systematic work on optimization of loan portfolio. MOTOR SICH JSC reduced indebtedness on short-term credits that were applied for acquisition of new highly productive equipment for the purpose of increasing production capacity, improvement of technological processes and enhancement of production effectiveness. During the year the portion of short-term credits decreased by 6% in the structure of borrowed assets.

In general in 2013, the company impaired bank credits by UAH 10.5 million. And for two months of 2014 it impaired bank credits by another UAH 4.0 million. As of 1 March, 2014 loan portfolio amounted to \$ 36.2 million in dollar equivalent.

During the year investments were made in technical re-equipment, new types of company's activity, new technologies, without which it is impossible to produce modern engines, ensure necessary quality of products, their competitive abilities at world markets today:

- the contract for acquisition and upgrading of necessary equipment were paid;
- special flight tests of the TV3-117VMA-SBM1V installed in the Mi-8MTV-5-1s. were held;
- the IAC Aviation Register issued the Supplement to the Type Certificate for the TV3-117VMA-SBM1V 2 series engine with new electronic controller;
- organization of serial production of the Mi-8MSB and Mi-8MSB-B helicopters was started at the company according to Order No. 484 dtd 23.12.2013.

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UAH 562.6 million was directed toward capital and financial investments in order to ensure competitive ability of the company.

It is offered to confirm reasonability of expenditures made in 2013.

Based on results of work in 2013 it is offered to direct UAH 24.9 million towards dividends payment that is 20% more than it was in 2012 based on results of work in 2012.

It is offered to direct the rest of profit toward replenishment of working assets of the company in order to fulfill concluded long-term contracts for delivery of products (India, China, Algeria and others), to ensure activity of MOTOR SICH JSC in existing financial conditions, increase tariffs and rates of pay in accordance with order No. 85 dtd 07.03.2014.

Planned Amount of Funds that are Generated from Profit for 2014

Products delivery and services rendering signed contracts and received applications from aircraft companies and operating organizations give grounds for positive forecast for 2014 and provide for gaining profit.

The company will have possibility to direct cash means toward development and mastering new products, implementation of new technologies, economic maintenance of social sphere objects, rendering of financial aid to workers.

It is offered to plan all indicated expenditures as specialized funds in the following amounts:

- production development fund - UAH 194.4 million
(101.5% by the report of 2013);

Increase of financing will allow execution of activities on mastering new kinds of items and further increase of production volume.

- social development fund - UAH 156.2 million
(109.0% by the report of 2013);

Growth of social development fund expenditures will ensure increase of tariffs and pay rates of social sphere workers in accordance with Order No. 85 dtd 07.03.2014.

- financial incentives fund - UAH 2.2 million;

- other purposes - UAH 12.0 million.

I ask for approval of planned amount of funds for 2014.

It is offered to consider decision on distribution of net profit of 2014 and distribution of dividends at the General Meeting of the Company according to results of production and economic activity of MOTOR SICH JSC for 2014.

Decided:

1. To approve use of specialized funds generated for the account of profits according to the joint stock company's activity for 2013 within the scope of actually incurred costs:

- fund of production development - UAH 191.6 million;
- fund of social development - UAH 143.3 million;
- fund of financial incentives - UAH 1.8 million;
- other purposes - UAH 8.4 million.

2. To confirm reasonability of the Company's expenditures in 2013:

- for optimization of loan portfolio of the Company for repaying credits as per agreements – UAH 10.5 million;

- investments in technical re-equipment of the Company made for ensuring competitive capability of output products – UAH 562.6 million;

3. To direct the following sum toward dividend payment – UAH 24.9 million.

4. To direct the rest of available profit of 2013 toward replenishment of operating assets of the Company for execution of long-term contracts, increasing rates and salaries, ensuring stable work of the Company in the current financial conditions.

5. To approve planned value of expenditure of specialized funds (generated for the account of profit) for 2014 in the following amount:

- fund of production development - UAH 194.4 million;
- fund of social development - UAH 156.2 million;
- fund of financial incentives - UAH 2.2 million;
- other goals - UAH 12.0 million.

6. Dividend rate shall be considered after summing up financial and production activity of the Company for 2014.

Voted: “For” **1,430,134** votes (shares)

“Against” **4,321** votes (shares)

“Abstain” **30,802** votes (shares)

“Didn’t vote” **681** votes (shares)

Resolution carried by 97.56% of votes (shares).

6. Reported:

Personnel Management Director Olimpiy V. Pokatov “Amendments and Supplements to MOTOR SICH JSC Charter, Organizational Structure of the Company.

Olimpiy V. Pokatov

Working group approved by the decision of the Board of Directors have considered proposals received in the course of preparation for the meeting and considers necessary to introduce into MOTOR SICH JSC Charter the following changes:

1. The first paragraph of item 2.3.1 shall be worded as follows:

“2.3.1 Joint Stock Company includes:” hereinafter as written.

2. Item 2.3.1 shall be completed with two new paragraphs:

“- Orsha Aircraft Repair and Overhaul Plant, location: 1, Zavodskaya Str., Bolbasovo U. S., Orsha district, Vitebsk region, the Republic of Belarus;

- Motor Sich Helicopters, location: 98, Kopionkina Str., Zaporizhzhia, 69068”.

3. The Charter shall be completed with the new item:

“2.3.2 Enterprises indicated in item 2.3.1 of this Charter enter into the composition of the Company as detached subdivisions without the right of a legal entity, but with the right to open current or settlement accounts, and act under regulations concerning them.”

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Decided:

1. The first paragraph of item 2.3.1 shall be worded as follows:

“2.3.1 Joint Stock Company includes:” hereinafter as written.

2. Item 2.3.1 shall be completed with two new paragraphs:

“-Orsha Aircraft Repair and Overhaul Plant, location: 1, Zavodskaya Str., Bolbasovo U. S., Orsha district, Vitebsk region, the Republic of Belarus;

- Motor Sich Helicopters, location: 98, Kopionkina Str., Zaporizhzhia, 69068”.

3. The Charter shall be completed with the new item:

“2.3.2 Enterprises indicated in item 2.3.1 of this Charter enter into the composition of the Company as detached subdivisions without the right of a legal entity, but with the right to open current or settlement accounts, and act under regulations concerning them.”

Voted: “For” **1,464,100** votes (shares)

“Against” **1,157** votes (shares)

“Abstain” **0** votes (shares)

“Didn’t vote” **681** votes (shares)

Resolution carried by 99.87% of votes (shares).

Reported:

Chairman of the Counting Board of MOTOR SICH JSC General Meeting Irina G. Litvinenko reported about the Counting Board meeting minutes No. 2 on results of vote on issues of meeting agenda.

Decided:

To approve the Counting Board meeting minutes No. 2 on results of vote on issues of agenda of MOTOR SICH JSC General Meeting dtd 27.03.2014.

Chairman of the Meeting

Vyacheslav Boguslayev

Secretary of the Meeting

Deputy Chairman of
the Board of Directors

Raisa O. Khristenko

Sergei A. Voitenko