



Rostec

Rostec

STATE CORPORATION "ROSTECHNOLOGII"

APPROVED

Supervisory board

of the state corporation
"Rostekhnologii"

(Minutes No.5 dd. /handwritten: June
24th/ 2013)

ANNUAL REPORT

for the year of 2012

Director General of

The State Corporation "Rostekhnologii" /signed/ S.V. Chemezov

/handwritten: June 14th/ 2013

/company seal: State Corporation for Assistance to Development,
Production and Export of Advanced Technology Industrial Product
"Rostekhnologii" (State Corporation "Rostekhnologii") OGRN (principal state
registration number) 1077799030847/

Chief Chief Accountant, Head of

the Accounting Department of

the State Corporation "Rostekhnologii" /signed/ N.V. Borisova

/handwritten: June 14th/ 2013

Contents:

<u>1.</u>	<u>General information about the Corporation and its organizations</u>	6
1.1.	<u>History of the creation of Corporation</u>	6
1.2.	<u>The structure of the Corporation</u>	7
1.3.	<u>Position of the organizations of the Corporation in the industry of the Russian Federation</u>	9
1.4.	<u>General types and directions of activities of the organizations of the Corporation organizations</u>	9
1.5.	<u>Primary events of 2012</u>	15
<u>2.</u>	<u>Business report of the Corporation, including statements about military technical cooperation with the foreign states and accomplishment of the Strategy of Development of the Corporation</u>	16
2.1.	<u>Activities within the priority “Construction of the effective business model of Corporation”</u>	16
2.1.1.	<u>Realization of measures for reforming of the organizations of Corporation, including measures aimed at creation of the holding companies (integrated structures) and transfer of shares to them</u>	16
2.1.2.	<u>Realization of events for provision of transformation of the Federal State Unitary Enterprises (FSUE) into the Open Joint Stock Companies (OJSC), shares of which are transferred to the Corporation as a property installment for the Russian Federation</u>	19
2.1.3.	<u>The development and realization of events for efficiency improvement of use of the property of the Corporation and organizations of the Corporation</u>	20
2.1.4.	<u>Forming of the block for managing the Corporation's holding companies (integrated structures)</u> ..	22
2.1.5.	<u>Forming of crucial elements of the corporate innovative system</u>	22
2.1.6.	<u>The control of implementation of the development strategy, programs of innovative development, medium-term operations programs, investment and other programs of the Corporation, its holding companies (integrated structures) and directly controlled organizations</u>	23
2.1.7.	<u>Improvement of the normative legal regulation in fields of activity of Corporation and its organizations</u>	26
2.1.8.	<u>Improvement of the financial planning (budgeting) system, monitoring and analysis of financial activities of the Corporation and the organizations of the Corporation, and automation of the specific processes</u> 28	
2.1.9.	<u>The organization of the consolidated financial statements drawing up process for the Corporation and its holding companies (integrated structures)</u>	29
2.1.10.	<u>The realization of the concept of the personnel selection by the Corporation with a view of the further organizational development and improvement of the personnel management efficiency, including the development of the motivation system for the personnel of the Corporation and its organizations, providing for the correlation between the amounts of payment and the achievements in the key indicators for efficiency of operations</u>	30
2.1.11.	<u>Management of the Corporation brand</u>	31

2.1.12.	Provision of activity of the Arbitration court at the Corporation	31
2.1.13.	Development and realization of set of actions, directed towards implementation of the Concept of safety of Corporation and its organizations and improvement of the system of protection of the state secret in the Corporation and its organizations	32
2.1.14.	Improvement of interaction between the Corporation and federal public authorities and public authorities of the subjects of Russian Federation	33
2.1.15.	Preparation of offers to form the block of the development of new perspective (innovative) lines of activity of the Corporation	34
2.1.16.	Preparation of offers to form the block for re-structuring and financial improvement	34
2.1.17.	Improvement of the legal and methodological base regulating the operations of Corporation and its organizations in the field of long-term planning	35
2.1.18.	Completion of construction and commissioning of the federal centers of high medical technologies during implementation of the priority national project "Zdorovye" (Health)	35
2.2.	Activity within the priority «Increase of competitiveness of the holding companies (integrated structures) and organizations of Corporation»	36
2.2.1	Assistance to the organizations of various industries, including OPK in development and production of a hi-tech industrial output, carrying out of perspective researches and development of technologies	37
2.2.2	Organization of accomplishment of a State Arms Program, State defense order and the mobilization plan, federal target programs and programs of military and technical cooperation by the organizations of Corporation	39
2.2.3.	Participation in realization of state policy in the field of military and technological cooperation between the Russian Federation and foreign countries	40
2.2.4.	Assisting a state intermediary organization involved in foreign trade in its activities related to military products	42
2.2.5.	Ensuring promotion and sales of high-tech industrial products and intellectual property related to creation of such products, on domestic and foreign markets (including marketing and exhibitions)	43
2.2.6.	Ensuring protection and development of scientific and industrial potential of the Corporation organizations	49
2.2.7.	Preparing, updating, and elaborating strategies of holding companies in line with the Development Strategy of the Corporation	49
2.2.8.	Taking measures for implementation of programs concerning innovative growth of the Corporation and its holding companies (integrated structures)	50
2.2.9.	Implementing program of alienating non-core assets of the Corporation and its holding companies (integrated s	
2.2.10.	Providing assistance to the Corporation organizations in ensuring due quality of military products supplied under state order or exported	52
2.2.11.	Improving the system for professional education and further training of specialists, programs of cooperation and interaction with leading institutions of higher education in the Russian	53

2.2.12. Creating a center for optimizing production systems and implementing pilot projects for improving operational efficiency of the holding companies (integrated structures) and organizations of the Corporation.	54
2.3. Activities within the priority area "Ensuring investment attractiveness of the holding companies (integrated structures) and organizations of the Corporation"	55
2.3.1. Support in attracting investments to the organizations of the Corporation, including in the interest of creating competitive industrial products, including military products	55
2.3.2. Assisting the Corporation organizations in implementation of investment projects. Participation in the capital of commercial and non-profit organizations in the Russian Federation, for this purpose	56
2.3.3. Taking measures to prepare promising holding companies (integrated structures) and organizations of the Corporation ready for IPO	57
2.3.4. Building an internal audit and control system in the Corporation organizations and creating subdivisions for internal audit and control in managing (head) organizations of holding companies (integrated structures)	58
2.3.5. Improving the system of corporate management of holding companies (integrated structures) and organizations of the Corporation.	58
2.3.6. Preparing and taking measures for financial rehabilitation of distressed assets of the Corporation	60
2.3.7. Preparing and implementing a system for strategic management in holding companies (integrated structures) and organizations of the Corporation	61
2.3.8. Building a risk management system in the Corporation and its organizations	61
3. Report on use of property of the Corporation	62
3.1. Use of land plots and other real estate	62
3.2. Using shares (stock) of business entities	63
3.3. Using asset contribution of the Russian Federation	64
3.4. Transfer of assets acquired using federal subsidies	64
3.5. Donations	63
4. Targets and main areas of activities of the Corporation for 2013.	63
4.1. Priority area "Building efficient business model for the Corporation"	63
4.2. Priority area "Improving competitive ability of holding companies (integrated structures) and organizations of the Corporation"	66
4.3. Priority area "Ensuring investment attractiveness of holding companies (integrated structures) and organizations of the Corporation"	67
Annex.....	68
Annex No. 1 Organizational Structure of the Corporation	68
Annex No. 2 List of representatives (representative offices) of the Corporation in foreign countries	69
Annex No. 3 Assessment Criteria for Activities of State Intermediary Related to Foreign Trade in Military Products	72
Annex No. 4 List of Corporation Representative Offices in Different Constituent Entities of the Russian Federation	

[\(as of December 31, 2012\)](#)..... 74

1. General information about the Corporation and its organizations

1.1. History

The Corporation was established in compliance with Federal Law No. 270-FZ dd. November 23, 2007 “On the State Corporation "Rostekhnologii” (hereinafter Federal Law No. 270-FZ), is a legal entity founded by the Russian Federation in the legal form of a state corporation.

Name of the Corporation:

full name in Russian is "Государственная корпорация по содействию разработке, производству и экспорту высокотехнологичной промышленной продукции «Ростехнологии»"; short name in Russian is "Государственная корпорация «Ростехнологии»"; full name in English is State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product “Rostekhnologii”; short name in English is State Corporation “Rostekhnologii”.

Information about the state registration:

certificate on the state registration: series 77, number 011483840, issued by the Department of Federal Service for Taxes in the city of Moscow on December 3,2007;

principal state registration number (OGRN): 1077799030847, date of assignment: December 3,2007;

INN/KPP: 7704274402/770401001.

Information about the auditor of the Corporation:

name: Limited Liability Company "RSM Top-Audit";

principal state registration number (OGRN): 1027700257540;

Location: 4 Pudovkina st., Moscow 119285 , ;

member of self-regulatory auditors organization “Russian Collegium of Auditors” (membership certificate No. 984, ORNZ 10305006873, location: 3, bldg. 1 Vtoroy Goncharny lane, Moscow 1115172 ,).

Contact information:

location of the Corporation: 21 Gogolevsky blvd., Moscow 119991 , ;

phone: (495) 287-25-25;

fax: (495) 987-65-73,987-65-74;

web-site: www.rostechnologii.ru.

The purpose of the Corporation is to promote development, production and export of hi-tech industrial products by providing assistance, at internal and external markets, to Russian organizations which develop and manufacture hi-tech industrial products and organizations in which the Corporation, due to its prevailing participation in the authorized capital stocks and according to the agreements concluded between them or otherwise, has the possibility to influence the decisions made by those organizations

(hereinafter - the organizations of the Corporation), as well as by attracting investments into the organizations of various industries, including military-industrial complex (hereinafter - MIC).

The basic functions of the Corporation and its powers to execute such functions are specified by Federal Law No. 270-FZ and Decree No.1052 of the President of the Russian Federation dd. July 10, "Issues of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii" (hereinafter, Decree No.1052 of the President of the Russian Federation).

1.2. Corporate Structure

The Corporation governing bodies of are the Supervisory Board, the Managing Board and the Director General .

The Supervisory Board of the Corporation is its highest governing body.

In compliance with Decrees of the President of the Russian Federation No. 1576 dd. November26, 2007 for Assistance to Development, Production and Export of Advanced Technology Industrial Product”On the Supervisory Board Members of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product “Rostekhnologii””, No.862 dd. June 27, 2011 "On the Matters of the Supervisory Board of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii"", No. 966 dd. July 12, 2012 "On the Matters of the Supervisory Board of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii" and No. 1568 dd. November 22, “Regarding the Members of the Supervisory Board of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Productfor Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii" the following members of the Supervisory Board of the Corporation have been appointed:

Denis Valentinovich Manturov	Minister of Trade and Industry of the Russian Federation (Chairman of the Supervisory Board)
Yuriy Ivanovich Borisov	Deputy Minister of Defense of the Russian Federation
Larisa Igorevna Brychyova	Aide to the President of the Russian Federation, Head of the State Legal Directorate in the Presidential Executive Office
Andrey Nikolaevich Klepach	Deputy Minister of the Economic Development of the Russian Federation
Aleksandra Yuryevna Levitskaya	First Deputy Head of the Office of the Russian Federation Government
Lyudmila Aleksandrovna Tyazhelnikova	Deputy Head of the Expert Department of the President of the Russian Federation
Yuri Viktorovich Ushakov	Aide to the President of the Russian Federation
Aleksandr Vasilyevich Fomin	Director of the Federal Service of Military- Technical Cooperation
Sergey Viktorovich Chemezov	Director General of the Corporation

The Supervisory Board Secretary is the Head of the Legal Department of the Corporation Vladimir Vasilyevich Kudashkin.

During the year of 2012 10 sessions of the Supervisory Board of the Corporation have been held which considered 67 issues associated with the Corporation activities.

The Managing Board is a collegiate executive body of the Corporation. The following 11 members comprise the Board of the Corporation as confirmed by the Supervisory board of the Corporation in 2012:

Sergey Viktorovich Chemezov - Director General of the Corporation

Aleksey Vladislavovich Alyoshin - First Deputy Director General of the Corporation

Vladimir Vladimirovich Artyakov - Deputy Director General of the Corporation

Nikolay Anatolyevich Volobuyev - Deputy Director General of the Corporation

Igor Nikolaevich Zavyalov - Deputy Director General of the Corporation

Dmitry Evgenyevich Shugayev - Deputy Director General of the Corporation

Anatoly Petrovich Isaykin - CEO of Rosoboronexport

Natalya Vladimirovna Borisova - Chief Accountant, Head of Department of Accounting and Tax Reporting

Vladimir Vasilyevich Kudashkin - Head of Legal Department

Vladimir Zalmanovich Litvin - Head of Business Procedures and Property Complex Department

Oleg Dmitriyevich Chernov - Head of Advisory Group of Director General.

According to Federal Law No. 270-FZ dd. November 23, 2007 Director General and Deputy Directors of the Corporation are members of the Managing Board by title.

By Decree of the President of the Russian Federation No. 1575 dd .November 26, 2007 "On Director General of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii", Chemezov Sergey Viktorovich was appointed Director General of the Corporation.

The functions of internal financial control of the Corporation are performed by the Revision Commission of the Corporation. The Revision Commission of the Corporation in 2012 as confirmed by the Supervisory Board of the Corporation in 2012 consists of the following members:

Nikolay Ivanovich Golovaty – Deputy CEO of the Federal Service for Defense Order (Chairman of a Revision Commission)

Sergey Anatolyevich Barinov – Deputy Head of Administration of Infrastructure Branches and the Military Industrial Sector Companies of the Federal Agency for State Property Management

Elena Aleksandrovna Kochiyeva - senior inspector of the Department of the Accounts Chamber of the Russian Federation on the federal budget international activities expenditure control

Maria Yurievna Repida - Head section of the Department of Corporate Governance and Federal Target Programs of Ministry of Industry and Trade of the Russian Federation

Sergey Fotyevich Yakimov - Deputy Director of the Federal Service for Technical and Export Control

The organizational structure of the Corporation is approved by the Supervisory Board on March 3, 2011 and is attached to this document (appendix No. 1).

The corporate structure includes 11 departments, 3 administrations, 3 services, executive office of Director General, Science and Engineering Board, Group of Advisers, Group of Inspectors, Secretary, 26 representations in constituent entities of the Russian Federation, and 2 representative offices with 48 representatives in foreign states.

1.3. Position of the organizations of the Corporation in the industry of the Russian Federation

Decrees of the President of the Russian Federation and the Governmental of the Russian Federation provide for transfer to the Corporation the asset contribution by the Russian Federation of shares in 445 organizations, including shares in 255 joint stock companies, shares in 184 joint stock companies established as a result of conversion of federal state unitary enterprises, shares in 3 restricted liability companies, and shares in 1 enterprise and shares in 2 companies with the foreign capital.

339 organizations of the Corporation have been included into the register of military-industrial complex.

The organizations of Corporation are located on the territory of 60 constituent entities of the Russian Federation.

1.4. Main types and areas of activities of the organizations of the Corporation

The activities of the organizations of the Corporation related to MIC in 2012 were performed in compliance with the fundamental principles of Government policy in developing the military industrial complex of the Russian Federation for the period till 2020 and further prospect, the fundamental principles of military and engineering policy of the Russian Federation for the period till 2020 and further prospect, Basis of the policy of the Russian Federation in the field of development of science and technologies for the period till 2020 and further prospect, and was focused on the implementation of the Government Arms Program for 2011-2020, State defense order for 2012 and the planned period of 2013 and 2014, plans of military and technical cooperation between the Russian Federation and foreign states,

the Federal target program (hereinafter - FTP) “Development of the Military Industrial Complex of the Russian Federation in 2011-2020” and other FTPs.

The principal activity areas of the organizations of the Corporation are as follows:

industrial production;

scientific researches and development;

design and construction;

performance of work and services, including transportation services.

The field of activity of the organizations of Corporation includes:

development, production and modernization of arms, military and special-purpose equipment (AMSE);

after-sale servicing, repair and recycling of AMSEAMSE;

development, production and maintenance of civil industrial products .

The main areas of development and production (performance of work and services) the organizations of Corporation by industry sectors are shown in the following table.

