United Aircraft Corporation

Unaudited Pro Forma Financial Information

for the years ended 31 December 2006 and 2005

Contents

Pro Forma Income Statement for the year ended 31 December 2006

Mln RUR	Irkut and subsidiaries	Sukhoi and subsidiaries	VASO	MAK and AK Ilyushin	Tupolev	Aviastar	FLC	Ilysushin Finance and Sokol	Pro forma adjustments	Pro forma
Revenue	22,621	17,704	2,613	3,288	1,823	1,809	1,073	-	(135)	50,796
Cost of sales	(14,603)	(13,343)	(2,378)	(2,337)	(1,348)	(1,722)	(959)	-	(374)	(37,064)
Gross profit	**8,018**	**4,361**	**235**	**951**	**475**	**87**	**114**	**-**	**(509)**	**13,732**
Research and development costs	(180)	(315)	-	(130)	(163)	-	-	-	-	(788)
Distribution expenses	(2,915)	(883)	(14)	(84)	-	(11)	-	-	(45)	(3,952)
Administrative expenses	(2,535)	(2,968)	(402)	(534)	(329)	(546)	-	-	10	(7,304)
Other operating expenses	(187)	(1,092)	(74)	(33)	(112)	(204)	25	-	58	(1,619)
Grants related to income	568	529	-	50	160	-	-	-	-	1,307
Profit / (loss) from operations	**2,769**	**(368)**	**(255)**	**220**	**31**	**(674)**	**139**	**-**	**(486)**	**1,376**
Share in profit of associates	-	-	-	-	-	-	-	42	-	42
Financial income	601	459	-	19	27	151	135	-	(50)	1,342
Financial expense	(1,850)	(607)	(167)	(4)	(19)	(157)	(216)	-	50	(2,970)
Profit / (loss) before tax	**1,520**	**(516)**	**(422)**	**235**	**39**	**(680)**	**58**	**42**	**(486)**	**(210)**
Income tax (expense) / benefit	(332)	(418)	68	(77)	(6)	124	(23)	-	131	(533)
Net profit / (loss)	**1,188**	**(934)**	**(354)**	**158**	**33**	**(556)**	**35**	**42**	**(355)**	**(743)**
Attributable to:										
Shareholders of the parent company	1,173	(607)	(354)	158	33	(556)	35	42	(786)	(862)
Minority shareholders	15	(327)	-	-	-	-	-	-	431	119
	1,188	**(934)**	**(354)**	**158**	**33**	**(556)**	**35**	**42**	**(355)**	**(743)**

Pro Forma Income Statement for the year ended 31 December 2005

Mln RUR	**Irkut and subsidiaries**	**Sukhoi and subsidiaries**	**VASO**	**MAK and AK Ilyushin**	**Tupolev**	**Aviastar**	**FLC**	**Ilysushin Finance and Sokol**	**Pro forma adjustments**	**Pro forma**
Revenue	20,131	14,736	2,125	2,509	1,532	2,185	739	-	(1,107)	42,850
Cost of sales	(10,120)	(12,482)	(2,051)	(1,726)	(1,143)	(2,222)	(630)	-	12	(30,362)
Gross profit	**10,011**	**2,254**	**74**	**783**	**389**	**(37)**	**109**	**-**	**(1,095)**	**12,488**
Research and development costs	(231)	(295)	-	-	(262)	-	-	-	-	(788)
Distribution expenses	(2,438)	(946)	(13)	(183)	-	(26)	(4)	-	(6)	(3,616)
Administrative expenses	(1,822)	(2,740)	(334)	(516)	(296)	(514)	-	-	23	(6,199)
Other operating expenses	(1,291)	(1,016)	(291)	(69)	(120)	312	(25)	-	-	(2,500)
Grants related to income	211	-	-	-	195	-	-	-	-	406
Profit / (loss) from operations	**4,440**	**(2,743)**	**(564)**	**15**	**(94)**	**(265)**	**80**	**-**	**(1,078)**	**(209)**
Share in profit of associates	-	-	-	-	-	-	-	97	-	97
Financial income	330	287	-	31		1	125	-	(63)	711
Financial expense	(1,630)	(402)	(178)	-	(13)	(157)	(163)	-	63	(2,480)
Profit / (loss) before tax	**3,140**	**(2,858)**	**(742)**	**46**	**(107)**	**(421)**	**42**	**97**	**(1,078)**	**(1,881)**
Income tax (expense)/ benefit	(772)	379	131	(20)	36	(6)	(12)	-	258	(6)
Net profit / (loss)	**2,368**	**(2,479)**	**(611)**	**26**	**(71)**	**(427)**	**30**	**97**	**(820)**	**(1,887)**
Attributable to:										
Shareholders of the parent company	2,401	(2,107)	(611)	26	(71)	(427)	30	97	(1,583)	(2,245)
Minority shareholders	(33)	(372)	-	-	-	-	-	-	763	358
	2,368	**(2,479)**	**(611)**	**26**	**(71)**	**(427)**	**30**	**97**	**(820)**	**(1,887)**

