

APPROVED:
by the Resolution of the General Meeting of Shareholders
of PSC “VSMPO-AVISMA Corporation”
on June 30, 2009

Meeting minutes dated July 14, 2009

Chairman of the General Meeting of Shareholders
_____ **M.V.Voevodin**

COMPANY BY-LAWS
OF THE PUBLIC - STOCK COMPANY
“VSMPO-AVISMA CORPORATION”
(new revision)

Verkhnyaya Salda

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1. General Provisions

1.1. Public Stock Company "VSMPO-AVISMA Corporation" (before January 24, 2005, - Joint Stock Company "Verkhnyaya Salda Metallurgical Production Association"), hereinafter - "The Company", has been established according to the Russian Federation President Decree on Organizational Measures for Public Enterprises and Public Enterprises Voluntary Associations Transformation into Joint Stock Companies, dd. July 1, 1992, No. 721 and the Decree on Leasing Relations Regulation and Privatization of Property of Leased Governmental and Municipal Enterprises, dd. October 14, 1992, No. 1230.

The Company is a legal entity, acting on the grounds of the Company By-Laws and the Russian Federation Legislation.

1.2. The Company has been established by Sverdlovsk Region Committee on Public Property Control, holding the powers of the local agency of the RF State Committee on Public Property Control, and natural persons – shareholders of the closed joint-stock company “Tirus” who took on lease public assets of the former government enterprise “Verkhnyaya Salda Metallurgical Production Association” from the authorized government body.

1.3. On September 21, 2004, the Company’s Special General Meeting of Shareholders passed a resolution on reorganization of the Company by way of affiliation of the Joint Stock Company “AVISMA Titanium-Magnesium Works” and approved the Agreement between the Joint Stock Company “AVISMA Titanium-Magnesium Works” and Joint Stock Company “Verkhnyaya Salda Metallurgical Production Association”. As of the date of introduction of the note on cessation of the activities of the Joint Stock Company “AVISMA Titanium-Magnesium Works” into the Uniform Public Register of Legal Entities, the Company shall be the legal successor of the Joint Stock Company “AVISMA Titanium-Magnesium Works” with regard to all of its rights and obligations in accordance with the Agreement on Reorganization and the Transfer Act approved by the Special General Meeting of Shareholders of the Joint Stock Company “AVISMA Titanium-Magnesium Works” on September 21, 2004. Following the joint General Meeting of Shareholders of Joint Stock Company “AVISMA Titanium-Magnesium Works” and Joint Stock Company “Verkhnyaya Salda Metallurgical Production Association” of December 28, 2004, the Company was renamed as Public Stock Company "VSMPO-AVISMA Corporation" the record of which fact was made in the Uniform Public Register of Legal Entities January the 25th, 2005.

1.4. The Company has been established for unlimited performance period.

2. Name and Location of the Company

2.1. The Company’s full name is:

- In Russian - открытое акционерное общество «Корпорация ВСМПО-АВИСМА»,
- In English – public stock company “VSMPO-AVISMA Corporation”.

The Company’s acronym is:

- In Russian – ОАО «Корпорация ВСМПО-АВИСМА»,
- In English – “VSMPO-AVISMA Corporation”.

2.2. The Company’s location: 1 Parkovaya Street, Verkhnyaya Salda, Sverdlovsk Region, Russia.

2.3. The Company’s address: 1 Parkovaya Street, Verkhnyaya Salda, Sverdlovsk Region, Russia, 624760.

3. Legal Status of the Company

3.1. The Company is a legal entity, which possesses individual assets reflected in its independent account.

The Company can in its own name accrue and exercise its property and personal non-property rights, assume obligations, act as a claimant and a defendant in court.

The Company acquires the rights and obligations of a legal entity on the date of its registration.

3.3. The Company has a round stamp indicating its full name in Russian, its trade mark (symbol) and its location. The Company is entitled to have stamps and letterheads, a trade mark registered in a proper way and other means of visual identification.

3.4. The Company fulfils all kinds of foreign economic activities in accordance with the current Russian Federation Legislation.

3.5. The Company has the right to take part in and establish profit making organizations in the Russian Federation and abroad.

3.6. The Company has the right to enter, on voluntary basis, any alliances or associations and also be a member of other non-profit corporations both in the Russian Federation and abroad.

3.7. The Company is entitled to take part in the activities of and co-operate in any other way with international organizations.

3.8. Product sales, work execution and service rendering is performed based on prices and rates independently established by the Company, except as otherwise provided by the Russian Federation Legislation.

3.9. The Company is authorized to employ Russian and foreign experts, independently determine the form, system, amount and type of remuneration of labor.

3.10. State, public and other organizations can't interfere in the Company's affairs, unless it is conditioned by their supervisory authorities granted by the current Russian Federation Legislation.

4. The Company's Objective and Subject of Activity

4.1. The Company's main objective is profit earning and shareholders interests protection.

4.2. The Company has civil rights and performs its duties, necessary for fulfillment of any kind of legal activities.

The Company can perform certain kinds of activities, determined in accordance with the current Legislation, only on the basis of the special authorization (license).

4.3. Particularly, the Company performs the following types of activities:

- use of metallurgical production processes and objects; manufacture of other non-ferrous metals and products thereof;
- manufacture of products of industrial and technical application, including manufacture with the use of precious metals;
- manufacture of consumer goods, including manufacture with the use of precious metals;
- production and processing of agricultural products;
- construction activities;
- development work and design-engineering activities, contract building and assembly, repair and construction jobs, manufacture of building structures;
- construction and repair of underground communications;
- performance of head organization functions on planning, accounting, collecting and processing of titanium wastes;
- fulfillment of transfer, shipping, forwarding and other jobs, connected with transportation

- activities, repairs and maintenance of motor transport vehicles, as well as passenger and cargo transportation on motor transport vehicles, handling activities, goods storage services;
- fulfillment of transportation via Company owned air carriers supporting production and business requirements, urgent deliveries, as well as transportation of Company's employees and other citizens in the Russian Federation and abroad, assurance of the Company's air carrier safety;
 - fulfillment of hauling, shipping, forwarding and other jobs, connected with transportation activities, repairs and servicing of railway carriers;
 - activities, connected with heat and power supply services rendering;
 - activities, connected with communication services rendering;
 - activities on engineering structures maintenance;
 - performance and participating in technical and technological research and study in all kinds of activities, aimed at product quality improvement and certification;
 - purchasing, acquiring, granting or leasing, and also selling of plots of land, store houses, business premises and other quarters;
 - obtaining and granting of credits;
 - medical practice;
 - catering;
 - retail trading;
 - providing of personal services to population and enterprises, including hotel services;
 - agency business;
 - publishing of a weekly newspaper, broadcasting and telecasting, rendering of paid public services (advertising) to organizations and individuals;
 - advertising and decorating services (streets, buildings, waysides);
 - organizing of cultural public performances, sporting events, entertaining activities;
 - video films showing;
 - publishing activities;
 - organizing of trade exhibitions;
 - obtaining and submittal of economic, legal, socio-political and other types of information;
 - selling of the acquired new auto/motor transport vehicles, classified assemblies and units, and also commission selling of auto/motor transport vehicles and classified assemblies;
 - personnel (including technical personnel) training and retraining, aimed at satisfaction of individuals and legal entities need in this kind of services on a contractual basis;
 - maintenance and repairs of boiler inspection units and lifting devices (boilers; lifting cranes; lifts; car lifts; pressure vessels);
 - manufacture of detachable load handling devices, containers, detachable load carrying elements;
 - training and certification of the management personnel, engineers and workers;
 - maintenance and repairs of the Company's gas pipelines; maintenance and repairs of gas equipment; maintenance and repairs of boilers' gas equipment; repairs of industrial enterprises gas equipment; repairs of gas distributing stations (GRP); repairs of the gas running units (boilers, production furnaces, etc.); balancing and commissioning of gas equipment units (GRP, GRU, gas pipelines, gas furnaces);
 - internal supervision over hygiene and sanitary parameters, physical factors, environmental conditions observance, occupational safety administration system functioning, including inspection of compliance to the relative regulations with respect to the RosTechNadzor objects, engineers and managing staff knowledge examination, inspection of the management responsibility system on occupational safety and rendering of outside services;