<i>Arms, military and special purpose equipment</i>	<i>Civil products</i>	<i>Exported products</i>
<i>Aircraft industry</i>		
Aviation complexes of the onboard equipment	Equipment for the projects, associated with complex system integration	Export-oriented patterns of AMSE and accessories to them
Aviation aggregates, systems of electrical supply and life-support	Devices and aggregates for transport systems	Complexes, systems and elements of the onboard equipment
Paraborne equipment	Medical devices and equipment	Parachute systems
Means of ground servicing	Sports parachutes	Means of ground servicing
Helicopters of a wide product line	Unified cargo parachute systems	Helicopters and helicopter engines
Aviation engines for military planes and helicopters	Means of avionics	
	Aviation engines for civil planes	
	Turbine-powered power installations and gas compressor units	

<i>Arms, military and special purpose equipment</i>	<i>Civil products</i>	<i>Exported products</i>
<i>Ammunition and special <u>chemical agent</u> industry</i>		

Artillery shots of various appointment	Industrial explosives and exploding devices	Export-oriented samples of AMSE and accessories for them
Small-caliber ammunition	Pyrotechnic items	Gunpowder and cartridges for the hunting and sports weapon
Jet systems of salvo fire and shells for them	The equipment for fuel-energy complex), including oil processing and mining equipment	Specialized medical equipment
Aviation and bombing means of destruction and means for close combat	Medical products	Equipment for the petrocoal-mining industry
Pyrotechnic items and materials	Medical equipment	Pyrotechnic items
	Home appliances	
	Paint and varnish materials	
<i>Conventional arms industry</i>		
Rocket complexes for land forces	Instrument making and medical equipment	Export-oriented samples of AMSE and accessories for them
High-precision weapons	Metallurgy	Hunting weapons (smooth-bore, rifle-bore, combined)
Mechanical and electronic optical devices	Motor-technics	Sports weapons (smooth-bore, rifle-bore, pneumatic)
Shooting arms and ammunitions for them	Hi-tech nodes and accessories for agricultural, construction, roads and municipal equipment	Pistols and revolvers
	Civil weapon and cartridges	Various ammunitions
	Optical devices of surveillance	
	Geodetic equipment	
	Machining equipment and tools	
<i>Radio-electronic industry</i>		

Complexes, systems and communication facilities The radio measuring equipment Means of electromagnetic warfare and counter-measures Equipment of the state identification Automated	Communication facilities Devices for protection and security Radars of different functions Iatrotechnics Systems and means of tele-radio broadcasting, including	Export-oriented samples of AMSE and accessories for them Standards of frequency and time Systems and devices for electric power accounting Electronic equipment
Information systems Electronic technology and microwave technology	digital Navigation devices	
<i>Motor-car construction industry</i>		
<i>Manufacturing of motor-cars of various purpose</i>		
<i>Metallurgy industry</i>		
Production of finished metal products Production of machines and equipment Processing of secondary raw materials		
<i>Medical industry</i>		
Production of medical equipment, surgical equipment, medical tools, orthopedic appliances		
<i>Chemical and petrochemical industry</i>		
Production of explosives, civil chemical products Development and production of composite materials and items from them Processing the cellulose-containing wastes Production of biofuel, products for agriculture, pharmaceutical and food markets and chemical industry Introduction of technology of friction welding , deliveries of electric drives for valves and piping, deep bull pumps, systems for accounting oil and oil products consumption, electric power		
<i>Non-production sphere</i>		

Transport, logistic and other services
<i>In the field of a science and engineering</i>
Scientific research and development in the field of natural sciences Scientific research and development in various areas of engineering science
<i>In other fields of activity</i>
Designing and construction of power and production facilities, as well as of the social facilities

1.5. Primary events of 2012

In 2012, the Corporation performed its functions specified by Federal Law No. 270-FZ, Decree No.1052 of the President of the Russian Federation, Decree No. 873 of the Russian Federation Government dd. November 21, 2008 "Concerning measures to implement Decree No.1052 dd. July 10, 2008 of the President of the Russian Federation . The activity of the Corporation has been organized in compliance with the Strategy of development of the Corporation for the period till 2020 (hereinafter- the Strategy of Development of the Corporation).

The Supervisory Board of the Corporation has prepared and confirmed changes to the programs of reformation of the Corporation organizations in military-industrial complex and in civil industries, as well as in the Program of Innovative Development of the Corporation for the period 2011-2020 (hereinafter, PID of the Corporation).

The lists of organizations whose shares are to be alienated to the parent organizations of the holding companies (integrated structures) of the Corporation and third parties, which are not related to organizations of the Corporation, have been prepared and agreed upon by the Supervisory Board of the Corporation.

According to order No. RD-P7-5290 dd. September 8, 2012 of the Government of the Russian Federation, the follow-up revision of the Strategy of development of the Corporation to assure its conformity with the federal instruments, issued after its approval, has been carried out.

The concept of creation of the multisectoral innovative center of the Corporation on the basis of JSC MDB "Compass" has been developed and approved by the Corporation Managing Board.

The international scientific and practical conference has been carried out with agenda " Russian corporations, higher educational facilities and scientific organizations: problems and prospects of cooperation in the innovative field".

The Corporation entered into cooperation agreements concerning interaction in the field of innovative activity with the Russian Foundation for Technological Development and with OJSC "Russian Venture Company".

The Corporation has made a deal with the Renault Nissan international alliance, which provides for the transition of control over operational activity of OJSC "AVTOVAZ" to the Joint Venture, formed by the Corporation and Renault Nissan alliance named Alliance Rostec Auto B.V., established in 2012.

The plan of attraction of potential investors (including foreign investors) by initial public offering (IPO) of shares of the holding companies and organizations of the Corporation has been prepared and presented to the President of the Russian Federation and to the Government of the Russian Federation.

During the cooperation of the Corporation with foreign partners in attraction of high technologies and investments into the organizations of various industries:

the first foundation stone of the Joint Venture between UEC Managing Company, JSC INTER RAO UES and General Electric (Rybinsk, Yaroslavl region) to produce turbine-powered generators has been laid

the center on production and servicing of laser inertial navigating systems on the basis of JSC RS Alliance, the Joint Venture of JSC Rosoboronexport, CJSC ITT and Sagem (France) has been created;

the acquisition of assets of CJSC Voronezh Tire Plant has been completed;

the flight testing of the first AW-139 helicopter manufactured by the Joint Venture of OJSC Russian Helicopters and AgustaWestland, Italy, (Tomilino, Moscow Region) has been conducted.

The presentation of a new brand of the Corporation, whose concept lies in positioning of Corporation on the international market, attraction of partners and investors and increase of its capitalization and successful realization of the Corporation strategy, has been conducted.

In 2012, within the implementation of the priority national project "Health" the Corporation completed the construction of federal centers of high medical technologies.

With assistance of the Corporation and direct participation of its organizations the work in the field of electric power industry has been accomplished, including:

hydraulic unit No. 2 of the Naglu HPP with capacity of 25 MW has been launched in Afghanistan;

the construction of power unit No. 2 of Ivanovo PGU-325 has been completed;

the construction of the new power unit of the Urengoysk Power Unit with the capacity of 450 MW has been completed.

2 Business report of the Corporation, including statements about military technical cooperation with the foreign states and accomplishment of the Strategy of Development of the Corporation.

2.1 Activities within the priority “Building an effective business model of the Corporation”

2.1.1 Implementation of measures to reform the organizations of Corporation, including establishment of holding companies (integrated structures) and transfer of shares to them

While implementing measures aimed at further reforming of the organizations of the Corporation the Supervisory Board of the Corporation has prepared and approved the changes

into the programs of reforming of the organizations of the Corporation in military industrial complex and civil industries. Through optimization of the composition of the holding companies (integrated structures) their number has been reduced from 24 to 12 (including 7 companies specialized in military and industrial complex (not including Oboronprom) and 5 in civil industries).

<i>Parent organization of the holding company (integrated structure)</i>	<i>Name of the holding company (integrated structure)</i>
<i>In the military industrial complex:</i>	
OJSC "Concern Radio-Electronic Technologies"	in the field of aircraft instruments and complexes of the radio electronic equipment
	in the field of electronic warfare means
	in the field of measuring instruments with different functionality
	in the field of the state identification
JSC "Ruselectronics"	in the field of the microwave technology, semi-conductor devices and materials
	in the field of subsystems, complexes and means of communication
	in the field of the automated and information systems
	in the field of electronic equipment items, electronic materials and the equipment for their production
JSC "Aviation equipment"	in the field of the aviation machinery and systems of an power supply
	in the field of parachute systems of military and civil designation and accessories for them
JSC "Scientific Industrial Concern "Mechanical Engineering"	in the field of high-precision artillery ammunition and artillery shots of different purposes
	in the field of jet systems of volley fire, uncontrollable aviation rockets and artillery shells
	in the field of small-caliber ammunition for automatic artillery complexes, automated, manual and under-barrel mounted grenade launchers, pyro-cartridges for the ejection systems, separate arms systems, including complexes with A.I. elements

	in the field of advanced models of the aviation bombardment means of destruction, close combat means, mortar artillery shots of different purposes, as well as engineering ammunition, weapons and ammunition of non-lethal purpose, engineering assets and elements of ammunition
	in the field of explosive materials, pyrotechnic items of the military and civil designation
JSC "Schwabe"	in the field of optical, electro-optical, mechanical optic devices of military and civil designation
JSC "NPO "High-Precision Complexes"	in the field of the high-precision weapons, their spare parts and accessories
	in the field of operational-tactical and tactical rocket complexes for land forces, man-portable anti-aircraft and anti-tanks complexes
OJSC "NPO "Izhmash"	in the field of advanced models of the arms specialized complexes with military designation, including automatic small arms and ammunition
<i>In the civil industry:</i>	
JSC "RT-Chemcomposite"	in the field of composite materials and chemical technologies
OJSC "RT-Biotekhprom"	in the field of biotechnologies and iatrotechnics
OJSC "RT-Stankoinstrument"	in the field of machine tool industry and tools production
JSC "Prominvest"	in the field of real estate administration, civil and industrial construction
JSC "RT-AVTO"	in the field of car manufacturing and production of car components

While developing the reformation programs the organizations owned by the Corporation also have been defined, participation in the management bodies of which does not ensure control of their operations or does not correspond to the types of operations of the holding companies (integrated structures) and duplicates operations of other organizations of the Corporation. The list of the organizations, shares of which are alienated to third parties which are not

related to the organizations of the Corporation, has been agreed with the Supervisory Board of the Corporation.

Holding companies (integrated structures) are formed by transferring shares of the organizations owned by the Corporation to the ownership (management) of parent organizations of the holding companies (integrated structures).

The lists of the organizations of the Corporation to be included into newly established holding companies (integrated structures) have been agreed with the Supervisory Board of the Corporation while introducing amendments to the programs of reforming of the organizations of the Corporation in military-industrial complex and civil industries.

Within the process of forming of the holding companies (integrated structures) the Corporation had performed the following.

Based on the results of independent estimation of a market stock value of the organizations of the Corporation and parent organizations of the holding companies (integrated structures) the Managing Board of the Corporation had confirmed stock value of the organizations of the Corporation for transactions associated with payment of shares of additional issue of the parent organizations in the holding companies (integrated structures) JSC "Schwabe", JSC "NPO "High-Precision Complexes ", JSC "RT-Chemcomposite", OJSC "Concern Radio-Electronic Technologies", OJSC NPK "Tekhmash", OJSC "RT-Biotekhprom", JSC "Ruselectronics " and the prices of the single share of additional release of the corresponding parent organizations have been defined.

The corporate events connected with additional issue of shares and making respective amendments in the charters of the parent organizations of the holding companies (integrated structures) have been carried out. The state registration of amendments in the charters and the state registration of additional share issues of the parent organizations of the holding companies (integrated structures) have been made.

2.1.2. Measures to ensure conversion of Federal State Unitary Enterprises (FSUE) into Open Joint Stock Companies (OJSC), shares of which are transferred to the Corporation as a property installment for the Russian Federation

According to Decrees of the President of the Russian Federation No. 1577 dd. November 26, 2007, No. 1052 dd. July 10, 2008 and No. 243 dd. March 6, 2009, 184 FSUE are to be transformed into OJSC with the subsequent transfer of 100 percent of shares to the Corporation as a property installment of the Russian Federation.

For the period from January 1, 2012 till December 31, 2012 the following dynamics of transformation of the FSUE and transfer of shares of the OJSC to the Corporation as a property installment for the Russian Federation have been observed:

	<i>As of January 1, 2012</i>	<i>As of December 31, 2012</i>	<i>Total in 2012</i>

Total number of FSUEs transformed	115	153	38
The state registration of OJSC shares issue	72	136	64
OJSC shares added to the business account of the Corporation	11	74	63

In 2012, the Corporation continued its work on enhancement of the normative legal base in the sphere of FSUE property privatization, the Ministry of Economic Development and Trade of Russia and Rosimushchestvo made some the decisions in order to simplify the procedure and minimize terms of forming and registration of the land plots for the purposes of privatization and preparation of orders associated with the conditions of privatization. With the support by Rosimushchestvo the work on preservation of the facilities which are significant for the FSUE, registration of rights for which requires considerable time, by affixing them to the specialized organizations for the subsequent privatization according to the established procedure.

Following the results of this work Federal Law No. 108-FZ dd. July 10, 2012 has lifted the prohibition for privatization of the sports facilities of the organizations of the Corporation, the draft decree of the President of the Russian Federation regarding removal of a prohibition to include civil defense and emergency situation facilities into privatized has been prepared, 24 orders about re-affixing over 400 facilities (including with a view of specification/regulation of FSUE property composition) have been published.

As for untransformed FSUEs, the Corporation with Rosimushchestvo had prepared plans of transformation of the FSUEs into OJSC with indication of necessary events and time for completion of works, the drafts of decisions about conditions of FSUE privatization have been considered and directed to territorial administrations of Rosimushchestvo for further work on privatization.

2.1.3. development and implementation of measures to enhance the efficiency of use of the property of the Corporation and its organizations

The main areas of activities (measures) of the Corporation to improve efficiency of use of the property of the Corporation and the organizations of the Corporation in 2012 are as follows:

property accounting;

improvement of the regulatory framework in the sphere of property management;

forming and realization of programs of alienation of not-non-core asset;

control over target use and safety of the real estate.

According to the confirmed statute, the register of real estate facilities of the Corporation and its organizations has been formed, which includes about 30 thousand facilities with indication

of quantity, costs, technical and other properties, as well as the information about encumbrances on the property.

In 2012 the Corporation had commissioned the automated system of register updating, implemented measures to provide remote access to the system of the holding companies (integrated structures) and the organizations of the Corporation, performed on a regular basis the work on actualization and unification of the information contained in the register.

In order to provide for accounting of the information about participation of the Corporation in authorized capital stocks of economic entities within the uniform corporate system, r interaction with the registrars conducting the register of the owners of securities of the organizations of the Corporation have been carried out on the following issues:

opening of business accounts of the Corporation in registers of the owners of registered certificates;

reception of the information on business accounts of the Corporation and the Russian Federation presented by the Corporation in registers of the owners of securities of the organizations of the Corporation, including those associated with the change of a share of Corporation participation in the authorized capital stocks;

provisions for registering operations in the registers of owners of registered connected with the Corporation accepting on behalf of the Russian Federation of the rights of the shareholder on shares which comprise the federal property, and transfer of shares of the Corporation as a property installment for the Russian Federation.

Within the development of a property management system by the Corporation on the basis of the Strategy of the Corporation Development and improvement of the normative base in sphere of property administration the Concept of real estate management of the Corporation and its organizations has been confirmed, standard provisions on real estate lease for economic entities with the participation of the Corporation has been developed and implemented in the organizations of the Corporation, the work has been carried out for improvement of the internal normative base regulating the use of the property of the Corporation and its organizations.

Based on the concept of the organization of work with non-core assets of the Corporation and its organizations approved by the Supervisory Board of the Corporation, the register of non-core assets, including real estate facilities, has been confirmed and the program of alienation of non-core assets is implemented. More than 1.5 thousand real estate facilities have been revealed and attributed to the category of non-profile assets, offers to include this property in business operations have been prepared, and events for preparation and realization of relevant proposals have been performed.

The control of target use and safety of the real estate of the Corporation and its organizations were performed by:

inspection of documents and other types of inspections in order to verify proper use, safety and effective use of the property belonging to the organizations of the Corporation (including the assistance of audit organizations);

stock counting of real estate property of the organizations of the Corporation in compliance with the regulations confirmed by the Corporation;

the coordination (approval) of real estate transactions within the limits of delegated powers;

securing the Corporation interests in the economic entities regulatory bodies, shares of which belong to the Corporation.

2.1.4. Forming of the block for managing the Corporation's holding companies (integrated structures)

The block for managing the Corporation's holding companies (integrated structures) is formed in compliance with the Strategy of development of the Corporation as a part of the target organizational and functional structure of the Corporation.

Within the work on a priority "building an effective business model of the Corporation" the events for preparation of the methodical and normative base in order to change organizational and functional structure of the Corporation have been organized, blocks for managing the holding companies have been developed, and financial improvement re-structuring have been organized.

The concept of a Corporation management system, general matrix of liabilities distribution to business processes of the central office of the Corporation, and new organizational and functional structure, including blocks specified above and other aspects of the target functionality have been developed.

2.1.5. Forming of crucial elements of the corporate innovative system

According to the Strategy of development of the Corporation and a PID of the Corporation, forming and development of a new direction in operations of the Corporation has been provided, i.e. the system of commercialization of developments by the organizations of the Corporation within the small and average innovative business operations.

Within the specified area of activity the Corporation has made stock count of the perspective projects of the organizations of the Corporation, realization of which is possible within the small innovative companies. All the holding companies (integrated structures) of the Corporation have been offered 243 projects, which have the potential of commercialization within venture investment framework.

The concept of creation of the inter-branch innovative center of the Corporation based on JSC «MDB Compass» has been developed and approved by the Managing Board of the Corporation. Within this center the effective system of search, selection and support of the development, production and introduction of new technologies is to be formed by involving

the enterprises of MIC, higher education facilities, scientific organizations, hi-tech companies and individual developers (inventors).

The first open competition of the civil innovative projects of the organizations of military industrial complex of Russia has been prepared and launched, during which the flow of potential projects for selection and realization within small innovative companies is prepared. More than 300 applications for participation have been received. Two presentation sessions have been carried out, on which fifteen innovative projects have been presented to the attention of for potential investors. The negotiations with investors and partners on ten projects have been initiated, including the organizations of the Corporation.

The commission of experts for examination of the innovative projects, which are planned for realization, has been formed (including Due Diligence); systematic work on perspective projects has been organized.

2.1.6. Control over implementation of the development strategy, programs of innovative development, medium-term operations programs, investment and other programs of the Corporation, its holding companies (integrated structures) and directly controlled organizations

In execution of Decree No. RD-P7-5290 dd. September 8, 2012 of the Government of the Russian Federation and in compliance with the resolution of the Supervisory Board of the Corporation the Strategy of Development of the Corporation has been modified¹ with a view of documents and programs of federal level, accepted after its approval, including:

Decree No. 596 dd. May 7, 2012 of the President of the Russian Federation "About long-term state economic policy";

Strategy of the innovative development of the Russian Federation for the period till 2020, confirmed by Decree No. 2227-r dd. December 8, 2011 of the Government of the Russian Federation ;

FTP "Development of Military Industrial Complex of the Russian Federation in 2011-2020";
state programs of the Russian Federation:

"Development of the pharmaceutical and medical industry in 2013-2020";

"Development of the electronic and radio-electronic industry in 2013-2025";

"Economic development and innovative economy";

"Development of science and technologies";

"Development of the aviation industry in 2013-2025";

"Development of health care";

¹ Strategy of the Development of the Corporation was approved by the Supervisory Board of the Corporation on April 5, 2013

"Development of the industry and improvement of its competitiveness»;

Space activities of Russia.