Pro Forma Balance Sheet as at 31 December 2006

Mln RUR	Irkut and subsidiaries	Sukhoi and subsidiaries	VASO	MAK and AK Ilyushin	Tupolev	Aviastar	FLC	Ilysushin Finance and Sokol	Pro forma adjustments	Pro forma
ASSETS										
Non-current assets										
Property, plant and equipment	5,909	9,800	2,264	2,114	590	3,143	3,006	-	12,523	39,349
Investment property	416	-	-	-	-	-	-	-	-	416
Goodwill	-	-	-	-	-	-	-	-	780	780
Intangible assets	3,858	9,520	18	1,141	85	9		-	4,839	19,470
Investments in subsidiaries	-	-	-	2,234	3,540	-	-	-	(5,774)	-
Investments in associates	-	47	-	88	-	-	-	4,071	(45)	4,161
Other investments	358	3,206	1	6	-	1	1,723	-	(3,170)	2,125
Deferred tax assets	139	2,038	103	-	179	162	-	-	-	2,621
	10,680	**24,611**	**2,386**	**5,583**	**4,394**	**3,315**	**4,729**	**4,071**	**9,153**	**68,922**
Current assets										
Investments	36	1,402	22	30	-	2	1,766	-	(10)	3,248
Inventories	16,677	23,956	133	101	38	235	259	-	(201)	41,198
Trade and other receivables	7,399	9,080	1,449	2,751	1,475	1,985	5,236	-	(192)	29,183
Cash and cash equivalents	1,971	9,489	198	1,672	176	571	3,603	-	-	17,680
Disposal group assets and assets classified as held for sale	2,022	-	-	-	-	-	-	-	126	2,148
	28,105	**43,927**	**1,802**	**4,554**	**1,689**	**2,793**	**10,864**	**-**	**(277)**	**93,457**
TOTAL ASSETS	**38,785**	**68,538**	**4,188**	**10,137**	**6,083**	**6,108**	**15,593**	**4,071**	**8,876**	**162,379**

Pro Forma Balance Sheet as at 31 December 2006, continued

Mln RUR	Irkut and subsidiaries	Sukhoi and subsidiaries	VASO	MAK and AK Ilyushin	Tupolev	Aviastar	FLC	Ilysushin Finance and Sokol	Pro forma adjustments	Pro forma
LIABILITIES AND EQUITY										
Non-current liabilities										
Loans and borrowings	14,793	6,157	66	-	81	805	1,446	-	-	23,348
Deferred tax liabilities	2,103	1,388	-	877	-	55	56	-	3,621	8,100
Other non-current liabilities	-	999	-	12	-	308	-	-	-	1,319
	16,896	**8,544**	**66**	**889**	**81**	**1,168**	**1,502**	**-**	**3,621**	**32,767**
Current liabilities										
Loans and borrowings	2,413	8,361	1,371	283	-	1,873	2,628	-	(10)	16,919
Trade and other accounts payable	6,752	22,704	3,185	2,054	1,625	600	4,480	-	(1,128)	40,272
Government grants	-	155	-	686	-	-	-	-	-	841
Disposal group liabilities	1,926	-	-	-	-	-	-	-	-	1,926
	11,091	**31,220**	**4,556**	**3,023**	**1,625**	**2,473**	**7,108**	**-**	**(1,138)**	**59,958**
Shareholders equity attributable to:										
Shareholders of the parent company	9,655	23,127	(434)	6,225	4,377	2,467	6,983	4,071	(4,143)	52,328
Minority shareholders	1,143	5,647	-	-	-	-	-	-	10,536	17,326
	10,798	**28,774**	**(434)**	**6,225**	**4,377**	**2,467**	**6,983**	**4,071**	**6,393**	**69,654**
TOTAL EQUITYAND LIABILITIES	**38,785**	**68,538**	**4,188**	**10,137**	**6,083**	**6,108**	**15,593**	**4,071**	**8,876**	**162,379**