- rendering of services to individuals, entrepreneurs and legal entities on radiation surveys and radio-ecological measurements performance, according to the Company’s Radiation Survey and Radio-Ecological Measurements Service accreditation scope;
- planning and supervision of activities connected with the Legislation, regulations and standards for environmental protection requirements fulfillment, and also inspection of the manufacturing sanitary code requirements compliance;
- performance of measurements and analysis for eco-analytical monitoring;
- performance of examinations and measurements of environmental quality indexes;
- manufacture, engineering setup and operation of the environmental protection equipment, measuring and control devices for manufacturing and transport facilities ecological parameters taking;
- fulfillment of jobs and services for equipment, manufacturing and enterprises ecological certification;
- fulfillment of jobs and services for recycling, storage, transfer, disposition, disposal and destruction of manufacturing wastes (except for radwastes);
- protection of the State and the Company’s commercial classified information;
- security and investigation activities to ensure protection of the Company’s interests.
- other types of activities consistent with the current Russian Federation legislation.

5. Liabilities of the Company

5.1. The Company is liable for its obligations with all of its assets.

The Company is not liable for its shareholders obligations.

5.2. If the Company’s insolvency (bankruptcy) is due to its shareholders actions or actions of other persons, entitled to give mandatory directions or able to influence the Company’s activities in some other way, then the secondary liability for the Company’s obligations may be placed upon such shareholders or other persons in the event of the Company’s assets insufficiency.

5.3. The Government and Federal Bodies are not liable for the Company’s obligations, as well as the Company is not liable for the Government and Federal Bodies obligations.

5.4 The Company's performance of its production and financing activities meets the current legislation. The Company, within production and development processes, ensures observation of environmental and industrial safety requirements to meet customer needs in high-quality products and services.

Social responsibility of the Company includes timely and full payment of taxes and duties, maintenance of a fair level of employees' salary, observation of social partnership principles, providing of warranties and benefits for its employees via conclusion of labor contracts.

6. Subsidiaries and Representative Offices

6.1. The Company is entitled to establish subsidiaries and representative offices in the Russian Federation and abroad.

6.2. Subsidiaries and representative offices shall act in the name of the Company, which bears responsibility for their actions.

6.3. Subsidiaries and representative offices are not considered to be legal entities, they are provided with the property by the Company and act according to the relative provisions.

The assets of subsidiaries and representative offices are included in their separate accounts and in the Company’s account.

6.4. Managers of subsidiaries and representative offices act on the grounds of the Company’s certificate of authority.

6.5 The Company has the following subsidiaries in its structure:

- AVISMA-Affiliate, legal address: 29 Zagorodnaya St., Berezniki, Perm Territory, Russia.

6.6 The Company has the following representative office:

- Representative office of PSC “VSMPO-AVISMA Corporation”, legal address: 2-4-6, Building 14, Bolshoi Savvinsky pereulok, Moscow, Russia.

7. Authorized Capital Stock

7.1. The Company’s authorized capital equals 11 529 538 (eleven million five hundred twenty nine thousand five hundred and thirty eight) rubles. It is constituted by the nominal value of shares, acquired by the shareholders, including:

- 11 529 538 (eleven million five hundred twenty nine thousand five hundred and thirty eight) of the ordinary registered shares with the nominal value of 1 (one) ruble each (placed shares).

The Company has the right to allocate (additionally to the placed shares) the following types of shares (declared shares):

- 2 500 000 (two million five hundred thousand) preference shares with the nominal value of 1 (one) ruble each.

Declared preference shares grant the following rights:

- the right to the annual dividends at the rate of 2.25 of the share nominal;
- preferential right (compared to the ordinary shares) to get added, but unpaid dividends;
- preferential right of the preference shares holders to obtain part of the assets value (liquidation value), left after liquidation of the Company.

7.2. Increase of the Authorized Capital.

7.2.1. The Company’s authorized capital can be enlarged by means of increasing the share nominal value or placing some additional shares.

7.2.2. Resolution on the Company’s authorized capital increase by increasing the share nominal value shall be taken by the General Meeting of Shareholders.

7.2.3. Decision on the Company’s authorized capital increase by allocation of additional shares shall be taken by the Company’s Board of Directors in the following cases:

- public subscription for ordinary shares in the amount not exceeding 25% of the previously placed ordinary shares;
- public subscription for preference shares;
- allocation of additional shares at the expense of the Company’s assets, provided placing of additional shares is performed by allocating them among the Company’s shareholders.

Otherwise, resolution on the Company’s authorized capital increase shall be taken by the General Meeting of Shareholders.

The Board of Directors decision on the Company’s authorized capital increase by allocation of additional shares shall be unanimous, at this the votes of the former members of the Board of Directors shall not be taken into account.

In case the Board of Directors fails to take a unanimous decision on the Company’s authorized capital increase by allocation of additional shares, then, subject to the Board of Directors instruction, the question on the Company’s authorized capital increase by allocation of additional shares shall be submitted for consideration to the General Meeting of Shareholders.

7.2.4. While increasing authorized capital, the Company shall be governed by the Federal Legislation restrictions.

7.3. Reduction of the Authorized Capital.

7.3.1. The Company’s authorized capital can be reduced by decreasing the share nominal value or reducing the total number of shares, including acquiring part of the shares.

7.3.2. The Company’s authorized capital can be reduced by acquiring part of the Company’s shares for redemption of these shares, based on the resolution of the General Meeting of Shareholders.

7.3.3. The Company’s authorized capital can be reduced based on the resolution of the General Meeting of Shareholders on the authorized capital reduction by redemption of shares acquired by the Company in the following cases:

- if the shares, repurchased by the Company on the shareholders request, were not sold during one year after the date of repurchase;
- if the placed shares, acquired by the Company based on the resolution of the General Meeting of Shareholders or the Board of Directors, were not sold during one year after the date of acquisition by the Company.

7.3.4. If on completion of the second and every subsequent fiscal year, the value of the Company's net assets, according to the annual balance sheet submitted for approval to the Company’s shareholders or according to the audit results, is less than its authorized capital, the Company shall declare reduction of its authorized capital to the amount not exceeding the value of its net assets.

In such a case, reduction of the Company’s authorized capital is performed by cutting down the nominal value of shares.

7.3.5. During the period of 30 days after the date of the decision on the Company’s authorized capital reduction, the Company shall in writing notify its creditors of its authorized capital reduction and of the new value of the authorized capital, and also publish the notification on the decision taken in the special print for legal entities public registration data publishing.

7.3.6. The Company’s authorized capital can be reduced by redemption of part of the shares based on the resolution of the General Meeting of Shareholders in the following cases:

- if the shares, repurchased on the shareholders request, were in possession of the Company and the Company did not take a decision to sell the shares at the price not lower than their market value;
- during the Company’s reorganization in the form of separation by redemption of the converted shares.

7.3.7. When reducing its authorized capital, the Company shall be governed by the Federal Legislation restrictions.

7.4. Net Assets

7.4.1. The Company’s net assets value is estimated based on the balance sheet data in accordance the Russian Federation Legislation.

7.4.2. If on completion of the fiscal year, the value of the Company's net assets, according to the annual balance sheet submitted for approval to the Company’s shareholders or according to the audit results, is less than the minimum amount of the authorized capital, the Company shall declare its liquidation.