According to lines of activity of the Corporation for 2012 as confirmed the Supervisory Board of the Corporation, the Managing Board accepted amendments into the Program of operations of the Corporation for 2011 and planned period of 2012 and 2013. The specified changes allowed systematizing plans and reports of the Corporation and tying the control of realization of the medium-term period Strategy of the Development of the Corporation with the control of the statements under the Program of the Corporation operations.

In 2012, the Supervisory Board of Corporation has prepared and confirmed amendments into the list of efficiency indicators for the Corporation organizations management and Corporation management.

In order to provide for accomplishment of lines of operations by the Corporation in 2012, the following basic program measures have been completed:

the normative and methodical documents have been developed, which regulate operations of the Corporation and its organizations in long-term planning;

the development of the standard and methodical documents with a view of realization of operations by the center of monitoring and quality control for products of military and civil designation has been completed;

provision regulating the management of the shares of the organizations which are in property (ownership, control) of the Corporation;

within the frame of realization of the priority national project "Health" the construction and commissioning of the federal centers of high medical technologies has been completed;

building of "transparent" system for selection of the audit organizations for obligatory audit of the accounting (financial) statements of the organizations the Corporations, which are considered as Joint Stock Companies, has been completed;

the system of strategic management in the holding companies (integrated structures) and organizations of the Corporation has been developed and implemented;

the policy on Corporation and managing (parent) organizations risks management holding companies (integrated structures) has been developed and implemented.

The control of realization of development strategy for the holding companies (integrated structures) and organizations of the Corporation under its direct control is planned starting with 2013 with consideration of the course of their development and approval.

The control of realization of the confirmed programs of the operations of the holding companies (integrated structures) has been performed based on the analysis of the statements concerning the accomplishment of the indicators, provided for by these programs.

In order to ensure the implementation of principal events and measures included in these programs of operations, identify problematic issues and develop necessary solutions associated with corresponding sections of the operations programs, their progress was considered by the advisory bodies of the Corporation (the commission on investments, innovations and modernization, the Commission on realization of government military order, FTPs and fulfillment of contracts in the area of MTC (Military and Technical Co-operation), Budget Committee, the Commission on Personnel and Social Problems).

To provide for conformity of the programs of operations to the Strategy of the Development of the Corporation and to regulate strategic planning of operations by the holding companies (integrated structures) and directly controlled organizations, the new edition of requirements to the internal documents of the organizations of the Corporation has been developed and approved by the Supervisory Board of the Corporation, which regulates the order of creation of the medium-term period operations programs taking into account amendments introduced by Decree No. 302 dd. March 14, 2012 of the President of the Russian Federation into Decree No. 1052 dd. July 10, 2008 of the President of the Russian Federation.

Taking into account the fact that the realization of the approved programs of operations for 2011-2013 has been completed in 2013, the new revision of requirements to them will allow to generate programs of operations for 2014-2016, aimed at accomplishment of the last resolutions associated with the reforming of the holding companies, strategies of their development, state and federal programs during the planned period.

According to methodological materials on forming of the system to monitor programs of innovative development of joint stock companies with the state participation, state corporations and federal state unitary enterprises, approved by the resolution of the task group on development of the state-private partnership in the field of innovations at the Government Commission on high technologies and innovations, the control of programs of innovative development (PID) of the holding companies (integrated structures) of the Corporations had been organized in 2012.

Based on reports on PID accomplishment by the holding companies (integrated structures) the reports on realization of PID by the Corporation and its organizations have been passed to the Ministry of Trade and Economic Development of the Russian Federation, Ministry of Industry and Trade of the Russian Federation and Ministry of Education and Science of Russia.

The investment program of Corporation for the period till 2020 has been formed on the basis of investment programs of the holding companies (integrated structures) and the organizations of the Corporation, as well as investment projects with the direct participation of the Corporation.

In 2012 the Corporation considered reports on accomplishment of the approved investment programs for the holding companies (integrated structures) and the organizations directly controlled by the Corporation, the decisions were made to make necessary adjustments. Following the performance results in 2012 the Managing Board of the Corporation approved

the specific investment programs of OJSC "Concern Radio-Electronic Technologies", OJSC "NPO" Izhmash", OJSC "RT-Logistika", UEC Managing Company, "Russian Helicopters ", JSC "Scientific Industrial Concern "Mechanical Engineering", JSC "Concern of Aviation equipment", OJSC "NPK "KBM", JSC "NPO "High-Precision Complexes" and FSUE "NPP "Radiosvyaz". In total, the investment budget of the investment programs approved by the Corporation in 2012 amounts to RUB 406.7 billion out of which 58 billion have already been invested.

Besides, in 2012 according to the investment procedure the realization of investment programs of the holding companies (integrated structures) and organizations of the Corporation has been controlled.

The Corporation has developed and approved programs of realization of functions of the State Scientific Centers (hereinafter - SSCs), which are part of Corporations, for 2011-2014.

In order to provide for monitoring of operations of SRSs, affiliated with the Corporation, according to the resolution of interdepartmental task group on preparation of offers concerning functioning of SSCs network in the Russian Federation, the Ministry of Education and Science of Russia has developed the operations report forms (passports) for SSCs for the period from 2010 to 2012 (minutes of meeting No. IF-5/15pr dd. August 27, 2012).

Activities of SSCs which are affiliated with the Corporation are in compliance with the confirmed programs of SSCs and is aimed at realization of priority tasks of modernization and technological development of the Russian economy and critical technologies of the development of science, technologies and engineering equipment in the Russian Federation.

The passports for the specified period of operations for SSCs, affiliated with the Corporation, have been directed to the Ministry of Education and Science of Russia with the offer by Corporation to review the feasibility of preservation of SSCs status by the State Scientific Centers of the Russian Federation and make relevant proposals to the Government of the Russian Federation according to Order of assignment of the status of the State Scientific Center of the Russian Federation, as confirmed by Decree No. 939 dd. June 22, 1993 of the President of the Russian Federation.

2.1.7. Improvement of the regulatory framework in fields of activity of Corporation and its organizations

In 2012 the work on improvement of the normative legal base, regulating operations of the Corporation in the field of hi-tech industries of economy, in particular, in the resolution of several legal issues, associated with the features of transfer of a property installment to the Russian Federation by the Corporation and transformation of the Federal State Unitary Enterprises to the Open Joint Stock Companies, shares of which are subject to transfer as a property installment of the Russian Federation.

In 2012 the corporation was developing or participating in development of the following published normative legal acts:

federal laws:

No. 275-FZ dd. December 29, 2012 "On the state defense order";

No. 108-FZ dd. July 10, 2012 "On Amendments to the Federal Law on the state Corporation Rostekhnologii and individual legislative acts of the Russian Federation";

decrees of the President of the Russian Federation:

No. 302 dd. March 14, 2012 "Regarding amendments into Decree No. 1052 dd. July 10th, 2008 of the President of the Russian Federation "Issues of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii"";

No. 350 dd. March 30, 2012 "On the issues of the Supervisory Board of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii"";

No. 578 dd. May 3, 2012 "On amendments into Decree No. 1052 dd. July 10th, 2008 of the President of the Russian Federation " Issues of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii";

No. 621 dd. May 17, 2012 "On the measures for the further development of Open Joint Stock Company "United Industrial Corporation "Oboronprom"";

No. 966 dd. July 12, 2012 "On the Matters of the Supervisory Board of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii"";

No. 1144 dd. August 10, 2012 "On the use of the State Coat of Arms of the Russian Federation in the emblem of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii"";

Decrees of the Government of the Russian Federation:

No. 9 dd. January 26, 2012 "On control and supervision in the field of legal protection and use of the results of intellectual activity of the civil designation, created at the expense of the budgetary appropriations of the federal budget, and control and supervision in the established field of activities concerning the state customers and organizations - contractors of the public contracts, providing for research, developmental and technological activities";

No. 218 dd. March 21, 2012 "Concerning the Federal Service for Intellectual Property";

No. 233 dd. March 22, 2012 "Approval of Rules of management by the state customers of the rights of the Russian Federation associated with the results of intellectual activity of civil, military, specialized and double purpose";

No. 402 dd. April 26, 2012 "Control and supervision in sphere of legal protection and use of the results of intellectual activity of the military, specialized and double purpose, created at the expense of budgetary appropriations from the federal budget, and the control and supervision in the established field of activity in regards to the state customers and organizations - performers of the public contracts, providing for research, development and engineering activities";

No. 684 dd. July 3. 2012 " Amendments into the list of the federal state unitary enterprises, transformed into open joint stock companies, 100 percent of shares of which are in the federal property, with the subsequent transfer of those as a property installment of the Russian Federation to the State corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii";

No.718 dd. July 14, 2012 "Measures to implement Decree No. 302 dd. March 14th, 2012 of the President of the Russian Federation ";

No. 733 dd. July 19, 2012 "Amendments into Decree No. 873 dd. November 21, 2008 of the Government of the Russian Federation ";

No. 841 dd. August 21, 2012 "Compliance by the personnel of state corporations and state companies with provisions of clause 349.1 of the Labor Code of the Russian Federation";

Executive Order of the Government of the Russian Federation No. 664-r dd. April 28, 2012 (to the extent of changes to the conditions for transferring the property installment of the Russian Federation to the State Corporation "Rostekhnologii", provided for by the Government Executive Order No. 2080-r dd. December 25, 2009).

With a view of information and legal provision the access by the organizations of the Corporation to the information bank of legal acts of the Corporation is granted.

2.1.8. Improvement of the financial planning (budgeting) system, monitoring and analysis of financial activities of the Corporation and the organizations of the Corporation, and automation of the specified processes

In 2012 the Corporation conducted work on improvement of the system for monitoring of a financial condition and complex analysis of financial and economic operations of the organizations of the Corporation.

Development of the unified information and analytical system of the Corporation which will provide for the automation of monitoring of a financial and economic situation of the organizations of Corporation, collection of other administrative information and preparation of a wide spectrum of informational and analytical reports for the management of Corporation and interested federal executive bodies.

In 2012 the Corporation had performed the completion and the further escalation of the analytical functionality of the uniform budgeting system of the Corporation and its organizations, which allowed it to support planning for funding the events of programs of

innovative development, programs aimed at the improvement of power efficiency of the organizations of the Corporation, and programs aimed at of re-structuring of the holding companies, including events for realization of non-core assets.

The work aimed at forming of the consolidated budgets of the holding companies (integrated structures) and the Corporation as a whole has been made; as a result, the planning and reporting forms and general provisions of the budgets consolidation methodology have been were modified.

During the preparation of budget process for 2013, annual training of personnel of the organizations of the Corporation on subjects, associated with the development of uniform budgeting system of the Corporation and its organizations, has been carried out, including practical events, associated with the realization of the budget control and building systems of management accounting in the organizations.

2.1.9. Organization of the consolidated financial statements drawing up process for the Corporation and its holding companies (integrated structures)

In 2012, the consolidated financial statements for 2011 were compiled by the Corporation in full compliance with the Russian Federation laws . The consolidated statements have been approved by the Board of the Corporation.

With the aim of improvement of efficiency in the collection of information necessary for drawing up of the consolidated financial statements of the Corporation, the existing automated system for the preparation of the consolidated financial statements in compliance with Russian Accounting Standards has been modified; the works have been performed aimed at creation of a portal for collection, processing and verification of the intragroup operations and drawing up of the consolidated financial statements based on the software «1C: Consolidation 8Prof.». In order to protect the information, processed by the portal, a technical assignment for the development of the corresponding software has been prepared.

Training and advising of the personnel of the organizations of the Corporation was continued concerning preparation of the consolidated financial statements, as well as use of the automated system for preparation of the consolidated financial statements with the software "1C: Consolidation 8Prof.».

Besides, the work was continued in 2012 associated with improvement of the technique of drawing up of the consolidated financial statements by the Corporation and the holding company (integrated structures).

As the result of the monitoring of amendments, made in 2011 into the documents regulating the accounting in the Russian Federation, and according to valid provisions on accounting rules, the rules for forming of separate indicators of the consolidated financial statements have been amended, and the forms of the consolidated financial statements have been specified. The list of the analytical information, reflected in explanatory notes to the consolidated balance sheet and the consolidated report on profits and losses (as compared to the consolidated financial statements for 2010-2011) has been expanded.

As a result of this work the new revision of methodical instructions on drawing up of the consolidated financial statements of the Corporation and its holding companies (integrated structures) has been developed and confirmed by the Board of the Corporation.

2.1.10. Implementation of the Corporation personnel policy with a view of the further organizational development and improvement of the personnel management efficiency, including the development of the motivation system for the personnel of the Corporation and its organizations, providing for the correlation between the amounts of remuneration and key performance indicators

During 2012 the work aimed at realization of the general directions of the Concept of personnel selection for the Corporation has been conducted. The control of realization of the basic directions of the personnel selection concept in the holding companies (integrated structures) has been performed.

In course of implementation of the Corporation personnel policy, candidates have been selected and studied, timely recruitment of the qualified personnel for the Corporation by taking into account tasks and functions of structural divisions has been conducted.

By the results of studying, background check and interviewing, from out of more than 160 candidates 110 persons have been employed in the reporting year, including 6 graduates, masters who were trained on the program developed in cooperation with Moscow State University of Foreign Affairs at the Ministry of Foreign Affairs of Russia "Management in the field of military - technical cooperation and high technologies".

According to provisions on the personnel reserve the Corporation there was prepared and certified a list of the Corporation employees (64 persons) who were included into the personnel reserve for senior positions in 2013, and 28 workers were included into the database of a federal portal of administrative personnel; the procedure to form the Corporation candidate pool to fill positions of all the levels was improved.

The Government of the Russian Federation has been presented with the offer of amendments into the state plan of preparation of the scientific workers, specialists and personnel in the corresponding fields, the preparation of engineers and masters in defensive specialties of both full-time and part-time forms of study, and post-graduate students for the subsequent work in the organizations of the Corporation.

Forming of the system of corporate training of the personnel of the organizations of the Corporation has been continued with the purpose of preparing the demanded specialties and providing for optimization of human resources management based efficient interaction with the specialized educational institutions of all the levels.

The practical implementation of the Concept of personnel selection of the Corporation in the organizations of the Corporation has been performed in a direction of the further organizational development and improvement of the personnel management system, increase of personnel's professional level, provision for social guarantees and improvement of working conditions.

During the events of professional selection in 2012, the Corporation has carried out the competitive selection for positions of sole executive bodies - general directors (directors) in 132 organizations of the Corporation and the candidates on a post of an individual executive office - the general director (director) in 100 organizations of the Corporation have been approved and selected by the Commissions of the holding companies (integrated structures). Besides, in 2012 the powers of 63 executives were confirmed, and 37 executives of the organizations of the Corporation were re-assigned. The competitive selection has been caused by the fact that the entities were turned into joint-stock companies (according to orders on conditions of privatization the powers of heads are active before the first general meeting of the shareholders).

2.1.11. Management of the Corporation brand

In 2012, measures to support the Corporation's brand were carried out in order to increase the Corporation brand awareness inside Russia and abroad.

The Corporation logo has been used at registration of Russian expositions at exhibitions of military products in the foreign states and incorporated expositions of the organizations of the Corporation at the exhibitions which were conducted on the territory of Russia, and in advertising materials.

The work aimed at assistance in the development of brands of the holding companies (integrated structures) and infrastructural organizations of the Corporation in compliance with the confirmed architecture of the Corporation brand has been continued. The work on the architecture of the new combined trade mark of the Corporation was started.

In order to provide for the legal protection of trademarks of the Corporation the combined trade mark of the Corporation has been registered in 52 foreign states. In general as of December 31, 2012 the legal protection has been provided in 62 states.

In 2012 the work on consolidation of information resources of the organizations of the Corporation and creation of uniform system of interaction with them was completed.

During the established cooperation with leading domestic and foreign partners PR events have been carried out for promotion in the domestic and world markets of competitive hi-tech products.

The basic events in the operations of the Corporation for the fiscal year have been reflected in the federal and regional mass media, as well as on the site of the Corporation.

Within a year about 300 articles have been published in the popular international publishing houses, promoting the operations of the Corporation and its organizations.

2.1.12. Ensuring the activities of the Corporation Arbitration

In 2012, the Arbitration court at the Corporation (hereinafter, the Arbitration court) has received 26 statement of claims concerning collection of money funds, out of which 16 have been considered and 10 are currently being reviewed by the Arbitration court.

In 2012, the Corporation updated the list of arbitration judges of the Arbitration court by inviting professionals who have not been affiliated with the Corporation and its organizations.

The legal proceedings of the organizations of the Corporation which had to be submitted to the Arbitration court for consideration were monitored; the information about the work of the Arbitration court was published on the official site of the Corporation.

2.1.13. Development and implementation of measures to introduce the Concept of safety of Corporation and its organizations and improve the system of protection of the state secret in the Corporation and its organizations

According to the concept of security of the Corporation the vertically integrated system of security has been improved, measures aimed at strengthening of the security divisions of the organizations of Corporation in organizational, personnel and financial plan have been carried out, the information interaction on security issues have been provided for, as well as the countermeasures against the corruption.

With assistance of the Corporation the concepts of security have been developed in the holding companies (integrated structures) of the Corporation, programs and the plans of measures aimed at safety of the organizations of the Corporation have been implemented, the work on introduction of unified corporate standards of security have been performed, normative acts have been accepted and active documents of economic societies in the field of security have been initialized.

Cooperation with the Office of the Prosecutor General of the Russian Federation, Investigation Committee of the Russian Federation, Ministry of Internal Affairs of and Federal Security Service within interdepartmental task groups and in other formats in order to prevent and prosecute economic crimes within the organizations of the Corporation.

The assistance has been made in order to transfer the organizations of the Corporation under protection of the JSC "RT-Okhrana". In 2012, JSC "RT-Okhrana" signed 104 agreements with the organizations of the Corporation on for security services; 23 branches of the company were established in regions, including one separate subdivision, the total headcount amounting to 6,500 persons.

Measures to reinforce the antiterrorist security of the organizations of the Corporation have been implemented.