Pro Forma Balance Sheet as at 31 December 2005

Mln RUR	Irkut and subsidiaries	Sukhoi and subsidiaries	VASO	MAK and AK Ilyushin	Tupolev	Aviastar	FLC	Ilysushin Finance and Sokol	Pro forma adjustments	Pro forma
ASSETS										
Non-current assets										
Property, plant and equipment	5,812	9,242	2,116	2,252	602	3,539	2,762	-	14,294	40,619
Goodwill	-	-	-	-	-	-	-	-	780	780
Intangible assets	3,709	5,321	2	1,245	102	12		-	6,035	16,426
Investments in subsidiaries	-	-	-	2,234	3,540	-	-	-	(5,774)	-
Investments in associates	-	46	-	88	-	-	-	2,278	(45)	2,367
Other investments	410	2,514	2	6	-	1	463	-	(2,467)	929
Deferred tax assets	130	1,697	-	-	145	-	-	-	-	1,972
	10,061	**18,820**	**2,120**	**5,825**	**4,389**	**3,552**	**3,225**	**2,278**	**12,823**	**63,093**
Current assets										
Investments	629	1,345	43	125	-	2	1,540	-	-	3,684
Inventories	15,553	11,620	817	65	33	740	66	-	(274)	28,620
Trade and other receivables	5,451	9,122	795	1,263	1,160	919	2,680	-	(208)	21,182
Cash and cash equivalents	3,118	5,182	38	777	176	70	3,080	-	-	12,441
Disposal group assets and assets classified as held for sale	299	-	-	-	-	-	-	-	-	299
	25,050	**27,269**	**1,693**	**2,230**	**1,369**	**1,731**	**7,366**	**-**	**(482)**	**66,226**
TOTAL ASSETS	**35,111**	**46,089**	**3,813**	**8,055**	**5,758**	**5,283**	**10,591**	**2,278**	**12,341**	**129,319**

Pro Forma Balance Sheet as at 31 December 2005, continued

Mln RUR	Irkut and subsidiaries	Sukhoi and subsidiaries	VASO	MAK and AK Ilyushin	Tupolev	Aviastar	FLC	Ilysushin Finance and Sokol	Pro forma adjustments	Pro forma
LIABILITIES AND EQUITY										
Non-current liabilities										
Loans and borrowings	15,230	3,086	433	-	81	1	985	-	-	19,816
Deferred tax liabilities	1,950	662	1	843	-	17	32	-	4,324	7,829
Other non-current liabilities	-	254	-	12	-	275	-	-	-	541
	17,180	**4,002**	**434**	**855**	**81**	**293**	**1,017**	**-**	**4,324**	**28,186**
Current liabilities										
Loans and borrowings	2,184	4,532	759	-	60	1,081	2,016	-	-	10,632
Trade and other accounts payable	5,504	8,363	2,700	1,133	1,264	882	3,857	-	(545)	23,158
	7,688	**12,895**	**3,459**	**1,133**	**1,324**	**1,963**	**5,873**	**-**	**(545)**	**33,790**
Shareholders equity attributable to:										
Shareholders of the parent company	9,102	23,207	(80)	6,067	4,353	3,027	3,701	2,278	(178)	51,477
Minority shareholders	1,141	5,985	-	-	-	-	-	-	8,740	15,866
	10,243	**29,192**	**(80)**	**6,067**	**4,353**	**3,027**	**3,701**	**2,278**	**8,562**	**67,343**
TOTAL EQUITYAND LIABILITIES	**35,111**	**46,089**	**3,813**	**8,055**	**5,758**	**5,283**	**10,591**	**2,278**	**12,341**	**129,319**