8. The Company’s Shares

8.1. The Company’s Shares.

8.1.1. The Company may place ordinary shares and also preference shares of one or several types.

8.1.2. All shares issued by the Company are registered uncertificated shares.

8.1.3. A share owned by the Company’s incorporator doesn’t grant him a voting authority until it is paid in full. Incorporators which made a partial payment for shares when placed shall bear joint responsibility for the Company’s liabilities within the outstanding installment of the value of shares owned by them.

8.1.4. The shareholders shall not be liable for the Company’s obligations and shall assume a risk of loss with respect to the Company’s activities within the value of shares owned by them.

8.1.5. The shareholders shall have the following obligations:

- to fulfill the established requirements of the Company By-Laws;
- to pay up shares when placed within the time limits and in accordance with the procedure and in the manner established by the applicable law, the Company By-Laws and Share Purchase Agreement;
- to maintain the confidential nature of specific information relating to the Company’s activities, when information is classified like confidential;
- to fulfill other obligations stipulated in the Russian Federation Legislation, the Company By-Laws and resolutions of the General Meeting of Shareholders adopted within its competence.

8.1.6. The shareholders shall have the following rights:

- to dispose of shares owned by them without the consent of other shareholders and the Company;
- the Company shareholders, who voted against or did not participate in a vote concerning stock floatation by closed subscription for shares and issued securities convertible to shares, shall have a preferential right to take up additional shares and issued securities convertible to shares placed by closed subscription in the amount pro rata to the number of shares of the same category (type) owned by them. This right shall not apply to floatation of shares and other issued securities convertible to shares by closed subscription among the shareholders only, in case the shareholders have a possibility to take up a whole number of the placed shares or other issued securities convertible to shares pro rata to the number of shares of the same category (type) owned by them;
- to collect a net profit share (dividend), to be distributed among the shareholders in accordance with the procedure provided for by the applicable law and the Company By-Laws, depending on the category (type) of the shares owned by them;
- to acquire a share of the Company’s assets (liquidation quota) left after liquidation of the Company, commensurable to the amount of shares of the respective category (type) owned by them;
- to get access to the Company’s documents in accordance with the procedure provided for by the applicable law and the Company By-Laws, including the right to obtain copies of the requested documents for separate payment;
- to transfer all or part of their rights granted by the shares of a particular category (type) to their representative (representatives) on a basis of a letter of attorney;
- to exercise other rights provided for by the Russian Federation Legislation, the Company By-Laws and resolutions of the General Meeting of Shareholders adopted within its competence.

8.2. Ordinary Shares

8.2.1. All of the Company’s ordinary shares have the same nominal value and grant an equal scope of rights to their owners.

8.2.2. All of the Company’s ordinary shares are voting shares with respect to any issue within the competence of the General Meeting of Shareholders.

8.2.3. Shareholders – owners of the Company’s ordinary shares may, as provided by the Federal Law on Joint-Stock Companies, participate in the General Meeting of Shareholders and exercise their voting rights with respect to any issue within the competence of the General Meeting of Shareholders.

8.2.4. Shareholders – owners of the Company’s ordinary shares have a right to draw dividends, but only after the owners of preference shares have collected their dividends in the amount specified in the Company By-Laws.

8.2.5. Shareholders – owners of the Company’s ordinary shares shall participate in distribution of the Company’s assets in case of liquidation of the Company in the third priority, following yield on shares which are to be repurchased first, payment of accrued but unpaid dividends against preference shares, and payment of a quota of assets (liquidation value) left after the Company’s liquidation against preference shares (the second priority).

8.3. Preference Shares

8.3.1. The Company’s preference shares of the same type have the same nominal value and grant an equal scope of rights to their owners.

8.3.2. Shareholders – owners of the Company’s preference shares may participate in the General Meeting of Shareholders without a voting authority, except as provided by the current Russian Federation Legislation and the Company By-Laws.

Shareholders – owners of the Company’s preference shares may participate in the General Meeting of Shareholders and exercise their voting authority with respect to any issue concerning reorganization and liquidation of the Company.

8.3.3. Shareholders – owners of the Company’s preference shares have a top priority right over the holders of ordinary shares in receiving and drawing the following:

- dividends, in the amount and in a manner provided for by the Company By-Laws;
- accrued but unpaid dividends in case of liquidation of the Company;
- a share of the Company’s assets (liquidation value) left after its liquidation.

8.3.4. The amount of the annual dividend per one preference share is established at the rate of 2.25 of the nominal value of one preference share.

8.4. Voting Shares

8.4.1. A voting share is a share that grants to any shareholder – the owner of the share – a voting authority with respect to either any issue within the competence of the General Meeting of Shareholders or any individual issue stipulated by the Federal Law on Joint-Stock Companies.

Listed below are the types of shares providing a voting authority with respect to any issue within the competence of the General Meeting of Shareholders:

- fully-paid ordinary shares, except for shares possessed by the Company;
- preference shares with a dividend rate stipulated by the Company By-Laws, as of the date of the Meeting following the Annual General Meeting of Shareholders at which, no matter why, the dividend payment against the preference shares was disaffirmed or determined to be effected by installments. The right of shareholders – owners of preference shares to participate in the General Meeting of Shareholders with a voting authority expires when the dividends against the specified shares are paid in full.

8.4.2. A preference share of any type grants the voting authority with respect to any issue concerning reorganization or liquidation of the Company.

8.4.3. A preference share of a specific type grants the voting authority with respect to the issues concerning any alterations or adjustments to the Company By-Laws imposing any restrictions on the rights of shareholders – owners of preference shares of the relative type, including establishing or increasing the dividend rate and/or establishing or increasing the liquidation value to be paid against preference shares of a higher priority, and also providing other

priorities with respect to the procedure of dividends and/or liquidation values payment to shareholders - owners of preference shares of a different type.

8.4.4. The voting shares granting the voting authority with respect to all issues within the competence of the General Meeting of Shareholders, empower the shareholders with the following rights:

- to take part in individual or absentee voting at the General Meeting of Shareholders with respect to all issues within its competence;
- to propose candidates and elect nominated candidates to the Company’s bodies according to the procedure and on terms provided for by the Federal Law on Joint-Stock Companies and the Company By-Laws;
- to put forward any proposals to be entered on the agenda of the Annual General Meeting of Shareholders in accordance with the procedure and on terms provided for by the Federal Law on Joint-Stock Companies and the Company By-Laws;
- to elect executive bodies of the Meeting in specific cases stipulated by the Company By-Laws;
- to request calling of a Special General Meeting of Shareholders and conducting an audit of the Company’s financial and economic activity by the Auditing Committee in accordance with the procedure and on terms provided for by the Federal Law on Joint-Stock Companies and the Company By-Laws;
- to request repurchase by the Company of all or part of the shares owned by them in accordance with the procedure and in specific cases stipulated by the Federal Law on Joint-Stock Companies.

8.4.5. Preference shares granting the voting authority with respect to only some specific issues within the competence of the General Meeting of Shareholders, empower the shareholders with the following rights:

- to take part in individual or absentee voting at the General Meeting of Shareholders with respect to these specific issues within its competence;
- to request repurchase by the Company of all or part of the shares owned by them in specific cases stipulated by the Federal Law on Joint-Stock Companies.

9. Floatation of the Company’s Shares and Other Issued Securities

9.1. The Company may allocate additional shares and other issued securities by subscription and conversion. In case of increase of the Company’s authorized capital at the expense of its assets, the Company shall place the additional shares by allocating them among the shareholders.

9.1.1. In case shares or issued securities convertible to shares are placed by subscription, the Company at its discretion may exercise either public or closed subscription.

9.1.2. The number of additional shares that can be floated by the Company is restricted by the number of declared shares established in the Company By-Laws.

The Company has no right to take decision on allocation of additional shares of those categories (types) which are not established in the Company By-Laws with regard to declared shares.

9.1.3. When making decision on allocation of additional shares, the General Meeting of Shareholders or Board of Directors shall determine the following:

- the number of additional shares of each individual category (type) to be placed, which shall not exceed the number of declared shares of such category (type);
- terms and conditions of placement;
- additional shares placement fee;
- form of payment for additional shares;
- any other information to be included into the issue prospectus in accordance with the current Russian Federation Legislation.