Within the introduction of system of measures for provision of information security more than 40 holding companies (integrated structures) and organizations of the Corporation have been connected to the system of electronic document management of the Corporation on protected channels. Work has been made for protection of the information systems, personal data and automated systems for processing and storing of the information, containing trade secrets and other confidential information.

Methodical help to the holding companies and the organizations of the Corporation in categorizing of the facilities has been made based on importance of protection against foreign

secret services. 249 acts of categorizing of facilities of the MDC have been prepared and confirmed by the Corporation.

The guide for protection of the information against foreign secret services and leaks via technical data links has been developed in the Corporation, its representative offices both inside the territory of the Russian Federation and in foreign states.

The corporation, its holding companies (integrated structures) and the organizations of the Corporation have worked with the information comprising the state secret in compliance with normative legal acts of the Russian Federation for the protection of the state secret, as well as based upon the local normative acts of the Corporation. The planned measures in the field of the protection of the state secret have been implemented.

2.1.14. Improvement of interaction between the Corporation and federal public authorities and public authorities of the of Russian Federation constituent entities

For the improvement of interaction between the Corporation and federal public authorities representatives of the Corporation took part in parliamentary hearings, round tables, “governmental hours”, sessions of the specialized committees organized by chambers of the Federal Assembly of the Russian Federation, and in the forums, congresses, conferences, meetings conducted by the federal enforcement authorities.

The work with the public authorities of constituent entities of the Russian Federation have been performed in 60 constituent entities of the Russian Federation, including 34 bilateral agreements about on cooperation with the enforcement authorities of the constituent entities of the Russian Federation (4 agreements were concluded in 2012).

Officials of the Corporation took part in the events (forums, congresses, conferences), organized by the enforcement authorities of the Tatarstan Republic, Udmurt Republic, Perm Territory, Kostroma Region, Penza Region, St. Petersburg, such as the International Investment Forum in Kazan, Perm forum, APEC Vladivostok 2012 Forum in, Baikal economic forum in Ulan-Ude, Interregional forum of "INNO-MED-2012" in Penza, "INNOPROM - 2012" in Yekaterinburg, St. Petersburg IPhEB international forum , the Petersburg Industrial Congress and other events.

As provided by the agreements between the Corporation and the holding companies (integrated structures), the representative offices of the Corporation assisted in promotion of the general hi-tech investment projects of the holding companies (integrated structures) in the regions of Russia, including by representation of interests of the organizations of Corporation in public authorities of constituent entities of the Russian Federation, territorial divisions of the federal enforcement authorities, regional public organizations and consolidations.

To serve the interests of the Corporation, its holding companies (integrated structures) and organizations the functioning and improvement was ensured of the system of informational and analytical work of representative offices of the Corporation on the territory of the constituent entities of the Russian Federation.

The main objective of the information and analytical operations by the representative offices of the Corporation on the territory of the constituent entities of the Russian Federation is presentation of the information and analytical data to the management of Corporation, structural divisions and state intermediary (OJSC "Rosoboronexport") about activity of the organizations of the Corporation and other organizations of the industry in interests of the state intermediary for making up timely and effective solutions directed on the achievement of main objectives of the Corporation.

The operative, monthly and quarterly statement of representative offices has been organized.

2.1.15. Preparation of proposals to form the development block for new promising (innovative) lines of activity of the Corporation

According to the Strategy of development of the Corporation in 2012 offers to form the development block for new promising (innovative) lines of activity of the Corporation have been prepared.

Offers have been included into the Concept of the Corporation control system (approved by the Supervisory Board of the Corporation in 2013). They provide for the creation of organizational structure for the development of new perspective including tasks associated with the diversification of innovative activity of the holding companies and organizations of the Corporation by development of "inorganic innovations" - i.e. forming of effective system of commercialization of perspective developments of the organizations of Corporation, higher educational facilities and Scientific Research Institutes within the small innovative companies (creation and realization of new products for the market), and reception of new income sources for the organizations of Corporation.

2.1.16. Preparation of offers to form the block for re-structuring and financial improvement

The Strategy of Development of the Corporation provided for further improvement of the financial improvement system, proceeding from various approaches and tasks with problematic assets depending on conformity of their operations with the main objectives and tasks of the Corporation (speciality).

The grounds for allocation of problematic assets from the holding companies and transfer to the re-structuring block and financial improvement have been fixed in the regulatory framework. The programs of reforming the organizations of Corporation in the Defensive-Industrial Complex and in civil industries provide for the following:

concerning the problematic assets which are subject to alienation to the benefit of third parties, for the period of financial sanation procedure or the termination of bankruptcy proceedings the shares may be transferred to the specialized organization for fiduciary management;

concerning specialized problematic assets - the decision on transfer to the holding company will be accepted after the termination of bankruptcy proceedings or completion of financial

sanation procedure, before these procedures are completed the shares remain in the property of Corporation.

For the purposes of financing the events for financial sanation the principles, methods and directions of forming and usage of means of the funds for financial sanation of the Corporation and parent organizations of the holding companies (integrated structures) of the Corporation have been provided by legislation.

2.1.17. Improvement of the legal and methodological base regulating the operations of Corporation and its organizations in the field of long-term planning

With a view of improvement of the normative and the methodological base regulating the operations of the Corporation and its organizations in the field of long-term planning, the procedure of the control of realization of the strategy of Corporation development and strategic planning of operations of the holding companies (integrated structures) and organizations which have not been included into the holding companies (integrated structures) are confirmed.

The structure of planning documents of the Corporation and holding companies (integrated structures), as well as the principles of strategy development, monitoring and control of its realization have been established.

Directions for the further improvement of the methodological and normative base of the Corporation regulating the planning of the operations and preparation of the program documents of the Corporation, holding companies (integrated structures) and organizations of the Corporation have been specified.

The Supervisory Board of the Corporation has prepared and confirmed the changes in requirements to the maintenance of internal documents of the organizations of Corporation, regulating the order of creation of programs for the medium-term period, establishing the accurate interrelation with the Strategy of Development of the Corporation, PID of the Corporation and the Program of the operations of the Corporation.

2.1.18. Completion of construction and commissioning of the federal centers of high medical technologies during implementation of the priority national project "Zdorovye" (Health)

For the purposes of realization of the priority national project "Zdorovye" and in order to comply with Decree No. 243 dd. March 6, 2009 of the President of the Russian Federation from "Forming of property of the State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii"" the Corporation completed the project of construction of federal centers of high medical technologies in December, 2012.

The Corporation together with administrations of the Altay, Krasnoyarsk, Perm, Khabarovsk Territories and Astrakhan, Kaliningrad, Novosibirsk, Smolensk, Tyumen and Chelyabinsk Regions has placed in operation the following federal centers:

neurosurgery in Tyumen and Novosibirsk;

cardiovascular surgery in Astrakhan, Kaliningrad, Krasnoyarsk, Perm, Khabarovsk and Chelyabinsk;

traumatology, orthopedic and endoprosthesis replacement in Barnaul and Smolensk.

The centers have been constructed based on unique modular technology providing for the high quality and tight deadlines for commissioning.

The total area of the centers placed in operation exceeds 150,000 m².

The centers are equipped with the advanced hi-tech medical and engineering equipment from leading manufacturers:

the diagnostic equipment - computers and MRI scanner, the angiographic equipment for the contrast radiological researches of blood vessels;

modern microscopes of Carl Zeiss, Leica, system of ultrasonic aspiration from Zoring and high-precision electric equipment by Aesculap, Striker, Medtronic;

neuronavigation complexes by Stealth Station, Brain Lab.

The Medialog system is widely used in the centers - the electronic patient record and a database with unlimited communication features, including the field of a telemedicine.

The centers are represented by clinics, rendering hi-tech advisory and operative medical aid, designed for 1,355 beds, including 145 in pediatric and in children's departments fully accommodated for parents' staying with their children.

Every year up to 41,200 specialized operations can be conducted in the centers. All in all the centers have carried out more than 70,000 operations. The convenient arrangement and transport availability of the centers allow to provide medical aid to citizens of many regions of the Russian Federation.

The commissioning of the centers helped create more than 6,200 new workplaces, with more than 4,200 of those allocated for the medical personnel.

According to Decree No. 292 dd. March 11, 2012 of the President of the Russian Federation "Measures to create conditions for rendering of hi-tech medical aid to the population in Krasnodar Territory" the Corporation had transferred to the Krasnodar Territory medical equipment and other property for rendering hi-tech medical aid to the population of Krasnodar Territory on traumatology, orthopedic and endoprosthesis replacement specialty based on the official state health care institution "Clinical hospital No.1 of the Territory named after professor S.V.Ochapovskiy" at the Department of Health Care of Krasnodar Territory.

2.2. Activity within the priority “Competitive growth of the holding companies (integrated structures) and organizations of Corporation”

2.2.1 Assistance to the organizations of various industries, including MIC in development and production of a hi-tech industrial output, carrying out of perspective researches and development of technologies

The Corporation assisted the organizations of the Corporation in development and introduction of the advanced industrial technologies included in list of industrial base and critical technologies for 2011-2020 to provide for realization of the Government Arms Program for 2011-2020, confirmed by the Military-Industrial Commission at the Government of the Russian Federation. All in all 462 technologies have been included into above mentioned list, which are related with the fields of operations of the organizations of Corporation, with 261 of them being basic technologies and 201 critical.

Measures for development and introduction of the specified industrial basic and critical technologies have been implemented by the organizations of the Corporation within the limits of FTP "Development of a Defensive and Industrial complex of the Russian Federation for 2011-2020". Following the results of 2012, the organizations of the Corporation completed research, development and engineering operations to create 26 industrial technologies (17 basic and 9 critical ones).

The corporation took part in realization of the state policy basis of a concerning the development of the military and industrial complex of the Russian Federation for the period till 2020 and for the further prospect. Information about the accomplishment of the plan of measures on realization of the specified bases of a policy in 2012 were presented to the Ministry of Trade and Industry of the Russian Federation for further preparation of the report to the Government of the Russian Federation.

Offers to be included in the projects of the concept of development of national system of standardization for the period till 2020 and the complex interdepartmental plan of measures have been prepared.

Corporation developed inter-branch interaction with the organizations of the fuel and electric power complex. The organizations of Corporation within the limits of the specified interaction:

mastered the production of complex land turbo-power units with 2.5-25 MW capacity , and gas pumping equipment of 0.5-2.5 MW capacity and delivered the same toGazprom and other companies of fuel-energy;

instrumental and search complexes KIP-2T have been manufactured and delivered to Gazprom, participation in creation of universal measuring complex "VIT-Potok" has been arranged;

heating devices have been manufactured and delivered for the Tomskneft and accreditation received for the delivery of products, equipment, works and services for 2013;

two IKM-7TM alarm systems have been manufactured and delivered to Orenburgneft, the agreement on accomplishment of erection works and installation of the special equipment for

Buzuluk deposit have been prepared, delivery of IKM-7TM system for LUKOIL company (Korobkovsky deposit) has been started;

development of a batch production of the capacitor equipment (reservoirs and tanks) and repair designs of couplings for repair of the main oil pipelines has been completed, production of the easy-to-assemble designs of buildings and constructions of the oil pumping stations was performed, and major repairs of pumps for Transneft have been performed

With the assistance of the Corporation and in direct participation of its organizations the accomplishment of works in the field of electric power industry has been provided, including:

the trial performance of the hydraulic unit No. 2 of the Naglu HPP with the capacity of 25 MW has been initiated;

building of the power unit No. 2 of Ivanovo PGU-325 has been completed, which will allow the Ivanovo Region not only to become energy independent, but also to provide the electric power to Yaroslavl, Vladimir and other regions of the Russian Federation;

building of the new power unit of the Urengoyk Power Unit with the capacity of 450 MW has been completed; the commissioning will cover existing deficit of electric power of the Tyumen Region, secure the stability of electrical power supply in the Northern area and on the gas deposits. The specified power unit is one of the most powerful in the north of Russia and is highly efficient in terms of fuel use.

During the realization of events of the scientific and technical program of the Common State of Russia and Belarus "Modern technologies and equipment for production of new polymeric and composite materials, chemical fibers and threads" with assistance of the Corporation in OJSC "Synthetic Fiber Research Institute" the installation for production of biodegradable polymers based on lactic acid for production of the items of household and medical purposes has been developed and placed in operation in a pilot mode.

The program of the scientific and technical development of the Corporation for 2011-2015 is in progress, which provides scientifically reasonable information for the holding companies (integrated structures) and organizations of the Corporation for choosing perspective fields of development of science, technics and technologies in order to improve quality and competitiveness of the developed and released hi-tech industrial products, consolidation and concentration of resources. In 2012 the following steps of the Program were carried out:

forecast of the science, technics and technologies development in the area of operations of the Corporation till 2025;

determination of priority directions of the development of science, technology and technics in fields of operations of the Corporation for 2016-2020 and for the period till 2025;

forming of the list of the major innovative products of the Corporation for 2016-2020 and for the period till 2025;

forming of lists of industrial base and critical technologies of the Corporation for 2016-2020.

2.2.2 Organization of accomplishment of a State Arms Program, State defense order and the mobilization plan, federal target programs and programs of military and technical cooperation by the organizations of Corporation

In 2012, 228 organizations of the Corporation were contractors under the state defense order (SDO), of which 116 performed tasks under contracts with the state customers, and 112 organizations performed their tasks based on the co-operation agreements.

The conclusion of public contracts by the organizations of the Corporation according to the confirm tasks of SDO for 2012 and for the planned period of 2013 and 2014 has been secured. Most of contracts with the state customers of the organization of the Corporation were signed prior to May 1, 2012.

In order to control the placement of SDO, the Corporation has arranged on-going weekly on-line monitoring of the conclusion by the organizations of Corporation of public contracts.

The accomplishment of the State Arms Program for 2011-2020 has been performed by the organizations of the Corporation within the tasks under SDO.

The control of a progress of SDO tasks has been performed based on accounting instruments of the organizations of the Corporation and was based on operative monitoring of works aimed at creation and production of the major samples of AMSE.

During 2012 the Corporation also performed organizational and corporate activities in order to strengthen role and responsibility of the parent organizations of the holding companies (integrated structures) for accomplishment of tasks under SDO and FTP.

Generally, SDO tasks for 2012 have been completed by the organizations of the Corporation.

The total amount of work executed by the organizations of the Corporation within SDO during 2012 is RUB 196.6 billion, with the amount of work under contracts with the state customers equaling to RUB 110.1 billion (56.0 %), and on provision of cooperative deliveries of goods (work, services) RUB 86.5 billion (44.0 %).

The amount of works under SDO, performed by the organizations of the Corporation in 2012, in comparison with 2011 had risen by 42 %.

The amount of executed work by industries is shown in the table below.

<i>Industry</i>	<i>Volume, in million rubles</i>
Grand Total	196,607.7
Aviation industry	109,926.4
Industry of ammunition and special chemistry	12,727.3
Industry of conventional armaments	30,816.9
Radio-electronic industry	32,832.4

Civil industry	10,304.7
----------------	----------

With assistance of Corporation its organizations within the framework of SDO in 2012 completed the development of some new samples of arms for anti-aircraft defense and artillery, EW support equipment, close combat arms, which have been adopted by the Armed forces of the Russian Federation. Mastered the batch production of a number of samples of small arms which have been adopted earlier, including fighting gear and ammunition. As for electronic components, the development of a wide selection of promising electro-radio items, materials and technologies has been completed.

In order to assist the organizations of the Corporation in accomplishment of its tasks under SDO, FTP and contracts under MTC, the regions of Russia in co-operation with public authorities of constituent entities of the Russian Federation have monitored the fulfillment of obligations within SDO, FTP and BTC, and provided for the operative control to prevent possible failures of contract obligations fulfillment.

Based on the schedule of works, accepted in 2012 and associated with forming of the SDO project in 2013 and in the planned period of 2014 and of 2015 and its main indicators, the Corporation has estimated the marketability of tasks planned by the state customers.

The Military-Industrial Commission at the Government of the Russian Federation has reviewed problematic issues, associated with the realization of SDO tasks, offers of the Corporation regarding the stock-list of rockets and ammunition have been taken into account, which would allow to increase the capacity utilization of organizations of the ammunition industry by 20-25 % in 2013-2014 as compared to the level of 2012, and to preserve the capacities of the organizations of the Corporation for the production of modern destruction means.

In 2012 the Corporation organized the completion of FTP tasks in compliance with the obligations accepted under public contracts (agreements), concluded with the state customers.

The total amount of the executed work amounted to RUB 35.5 billion (RUB 27.1 billion in 2011).

The state capital investments constitute the amount of RUB 9.96 billion (28.1 % of the total amount), research and developmental activities, RUB 25.5 billion (71.8 %), and "other" expenditures equaled to RUB 0.08 billion (0.1 %).

The organizations of Corporation carried out the following FTP tasks:

"Development of the Defensive and Industrial complex of the Russian Federation for 2011-2020", including the subprogram "Creation of electronic componential base for systems, complexes and samples of arms, military and special equipment";

"Development, recovery and arrangement of the production of strategic, deficient and import substituting materials and low-tonnage chemistry for arms, military and special equipment on 2009-2011 and for the period till 2015»;

"Development of civil aviation equipment of the Russian Federation in 2002-2010 and for the period till 2015";

"Development of electronic componential base and radio electronics in 2008-2015";

"Development of the civil marine engineering in 2009-2016";

"Global Navigating System";

"Development of the pharmaceutical and medical industry of the Russian Federation for the period till 2020 and in the further prospect";

"National technological base";

"The Federal Space Program of Russia for 2006-2015";

"Research and development on the priority directions of the development of scientific and technological complex of the Russian Federation for 2007-2012".

Beside the specified FTP, the organizations of the Corporation participated in accomplishment of FTPs tasks, particularly:

"Anti-terror (2009-2012)";

"Research and educational research personnel of innovative Russia for 2009-2012";

"Development of the nano industry infrastructure of the Russian Federation for 2008-2010".

Starting with 2013 the Corporation has become the beneficiary of budget funds for the realization of FTP "Development of the Defensive and Industrial complex of the Russian Federation in 2011-2020".