Pro Forma Adjustments as at and for the year ended 2006

Mln RUR		Acquisition of Irkut	Minority interest	Eliminations	Other	Total
	Note	*5(a)*	*5(b)*	*5(c)*	*5(d)*	
ASSETS						
Non-current assets						
Property, plant and equipment		12,523	-	-	-	12,523
Goodwill		780	-	-	-	780
Intangible assets		4,839	-	-	-	4,839
Investments in subsidiaries		-	-	(5,774)	-	(5,774)
Investments in associates		(45)	-	-	-	(45)
Other investments		(3,170)	-	-	-	(3,170)
		14,927	**-**	**(5,774)**	**-**	**9,153**
Current assets						
Investments		-	-	(10)	-	(10)
Inventories		-	-	(943)	742	(201)
Trade and other receivables		-	-	(1,087)	895	(192)
Disposal group assets		126	-	-	-	126
		126	**-**	**(2,040)**	**1,637**	**(277)**
TOTAL ASSETS		**15,053**	**-**	**(7,814)**	**1,637**	**8,876**
LIABILITIES AND EQUITY						
Non-current liabilities						
Deferred tax liabilities		3,459	-	-	162	3,621
		3,459	**-**	**-**	**162**	**3,621**
Current liabilities						
Loans and borrowings		-	-	(10)	-	(10)
Trade and other accounts payable		-	-	(2,088)	960	(1,128)
		-	**-**	**(2,098)**	**960**	**(1,138)**
Shareholders equity attributable to:					-	
Shareholders of the parent company		644	414	(5,716)	515	(4,143)
Minority shareholders		10,950	(414)	-	-	10,536
		11,594	**-**	**(5,716)**	**515**	**6,393**
TOTAL EQUITYAND LIABILITIES		**15,053**	**-**	**(7,814)**	**1,637**	**8,876**
INCOME AND EXPENSES						
Revenues		-	-	(938)	803	(135)
Cost of sales		(1,158)	-	928	(144)	(374)
Gross profit		**(1,158)**	**-**	**(10)**	**659**	**(509)**
Distribution expenses		-	-	-	(45)	(45)
Administrative expenses		-	-	10	-	10
Other operating expenses		-	-	58	-	58
Profit / (loss) from operations		**(1,158)**	**-**	**58**	**614**	**(486)**
Financial income		-	-	(50)	-	(50)
Financial expense		-	-	50	-	50
Profit / (loss) before tax		**(1,158)**	**-**	**58**	**614**	**(486)**
Income tax (expense) / benefit		278	-	-	(147)	131
Net profit / (loss)		**(880)**	**-**	**58**	**467**	**(355)**
Attributable to:						
Shareholders of the parent company		(442)	(869)	58	467	(786)
Minority shareholders		(438)	869	-	-	431
		(880)	**-**	**58**	**467**	**(355)**

All income statement adjustments are expected to have a continuing impact on the Group.