9.2. Procedure for payment for placed shares and other securities.

9.2.1. Payment for shares allocated among the Company’s incorporators during incorporation and for additional shares allocated by subscription may be effected in the following ways:

- by cash;
- by securities;
- by other assets;
- by rights of property or any other rights of pecuniary valuation.

Payment for other issued securities shall be effected by cash only.

9.2.2. The Company’s additional shares floated by subscription shall only be placed after they were paid in full.

9.2.3. In case payment for the Company’s additional shares is not effected by cash, the Board of Directors shall arrange for pecuniary valuation of the assets submitted as payment for shares in accordance with the procedure stipulated for by the applicable law.

9.2.4. Subject to the mutual agreement of the parties, the term of payment for shares specified in the relative purchase contract can be extended, but it shall not exceed the maximum term stipulated in the resolution on allocation of such shares.

9.2.5. In case the Company’s shares are not paid in full during one year since the date of the Company’s registration when the Company is being established, the ownership of the shares which placement fee equals the outstanding amount shall pass to the Company with the appropriate record made in the Register of Shareholders.

Those shares which came into the Company’s possession do not grant a voting authority, they shall not be taken into account when counting votes at the General Meeting of Shareholders and dividends are not charged on them. Within one year of the date of acquisition of such shares, the Company shall make a decision to reduce the Company’s authorized capital, or, for the purpose of covering the Company’s authorized capital based on resolution of the Board of Directors, to sell the acquired shares at the price not lower than their market value. In case market value of the shares is lower than their nominal value, the shares shall be sold at the price not lower than their nominal value. If the shares are not sold during one year after the date of acquisition by the Company, within the reasonable time the Company shall make a decision to reduce the Company’s authorized capital by redemption of such shares.

10. Acquisition and Repurchase of the Placed Shares by the Company

10.1. Acquisition of the placed shares by the Company for subsequent redemption.

10.1.1. The Company, based on the resolution of the General Meeting of Shareholders regarding reduction of the authorized capital, is entitled to acquire the placed shares with the view of subsequent reduction of their total number (redemption).

The shares acquired by the Company for reduction of the total number of shares, based on the resolution of the General Meeting of Shareholders regarding reduction of the authorized capital, shall be redeemed when acquired.

10.1.2. Payment for the acquired shares shall be effected by cash.

10.1.3. Resolution regarding shares acquisition for their subsequent redemption shall cover the following details:

- categories (types) of shares to be acquired;
- the number of shares of each category (type) to be acquired by the Company;
- acquisition price;
- form and terms of payment;
- a period during which the shares shall be acquired.

10.2. Acquisition of the placed shares by the Company, when it is not concerned with reduction of the authorized capital.

10.2.1. The Company is entitled to acquire the placed shares based on the Board of Directors decision.

10.2.2. The shares acquired by the Company based on the Board of Directors decision do not grant a voting authority, they shall not be taken into account when establishing quorum and counting votes at the General Meeting of Shareholders and dividends are not charged on them. Such shares shall be sold at the price not lower than their market value within one year after the date of their acquisition, otherwise the General Meeting of Shareholders shall put forth a resolution on reduction of the Company’s authorized capital by redemption of these shares.

10.3. Restrictions on acquisition of the placed shares by the Company.

10.3.1. The Company has no right to acquire the placed shares for any purposes in the following cases:

- until the authorized capital is paid in full;
- if at the time of shares acquisition, the Company evidences its insolvency (bankruptcy) according to the relevant provisions of the Russian Federation Legislation concerning insolvency (bankruptcy) of enterprises or if such evidences arise as a consequence of such acquisition of shares;
- if at the time of shares acquisition, the value of the Company’s net assets is less than the value of the authorized capital, reserve fund or the surplus of the liquidation value of the placed preference shares over the nominal value set by the Company By-Laws, or if it may become less than these funds as a consequence of such acquisition of shares;
- until repurchase of all the shares, which are requested to be repurchased in accordance with Section 10.4 of the Company By-Laws.

10.3.2. The Board of Directors has no authority to take a decision on acquisition of shares by the Company, if the nominal value of the Company’s shares in circulation is less than 90 per cent of the Company’s authorized capital.

10.4. Repurchase of the placed shares by the Company on request from the shareholders.

10.4.1. The shareholders – owners of voting shares may request of the Company to repurchase all or part of the shares owned by them, if the General Meeting of Shareholders passes the resolutions regarding:

- reorganization of the Company;
- settlement of a transaction, the subject of which is any property with the value exceeding 50 per cent of the balance sheet value of the Company’s assets at the date of taking decision to effect such a transaction;
- alternating or amending the Company By-Laws or approval of a new revision of the Company By-Laws, if it results in limitation of any rights of these shareholders;
- in case these shareholders voted against the decisions specified above or if they did not participate in voting.

10.4.2. Those shareholders who have not submitted the voting slips to the Company within the time limits specified in the Company By-Laws, shall be considered as those who have not participated in voting at the General Meeting of Shareholders, in whatever form this meeting is conducted.

To ensure that the shareholders could exercise their rights to request of the Company to repurchase the shares owned by them, only the voting slips with unambiguously crossed out “Aye” and “Abstention” options and with only “Nay” option left shall be considered as “against” votes. At this, the invalid voting slips shall not be considered as “against” votes.

10.4.3. The list of shareholders entitled to request of the Company to repurchase the shares owned by them shall be compiled on the basis of data covered by the Company’s Register of Shareholders as of the date of development of the list of the Company’s shareholders entitled to

participate in the General Meeting of Shareholders with an established agenda that includes issues the voting on which, according to the Federal Law on Joint-Stock Companies, may result in accrual of the right to request repurchase of shares.

10.4.4. The repurchase of shares by the Company shall be effected at the market value of those shares, which shall be calculated without taking into account any valuation changes resulting from the Company activities which entailed accrual of the right to request valuation and repurchase of shares in accordance with the Company By-Laws.

10.4.5. In case any issues are entered on the agenda, the voting on which, according to the Federal Law on Joint-Stock Companies, may result in accrual by the shareholders of the right to request repurchase of shares, then notification of calling the General Meeting of Shareholders shall include the following information:

- confirmation of the shareholders’ rights to request repurchase of shares by the Company;
- the price of repurchased shares;
- terms and procedure of repurchase.

In this case, a notification of calling a General Meeting of Shareholders shall be accompanied with a special form of a written shareholder’s request for repurchase of shares by the Company.

The form of request shall be approved by the Board of Directors.

10.4.6. A shareholder is entitled to submit a completed form of a written request for repurchase by the Company of the shares owned by him within a time period not exceeding 45 days after the date of passing a relative resolution by the General Meeting of Shareholders.

Shareholder’s written request for repurchase of shares owned by him shall be directed to the Company indicating shareholder’s address (place of residence) and the number of shares to be repurchased. Signature of the shareholder – natural person or his representative on the request for repurchase of shares owned by him and on revocation of such request shall be certified by the notary or by the Company’s Registrar.

10.4.7. A form of the written request for repurchase of shares completed by a shareholder shall be deemed as an acceptance of the Company’s offer to repurchase a certain number of such shares.

Within 50 days of the date of passing a relative resolution by the General Meeting of Shareholders, the Company’s Board of Directors shall approve a summary report on the requests for repurchase of shares submitted by shareholders.

The Registrar shall make an entry in the Company’s Register regarding transfer of ownership for the repurchased shares to the Company based on the summary report on the requests from shareholders for repurchase of shares owned by them as approved by the Company’s Board of Directors and based on the requests from shareholders for repurchase of shares owned by them, as well as documents confirming that the Company has fulfilled its obligations regarding payments to shareholders who submitted requests for repurchase of shares owned by them.