For the realization of Order No. 1438-r dd. August 9, 2012 of the Government of the Russian Federation which has specified Spetsstroy of Russia as the sole contractor in capital construction for the organizations of the Corporation within the FTP "Development of Defensive and Industrial complex of the Russian Federation in 2011-2020", the necessary interaction with Spetsstroy has been arranged.

The offers to specify mobilization tasks of the organizations of the Corporation have been sent to the Ministry of Trade and Industry of Russia and to the Military Industrial Commission at the Government of the Russian Federation.

Within organization of accomplishment of the programs of military and technical cooperation (MTC) the operations of the Corporation have been directed at the support of the exporters of military goods (MG), improvement of the quality of arms, military and special technology (AMSE), establishment of Joint Ventures for the development and production of AMSE,

introduction of top technologies, including foreign, improvement of the competitiveness of military products offered for export, and improvement of the system of aftersales servicing, including creation of the service centers on the territory of the foreign states.

The Corporation took part in preparing the draft of the new revision of the list of military goods permitted for transfer to foreign customers (List No.1), improvement of the normative legal base in the area of MTC, performed the control of accomplishment of contract commitments to deliver military goods to the foreign customers, carried out events for promotion of the hi-tech goods on foreign markets.

In the reporting period in interaction with the state intermediary OJSC "Rosoboronexport" the military goods to the amount of 12.9 billion USD (in 2011, 10.9 billion USD) have been delivered to the foreign customers. The volume of means received in 2012 as the payment for export operations, performed by JSC "Rosoboronexport", constituted 13.4 billion USD. The share of exported by the organizations of the Corporation in the total costs of military goods exported by the state intermediary had constituted 40.5 % (in 2011, 35.3 %).

The total cost of the export of the military goods produced by the organizations of the Corporation in 2012 equaled 5.22 billion USD, which exceeded the same amount in 2011 by 7 % (4.88 billion USD), and the amount of funds which have been received in 2012 on account of payment of export deliveries had constituted 6.56 billion USD. Thus under commission agreements with JSC "Rosoboronexport" delivered military goods to the amount of 4.39 billion USD (in 2011, 3.85 billion USD), and under direct contracts of the subjects of MTC, which are part of the Corporation, to the amount of 0.83 billion USD (in 2011, 1.03 billion USD).

In the reporting year, among 74 organizations of the Corporation performing the foreign trade activity with military goods the principal exporters were JSC "Kazan Helicopters", JSC "Instrument Design Bureau", JSC "Rostvertol", JSC "Design Bureau for Mechanical Engineering", JSC "NIMI", JSC "Splav", OJSC "Ulan-Ude Aviation Plant", JSC "Radiozavod", OJSC "NPO" Izhmash " (more than 80 % from the total amount of the military goods delivered).

The military goods have been delivered to 60 countries of the world. Geographically the main importers of the military goods have been the countries of the Asian-Pacific region, Latin America, Africa, Central Asia and the Middle East.

The supplies of military goods to the CIS countries amounted to approximately 1.1 billion USD, including 7.5 million USD to the members of the Collective Security Treaty Organization. The supply of the military goods to the BRICS countries constituted 1.77 billion USD.

2.2.3. Participation in realization of state policy in the field of military and technological cooperation between the Russian Federation and foreign countries

Prepared and submitted to the Federal Council for Military and Technological Cooperation between the Russian Federation and Foreign Countries. Offers of the Corporation were taken into account.

Organized (including consulting and analysis services) the Corporation participation in interdepartmental commissions on military and technological cooperation, including for the purpose of protecting interests of the member organizations of the Corporation.

In 2012, the Corporation developed or contributed to developing the following issued laws and regulations in the field of MTC:

Decrees of the President of the Russian Federation:

No. 55 dd. January 10, 2012 " Amendments to certain acts of the President of the Russian Federation on the matters of military and technical cooperation of the Russian Federation with foreign countries";

No. 327 dd. March 21 " Amendments to the Statute of procedure of military and technical cooperation of the Russian Federation with foreign countries and Statute of procedure of licensing export and import of military products in the Russian Federation, approved by Presidential Decree No. 1062 of September 10, 2005";

No. 1063 dd July 28 " Amendments to Presidential Decree No. 1062 Issues of military and technical cooperation of the Russian Federation with foreign countries of September 10, 2005, and to the Statute of procedure of military and technical cooperation of the Russian Federation with foreign countries, approved by the Decree";

Decrees of the Government of the Russian Federation:

No. 372 dd. April 23, 2012 " Amendments to the list of documents to be submitted to the federal executive organs in course of approving draft Presidential Decisions, Government Decisions, and (or) Decisions of the Federal Service for Military and Technical Cooperation, concerning supply of military products";

No. 374 dd. April 23, 2012 "Amendments to the Statute of procedure of military and technical support and supervision of development, manufacture, and supply of military products";

No. 402 dd. April 26, 2012 "Ensuring control and supervision in the field of legal protection and use of intellectual products designed for civil, military, special, or dual purpose financed from the federal budget; and control and supervision in the given field in respect of state clients and contractor organizations – parties to government contracts involving scientific research, design and development, and manufacturing".

No. 726 dd. July 19, 2012 "Approving Rules of financing military and industrial enterprises for partial compensation of payments of interest on loans received from Russian credit

organizations and the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), in view of changes to the conditions of military and technical cooperation with foreign countries";

No. 949 dd. September 20, 2012 " Amendments to the list of documents to be submitted by participants of military and technological cooperation to the federal executive organs in course of approving draft Presidential Decisions, Government Decisions, and (or) Decisions of the Federal Service for Military and Technical Cooperation, concerning supply of military products";

No. 1313 dd. December 15, 2012 "Approving Rules of subsidies from federal budget for compensation payments to cover losses of participants of military and technological cooperation in case of a duly made decision on suspension (cessation) of military and technological cooperation with foreign countries";

No. 1439 dd. December 27, 2012 "Amendments to the Rules of financing military and industrial enterprises for partial compensation of payments of interest on loans received from Russian credit organizations and the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), in view of changes to the conditions of military and technical cooperation with foreign countries";

resolutions of the Russian Federation Government No. 545-r dd. April 17, 2012 (concerning approval of export of spare parts, unit assemblies, nodes, equipments, accessories,

special, training, and supporting products, technical documentation to the previously supplied military products, for the items containing information classified as state secret).

2.2.4. Assisting a state intermediary organization involved in foreign trade in its activities related to military products

The Corporation assisted OJSC Rosoboronexport in its foreign trading in military products, including:

organized cooperation on the matters of MTC and maintained business relations with the Federal Service for Military and Technical Cooperation (FSMTC) of Russia, Ministry of Industry and Trade of Russia, and other involved federal executive bodies;

assisted participants of MTC in their work on promoting introduction of high-tech products on foreign markets;

supervised contractual performance in the field of MTC.

According to the requests from FSMTC of Russia, prepared materials and offers for sessions of intergovernmental commissions on MTC, and materials for sessions of the Commission on the matters of military and technological cooperation on the Russian Federation with foreign countries.

The Corporation participated in preparations for and work of intergovernmental commissions on trade and economic cooperation of Russia with foreign countries, including MTC commissions, constituting an efficient mechanism of promoting the Corporation interests abroad.

Representative offices of the Corporation in different constituent entities of the Russian Federation assisted the state intermediary on the following matters:

monitoring and control performed by the Corporation organizations and other industrial enterprises in relation to the state contracts and commission agreements for supply of military, dual-purpose, and civil products, to which the state intermediary is a party;

monitoring industrial and economical condition of the organizations involved in implementation of projects, programs, and foreign trade contracts in the field of MTC;

ensuring timely reaction of the organizations to the requests placed by foreign clients in consequence of damage claims;

participating in events related to perfecting quality of military, dual, and civil-purpose products supplied under foreign trade contracts in the field of MTC;

assisting in work organization of delegations of the state intermediary and foreign clients;

protecting interests of the state intermediary in executive bodies of constituent entities of the Russian Federation.

Representative offices of the Corporation in the Russian Federation assisted in supervision and control of progress and quality of contractual performance by 231 industrial organization under 1214 general contracts and commission contracts with state intermediary for delivery of military, dual, and civil-purpose products for the total amount over USD 27.0 bln to 64 countries (organizations of the Corporation: number of organizations is 69, number of contractual documents is 501, number of countries is 53, total amount of contractual obligations under contracts with state intermediary is approx. USD 9.9 bln). Representative offices acted on behalf of the state intermediary in 45 constituent entities of the Russian Federation.

Major priority fields of activities done by the representative offices of the Corporation were related to supervision of works related to performance under foreign trade contracts on repair and re-fitting of aircraft-carrying heavy cruiser "Admiral Gorshkov" into project 11430 aircraft carrier; building marine frigates for India and patrol gunboats for Vietnam, package arms and military equipment supply for Venezuela, aircrafts for Azerbaijan, Brazil, Vietnam, Egypt, Indonesia, India, and Uganda; manufacturing land machines for Azerbaijan, Algeria, Bangladesh, Kazakhstan, etc.

At the same time, representative offices of the Corporation from different constituent entities of the Russian Federation paid special attention to assisting Russian organizations – lead contractors in their performance under MTC contracts on any questions related to affiliate delivery of components and materials for manufacturing products of military and dual purpose; and in relation to any events related to perfecting quality of export products of military and dual purpose.

2.2.5. Ensuring promotion and sales of high-tech industrial products and intellectual property related to creation of such products, on domestic and foreign markets (including marketing and exhibitions)

Striving to build efficient channels of communication, the Corporation regularly made presentations (business missions) on its business and high-tech organizations of the Corporation in Russia and abroad.

The Corporation provides various forms of assistance in promoting civil market products of OJSC AVTOVAZ, OJSC KAMAZ, OJSC VSMPO-AVISMA Corporation, OJSC PO UOMZ, UEC Managing Company, OJSC Russian Helicopters, OJSC Russian Electronics, OJSC Concern Orion, OJSC Concern Sirius, JSC "RT-Chemcomposite", OJSC Tekhmash, OJSC Avia Equipment, OJSC NPO Izhmash, etc.

For the purpose of promoting products of its organizations on foreign markets, the Corporation offered current foreign trade problems for discussion to intergovernmental commissions for trade and economic cooperation between Russia and foreign countries.

The Corporation supported continued cooperation with China (helping to specify areas of common interest) within the work group on on-board tools and equipment under the Russia-China Subcommission for cooperation in the field of civil aviation and aircraft engineering.

The Corporation and its holding companies (integrated structures) were presented at the trade show Hannover Messe 2012 (Germany), at the International exhibition of weapons and military technologies for land forces and ground-based air defense Eurosatory 2012 (France), and aerospace show Farnborough 2012 (UK). At Farnborough 2012, the Corporation was also introduced to British organizations and mass media in course of the Russian Market briefing.

For the Second International Forum Machine Construction Technologies 2012 (Zhukovsky), a Corporation exposition was prepared demonstrating the most promising designs and ready high-tech products. At the same forum, the Corporation organized firing and demonstrations of weapons and military tech for foreign delegations and diplomatic representatives at the ranges of FSUE CNIITChMASH and OJSC NPO Basalt.

In 2012, the Corporation participated in the NATO conference in Luxemburg on the issues of ammunition disposal.

Within the range of events celebrating 100 years of Russian Air Force, the Corporation coordinated and organized numerous exhibitions, demonstrations, and business events.

The Corporation founded new business missions in Zimbabwe and South Africa working in the field of mining and infrastructure projects, and missions for MTC in Sub-Sahara Africa. For the purpose of developing these projects further, the Corporation assisted in signing a cooperation agreement by and between Vnesheconombank and Rosneft.

In 2012, the Corporation prepared unified Russian expositions at the following trade shows of military products hosted abroad:

<i>Item No.</i>	<i>Date and venue</i>	<i>Event name</i>
1.	January 19-12, Sahir airbase, Bahrain	International aviation exhibition BAHRAIN AEROSHOW 2012
2.	February 14-19, Singapore	International aviation exhibition SINGAPORE AEROSHOW 2012
3.	March 5-8, Bangkok, Thailand	International conference and exhibition DEFENSE AND SECURITY 2012

- | | | |
|-----|--|---|
| 4. | March 27 – April 1
Santiago, Chile | International exhibition of military and aerospace equipment FIDAE 2012 |
| 5. | March 29 – April 1,
Delhi, India | International exhibition of land and marine arms DEFEXPO INDIA 2012 |
| 6. | April 16-19,
Kuala Lumpur, Malaysia | International Asian exhibition of weapons and military technologies DSA 2012 |
| 7. | April 23-27
Hannover, Germany | Hannover Trade Fair HANNOVER MESSE 2012 |
| 8. | May 3-6,
Astana, Kazakhstan | International exhibition of weapons and military technologies and products KADEX 2012 |
| 9. | May 8-10,
Amman, Jordan | International exhibition of special forces
SOFEX 2012 |
| 10. | June 11-15,
Paris, France | International exhibition of weapons and military technologies for land forces and ground-based air defense EUROSATORY 2012 |
| 11. | July 9-15,
Farnborough, UK | International aerospace exhibition
FARNBOROUGH INTERNATIONAL 2012 |
| 12. | September 19-23,
Pretoria, South Africa | International conference and exhibition of weapons and military technologies for all military branches

AFRICA AEROSPACE AND DEFENSE 2012 |

- | <i>Item No.</i> | <i>Date and venue</i> | <i>Event name</i> |
|-----------------|--|--|
| 13. | September 27 – October 1,
Kiev, Ukraine | International airspace exhibition AVIASVIT XXI |
| 14. | October 22-25, | International exhibition EURONAVAL 2012 |

	Paris, France	
15.	November 4-10, Havana, Republic of Cuba	XXX International Fair of Havana FIHAV 2012
16.	November 7-10, Jakarta, Indonesia	International exhibition of weapons and military technologies INDO DEFENSE 2012
17.	November 13-18, Zhuhai, China	International aerospace exhibition AIRSHOW CHINA 2012

In 2012, the Corporation prepared presentation of the Corporation organizations at the following trade shows of military, dual, and civil purpose hosted in the Russian Federation:

<i>Item No.</i>	<i>Date and venue</i>	<i>Event name</i>
1.	February 7-9, Moscow, IEC Crocus Expo	International exhibition and forum CSTB 2012
2.	March 27-28 Federal State Unitary Enterprise Pribor	Exhibition and Presentation Innovating Technology in Medicine 2012
3.	April 11-13, Moscow IEC Crocus Expo	15 th International specialized exhibition of electronic parts and components ExpoElectronics 2012
4.	April 17-19, Moscow, CEC Expocentre	International exhibition New Electronics 2012
5.	April 17-20, Moscow, CEC Expocentre	International specialized exhibition FOTONIKA 2012
6.	April 17-21, Moscow, VVC	International exhibition Engines 2012
7.	May 14-17, Moscow, CEC Expocentre	International exhibition of telecom equipment, control systems, IT and communication services

SVYAZ-EXPOCOMM 2012

8. May 17-19,
Moscow, IEC Crocus Expo

International Helicopter Industrial Show
HeliRussia 2012

<i>Item No.</i>	<i>Date and venue</i>	<i>Event name</i>
9.	May 22-25, Moscow, All-Russian Exhibition Center (VVC)	International exhibition Comprehensive Security 2012
10.	June 25-29, Moscow, central exhibition complex Expocentre	14 th International Show Oil and Gas 2012
11.	June 27 – July 01 Zhukovsky, Trade and Exhibition Center "Russia"	2 nd International forum Machine Construction Technologies 2012
12.	August 14-17, Kazan Exhibition Center "Kazan Yarmarka"	6 th specialized show Airspace Technologies, Modern Materials and Equipment 2012
13.	August 22-25, Nizhniy Tagil Federal Fiscal Enterprise NTIIM	7 th International exhibition of technical equipment "Defense and Protection"
14.	September 6-9 Gelendzhik TANTK after G.M. Beriev	Ninth International show and science conference on hydro aviation HydroAirShow 2012
15.	October 23-26 Moscow, VVC	16 th International show of State Defense Facilities INTERPOLITEX 2012
16.	October 31 – November 3, Moscow, central exhibition complex Expocentre	International forum Open Innovations

- | | | |
|-----|---|---|
| 17. | November 8-11

Moscow, VVC | Trade show METAL EXPO 2012 |
| 18. | December 4-7,

Moscow, central exhibition
complex Expocentre | International exhibition of medical equipment and
medicines Health Protection 2012 |

In course of the events, the Corporation and its organizations have signed a significant number of contracts for supply of products and cooperation agreements.

During Eurosatory 2012, the Corporation signed memorandum of cooperation and partnership with a French company Thales; agreements between OJSC Rosoboronexport and the Thales Optronix Company were also signed, covering manufacturing of IR cameras in Russia.

In course of Farnborough 2012, the Corporation and its affiliates signed a number of documents, including:

OJSC VSMPO-AVISMA Corporation: 8 contracts for the total amount of US\$1.4 bln. with OJSC Perm Engine Plant, Shanghai Airplane Manufacturing Company (SAMC), Monsieur Bugatti Douli, TEST, Airsale, Snekma, Goodrich Landing Gear, Airbus;

OJSC Russian Helicopters: framework agreement with AugustaWestland Company for joint design, manufacture, and sale of 2.5 tons single-engine helicopter;

OJSC Rosoboronexport: agreement with Group Finmeccanica companies on cooperation in designing or upgrading patrol airplane based on Russian airplanes equipped with communication, navigation, and nationality recognition systems.