Pro Forma Adjustments as at and for the year ended 2005

Mln RUR		Acquisition of Irkut	Minority interest	Eliminations	Other	Total
	Note	*5(a)*	*5(b)*	*5(c)*	*5(d)*	
ASSETS						
Non-current assets						
Property, plant and equipment		14,294	-	-	-	14,294
Goodwill		780	-	-	-	780
Intangible assets		6,035	-	-	-	6,035
Investments in subsidiaries		-	-	(5,774)		(5,774)
Investments in associates		(45)	-	-	-	(45)
Other investments		(2,467)	-	-	-	(2,467)
		18,597	**-**	**(5,774)**	**-**	**12,823**
Current assets						
Inventories		-	-	(344)	70	(274)
Trade and other receivables		-	-	(710)	502	(208)
Cash and cash equivalents		-	-	-	-	-
Disposal group assets and assets classified as held for sale		-	-	-	-	-
		-	**-**	**(1,054)**	**572**	**(482)**
TOTAL ASSETS		**18,597**	**-**	**(6,828)**	**572**	**12,341**
LIABILITIES AND EQUITY						
Non-current liabilities						
Deferred tax liabilities		4,309	-	-	15	4,324
		4,309	**-**	**-**	**15**	**4,324**
Current liabilities						
Trade and other accounts payable		-	-	(1,054)	509	(545)
		-	**-**	**(1,054)**	**509**	**(545)**
Shareholders equity attributable to:					-	
Shareholders of the parent company		2,900	2,648	(5,774)	48	(178)
Minority shareholders		11,388	(2,648)	-	-	8,740
		14,288	**-**	**(5,774)**	**48**	**8,562**
TOTAL EQUITYAND LIABILITIES		**18,597**	**-**	**(6,828)**	**572**	**12,341**
INCOME AND EXPENSES						
Revenues		-	-	(771)	(336)	(1,107)
Cost of sales		(1,141)	-	748	405	12
Gross profit		**(1,141)**	**-**	**(23)**	**69**	**(1,095)**
Distribution expenses		-	-	-	(6)	(6)
Administrative expenses		-	-	23	-	23
Profit / (loss) from operations		**(1,141)**	**-**	**-**	**63**	**(1,078)**
Financial income		-	-	(63)	-	(63)
Financial expense		-	-	63	-	63
Profit / (loss) before tax		**(1,141)**	**-**	**-**	**63**	**(1,078)**
Income tax (expense) / benefit		273	-	-	(15)	258
Net profit / (loss)		**(868)**	**-**	**-**	**48**	**(820)**
Attributable to:						
Shareholders of the parent company		(436)	(1,195)	-	48	(1,583)
Minority shareholders		(432)	1,195	-	-	763
		(868)	**-**	**-**	**48**	**(820)**

All income statement adjustments are expected to have a continuing impact on the Group.

Notes to the Pro Forma Financial Information

1. Organisation and operations

Joint Stock Company United Aircraft Corporation (hereinafter the “Company” or ‘UAC’) was established on 15 November 2006 following the Decree of the President of the Russian Federation No.140 dated 20 February 2006.

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

The Group comprises of a number of entities, including leading Russian aircraft plants and design bureaus located in the Russian Federation. The main components of the UAC’s business are as follows:

- Civil aircraft development and construction;
- Military aircraft development and construction;
- Aircraft sales financing and other activities.

The share capital of UAC comprises 96,724,000,000 shares with the par value of one Russian rouble each.

Upon establishment, 87,174,000,000 shares (or 90.13% of the share capital) represented a contribution of the Russian Federal Property Agency on behalf of the Russian Federation in the form of equity interests in various aircraft entities domiciled in Russian Federation. The residual 9,550,000,000 shares (or 9.87% of the share capital) represented a contribution of certain individuals in the form of 373,824,489 shares of Irkut Corporation (or 38.22% of the share capital of Irkut Corporation), a group of entities domiciled in Russian Federation engaged in military and civil aircraft activities.

As part of the establishment of UAC, 116,258,720 shares of Irkut Corporation (or 11.89% of the share capital of Irkut Corporation) were indirectly contributed to share capital of UAC since those shares were owned by AHK Sukhoi, a 100% subsidiary of UAC upon its foundation. Since UAC equity instruments were issued upon foundation in exchange for acquisition of 38.22% interest in Irkut Corporation the Group obtained a controlling ownership interest in Irkut Corporation (50.1% of the share capital of Irkut Corporation). As a result, this transaction was accounted for as acquisition of Irkut Corporation by the Group at the date of the establishment of the Group.

1 Organisation and operations, continued

The list of subsidiaries which formed the Group upon its foundation is described below.