10.4.8. Upon expiration of the time limits set in para 10.4.6. above, the Company shall repurchase the shares from the shareholders who submitted requests for repurchase of shares within 30 days.

10.4.9. The sum-total of means assigned by the Company for repurchase of shares shall not exceed 10 per cent of the Company’s net assets value as of the date of passing a resolution which resulted in accrual by the shareholders of the right to request repurchase of their shares by the Company.

In case the total number of shares which are requested to be repurchased exceeds the number of shares that can actually be repurchased by the Company, assuming the limitations specified above, the shares shall be repurchased from the shareholders pro rata to the submitted requests.

10.4.10. The shares repurchased by the Company shall pass to the Company’s possession. Such shares do not grant a voting authority, they shall not be taken into account when counting

votes at the General Meeting of Shareholders and dividends are not charged on them. Such shares shall be sold at the price not lower than their market value within one year after transfer of ownership for the repurchased shares to the Company; otherwise the General Meeting of Shareholders shall pass a resolution on reduction of the Company’s authorized capital by redemption of such shares.

10.5. Rating of the Market Value of Assets

10.5.1. The market value of assets shall be rated by the Board of Directors decision, except when according to the Federal Law on Joint-Stock Companies the market value is supposed to be assessed by Court or by any other Institution.

10.5.2. If any person, interested in effecting one or several transactions which require estimation of the market value of assets, is a member of the Board of Directors, then the market value of assets shall be rated by independent members of the Board of Directors not interested in effecting this transaction.

10.5.3. An independent appraiser may be enlisted to perform assessment of the market value of assets.

Enlisting of an independent appraiser for assessment of the market value is a mandatory requirement for determination of the price of repurchase by the Company of the shares owned by the shareholders, when according to the Federal Law on Joint-Stock Companies the shareholders are entitled to request repurchase of shares owned by them and in other cases explicitly provided for by the Federal Law.

10.5.4. Enlisting of an independent appraiser is not mandatory for determination of the placement fee of securities which purchase price, demand price and supply price are regularly published in press; and such purchase price, demand price and supply price shall be taken into account for determination of the market value of such securities.

11. Dividends

11.1. Dividend is a quota of the Company’s net profit for the accounting fiscal year, which is distributed among shareholders pro rata to the number of shares of the appropriate category and type owned by them.

11.2. The Company is entitled to decide on (declare) payment of dividends on allocated shares, unless otherwise provided for by the Federal Law on Joint-Stock Companies. A decision on payment (declaration) of dividends on the results of 3, 6 and 9 months of the fiscal year can be taken within three months after expiration of the corresponding period.

Resolution on payment of dividends, amount of dividends and form of dividend payment for each category (type) of shares shall be taken by the General Meeting of Shareholders. The amount of dividends can not exceed the one recommended by the Board of Directors.

11.3. The Company is obliged to pay dividends declared for each category (type) of shares. Dividends are generally paid by cash. Dividends can also be paid by shares (capitalization of earnings).

11.4. Dividends shall be paid by the end of the current fiscal year.

11.5. Dividends are not charged or paid on non-issued shares, shares accepted on the Company’s account, repurchased for the Company’s account and taken over by the Company as a result of purchaser default on an obligation to buy these shares.

11.6. Dividends are charged and paid on the fully paid shares only.

11.7. The Company shall develop a list of persons entitled to receive dividends.

The list of persons entitled to receive dividends shall be developed as of the date of the list of shareholders entitled to take part in the General Meeting of Shareholders at which a resolution on payment of corresponding dividends is adopted. For the purpose of developing a list of persons entitled to receive dividends, a nominal shareholder shall provide the data on persons on behalf of which he’s holding the shares.

12. Structure of the Company’s Bodies

12.1. The bodies of the Company’s administration include:

- the General Meeting of Shareholders;
- the Board of Directors;
- the Sole Executive Officer (Director General);
- in case of appointing the Liquidation Commission, all administrative functions are transferred to it.

12.2. The Auditing Committee is a body for control over financial and economic activity of the Company.

12.3. The Board of Directors and the Auditing Committee shall be elected by the General Meeting of Shareholders. The Sole Executive Officer - Director General - shall be elected by the Board of Directors.

12.4. The Liquidation Commission shall be elected by the General Meeting of Shareholders in case of voluntary liquidation and shall be appointed by the court in case of compulsory liquidation.

13. General Meeting of Shareholders

13.1. General Meeting of Shareholders is a superior body of the Company’s management.

The Company is obliged to hold the Annual General Meeting of Shareholders not earlier than 2 months and not later than 6 months after the end of the fiscal year.

General Meeting of Shareholders can be held in Verkhnaya Salda, Sverdlovsk region (place of Company's location) or in Berezniki, Perm region.

13.2. Competence of the General Meeting of Shareholders

13.2.1. The decisions on the following issues fall within the competence of the General Meeting of Shareholders:

- 1) introduction of changes and amendments to the Company By-Laws or approval of the new revision of the Company By-Laws (except for the cases stipulated by the Federal Law on Joint Stock Companies);
- 2) reorganization of the Company;
- 3) liquidation of the Company, appointing the Liquidation Committee and approval of intermediate and final liquidation balance sheets;
- 4) election of the members of the Board of Directors and early termination of their authorities;
- 5) election of the members of the Auditing Committee and early termination of their authorities;
- 6) assignment of the Company’s auditor;
- 7) determination of the number, nominal value, category (type) of declared shares and rights granted by these shares;
- 8) increase of the authorized capital of the Company by raising the nominal value of shares;
- 9) increase of the authorized capital of the Company by allocation of additional shares in cases, stipulated by the Federal Law on Joint Stock Companies and the Company By-Laws;
- 10) reduction of the authorized capital of the Company by decreasing the nominal value of shares, by acquisition of part of the shares by the Company in order to reduce the total number of shares and also by redemption of shares acquired and repurchased by the Company;

11) payment (declaration) of dividends on the results of 3, 6 and 9 months of the fiscal year;

12) approval of the annual reports, annual financial statements, including profit and loss statements (profit and loss accounts) of the Company, and also distribution of the Company’s profit, including payment (declaration) of dividends, except for profit distributed as dividends on the results of 3, 6 and 9 months of the fiscal year, and losses based on the fiscal year results;

13) determination of procedure for holding General Meetings of Shareholders;

14) splitting and consolidation of shares;

15) increase of the authorized capital of the Company by public subscription for additional ordinary shares amounting to over 25% of the previously placed ordinary shares;

16) placing, by way of public subscription, of the issued securities convertible into ordinary shares amounting to over 25% of the previously placed ordinary shares;

17) placing, by way of closed subscription, of the Company’s issued securities convertible into shares;

18) decision making on approval of related party transactions in accordance with the Federal Law on Joint Stock Companies;

19) decision making on approval of large transaction in the cases stipulated by the Federal Law on Joint Stock Companies;

20) decision making on participation in holding companies, financial and industrial groups, associations and other unions of profit making organizations;

21) approval of internal documents regulating activity of the Company’s bodies;

22) decision making on remuneration and (or) compensation for expenses incurred by the members of the Auditing Committee when fulfilling their duties at the time of such fulfillment; calculation of amount of such remunerations and compensations;

23) decision making on remuneration and (or) compensation for expenses incurred by the members of the Board of Directors when fulfilling their duties at the time of such fulfillment; calculation of amount of such remunerations and compensations;

24) other items, ascribed to the competence of the General Meeting of Shareholders by the Federal Law on Joint Stock Companies.

13.2.2. The General Meeting of Shareholders has no right to consider and make decisions on items which are not ascribed to its competence by the Federal Law and the Company By-Laws.

13.2.3. The General Meeting of Shareholders has no right to make decisions on items which are not put on the agenda of the General Meeting of Shareholders, or change the agenda.