In course of Second International Forum Machine Construction Technologies 2012, the Corporation and its affiliates signed a number of documents, including:

agreement between the Corporation and OJSC OAK on supply of engine units for MS-21 airplanes;

agreement to the contract for delivery of 35 MS-21 aircrafts between OJSC Corporation Irkut and LLC Aviacapital-service;

memorandum of cooperation in the field of organizing abroad a system of post-sales services for special machinery made in Russia, between the Corporation, OJSC Rosoboronexport, and OJSC ACB EUROFINANCE MOSNARBANK;

cooperation agreement in the field of international mining projects and transfer of technologies between the Corporation, OJSC Metalloinvest Holding Company, and Telkonet Fund;

general agreement for technical services and repair of helicopter engines between OJSC Russian Helicopters and Turbomeca company;

cooperation agreement between OJSC AUTOVAZ and Republic Peru Automotive Company;

cooperation agreement OJSC Concern Sirius and IBM Company;

memorandum of understanding between OSJC Russian Electronics and Rohde and Schwartz company;

agreement on creating a scientific and manufacturing center in Russia to manufacture telecom equipment, between OSJC Russian Electronics and Alcatel-Lucent company;

renewal of framework cooperation agreement with the Cassidian company;

cooperation agreement between the Corporation and OSJC Russian Venture Company;

additional agreements on the membership of joint work groups with the China corporation Poly Group and Singapore Technologies Electronics.

At the 9th International show and science conference on hydro aviation HydroAirShow 2012, the Corporation and its organizations signed the following agreements:

contract for designing and manufacturing of Ka-226TG helicopters and on-board equipment for Gazprom companies located in different climates, including High North and Arctic Shelf;

certificate for purchase of helicopter equipment by Poly Technologies company (China) (supply of 52 Mi-171E helicopters in 2012-2014);

memorandum of understanding between OMA SUD S.p.A. company, Italy, (member of ATR Group) and OJSC Rosoboronexport, concerning joint production of light amphibian aircrafts for special patrol and humanitarian missions;

memorandum of cooperation between SELEX Galileo Ltd (Italy) and OJSC Rosoboronexport, concerning creating a mechanism of cooperation for the Integrated Diagnostic Centers project, to ensure operation and maintenance of Russian and foreign aeronautical equipment previously delivered to third countries;

confidentiality agreement between OJSC Rosoboronexport and MBDA Italia S.p.A. company, concerning implementation of joint projects in the field of special purpose aviation for third countries.

In course of the international show Africa Aerospace and Defense 2012, the Corporation assisted in signing a cooperation agreement between OJSC Russian Helicopters and DENEL

concerning phase-based creation of a service center for maintenance and repairs of Russian helicopters in South Africa.

In course of the International Exhibition Euronaval 2012, the Corporation assisted in signing a cooperation agreement between OJSC Rosoboronexport and NAVANTIA concern (Spain) for the purpose of assessing the possibility of supply and installation of Russian weapons on shipboard platforms produced by the concern.

The Corporation signed a memorandum of understanding with AWERMAN Maschinenfabrik company (Germany), concerning potential cooperation in the field of solid household waste separation and disposal.

The Corporation assisted in signing a three-party memorandum of understanding (Odebrecht Defesa e Tecnologia (branch of Odebrecht S.A.), OJSC Rosoboronexport and OJSC Russian Helicopters), confidentiality agreement in relation to civilian-type helicopters between Odebrecht Defesa e Tecnologia and OJSC Russian Helicopters; confidentiality agreement in relation to military helicopters between Odebrecht Defesa e Tecnologia and OJSC Rosoboronexport.

The Corporation signed a memorandum of technological partnership with Odebrecht S.A., Brazil, in the field of organizing assembly, maintenance and repairs of Russian helicopter machinery for civilian and military purposes, some air defense assets and other machinery in Brazil.

The Corporation was directly involved in signing the contract between OJSC Russian Helicopters and Atlas Taxi Aereo concerning the principal terms of supply of Ka-62 multipurpose helicopters. The contract covers delivery of seven helicopters, plus seven option machines. Start of delivery is scheduled for 2015.

Guidelines and recommendations were prepared on ensuring legal protection of the results of intellectual activities of the Corporation organizations.

The Corporation completed works on mandatory inventory of results of intellectual activities of its organizations and their inclusion into the scope of property of federal state unitary enterprises (FSUE) to be converted into joint-stock companies with 100% shares being in the federal ownership and transferred to the Corporation as asset contribution of the Russian Federation.

To protect interests of the Corporation, expert council on issues of intellectual property was created and produced suggestions on improving protection and circulation of intellectual property described in the Corporation addresses to the government bodies, including suggestions on draft state strategy for intellectual property.

Together with Federal Agency for State Property Management (Rosimushchestvo) and Federal Service for Intellectual Property, Patents and Trademarks (Rospatent), the Corporation ensured transfer of property rights for the results of intellectual activities from

state unitary enterprises to the open joint-stock companies of the Corporation created in course of restructuring the FSUE's.

Together with Rospatent and the Ministry of Defense of Russia, the Corporation ensured solving the most urgent problems of its using right of the Russian Federation to

the military-purpose results of intellectual activities for the purpose of export supply of military products (OJSC NPO Izhmash, OJSC KNIRTI, OJSC NPK KBM).

2.2.6. Ensuring protection and development of scientific and industrial potential of the Corporation organizations

In course of implementing unified industrial policy designed to improve efficiency of use of industrial and scientific potential of the Corporation organizations, the Corporation organized work on analysis and aggregation of information submitted by the Corporation organizations in the passports of the organizations including full account of the areas of activities of the Corporation organizations, availability and scope of production facilities and fixed assets, scope and quality of equipment and machinery, availability and condition of all types of communications (heating, power, water supply, etc.).

For the purpose of optimizing the manufacturing potential in the field of ammunition production, the Corporation prepared and submitted to Ministry of Industry and Trade of the Russian Federation its suggestions included into the range of events approved by the Minister of Industry and Trade of the Russian Federation and designed to restructure manufacturing facilities used for ammunition production, including liquidating and reorientation of excess capacity, and state supportive measures for the organizations – subcontractors under state defense order for the period of transition.

In course of preparing necessary specialists for the Corporation organizations, the Corporation issued and submitted to the Ministry of Education and Science of Russia its suggestions for draft federal law "On education in the Russian Federation", covering issues of improving the procedure of target education for future specialists to be involved in defense industry complex.

In 2012, with support of the Corporation, the Corporation organizations and institutions of higher education continued working on creating cutting edge manufacturing facilities according to the terms set by Governmental Decree No. 218 dd. April 9, 2010 "On measures of state support designed to improve cooperation between Russian institutions of higher education and organizations implementing comprehensive projects on creating cutting edge manufacturing facilities". Seven holding companies of the Corporation took part in the work and, together with institutions of higher education, completed 9 comprehensive projects with the total financing amount of RUB 831.0 million..

2.2.7. Preparing, updating, and elaborating strategies of holding companies in line with the Development Strategy of the Corporation

The Corporation organized internal processes of preparing and approving development strategies for its holding companies (integrated structures).

In course of preparing development strategies for its holding companies (integrated structures), the Corporation discovered the need to consolidate some of them due to their production of similar products and potential synergetic effect of such consolidation.

In accordance with the decision of the Supervising Board of the Corporation, organizations of OJSC Aircraft Engineering Concern shall be transferred to OJSC Concern Radio-Electronic Technologies; organizations of OJSC Concern Orion and OJSC Concern Sirius, to OJSC Russian Electronics; organizations of JSC "Design Bureau for Mechanical Engineering" shall be transferred to JSC "NPO "High-Precision Complexes". Development strategies for the above holding companies (integrated structures) are currently being finalized, approval scheduled for 2013.

In 2012, the Corporation approved development strategies for the following holding companies (integrated structures): OJSC Russian Electronics, JSC «RT-Chemcomposite», OJSC Russian Helicopters.

2.2.8. Taking measures for implementation of programs concerning innovative growth of the Corporation and its holding companies (integrated structures)

In 2012, the system for monitoring implementation of innovative growth strategies (IGS) for holding companies (integrated structures) and the Corporation were mainly completed, specifying the list, scope, terms of completion, and planned amounts of financing for the program events (projects), scope and values of key performance indicators. The IGS had to be amended due to the need to coordinate the scheduled events with the Russian Federation IGS up to the year 2020 approved by the Russian Federation Governmental Decree No. 2227r dd. December 8, 2011, with the prepared growth strategies of the Corporation and its holding companies, requirements of the new regulations and guidelines, and recommendations of the federal executive

bodies, and the need to register results of innovative activities in 2011 and potential risks related to the implementation of innovative projects.

In 2012, the Corporation organized interactions between holding companies and organizations of the Corporation, federal executive bodies, development institutes, business associations, financial, investment, and other organizations, in the following areas:

developing (amending) and implementing innovative growth programs for holding companies (integrated structures) and the Corporation. Based on the second year results of IGP realization, key performance indicators and main areas of program activities were mostly achieved as planned, the general dynamics looks promising compared to the previous year, In 2012, the Corporation organizations increased expenses on R&D and technological modernization, compared to 2011;

creating innovative infrastructure (venture funds, business incubators, technological platforms, territorial innovative clusters, common use centers, etc.);

interacting with institutions of higher education and scientific organizations on the matters of organizing result-oriented scientific research, basic and further training of specialists. The Corporation organizations invited institutions of higher education and scientific organizations as R&D participants within the implementation of target federal program and initiatives;

creating and operating national technological platforms, creating territorial innovative clusters;

assisting the Corporation organizations in promoting their innovative products for government clients.

Efficient realization of IGP of the Corporation and providing support to the Corporation organizations in developing their new field of activities related to creation, manufacturing, and promotion of cutting-edge civilian products within the framework of small innovative companies was stimulated by the events of the First Open Competition of Civilian Innovative Projects of the defense and industrial complex enterprises of Russia. Shows were organized for 22 innovative projects of the competition participants during the International Forum "Machine Construction Technologies 2012" and Moscow International Forum for Innovative Development "Open Innovations".

To improve efficiency of interactions with federal executive bodies, Russian institutes of development, and leading industrial enterprises in the field of innovations (sharing best practices, defining common grounds), the Corporation actively used its possibility to participate in the non-commercial partnership "Innovation and R&D Directors Club".

Measures were taken to form a system for managing rights to the results of intellectual activities (MS RIA). In 2012, the following was performed:

norms and regulations were developed for MS RIA, including management standards and guideline materials covering the RIA management system on the levels of "Enterprise" and "Integrated Structure";

the list of integral performance indicators of MS RIA for the "Corporation" level was compiled;

measures taken to ensure growth of the scope of right to RIA owned and used by the Corporation organizations (including abroad) were monitored.

Analysis performed covering the status of works in the area of intellectual property in the holding companies (integrated structures) of the Corporation, and the list of organizations compiled where MS RIA is to be implemented first. The list of MS RIA elements to be implemented and recommendations on organizing their implementation were also prepared.

2.2.9. Implementing program of alienating non-core assets of the Corporation and its holding companies (integrated structures)

In 2012, the Supervisory Board of the Corporation prepared and approved a number of changes to the programs of reforming the Corporation organizations in the field of defense industry and in civilian industrial sector, providing for creation of 12 holding companies (integrated structures) of the Corporation, including 7 in the defense industry and 5 in civilian industries. The analysis of the Corporation business, also performed in 2012, found over 100 organizations to be alienated to third parties. The list of such organizations was also approved by the Supervisory Board of the Corporation.

For the purpose of attracting an additional non-budgetary source of financing for the primary activities of the Corporation and its organizations, systematic measures are taken designed to find assets owned by the Corporation organizations (real estate, financial investments) and not used for their primary activities, i.e. non-core assets. Upon finding such assets, the best form of using the assets should be defined, including its sale or use as basis for an investment project.

Preparing decisions on alienating non-core assets shall be made according to the procedure of sale of non-core assets approved by the Supervisory Board of the Corporation, and shall always involve independent assessment of the asset's market value done by independent assessor organizations. Highly liquid financial investments of the Corporation organizations quoted at open trading platforms found in 2012 were sold via professional traders.

As a result of operations performed in 2012, the Corporation organizations received to their accounts over 1.3 bln. RUB from non-core asset sales.

In 2012 the Corporation put into action a procedure of consolidation of proceeds from sales of non-core assets allowing to ensure that the whole amount of net proceeds from sales of non-core assets of the Corporation organizations is credited to the accounts of the Corporation, and the said amounts are distributed among target funds of the Corporation and funds of holding companies for their further target use. Consolidation of the money flow at the level of the Corporation and its holding companies allows financing the most efficient and urgent investment projects and optimizing efficiency of measures designed to improve financial condition of the Corporation organizations.

The Corporation and its holding companies (integrated structures) started to create a fund for development of innovations and investments, and a financial rehabilitation fund. The above funds are created for the purpose of ensuring financing for investment projects and financial rehabilitation measures. Decisions on project financing are made by collegial bodies of the Corporation and its holding companies based on the investment programs approved according to the due processes and including the most promising projects targeting modernization of the Russian industry; selection of priority projects is based on a system of criteria complying with global best practices in the field.

Money in the financial rehabilitation funds may also be used in course of the approved programs of financial rehabilitation of organizations; especially for high priority tasks, including bankruptcy prevention and maintaining productive assets of the organizations experiencing financial problems.

2.2.10. Providing assistance to the Corporation organizations in ensuring due quality of military products supplied under state order or exported

For the purpose of providing assistance to the Corporation organizations in ensuring due quality of military products the Corporation created in 2012 a Center for Quality Monitoring and Audit at the premises of JSC Aviatechpriemka.

The Corporation continued its work on the unified platform of regulations and guidelines for military products quality control, on the system of reports on taking priority measures to ensure military products quality, including exported products. According to the Russian Federation Governmental Decree No. 629 dd. August 17, 2010 " Amendments to certain Russian Federation Governmental Decrees on the issues of ensuring quality of military products manufactured within state defense order and for export", the Corporation prepared and approved:

concept of creating a corporate system of information and analysis for quality monitoring in relation to military, civilian, and dual-purpose products;

procedure regulating submittals and exchanges of information in the corporate system of information and analysis for quality monitoring in relation to military, civilian, and dual-purpose products

guidelines on creating a unified management system for quality, environmental and labor safety;

general requirements for the integrated management system for safety of aviation equipment designers and manufacturers;

standard agreement on cooperation with the Corporation organizations in product quality control.

The Corporation prepared and submitted to the Ministry of Industry and Trade of Russia its suggestions for the list of measures directed at improving quality of ammunition and military machines manufactured within state defense order and for export.

2.2.11 Improving the system for professional education and further training of specialists, programs of cooperation and interaction with leading institutions of higher education in the Russian Federation, including target contracted education for future employees of the Corporation and its organizations based on long-term agreements and contracts

The main target for the professional training and education of the Corporation employees is defined as improving professional competence, abilities and knowledge of the employees for the final purpose of maximizing efficiency of their work and achieving a higher level of professionalism.

In 2012 the Corporation together with its holding companies (integrated structures) performed close monitoring of the matters related to preparing qualified specialists, analyzed relevant problems, prepared reports and suggestions for the Ministry of Education and Science and Ministry of Industry and Trade of Russia, Department of Education of Moscow on the matters of maintaining a system of professional education in educational institutions of all levels. The Corporation took part in meetings on the matters hosted by the Military and Industrial Commission of the Russian Federation Government.

In 2012, 58 employees of the Corporation took refresher training in specialized programs of professional education, retraining and skills upgrade.

The Corporation, its holding companies (integrated structures) and organizations continued their close cooperation with leading Russian institutions of higher education in the field of education and scientific research. Joint work with the institutions was based on long-term agreements designed to create and improve a system of target contracted education for future employees of the Corporation and its organizations.

The main partners of the Corporation among the institutions of higher education are Moscow State Institute of International Relations (University) of the Russian Ministry of Foreign Affairs, Moscow State Institute of Technology named after N.E. Bauman, Russian University of Economics named after G.V. Plekhanov, St. Petersburg State Polytechnic University, Diplomatic Academy of the Russian Ministry of Foreign Affairs, and other Russian educational institutions. In 2012 the Corporation signed a cooperation and interactions agreement with the Moscow Aviation Institute (national research institution).

The Corporation was actively involved in creating the currently working main (core) departments in Moscow institutions of higher education:

"Management in the field of military and technological cooperation and modern technologies" in the Moscow State Institute of International Relations (University) of the Russian Ministry of Foreign Affairs;

"Economical analysis and corporate administration of manufacturing and export of cutting-edge products" in the Russian University of Economics named after G.V. Plekhanov.

In course of work activities of the main (core) departments, the Corporation organizes special courses and internship of graduate students in its structural subdivisions, supervises graduation thesis preparations in the fields related to military and technological cooperation and promotion of cutting-edge products.

In 2012, another class of graduates completed their studies in the course of "Management in the field of military and technological cooperation and modern technologies" within the joint

program of target contracted education between the Corporation and the Moscow State Institute of International Relations (University) of the Russian Ministry of Foreign Affairs. Over 50 graduates of the course have already received jobs offers from and took positions in the Corporation and its organizations.

For the purpose of improving procedures of continuous education and assisting intensification of innovative activities of the holding companies (integrated structures) and organizations of the Corporation, the Corporation took the following measures in 2012:

made changes to programs of preparing administrative officers for the Corporation organizations in the aspects concerning improvements to the system of skills upgrade for corporate managers and administrative officers in the field of innovation and technology management;

organized cooperation with educational institutions on the matters of administrative officer training designed to involve young specialists in practical innovative activities;

organized purchase of licenses for education programs in the area of innovative enterprise developed in the leading Russian and foreign universities and improving quality of education in the field of innovations.

The Corporation selected 200 main institutions of higher education and the Corporation organizations and these institutions signed cooperation agreements concerning target specialist training, improving cooperation in special (scientific and technological) areas, and jointly conducting research (engineering and technological) works.

2.2.12. Creating a center for optimizing production systems and implementing pilot projects for improving operational efficiency of the holding companies (integrated structures) and organizations of the Corporation

In accordance with the work program of the Corporation for the year 2011 and planned term of 2012-2013, the Corporation performed, in 2012, work on creating a center for optimizing its production systems.

The Corporation selected a number of pilot projects for optimizing production systems of the following organizations:

OJSC Ufimskoe APO, Ufa, Tatarstan;

OJSC "Nizhny Novgorod Research and Production Association named after M. V. Frunze, Nizhny Novgorod;

OJSC "Production Association Zavod imeni Sergo", Zelenodolsk, Tatarstan;

OJSC ORPE Technologiya, Obninsk, Kaluga region;

OJSC Plant of Semiconductor Equipment, Yoshkar-Ola, Mari-El;

OJSC Aviaagregat, Samara.