Entity of the Group	Ownership interest contributed to the share capital of UAC	Indirect ownership interest owned by entities of the Group	Ownership interest acquired through acquisition of Irkut Corporation	Total ownership interest
Suhoi and subsidiaries				
OAO AHK Sukhoi	100%	-	-	100%
OAO OKB Sukhogo	-	50%+1	-	50%+1
OAO Komsomolsk-na-Amure Aviation Production Association	25.5%	74.5%	-	100%
OAO Novosibirsk Aviation Production Association	25.5%	74.5%	-	100%
OAO Sukhoi Civil Aircraft	87.9%	12.1%	-	100%
Irkut Corporation				
OAO Irkut Corporation	-	11.88%	38.22%	50.11%
OAO “OKB Imeni A.S. Yakovleva”	-	-	75%	75% (1)
OAO “TANTK Imeni G.M. Berieva”	-	38%	59%	97% (1)
ZAO “Beta Air”	-	-	72%	72% (1)
ZAO “Russian Avionics”	-	-	51%	51% (1)
ZAO “Irkut AviaSTEP”	-	-	100%	100% (1)
ZAO “ITELA”	-	-	51%	51% (1)
ZAO “Techserviceavia”	-	-	51%	51% (1)
Other entities				
OAO Tupolev	90.8%	-	-	90.8%
OAO Aviastar-SP	-	73.8%	-	73.8% (2)
OAO Finance Leasing Company	58%	-	-	58%
OAO MAK Ilyushin	85.9%	-	-	85.9%
OAO AK Ilyushin	-	85.7%	-	85.7% (3)
OAO VASO	-	72.4%	-	72.4% (3)
OAO Nizhniy Novgorod Aircraft Plant “Sokol”	38%	-	-	38%
OAO Ilyushin Finance	38%	-	-	38%

(1) Controlled by OAO Irkut Corporation

(2) Controlled by OAO Tupolev

(3) Controlled by OAO MAK Ilyushin

2. Basis of preparation

(a) Pro forma financial information

The accompanying pro forma financial information was prepared in accordance with the guidance in the Commission Regulation (EC) No 809/2004 in order to give effect to the foundation of UAC and acquisition of Irkut Corporation by UAC (altogether referred to as "the Foundation"), as if they had occurred on 1 January 2005.

Annex II of Commission Regulation (EC) No 809/2004 and the CESR Recommendations provide the criteria to be used in determining how such information is to be prepared and presented, in particular:

1. Pro forma financial information must be presented in columnar format, composed of:
   a) the historical unadjusted information;
   b) the pro forma adjustments; and
   c) the resulting pro forma financial information in the final column.
2. The sources of the pro forma financial information have to be stated.
3. The pro forma information must be prepared in a manner consistent with the accounting policies adopted by the issuer in its last or next financial statements and shall identify the following:
   a) the basis upon which it is prepared;
   b) the source of each item of information and adjustment.
4. Pro forma adjustments related to the pro forma financial information must be:
   a) clearly shown and explained;
   b) directly attributable to the transaction;
   c) factually supportable.

The pro forma financial information is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying pro forma financial information, it is not necessarily indicative of the actual financial position or results of the Group's operations that would have been attained had the Foundation actually occurred on 1 January 2005. Further, the accompanying pro forma financial information of the Group does not purport to predict the Group's future financial position or results of operations.

A narrative description of the pro forma adjustments is summarised in the Note 5 below.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The pro forma financial information reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation, continued

(c) Basis of presentation

The underlying historical financial data presented is based on International Financial Reporting Standards (IFRS).

(d) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the functional currency of the Group entities, except for OAO Irkut Corporation, whose functional currency is the United States Dollar ("USD"). RUR is the currency in which this pro forma financial information is presented. All financial information presented in RUR has been rounded to the nearest million.

3. Significant accounting policies

UAC will prepare its first IFRS consolidated financial statements as at and for the year ended 31 December 2007. The pro-forma financial information has been prepared using the accounting policies adopted by management for the preparation of the Group's first complete set of consolidated financial statements as at and for the year ended 31 December 2007. Those significant accounting policies are described below.