13.2.4. The General Meeting of Shareholders shall be presided by the Chairman of the Board of Directors, and in his absence – by the Deputy Chairman of the Board of Directors of the Company or any other member of the Board of Directors as is decided by the Board of Directors.

13.3 Decision making procedure for the General Meeting of Shareholders.

13.3.1. Resolution of the General Meeting of Shareholders on the item put to the vote is achieved by majority of votes of shareholders - owners of shares with voting authority taking part in the General Meeting of Shareholders, unless otherwise specified by the Federal Law on Joint Stock Companies.

13.3.2. The General Meeting of Shareholders makes decisions on the following items only at the suggestion of the Board of Directors:

1) reorganization of the Company;

2) increase of the authorized capital of the Company by increase of the nominal value of shares;

3) increase of the authorized capital of the Company by allocation of shares by closed subscription;

4) increase of the authorized capital of the Company by allocation of additional shares

within the number and category (type) of declared shares at the expense of the Company’s assets, when additional shares are placed by allocation among shareholders, if the Board of Directors failed to compromise on that question;

5) reduction of the authorized capital of the Company by decrease of the nominal value of shares, and also by redemption of shares acquired and repurchased by the Company (shares possessed by the Company) in order to reduce the total number of shares;

6) splitting and consolidation of shares;

7) decision making on approval of related party transactions in accordance with the Federal Law on Joint Stock Companies;

8) decision making on approval of large transactions in the cases stipulated by the Federal Law on Joint Stock Companies;

9) decision making on participation in holding companies, financial and industrial groups, associations and other unions of profit making organizations;

10) approval of internal documents regulating activity of the Company’s bodies;

11) decision making on remuneration to the members of the Auditing Committee and (or) compensation for the expenses incurred by them when fulfilling their duties.

13.3.3. The General Meeting of Shareholders makes decisions on the following items by a majority vote of three fourths of shareholders – owners of shares with voting authority taking part in the General Meeting of Shareholders:

1) introduction of changes and amendments to the Company By-Laws or approval of the new revision of the Company By-Laws (except for the cases stipulated by the Federal Law on Joint Stock Companies);

2) reorganization of the Company;

3) liquidation of the Company, appointing the Liquidation Committee and approval of intermediate and final liquidation balance sheets;

4) determination of the number, nominal value, category (type) of declared shares and rights granted by these shares;

5) increase of the authorized capital of the Company by allocation of shares by closed subscription;

6) increase of the authorized capital of the Company by public subscription for additional ordinary shares amounting to over 25% of the previously placed ordinary shares;

7) placing, by way of public subscription, of the issued securities convertible into ordinary shares amounting to over 25% of the previously placed ordinary shares;

8) placing, by way of closed subscription, of the Company’s issued securities convertible into shares;

9) decision making on approval of large transactions in the cases stipulated by the Federal Law on Joint Stock Companies.

13.3.4. Resolution of the General Meeting of Shareholders may be taken (the General Meeting of Shareholders may be held) in the following form:

- by joint presence of shareholders for discussion of the agenda items and decision making on the items put to the vote, with preliminary delivery (handing) of voting slips before the General Meeting of Shareholders;
- by absentee voting (without joint presence of shareholders for discussion of the agenda items and decision making on the items put to the vote).

13.3.5. At the General Meeting of Shareholders, when voting the issue with respect to which all the holders of ordinary and preference shares are granted the voting authority, the votes shall be counted jointly by all the voting shares.

13.3.6. Resolutions passed by the General Meeting of Shareholders and also the results of voting shall be declared at the General Meeting of Shareholders at which the voting was held or brought to the attention of persons included into the list of persons authorized to take part in the General Meeting of Shareholders not later than 10 days after drawing up a voting results record

in the form of the voting results report, in accordance with the procedure for shareholders notification of calling the General Meeting of Shareholders.

13.4. Information on holding the General Meeting of Shareholders

13.4.1. Notification on holding the General Meeting of Shareholders shall be submitted not later than 30 days.

Within the specified time-frame the notification of holding the General Meeting of Shareholders shall be published in the newspapers “Novator” and “Metallurgist” and sent to each person on the list of persons entitled to take part in the General Meeting of Shareholders by registered letter or handed personally with a signature on receipt.

The Company is authorized to additionally inform shareholders about holding the General Meeting of Shareholders via mass media (television, radio) and Internet.

13.4.2. Information (materials) to be provided to the persons entitled to take part in the General Meeting of Shareholders during preparation for the meeting includes: annual reports, annual financial statements, including audit report, report of the Auditing Committee based on the results of the annual accounting records review, information on candidates for the Board of Directors, the Auditing Committee and the Company’s auditors, draft changes and amendments to the Company By-Laws or new revision of the Company By-Laws, draft internal documents of the Company to be approved by the General Meeting of Shareholders, draft resolutions of the General Meeting of Shareholders, and also other documents approved by the decision of the Board of Directors.

13.5. Proposals to the agenda of the General Meeting of Shareholders

13.5.1. Shareholders (a shareholder), who own in the aggregate no less than 2 per cent of the Company’s voting shares, are entitled to suggest items to be included into agenda of the Annual General Meeting of Shareholders and nominate candidates for the Board of Directors and the Auditing Committee, the number of which may not exceed the number of membership of the appropriate body.

The Company should receive such proposals not later than 30 days after the end of the fiscal year.

13.5.2. Proposals regarding including items into the agenda of the General Meeting of Shareholders shall contain the wording of each suggested item. Proposals regarding including items into the agenda of the General Meeting of Shareholders may also contain the wording of resolutions for each item suggested for discussion.

13.5.3. Proposals regarding nominating candidates for election at the Annual or Special General Meeting of Shareholders shall contain the name of the body for which the candidate is nominated, including the following information on each candidate:

- name, second name and family name;
- date of birth;
- information from the personal identity document (series, number, date and place of issue, issuing authority);
- educational level;
- places of employment and positions occupied during the latest five years;
- positions occupied in executive bodies of other legal entities during the latest five years;
- contact address of the candidate.

Proposals regarding nominating candidates for the position of the Company’s auditor to be approved at the Annual General Meeting of Shareholders shall contain the following information on the candidate:

- full company name of the legal entity – auditing firm;
- location and contact phone numbers;

- the auditing license number, validity period, date of issue, issuing authority.

13.5.4. Proposals regarding including items into the agenda of the General Meeting of Shareholders and candidate nomination shall be made in writing indicating the name of the shareholders (shareholder) who presented these proposals, number and category (type) of shares owned by them and shall be signed by the shareholders (shareholder).

13.5.5. The Board of Directors is obliged to consider the received proposals and make a decision on including or refusal to include the items into the agenda of the General Meeting of Shareholders not later than 5 days after expiration of the time-frame for submittal of proposals specified in the Federal Law on Joint Stock Companies and in the Company By-Laws.

13.5.6. An item proposed by shareholders (a shareholder) is to be included into the agenda of the General Meeting of Shareholders, as well as nominated candidates are to be included into the list of candidates for election for the appropriate body of the Company, except for the following cases:

- shareholders (a shareholder) fail to observe the time-frame for including items into the agenda and candidate nominating for the Annual General Meeting of Shareholders as specified in the Federal Law on Joint Stock Companies;
- shareholders (a shareholder) fail to observe the time-frame for nominating candidates for election of the members of the Board of Directors at the Special General Meeting of Shareholders as specified in the Federal Law on Joint Stock Companies;
- shareholders (a shareholder) do not own in the aggregate no less than 2 per cent of the Company’s voting shares;
- proposals do not meet the requirements stipulated in the Federal Law on Joint Stock Companies and corresponding requirements of the Company By-Laws;
- an item proposed to be included into the agenda of the General Meeting of Shareholders is beyond its competence according to the law and the Company By-Laws and (or) does not meet the requirements of the Federal Law on Joint Stock Companies and other RF Legal Acts.