For the purpose of exchanging experience on improving production systems of the Corporation organizations and spreading best practices for using methods of lean manufacturing, the Corporation together with OJSC KAMAZ and with support of the Ministry of Industry and Trade of the Tatarstan Republic, Chamber of Trade and Industry of Naberezhnye Chelny, and Zakamye region, organized in Naberezhnye Chelny a conference entitled "Lean Manufacturing Philosophy: Successful Russian Technologies for Prosperity in Russia". Representatives of 150 organizations of the Corporation took part in the conference.

The Corporation growth strategy for the period up to the year 2020 defines priority progress areas for the holding companies (integrated structures) and organizations of the Corporation for the purpose of improving their competitive ability and investment attractiveness.

To this end, a number of holding companies and organizations of the Corporation started to implement innovative concept of production management and methods of lean manufacturing.

2.3. Activities within the priority area "Ensuring investment attractiveness of the holding companies (integrated structures) and organizations of the Corporation"

2.3.1. Support in attracting investments to the organizations of the Corporation, including in the interest of creating competitive industrial products, including military products

The Corporation provides continuous assistance to its organizations in receiving budgetary and non-budgetary financing in course of realizing Federal Target Program projects, and financial instruments securing obligations of the organizations towards state clients (bank guarantees, sureties). The budgetary investments are made for the purpose of implementing projects in the area of defense industry complex, innovating technologies development, and improving competitive ability of products in peaceful industry sectors.

The Corporation provides support to its organizations in obtaining credit and loan funds, including for the purpose of creating competitive industrial products, including military products; on a regular basis interacts with credit organizations to find and ensure its organizations receive bank products on the best conditions.

In 2012, the Corporation assisted its organizations in attracting credit and loan funds in the amount of approximately RUB 3.7 bln., receiving bank guarantees for the total amount of approximately RUB 28.7 bln.. In the same year 2012, the Corporation provided credits to the Corporation organizations on special terms, for the amount of RUB 221 mln. and USD 48.8 mln.

In line with its assistance to the Corporation organizations in their obtaining credit funds to secure obligations under state contracts in 2012, the Corporation provided sureties for the amount of approximately RUB 5.5 mln..

For the purpose of improving mechanisms of attracting and registering investments in 2012, the Corporation took steps to create development funds for innovations and investments at the level of the Corporation and its holding companies, based on unified principles of managing the fund assets. Priority areas of use of investment resources are technological upgrade of the Corporation organizations, implementation by the Corporation of the state policy for innovative development, creating and implementing new innovative technologies, mastering production of new products, including cutting-edge,

including military and dual-purpose products, and performing scientific research and design and development by the Corporation organizations. Co-financing of important projects requiring additional resources, including projects comprising the scope of target federal programs, is also an important purpose of the create funds. The implemented system allows increasing efficiency of the Corporation assistance in making investments in the priority areas of innovative industrial development and intensifying investments.

2.3.2. Assisting the Corporation organizations in implementation of investment projects. Participation in the capital of commercial and non-profit organizations in and outside the Russian Federation, for this purpose

For the purpose of assisting the Corporation organizations in implementation of investment projects, the Corporation ensured in 2012 conducting negotiations with leading foreign and Russian companies, and registering the resulting agreements with the number of the companies.

A memorandum was signed with DSM Dyneema (Netherlands), describing creation of a joint enterprise in the field of manufacture and sale of nonwoven unidirectional materials (UD materials) for distribution in Russia and CIS countries. The joint enterprise will become the first company in the Russian Federation specializing in manufacture of nonwoven materials from UHMWPE with fixed orientation, for the purpose of providing cutting-edge armor protection for the military-industrial complex.

Agreement reached with Technip (France) concerning signing a memorandum of creating a joint enterprise for the purpose of manufacturing and commercializing unbonded flexible pipes for underwater and land gas and oil pipelines (the memorandum signed in February, 2013).

In 2012, the Corporation assisted its organizations in their continued work on implementing a number of investment projects involving creation of joint enterprises. In particular, within the works under the project of UEC Managing Company "Creating joint enterprise with General Electric and JSC INTER RAO UES for manufacturing gas-turbine power plants", the project participants signed a framework agreement on creating joint enterprise, the joint enterprise shareholder agreement, the joint enterprise deed of incorporation, and strategic business plan.

In 2012, the Corporation, Renault-Nissan alliance, Troika Dialog Investment Limited, and OJSC AUTOVAZ signed principles of cooperation in the field of creating joint

enterprise within the strategic partnership for the purpose of ensuring long-term successful growth of OJSC AUTOVAZ. In December 2012, the participants signed main agreement on creating joint enterprise. In accordance with the above documents, a joint enterprise was created with the name of Alliance Rostec Auto B.V., to be used by the parties in coordinating their actions related to supporting the OJSC AUTOVAZ development program for the period up to 2020. Within the cooperation program, the Renault-Nissan alliance will transfer modern technologies and share professional experience, ensure further technological advancement of the Russian car manufacturer, assisting in promotion of the LADA brand through extending the range of products and continuous quality improvement.

2.3.3. Taking measures to prepare promising holding companies (integrated structures) and organizations of the Corporation ready for IPO

In 2012, the Corporation and its holding companies completed a large amount of work on analyzing market position and financial condition of holdings with the most investment attractiveness. As a result, the most attractive sectors were defined with the Corporation organizations present, as well as their market share; main principles of development strategies of the Corporation organizations analyzed, as well as financial and economical indicators of the Corporation, composition of the products manufactured by the Corporation organizations (civilian, military), etc.

The works completed resulted in the list of the most promising holding companies (integrated structures) of the Corporation to start IPO, including OJSC Russian Helicopters, OJSC Radio-Electronic Technologies Concern; OJSC Schwabe, and OJSC Russian Electronics.

The list was included into the plan for attracting potential investors (including foreign) through initial public offering (sale) of shares of the organizations (IPO) submitted to the Russian Federation President and the Russian Federation Government.

In course of preparing the Corporation organizations for starting IPO, the following measures to this end are worth noting:

creating legal structure of holdings, assessing share portfolios of the Corporation organizations to be used for registered capital of managing organizations of the holding companies (integrated structures);

developing and approving development strategies for the holding planning to start IPO, covering their main areas of business development;

creating a system for preparing reports of the holdings in compliance with the international standards of financial reports;

introducing a corporate management system: creating corporate management bodies according to the legal requirements of the Russian Federation; approving the necessary regulating documents.

2.3.4. Building an internal audit and control system in the Corporation organizations and creating subdivisions for internal audit and control in managing (head) organizations of holding companies (integrated structures).

In 2012, the Corporation conducted 22 inspections and 42 revisions of finances and operational activities of the Corporation organizations. As a result of the inspections made, the Corporation controls elimination and rectification of the defects and violations found, preparing and implementing procedures of financial rehabilitation and bankruptcy prevention, and improving work efficiency of the Corporation organizations. The resulting materials of the inspections conducted in certain organizations of the Corporation were submitted to law enforcement agencies.

The Corporation completed building its system of selecting auditor organizations involving the Corporation organizations performing centralized publication of notices of audit selection by means of placing the notices at the official website of the Corporation containing information on purchase of goods, works, and services for the needs of the Corporation and its organizations.

In 2012, the Corporation completed building its system of internal audit and control in managing organizations of its holding companies (integrated structures). The newly established subdivision for internal audit and control in managing organizations of holding companies (integrated structures) are functionally subordinate to audit committees of Boards of Directors of managing organizations of its holding companies (integrated structures) and follow the general guidelines in their activities.

2.3.5. Improving the system of corporate management of holding companies (integrated structures) and organizations of the Corporation.

To ensure the holding companies (integrated structures) timely and on good professional level take measures for implementation of the Development Strategy of the Corporation approved by the Supervisory Board of the Corporation, as well as development programs and programs of restructuring holding companies (integrated structures), the Corporation created a set of regulations designed to prepare the holding companies (integrated structures) for receiving shareholder rights in relation to the Corporation organizations, to gradually transfer to the holding companies (integrated structures) powers of the Corporation in relation to such organizations, and regulating division of authority in relation to such business entities

between the Corporation and its holding companies (integrated structures) to improve their business independence.

To legally register the transfer of a part of rights of the Corporation before the actual transfer of shares in the Corporation organizations to managing organizations of holding companies (integrated structures), the Corporation and the managing organizations of holding companies (integrated structures) signed agreements on specifics of exercising rights to shares in open joint-stock companies and rights of owner of the FSUE property.

For the purpose of building and improving a unified system of corporate management, the Corporation introduced standard (unified) Articles of open joint-stock company and several other standard internal regulations (such as statute of board of directors, statute of revision commission, statute of general meeting of shareholders) in a number of holding companies (integrated structures) and organizations where the Corporation holds majority share in the share capital.

The Corporation prepared and approved, in the holding companies (integrated structures), statutes of committees under boards of directors, including statutes of committee for HR and incentives, budget committee, committee for strategy and innovation.

To intensify control over activities of the Corporation representatives in managing bodies of the Corporation, the Corporation signed contracts with each person elected for the board of directors (supervisory board) of a company due to holding shares owned by the Corporation; such contracts provide for voting based on directions given by the Corporation, and regularly submitting report on actions performed in the capacity of a representative of the Corporation.

In course of preparations for the annual general meetings of shareholders concerning the results of the year 2011, suggestions of the Corporation were prepared, including those relating to the members of managing and supervision bodies; exercising of rights of the Corporation as shareholder (member) of the Corporation organizations ensured; directions to the representatives of the Corporation in the managing bodies of its organizations were communicated (963 directives, 520 decisions of sole shareholder, 134 decisions of sole shareholder in form of order according to the Russian Federation Governmental Decree No. 831 dd. October 17, 2009 were issued).

The Corporation prepared a number of standard (unified) internal documents for joint-stock companies regulating certain aspects of finances and operational activities, took corporate measures for implementing the documents in the Corporation organizations (statute of lease, statute of procurement, procedure of forming 2013 budget, etc.).

In accordance with the requirements of Federal Law No. 437-FZ dd. December 29, 2010 " Amendments to the Federal Law "On non-profit organizations" and certain legislative acts of the Russian Federation" and the Russian Federation Governmental Decree No. 841 dd. August 21, 2012 " Compliance by the personnel of state corporations and state companies with provisions of clause 349.1 of the Labor Code of the Russian Federation ", allowing state corporations participation in management and control bodies of a commercial organization

upon consent of the supreme management body, the Supervisory Board of the Corporation gave the Corporation Managing Board the right to make decisions on approving lists of members for management and control bodies of the Corporation organizations and their affiliates and branches with participation of the Corporation employees, without further coordination with the Supervisory Board.

In view of the provisions of the above legislative acts, the Corporation defined procedure of forming management and control bodies of organizations where the Corporation owns shares (stock).

The lists of members of managing bodies of the Corporation organizations, their affiliates and branches with participation of the Corporation employees were approved according to the due procedure; as well as participation of the Corporation employees in management and control bodies of commercial organizations outside the Corporation, their affiliates and branches.

2.3.6. Preparing and taking measures for financial rehabilitation of distressed assets of the Corporation

In 2012, work was done on identifying distressed assets of the Corporation and their financial rehabilitation. By the end of 2012, 112 organizations of the Corporation were deemed distressed assets.

The Corporation coordinated and regulated activities of managing organizations of holding companies (integrated structures) of the Corporation related to preparing and implementing measures for financial rehabilitation, bankruptcy prevention, developing plans of financial rehabilitation.

During 2012:

programs of financial rehabilitation and (or) work plans, as well as a number of solutions on financial rehabilitation were implemented in 37 organizations of the Corporation;

13 organizations, due to impossibility to recover their creditability in the current (normal) business situation of the Corporation, were restructured according to the procedures described in the laws of the Russian Federation and governing insolvency (bankruptcy);

in other distressed organizations, before approving a work plan and (or) financial rehabilitation program, the Corporation took prompt measures to prevent their bankruptcy by stating the Corporation position in court hearings, conducting negotiations with creditors, communicating with the federal executive bodies involved.

During 2012, the Corporation cancelled bankruptcy proceedings in relation to 1 organization, and stopped bankruptcy at the stage of application submission by a creditor or a court analyzing grounds for such application, for another 7 organizations.

For absolute majority of the distressed organizations to be alienated to third parties, decisions were made to transfer them for discretionary management to specialized organizations for the purpose of increasing their value and investment attractiveness.

In 2012, the Corporation continued its work in the Government Commission on ensuring implementation of measures for prevention of bankruptcy of strategic enterprises and organizations, as well as organizations of military-industrial complex, and in the following groups of the Commission:

on performing monitoring of financial condition and creditability of strategic enterprises and organizations, as well as organizations of military-industrial complex;

on implementing measures for prevention of bankruptcy of strategic enterprises and organizations, as well as organizations of military-industrial complex and preparing draft decisions on filing to arbitration applications on pronouncing strategic enterprises and organizations bankrupt;

on improving the Russian Federation laws on bankruptcy of strategic enterprises.

Within the above Government Commission, the Corporation was responsible for:

representing interests of the Corporation and its organizations in discussing matters and decision-making by the Government Commission and its workgroups;

implementing decisions and commissions of the Government Commission and its workgroups, and controlling their implementation by the Corporation organizations.

Situation in more than 30 Corporation organizations was analyzed in sessions of the Government Commission in 2012.

2.3.7. Preparing and implementing a system for strategic management in holding companies (integrated structures) and organizations of the Corporation

For the purpose of work systematization and organizing cooperation in preparing documents on strategic planning for the Corporation and its holding companies (integrated structures), the Corporation prepared and approved a procedure of conducting control over activities of holding companies (integrated structures) and organizations managed directly by the Corporation.

Within the framework of implementing a system for strategic management of the Corporation, the Corporation in 2012 performed work on improving its pool of guidelines and regulations. In particular, it organized making changes to local regulating acts of the Corporation related to preparing planning and program documents of holding companies (integrated structures) and organizations of the Corporation, and the related reports. In course of this work, the following was prepared:

statute and list of members of Commission for investments, innovations, and modernization;

procedure of preparing work program of the Corporation and submitting for approval to the Supervisory Board;

procedure of forming, submitting, and assessing middle-term work program of the Corporation;

guidelines on structure and composition of programs of restructuring and optimizing production facilities and core assets, including measures to alienate non-core assets;

changes to the unified system of reporting on the activities of the Corporation organizations;

procedure of forming and submitting for approval middle-term and long-term programs of innovative growth of the Corporation.

The Supervisory Board of the Corporation approved a list of performance indicators in relation to activities of the Corporation and managing the Corporation organizations, allowing, starting from 2013, to start building the management system based on the principle of coordinating long-term and middle-term planning of the Corporation activities and the unified system of goals and targets of the Corporation, its holding companies and organizations.

2.3.8. Building a risk management system in the Corporation and its organizations

In 2012, the Corporation completed its work on developing a model for building a risk management system. According to the model, the risk management system is to be included into the management system of the Corporation via integration, ensuring consistent and comprehensive coverage of all types of activities.

The first step on the way to building a risk management system for the Corporation was creating a risk management policy for the Corporation defining goals, targets, basic principles of risk management, responsibilities of the risk management system participants and its limitations. Such policy was approved in 2012 and used as basis for developing internal regulations of the Corporation organizations.

3. Report on use of property of the Corporation

This report was prepared in accordance with Federal Law No. 270-FZ, article 5 and article 8 part 3.

Assets of the Corporation are formed by asset contributions of the Russian Federation, income from use of the Corporation property and from business activities, regular and (or) non-recurrent contributions (donations) based on decisions made according to the applicable laws of the Russian Federation, from organizations in which the Corporations owns shared (stock), from federal or other property transferred to the Corporation in course of its activities, from other legal contributions; the assets shall be property of the Corporation.

The Corporation shall use its assets solely for the purposes defined in Federal Law No. 270-FZ.

3.1. Use of land plots and other real estate

In accordance with the Russian Federation Governmental Decree No. 873 dd. November 21, 2008 (as amended by the Russian Federation Governmental Decrees No. 163 dd. March 17, 2010, No. 397 dd. May 18, 2011, No. 966 dd. November 23, 2011, and No. 733 dd. July 19, 2012) and the Russian Federation Governmental Decrees No. 2131-r dd. December 30, 2009 and No. 682-r dd. April 21, 2011, the Corporation shall obtain as asset contribution 12 land plots and 43 other real estate properties, including properties under construction.

The properties shall be received by the Corporation at their value as defined by Rosimushchestvo. As of January 1, 2012, based on decrees of Rosimushchestvo, the Corporation registered its property right to 3 land plots and 17 real estate items transferred to the Corporation as asset contribution of the Russian Federation.

In 2012, the Corporation additionally registered rights to 2 land plots located at: 21/1 and 21/2 Gogolevsky blvd.; 4/2 and 4/3, Filippovski per., Moscow; total area of 3,127 sq.m, and at 10 pr. Vernadskogo, Moscow, total area of 22,900 sq.m; and to 10 real estate items located in Odintsovo area of Moscow Oblast.

Item No.	Real estate items received as asset contribution	Reported value as of December 31, 2011 (thous. RUB)	Received (spent) in 2012 (thous. RUB)	Withdrawn in 2012 (thous. RUB)	Reported value as of December 31, 2012 (thous. RUB)
1	Land plots	5,729,668	1,010,858	2,616,284	4,124,242
2	Buildings	3,110,453	9,694	-	3,120,147
3	Under construction	652,309	15	652,324	-
	Total	9,492,430	1,020,567	3,268,608	7,244,289

In 2012, based on decision of the Management Board of the Corporation, the land plot and property under construction located at 10, Vernadskogo, Moscow, was transferred into property of OJSC Rosoboronexport on grounds of deed of gift.

Real estate property owned by the Corporation is used to accommodate the Corporation employees in Moscow, St. Petersburg, and Krasnodar, and rented out on grounds of the relevant contracts, including their assignment for use free of charge by federal executive bodies.

Proceeds from renting out the property received as asset contribution of the Russian Federation shall be used for achieving the main goals and tasks of the Corporation.