(a) Basis of consolidation

i Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

ii Transactions eliminated on consolidation

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

iii Acquisitions from entities under common control

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

3 Significant accounting policies, continued

(b) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

Where necessary, the assets and liabilities of foreign entities are translated into RUR at the exchange rate at the end of the year. Revenues and expenses are translated into RUR using rates approximating exchange rates at the dates of the transactions. The resulting exchange difference is recorded directly in equity in the foreign currency translation reserve.

(c) Classification of assets and liabilities

The operating cycle for aircraft construction contracts exceeds one year. Assets, which are reasonably expected to be realised in cash or sold or consumed during the operating cycle of the business are shown under current assets. Liabilities whose liquidation is reasonably expected within the operating cycle of the business are also shown under current liabilities.

(d) Property, plant and equipment

i Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment of certain subsidiaries of the Company at 1 January 2005, their date of transition to IFRSs, was determined by reference to its fair value at that date.

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

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

ii Subsequent costs

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

3 Significant accounting policies, continued

iii Depreciation

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

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

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 40-50 years
- Plant and equipment 5-20 years

iv Leased assets

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

Other leases are operating leases and the leased assets are not recognised on the Group’s balance sheet.

v Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

(e) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, rather than for use in production or supply of goods or services, or for administrative purpose or for sale in the ordinary course of business. Investment property is measured at fair value with any change therein recognised in profit or loss.

3 Significant accounting policies, continued

(f) Intangible Assets

i Research and development

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Furthermore, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are included in the cost. Any related government grants are deducted from the cost. Other development expenditure is recognised in the income statement as an expense as incurred.

Upon completion of the development phase capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement over the estimated units to be produced. The carrying amount is reviewed for impairment annually when the asset is not yet in use and thereafter whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

ii Other intangible assets

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

iii Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is recognised immediately in the income statement.

(g) Financial instruments

i Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

3 Significant accounting policies, continued

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expenses is discussed in note 3(o).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(o)), and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(h) Inventories

Construction work in progress is stated at cost plus profit recognised to date less foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Other inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Inventories are presented in the balance sheet net of advance payments received for construction contracts.

3 Significant accounting policies, continued

(i) Impairment

i Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

ii Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed where there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Dividends

Dividends are recognised as a liability in the period in which they are declared.

3 Significant accounting policies, continued

(k) Employee benefits

Employees receive pension benefits from the government of the Russian Federation and the Group makes contributions on their behalf in accordance with the appropriate laws and regulations which are expensed as incurred.

(l) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for estimated standard warranty costs is recognised in the period in which the related product sales occur. An accrual for warranty costs is recognised based on the Group's historical experience on previous deliveries of aircrafts. Estimates are adjusted as necessary based on subsequent experience.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract. The estimate of net cost of fulfilling the contract includes expected late delivery penalties, if applicable. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(m) Revenues

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Any cash outflows related to customer penalties for late delivery of aircraft are deducted from gross amount of revenue.

Revenue from construction contracts is recognised on a percentage of completion basis, measured by the ratio of total direct materials, labour and contract related design and development costs incurred to date relative to the total estimated respective costs on the contract. This method is used as the management of the Group considers this to be the best available measure of progress on the contracts. Marketing costs that are incurred for a specific contract may be included in contract costs, but only if these costs can be directly associated with a specific contract and if their recoverability from that contract is probable.

Provisions for estimated losses on uncompleted contracts, if any, are made in the period in which such losses are determined. Changes in job performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, if any, and final contract settlements may result in revisions to costs and income and are recognised in the period in which the revisions are determined.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

3 Significant accounting policies, continued

(n) Other expenses

i Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

ii Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

(o) Financial income and expenses

Financial income comprises interest income on aircraft financing transactions and funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method, except for the interest income on the funds, which were borrowed specifically for the purposes of obtaining a qualifying asset which are deducted from the cost of such assets. Dividend income is recognised on the date that the Group's right to receive payment is established.

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method, , except for costs directly attributable to the acquisition, construction or production of qualifying assets which are included in the cost of qualifying assets.

Foreign currency gains and losses are reported on a net basis.