13.5.7. A motivated decision of the Board of Directors on refusal to include the proposed item into the agenda of the General Meeting of Shareholders or to include the candidate into the list of candidates for election for the appropriate body of the Company, shall be sent to the shareholders (shareholder) who has proposed an item or nominated a candidate not later than 3 days of the date of decision making.

13.5.8. The Board of Directors is not authorized to make changes to the wording of the items proposed to be included into the agenda of the General Meeting of Shareholders, as well as to the wording of resolutions on such items.

13.5.9. Additionally to the items proposed to be included into the agenda of the General Meeting of Shareholders and in case of lack of such proposals, absence or insufficient number of the candidates proposed by the shareholders to form the appropriate body, the Board of Directors is authorized to include items into the agenda of the General Meeting of Shareholders or to enroll candidates into the candidacy list at its own discretion.

13.6. Special General Meeting of Shareholders.

13.6.1. Special General Meeting of Shareholders shall be held under the Board of Directors’ decision and initiative, based on request of the Auditing Committee, the Company’s auditor or the shareholders (shareholder) owning no less than 10% of the Company’s voting shares on the date of the request submission.

The Special General Meeting of Shareholders to be held on request of the Auditing Committee, the Company’s auditor or the shareholders (shareholder) owning no less than 10% of the Company’s voting shares shall be called by the Board of Directors.

13.6.2. A decision regarding calling or refusal to call the Special General Meeting of Shareholders on request of the Auditing Committee, the Company’s auditor or the shareholders

(shareholder) owning no less than 10% of the Company’s voting shares shall be taken by the Board of Directors within 5 days after the date of the request submission.

A motivated decision taken by the Board of Directors regarding calling or refusal to call the Special General Meeting of Shareholders shall be sent to the shareholders who requested calling a meeting not later than 3 days of the date of decision making.

A decision regarding refusal to call the Special General Meeting of Shareholders on the request of the Auditing Committee, the Company’s auditor or the shareholders (shareholder) owning no less than 10% of the Company’s voting shares shall be taken only based on the provisions of the Federal Law on Joint Stock Companies.

The Board of Directors’ decision regarding refusal to call the Special General Meeting of Shareholders may be subject to court appeal.

13.6.3. The Special General Meeting of Shareholders called on request of the Auditing Committee, the Company’s auditor or the shareholders (shareholder) owning no less than 10% of the Company’s voting shares shall be held within 40 days of the date of the request submission.

For the purposes of this Clause, the date of submission of the request for calling the Special General Meeting of Shareholders shall be the date of the request receipt by the Company.

The number of voting shares owned by the shareholders (shareholder) requesting to call the Special General Meeting of Shareholders shall be determined as of the date of the request submission.

13.6.4. When according to Articles 68-69 of the Federal Law on Joint Stock Companies the Board of Directors is obliged to take a decision on calling the Special General Meeting of Shareholders, such Special General Meeting of Shareholders shall be held within 40 days of the date of the decision making by the Board of Directors.

13.6.5. If during the period stated by the Federal Law on Joint Stock Companies the Board of Directors failed to take the decision regarding calling or took a decision regarding refusal to call the Special General Meeting of Shareholders, the Special General Meeting of Shareholders can be called by other persons or bodies requiring calling the meeting.

At this, bodies or persons calling the Special General Meeting of Shareholders shall have the authority to call and hold the General Meeting of Shareholders as stipulated by the Federal Law on Joint Stock Companies.

In this case all the expenses connected with preparation and holding of the General Meeting of Shareholders can be reimbursed at the expense of the Company’s assets based on the decision of the General Meeting of Shareholders.

13.7. Quorum of the General Meeting of Shareholders

13.7.1. The General Meeting of Shareholders has the authority (quorum) only if the shareholders taking part in the meeting owe in the aggregate more than half of the placed Company’s voting shares.

The shareholders registered before the General Meeting of Shareholders and the shareholders whose voting slips were received not later than 2 days prior to the meeting are considered to have taken part in the General Meeting of Shareholders held in the form of joint presence of shareholders.

The shareholders whose voting slips were received prior to termination of the voting slips reception period are considered to have taken part in the General Meeting of Shareholders held in the form of absentee voting.

13.7.2. In case of lack of a quorum for holding the Annual General Meeting of Shareholders, a repeated General Meeting of Shareholders shall be held with the same agenda. In case of lack of quorum for holding the Special General Meeting of Shareholders, a repeated General Meeting of Shareholders may be held with the same agenda.

The repeated General Meeting of Shareholders has the authority (quorum) only if the shareholders taking part in the meeting owe in the aggregate no less than 30 % of the placed Company’s voting shares.

13.8. Voting slips

13.8.1. Voting on the issues included into the agenda of the General Meeting of Shareholders is effected by voting slips.

13.8.2. When the General Meeting of Shareholders is held in the form of absentee voting and when the General Meeting of Shareholders is held in the form of joint presence of shareholders with voting slips being delivered (handed) prior to the General Meeting of Shareholders, the voting slips shall be forwarded or handed against signature to each person in the list of persons entitled to take part in the General Meeting of Shareholders not later than 20 days prior to the General Meeting of Shareholders.

The voting slips shall be sent by registered letter.

13.8.3. When holding the General Meeting of Shareholders, except for the meeting held in the form of absentee voting, the persons included into the list of persons entitled to take part in the General Meeting of Shareholders (or their representatives) have the right either to take part in the meeting or to forward completed voting slips to the Company. At this, the votes presented in the voting slips received by the Company not later than 2 days prior to the General Meeting of Shareholders shall be taken into account when establishing quorum and summing up of the vote results.

13.8.4. The voting slip shall contain the information stated in para 4, Article 60 of the Federal Law on Joint Stock Companies. The voting slip may contain additional information as defined by the Board of Directors when approving the form and the wording of the voting slip.

13.8.5. When voting by voting slips, the vote shall be considered valid only if the voter has given his preference to only one of the proposed options. Voting slips completed with violation of this requirement shall be deemed invalid and the votes regarding the relative items shall not be taken into account when summing up the vote results.

If the voting slip contains several items put to the vote, violation of the above requirement with regard to one or several items does not result in declaring the voting slip invalid as a whole.

13.9. Returning Board

13.9.1. An independent registrar shall fulfill the functions of the Returning Board of the Company.

13.10 Minutes of the General Meeting of Shareholders shall be issued no later than 15 days after closing of the General Meeting of Shareholders in two copies. Both copies shall be signed by the chairing person and Secretary of the General Meeting of Shareholders.

14. Board of Directors

14.1. Competence of the Board of Directors

14.1.1. The Board of Directors carries out general control over the Company’s activity, except for the issues referred to the competence of the General Meeting of Shareholders according to the Federal Laws and the Company By-Laws.

14.1.2. Based on the decision of the General Meeting of Shareholders, members of the Board of Directors can receive remuneration and (or) compensation for expenses incurred by them when fulfilling the duties of the members of the Board of Directors at the time of such fulfillment. Amounts of such remunerations and compensations shall be established by the decision of the General Meeting of Shareholders.

14.1.3. The following issues fall within the competence of the Board of Directors:

- 1) Determination of the Company’s priority activities and development strategy;

2) Approval of the financial and economic annual plan (budget) of the Company, procedures and conditions of product and services sales, pricing policy for products and services, as well as introduction of changes and amendments to these documents.

If there is no Board of Directors approved annual budget by the beginning of the current fiscal year, monthly financing of the Company's activities shall not exceed one twelfth of the previous fiscal year's budget expenditures.