3.2. Using shares (stock) of business entities

The Russian Federation Presidential Decree and decrees of the Government of the Russian Federation provide for transferring to the Corporation as asset contribution of the Russian Federation, shares (stock) in 445 entities, including: shares in 225 joint-stock companies, shares in 3 limited liability companies, shares in 1 enterprise, and shares in 2 foreign capital companies, as well as shares of 184 joint-stock companies created as a result of restructuring federal state unitary enterprises.

At December 31, 2012, the Corporation balance reflects shares (stock) in 358 business entities received by the Corporation as asset contribution of the Russian Federation or otherwise obtained.

In accordance with the Russian Federation legislation, the Corporation has the right to receive dividends from the organizations shares (stock) of which the Corporation holds, as well as a part of proceeds of the federal state unitary enterprises to be reorganized into joint-stock companies with further transfer of 100% of the shares to the Corporation, as asset contribution of the Russian Federation.

The Corporation income received as dividends and partially as proceeds of the federal state unitary enterprises shall, by the decision of the Supervisory Board of the Corporation, be used for achieving the Corporation goals in accordance with the Federal Law No. 270-FZ.

3.3. Using asset contribution of the Russian Federation

As of January 1, 2012, the remaining balance of asset contribution of the Russian Federation in monetary equivalent is RUB 12,639,336 thousand..

During 2012, the Corporation received, in form of asset contribution, funds in the total amount of RUB 1,800,000 thousand, including:

for financial support of OJSC Izh-Auto: RUB 1,000,000 thousand;

for consolidating the share in the capital of OJSC KAMAZ: RUB 700,000 thousand;

other purposes: RUB 100,000 thousand.

In 2012, RUB 8,701,064 thousand was spent from the amount of asset contribution of the Russian Federation, including:

for measures and events related to completion of construction and commissioning federal centers of modern medical technologies, and construction and equipment of medical centers in Primorye Territory region RUB: 8,082,278 thousand, including return of a part of the money to the state budget of the Russian Federation: RUB 2,150,000 thousand;

for settling obligations related to consolidation of shares of OJSC Corporation VSMPO-AVISMA: RUB 618,786 thousand..

Remaining balance of asset contribution as of January 1, 2013: RUB 5,738,272 thousand..

3.4. Transfer of assets acquired using federal subsidies

According to Decree No. 243 dd. March 6 of the President of the Russian Federation of "Forming assets of the State Corporation Rostekhnologii", clause 5 of Decree No. 1993-r dd. November 12, 2010 of the Government

of the Russian Federation , and clause 5 of Decree No. 1906-r dd. November 1, 2011 of the Government of the Russian Federation , the Corporation commissioned the following federal high-tech medical centers:

center for neurosurgery in Novosibirsk;

centers for cardiovascular surgery in Kaliningrad and Perm;

centers for traumatology, orthopedics, and endoprosthesis replacement in Barnaul and Smolensk,

and transferred to state property of the Russian Federation necessary assets for the activities of the above centers, for the total amount of RUB 14,257,123.1 thousand..

In the interest of comprehensive approach to solving problems of creating conditions for making high-tech health care available to the residents of Krasnodar region, according to the Presidential Decree of March 11, 2012 No. 292 "Measures for creating conditions for making high-tech health care available to the residents of Krasnodar region", the Corporation transferred to the state property of Krasnodar region module medical units, medical equipment and other assets for the amount of RUB 1,673,424.5 thousand..

In the interest of making high-tech health care available to the residents of Primorye Territory, according to the Presidential Decree of June 11, 2011 No. 771 "Measures for creating conditions for making high-tech health care available to the residents of Primorye Territory", the Corporation transferred to the Far East Federal University medical equipment for the amount of RUB 9,587.7 thousand..

3.5. Donations

According to donation contracts, in year 2012 the Corporation received money for the total amount of RUB 31.9 million., used by the Corporation in compliance with terms and conditions of the contracts for the main business objective of the Corporation as required by Federal Law No. 270-FZ.

4. Targets and main areas of activities of the Corporation for 2013

4.1. Priority area "Building efficient business model for the Corporation"

4.1.1. Taking reforming measures in relation to the Corporation organizations, including measures to create holding companies (integrated structures) and transferring shares to them.

4.1.2. Taking reforming measures to ensure restructuring of federal state unitary enterprises into open joint-stock companies, shares to be transferred to the Corporation as the Russian Federation asset contribution.

4.1.3. Improving legal and regulatory framework and standards governing activities of the Corporation and its organizations.

4.1.4. Improving the system of financial planning (budgeting), monitoring and analysis of financial activities of the Corporation and organizations of the Corporation, including automation of the above processes.

4.1.5. Organizing the process of generating consolidated financial reports of the Corporation and its holding companies (integrated structures).

4.1.6. Implementing the Corporation HR policy concept for further organizational progress and improved efficiency of HR management; including improved incentive methods for employees of the Corporation and its organizations ensuring that the incentive amount is dependant on the compliance with set values of key performance indicators.

4.1.7. Further implementation of comprehensive measures according to the Concept of Ensuring Security of the Corporation and its Organizations, and improving the system of state secret protection in the Corporation and its organizations.

4.1.8. Preparing and implementing a range of measures designed to increase IT penetration in the Corporation, holding companies (integrated structures) and the Corporation organizations outside of holding companies (integrated structures).

4.1.9. Taking measures to ensure transition of the Corporation to the target organizational and functional business model: development corporation.

4.2. Priority area "Improving competitive ability of holding companies (integrated structures) and organizations of the Corporation

4.2.1. Organizing activities of holding companies (integrated structures) and organizations of the Corporation related to improving labor efficiency, technological modernization of production processes, and improving competitive ability of products.

4.2.2. Assisting organizations from different industrial sectors, including MIC, in design and manufacturing high-tech industrial products, performing promising research, developing technologies, maintaining and developing scientific and industrial potential.

4.2.3. Organizing the Corporation organizations' performance of state arms program, state defense order and mobilization plan, federal target programs and programs for military and industrial cooperation.

4.2.4. Participating in formation, organization of financing and ensuring realization of target federal programs in relation to the Corporation organizations.

4.2.5. Participating in realization of state policy in the area of military and technical cooperation between the Russian Federation and foreign countries, including assistance to organization – state intermediary in its foreign trade activities concerning military products.

4.2.6. Ensuring promotion and sales of high-tech industrial products and intellectual property related to creation of such products, on domestic and foreign markets (including marketing and exhibitions).

4.2.7. Organizing implementation of growth strategies, innovative progress strategies, middle-term work programs, investment and other programs of the Corporation, holding companies

(integrated structures) and organizations outside the holding companies (integrated structures).

4.2.8. Creating innovative corporate infrastructure and corporate system for development of small and medium innovative businesses.

4.2.9. Taking measures for alienation of share portfolios of organizations included into the list of organizations shares of which are held by the Corporation and alienated to third parties; and programs of alienation of non-core assets of the Corporation and its holding companies (integrated structures).

4.2.10. Assisting the Corporation organizations in implementation and certification of product quality management systems.

4.2.11. Organizing professional training and re-training of human resources, programs for cooperation and interaction with leading institutions of higher education in the Russian Federation, including target contracted education of specialists for the Corporation and its members based on long-term agreements and contracts.

4.3. Priority area "Ensuring investment attractiveness of holding companies (integrated structures) and organizations of the Corporation"

4.3.1. Preparing and implementing measures to increase efficiency of R&D, capital investments, and asset exploitation in the Corporation and its organizations.

4.3.2. Assisting the Corporation organizations in attracting investments and implementing investment projects, including for the purpose of creating competitive industrial products, including military products.

4.3.3. Taking measures for preparing IPO of promising holding companies (integrated structures) and organizations of the Corporation.

4.3.4. Building an internal audit and control system in the Corporation organizations and creating subdivisions for internal audit and control in managing (head) organizations of holding companies (integrated structures).

4.3.5. Taking and supervising measures for improving efficiency of purchases of the Corporation organizations.

4.3.6. Improving the system of corporate management of holding companies (integrated structures) and organizations of the Corporation.

4.3.7. Preparing and taking measures for financial restructuring of distressed assets of the Corporation.

4.3.8. Building a risk management system in the Corporation and its organizations.

Organizational Structure of the Corporation

Revision Commission		Supervisory Board			Managing Board	
					DG Staff Manager	DG Staff
		Director General				
Deputy DG	Deputy DG	First Deputy DG	Deputy DG	Deputy DG		
Expert Group	Science and Engineering Board	Group of Inspectors	Secretariat	Press Relations	Department of Accounting and Taxes	Legal Departmen t
Department of Innovations and Strategic Developmen t	Department of Corporate Procedures and Property Portfolio	Department of Industrial Assets	Department of Financial and Economic Policy	Department of Investment Products	Department of Foreign Trade and Marketing	
Department of Economical Safety	IT Administratio n	Department of Internal Audit and Control of the Corporation Organizations	HR Administratio n	Administration for Regional Cooperation and State Organs Relations		
Administratio n and Assets Department	Service for Promising Research and Technologies	Service for State Secret Protection	Representative Offices in Different Constituent Entities of the Russian Federation		Foreign Representativ e Offices	

List

of representatives (representative offices) of the Corporation in foreign countries

(as of December 31, 2012)

1. Representatives of the Corporation in foreign countries

<i>Item No.</i>	<i>Country</i>	<i>Representatives of the Corporation in the Russian consulate (trade mission)</i>
1	Republic of Austria	trade mission
2	Republic of Azerbaijan	trade mission
3	People's Democratic Republic of Algeria	trade mission
4	Republic of Angola	consulate
5	Republic of Argentina	trade mission
6	Republic of Armenia	trade mission
7	Republic of Belarus	trade mission
8	Kingdom of Belgium	trade mission
9	Republic of Bulgaria	trade mission
10	Federative Republic of Brazil	trade mission
11	Republic of Hungary	trade mission
12	Bolivarian Republic of Venezuela	consulate
13	Socialist Republic of Vietnam	trade mission
14	Republic of Greece	consulate
15	Arab Republic of Egypt	trade mission
16	Republic of India	trade mission
17	Republic of Indonesia	trade mission
18	Hashemite Kingdom of Jordan	consulate

19	Islamic Republic of Iran	trade mission
20	Republic of Yemen	consulate
21	Republic of Italy	trade mission
22	Republic of Kazakhstan	trade mission
23	Republic of Cyprus	consulate
24	Kyrgyz Republic	trade mission
25	People's Republic of China	trade mission
26	Republic of Columbia	consulate
27	Republic of Korea	trade mission

<i>Item No.</i>	<i>Country</i>	<i>Representatives of the Corporation in the Russian consulate (trade mission)</i>
28	Republic of Cuba	consulate
29	Kuwait	consulate
30	Lao People's Democratic Republic	consulate
31	Libya	consulate
32	Malaysia	trade mission
33	United Mexican States	consulate
34	Union of Myanmar	consulate
35	United Arab Emirates	consulate
36	Republic of Peru	consulate
37	Republic of Poland	trade mission
38	Republic of Serbia	trade mission
39	Syrian Arab Republic	consulate
40	Kingdom of Thailand	trade mission

41	Turkmenistan	consulate
42	Turkish Republic	trade mission
43	Republic of Uganda	consulate
44	Republic of Uzbekistan	trade mission
45	Ukraine	trade mission
46	Republic of Finland	trade mission
47	Czech Republic	trade mission
48	Federal Democratic Republic of Ethiopia	consulate

2. Representative offices of the Corporation in foreign countries

<i>Item No.</i>	<i>Country</i>
1	Federal republic of Germany
2	Republic of France

Assessment Criteria

for Activities of State Intermediary Related to Foreign Trade in Military Products

In 2012, foreign trade turnover of OJSC Rosoboronexport amounted to USD13.1857 bln. (cf. USD10.9665 bln, in 2011).

Amount of money received in 2012 as payment for export operations was USD13.3597 bln. (cf. USD8.9392 bln, in 2011).

Export order portfolio, as of December 31, 2012, is USD38.3 bln. (cf. USD34.6 bln. as of 31.12.2011).

The following remained in action in 2012:

- international sanctions introduced by the UN Security Council, banning and (or) limiting supply of military products to Côte d'Ivoire, Liberia, Somali, Sudan, and Eritrea;
- prohibition to transport military products for Syria through Turkish territory imposed by Turkey within the 2011 EU and USA directives limiting supply of military products to Syria;
- national trade regulations introduced earlier by the government of Venezuela and involving charging, in violation of terms of foreign trade contracts, 2% of the payment amounts as social tax, and requiring mandatory financial guarantees for settlement payments in insurance companies accredited exclusively in Venezuela (complicating preparation of documents necessary for the receipt of payments by the Russian party). In such circumstances, Venezuela refused to support requests made by the Russian party aiming to simplify the above procedure by using joint bank;
- regulations limiting supply of military materials to Iran, introduced by Directive No. 1154 dd. September 22, 2010 of the President of the Russian Federation "Measures to follow the resolution 1929 issued by the UN Security Council on June 9, 2010".

The above barriers and sanctions impeded the state intermediary OJSC Rosoboronexport ability to fulfill its contractual obligations.

Striving to optimize the legislation on the matters of military and technical cooperation of the Russian Federation with foreign countries, OJSC Rosoboronexport participated in drafting and approving laws and regulations issued in 2012, including:

Decrees of the President of the Russian Federation:

No. 55 "Amendments to to certain acts of the President of the Russian Federation on the matters of military and technical cooperation of the Russian Federation with foreign countries", dd. January 20, 2012;

No. 327 "Amendments to the Statute of procedure of military and technical cooperation of the Russian Federation with foreign countries and Statute of procedure of licensing export and import of military products in the Russian Federation, approved by Presidential Decree No. 1062 of September 10, 2005", dd. March 21, 2012;

No. 1063 "Amendments to Presidential Decree No. 1062 Issues of military and technical cooperation of the Russian Federation with foreign countries of September 10, 2005, and to the Statute of procedure of military and technical cooperation of the Russian Federation with foreign countries, approved by the Decree", dd. July 28, 2012;

No. 1279 "Amendments to Presidential Decree No. 1083 Issues of the Federal Service for Military and Technical Cooperation of August 16, 2004, and to the Statute approved by the Decree" dd. September 10, 2012;

Decrees of the Government of the Russian Federation:

No. 233 "Approving Regulations for foreign client managing rights of the Russian Federation to intellectual products designed for civil, military, special, or dual purpose" dd. March 22, 2012;

No. 372 "Amendments to the list of documents to be submitted to the federal executive organs in course of approving draft Presidential Decisions, Government Decisions, and (or) Decisions of the Federal Service for Military and Technical Cooperation, concerning supply of military products" dd. April 23, 2012;

No. 402 "Ensuring control and supervision in the field of legal protection and use of intellectual products designed for civil, military, special, or dual purpose financed from the federal budget; and control and supervision in the given field in respect of state clients and contractor organizations – parties to government contracts involving scientific research, design and development, and manufacturing" of April 26, 2012.

List
of Corporation Representative Offices in Different Constituent Entities of the Russian
Federation
(as of December 31, 2012)

Item No.	Name of representative office ²	Location of representative office	Regions under jurisdiction of the representative office
1	Representative office in the Republic of Bashkortostan	Ufa	Republic of Bashkortostan
2	Representative office in the Republic of Tatarstan	Kazan	Republic of Tatarstan Republic of Mari El
3	Representative office in Udmurt Republic	Izhevsk	Udmurt Republic
4	Representative office in Krasnodar Territory	Krasnodar	Krasnodar Territory Stavropol Territory
5	Representative office in Perm Territory	Perm	Perm Territory
6	Representative office in Primorye Territory	Vladivostok	Primorski Territory
7	Representative office in Khabarovsk Territory	Khabarovsk	Khabarovsk Territory Sakhalin Region
8	Representative office in Arkhangelsk Region	Severodvinsk	Arkhangelsk Region
9	Representative office in Vladimir Region	Vladimir	Vladimir Region Ryazan Region
10	Representative office in Volgograd Region	Volgograd	Volgograd Region Astrakhan Region

² The table gives short names of representative offices (full name example: representative office of the State Corporation Rostechnologii in the Republic of Bashkortostan

Item No.	Name of representative office ²	Location of representative office	Regions under jurisdiction of the representative office
11	Representative office in Voronezh Region	Voronezh	Voronezh Region Belgorod Region Kursk Region Lipetsk Region Tambov Region
12	Representative office in Irkutsk Region	Irkutsk	Irkutsk Region Buryat Republic Krasnoyarsk Territory
13	Representative office in Kaluga Region	Kaluga	Kaluga Region Bryansk Region
14	Representative office in Kirov Region	Kirov	Kirov Region
15	Representative office in Nizhny Novgorod Region	Nizhny Novgorod	Nizhny Novgorod Region Chuvash Republic
16	Representative office in Novosibirsk Region	Novosibirsk	Novosibirsk Region Altai Territory Kemerovo Region Tomsk Region
17	Representative office in Omsk Region	Omsk	Omsk Region
18	Representative office in Rostov	Rostov on Don	Rostov Region

	Region		Dagestan Republic Kabardino-Balkaria Republic North Ossetia – Alania Republic
19	Representative office in Samara Region	Samara	Samara Region
20	Representative office in Saratov Region	Saratov	Saratov Region Penza Region
21	Representative office in Sverdlovsk Region	Yekaterinburg	Sverdlovsk Region Chelyabinsk Region Kurgan Region
Item No.	Name of representative office ²	Location of representative office	Regions under jurisdiction of the representative office
22	Representative office in Smolensk Region	Smolensk	Smolensk Region
23	Representative office in Tula Region	Tula	Tula Region Oryol Region
24	Representative office in Ulyanovsk Region	Ulyanovsk	Ulyanovsk Region Republic of Mordovia
25	Representative office in Yaroslavl Region	Yaroslavl	Yaroslavl Region Ivanovo Region Tver Region
26	Representative office in St. Petersburg	St. Petersburg	St. Petersburg Vologda Region

Kaliningrad Region

Leningrad Region

Novgorod Region

Pskov Region