(p) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill; initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and investments in subsidiaries where the Parent Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

3 Significant accounting policies, continued

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Government grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses were incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amounts of the asset.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

4. Sources of historical financial data

The pro-forma financial information contains details for the major components of UAC, in particular:

a) *Irkut Corporation*

Historical financial data is derived from its consolidated IFRS financial statements for the year ended 31 December 2006 audited by KPMG Limited.

b) *Sukhoi and subsidiaries*

Historical financial data is derived from its consolidated IFRS financial statements for the year ended 31 December 2006 audited by BDO Unicon.

c) *Other entities*

Financial data for other entities has been derived from their unaudited separate IFRS financial statements for the year ended 31 December 2006. This financial data has not been audited.

5. Pro forma adjustments

(a) Acquisition of Irkut Corporation

Acquisition has been accounted for in accordance with IFRS 3 *Business Combinations* which requires that assets, liabilities and contingent liabilities are recorded at their respective fair values on the date of acquisition, with any excess of the cost of acquisition over the fair value of net assets acquired being recorded as goodwill.

Summary of the effect of the acquisition on the Group's financial position at the date of acquisition is presented below.

Mln RUR	IFRS book value of net assets	Fair value adjustments, eliminations	Net assets acquired after fair value adjustments
Property, plant and equipment	5,909	12,523	18,432
Investment property	416	-	416
Other intangibles	3,858	4,839	8,697
Long-term investments	358	-	358
Deferred tax assets	139	-	139
Short-term investments	36	-	36
Inventories	16,677	-	16,677
Trade and other receivables	7,399	-	7,399
Cash and cash equivalents	1,971	-	1,971
Disposal group assets	2,022	126	2,148
Long-term borrowings	(14,793)	-	(14,793)
Deferred tax liabilities	(2,103)	(4,198)	(6,301)
Short-term borrowings	(2,413)	-	(2,413)
Trade and other accounts payable	(6,752)	-	(6,752)
Liabilities of a disposal group	(1,926)	-	(1,926)
Net assets acquired	**10,798**	**13,290**	**24,088**
Minority share of net assets acquired			(12,093)
Goodwill on acquisition			780
Irkut Corporation shares owned by AHK Sukhoi, net of deferred tax on revaluation of 739 MRUR			(2,431)
TANTK shares owned by AHK Sukhoi			(45)
Revaluation of pre-combination interest			(749)
Cost of investment			**9,550**

The fair value of property, plant and equipment was determined by an independent appraisal by reference to its market value. Where there was no market-based evidence of fair value because of the specialised nature of the property, plant and equipment and the property, plant and equipment are rarely sold, except as part of a continuing business, the fair value was determined using income or depreciated replacement cost approach.

The fair value of intangible assets, which mainly included intellectual property rights with respect of development of aircraft, was determined by an independent appraisal using income approach ("relief from royalty" method).

5 Pro forma adjustments, continued

The cost acquisition was determined by reference to the fair value of the equity instruments issued by UAC to the selling shareholders of OAO Irkut Corporation at a date close to the establishment of UAC. The fair value of UAC's equity instruments was determined with the involvement of an independent appraiser whose valuation inter alia considered the market value of the equity instruments of OAO Irkut Corporation and the business enterprise valuation of the combined stakes in other Group entities.

Additional depreciation and amortisation expense

Adjustments to cost of sales include the effect of fair value adjustments to property, plant and equipment and intangible assets. The change in carrying values of these assets resulting from the fair value adjustments results in changes to the associated depreciation and amortization expense.

(b) Minority interest

This adjustment recognises non-controlling interest in the Group's subsidiaries on the basis of the effective ownership held by UAC.

(c) Eliminations

The adjustments eliminate intragroup balances as at 31 December 2005 and 2006 and transactions and any unrealised gains and losses for the years then ended.

(d) Other adjustments

Other adjustments represent adjustments necessary to present pro forma results of UAC and subsidiaries as at 31 December 2006 and 2005 and for the years then ended as those of a single economic entity. Adjustments relate to application of the percentage of completion method on the basis of contract revenue and contract costs determined with reference to transactions with companies outside the Group.