3) Approval of investment and social projects of the Company;

4) Control over financial and economic activity of the Company, including decision making on carrying out an audit of financial and economic activity of the Company at the end of the fiscal year or at any time;

5) Preliminary approval of the annual reports;

6) Increase of the Company's authorized capital by allocation of additional shares within the number and categories (types) of the declared shares at the expense of the Company's assets, when additional shares are placed by allocation among the shareholders;

7) Increase of the Company's authorized capital by allocation of additional shares within the number and categories (types) of the declared shares by public subscription for ordinary shares in the amount of 25 per cent and less of the previously placed ordinary shares;

8) Increase of the Company's authorized capital by allocation of additional shares within the number and categories (types) of the declared shares by public subscription for preference shares;

9) Floatation by the Company of bonds and other issued securities, in the cases stipulated by the Federal Law on Joint Stock Companies and the Company By-Laws;

10) Approval of decisions regarding issue of securities, the securities issue prospectus, report on the results of the securities issue, introduction of amendments and additions to these documents;

11) Determination of value (pecuniary valuation) of the Company's assets, placement fee and repurchase price of the issued securities in the cases stipulated by the Federal Law on Joint Stock Companies;

12) Acquisition of shares, bonds and other securities placed by the Company in the cases stipulated by the Federal Law on Joint Stock Companies;

13) Approval of the report on the results of shares acquisition;

14) Recommendations to the General Meeting of Shareholders on the amount of remunerations and compensations to be paid to the members of the Company's Auditing Committee;

15) Determination of the amount of payment to the Company's auditor;

16) Recommendations to the General Meeting of Shareholders on the amount of dividends on shares of all categories and on dividend payment procedure;

17) Recommendations to the General Meeting of Shareholders on the procedure of the Company's profits and losses distribution based on the results of fiscal year;

18) Use of the reserve and other funds of the Company;

19) Election of the Sole Executive Officer of the Company and early termination of his authorities;

20) Approval of the agreement with the person authorized to fulfill the functions of the Sole Executive Officer of the Company and appointment of a person authorized to sign the agreement with the Sole Executive Officer on behalf of the Company;

21) Control over activity of the executive bodies of the Company;

22) Approval, introduction of changes and amendments to the Company's internal documents, except for the internal documents regulating activity of the Company's bodies to be approved by the General Meeting of Shareholders and other internal documents to be approved by the Company's Sole Executive Officer in accordance with the Company By-Laws;

23) Approval and implementation of the personnel policy, approval of the Company’s organizational structure, determination of the criteria to form the Company’s administrative apparatus of middle and top management, starting with department managers, including:

- approval of candidates;
- determination of employment conditions (approval of the employment form, term, and other material provisions of employment agreements), redeployment, change of spheres of actions, bringing to material and disciplinary responsibilities;
- taking decision on termination of employment agreements.

24) Establishment and liquidation of subsidiaries and representative offices of the Company, approval of provisions for subsidiaries and representative offices, introduction of changes and amendments to such provisions; appointment and termination, upon recommendation of Board of Directors and/or Sole Executive Body, of authority of the heads of subsidiaries and representative offices;

25) Approval of transactions with the shares (stakes) of other companies, if such transactions are connected with acquisition or disposal of the placed shares (stakes), pawning or contributing such shares (stakes) to the authorized capital of the newly incorporated company;

26) Approval of transactions resulting in disposal of the shares (stakes) of subsidiaries and affiliated companies independently of their value, other securities and property complexes of the organizations incorporated by the Company, independently of the value of such property complexes;

27) Decision making on participation or termination of participation of the Company in different organizations, except for organizations stipulated by subpara 18, para 1, Article 48 of the Federal Law on Joint Stock Companies;

28) Introduction of amendments to the Company By-Laws connected with establishment and liquidation of the Company’s subsidiaries and representative offices;

29) Approval of the large transactions in the cases stipulated by Section X of the Federal Law on Joint Stock Companies;

30) Approval of the transactions in the cases stipulated by Section XI of the Federal Law on Joint Stock Companies;

31) Approval of the Company’s Registrar and terms of contract and termination of contract concluded with the Registrar;

32) Drawing up of the additional documents list required to be kept at the Company;

33) Approval of the list of information constituting official or business secret;

34) Defining of the Company’s (Company’s representatives’) position with regard to the following agenda items of the general meeting of shareholders (partners) of subsidiaries, affiliated or other companies, which shares (stakes) are owned by the Company:

- Determination of the number of members of the Board of Directors and early termination of their authorities;
- Candidates for managers of the control bodies;
- Increase or reduction of the authorized capital;
- Introduction of amendments to the by-laws or approval of the new revision of by-laws;
- Determination of the limit quantity of declared shares, splitting and consolidation of such shares;
- Making of large transactions;
- Approval of agenda of the general meeting of shareholders (partners);
- Decision making on participation of subsidiaries and affiliated companies in different organizations (joining other organizations or creating a new organization);
- Passing of resolutions on the issues falling within the competence of the general meeting of shareholders (partners), when 100% of the voting shares (stakes) are owned by the Company;

35) Decision making, according to the procedure stipulated by the Federal Law on Joint Stock Companies for large transactions, regarding approval of transaction or several interrelated transactions, including those effected in the normal course of business, related to acquisition, disposal or possibility for the Company to dispose of, directly or indirectly, the property which value exceeds 1500000 rubles, but does not exceed 50% of the balance sheet value of the Company's assets, and also approval of any real-estate transaction, agreements on assignment of right of demand and assignment of debt, equipment purchase contracts, inventory items and services supply contracts and external loan agreements which value exceeds 2500000 rubles in the following case:

- when it is necessary to exceed the limits stipulated by the budget items, articles and parameters;

36) Any other issue provided for by the Federal Law on Joint Stock Companies and the Company By-Laws;

14.1.4. Issues falling within the competence of the Board of Directors shall not be assigned to the Company's Sole Executive Body.

14.1.5. Rights and obligations of the Board of Directors regarding general control over the Company's activity are provided for by the Federal Law on Joint Stock Companies, the Company By-Laws and Regulations for the Board of Directors of PSC "VSMPO-AVISMA Corporation".

A member of the Board of Directors is obliged to provide to the Company information on the Company's securities owned, purchased or sold by it.

14.2. Election of the Board of Directors.

14.2.1. Members of the Board of Directors shall be elected by the General Meeting of Shareholders for the period till the next Annual General Meeting of Shareholders. Members of the Board of Directors are elected by cumulative voting.

There shall be 7 members of the Board of Directors.

If the Annual General Meeting of Shareholders is not held within the time frames stipulated by para 1, Article 47 of the Federal Law on Joint Stock Companies, the Board of Directors' authority shall be terminated, except for the authority to prepare, call and hold the Annual General Meeting of Shareholders.

14.2.2. A member of the Board of Directors is not required to be the Company's shareholder. Only a natural person can be the member of the Board of Directors.

14.2.3. When the number of the Board of Directors members is less than half of the number of members required by the By-Laws, the Board of Directors has to take a decision on calling the Special General Meeting of Shareholders in order to elect new members of the Board of Directors. The acting members of the Board of Directors are only authorized to take a decision on calling such Special General Meeting of Shareholders.

14.2.4. The General Meeting of Shareholders is authorized at any time to take a decision on early termination of the Board of Directors' authority.

14.3. Chairman of the Board of Directors

14.3.1. The chairman of the Board of Directors shall be elected by and from the members of the Board of Directors by a majority of votes, at this the votes of the former members of the Board of Directors shall not be taken into account.

14.3.2. The Board of Directors is authorized at any time to re-elect the Chairman by a majority of votes, at this the votes of the former members of the Board of Directors shall not be taken into account.

14.3.3. The Chairman of the Board of Directors shall organize its activity, call the meetings of the Board of Directors and preside at the meetings, and also arrange for issue of the meeting minutes.

14.3.4. If the Chairman of the Board of Directors is absent, Deputy Chairman or one of the Board of Directors members shall fulfill his functions based on the decision of the Board of Directors.

14.4. The Board of Directors Meeting

14.4.1. The Board of Directors Meeting is called by the Chairman of the Company's Board of Directors at his discretion, at the request of a member of the Board of Directors, the Auditing Committee, the Company's auditor, the Sole Executive Body of the Company and also a shareholder owing no less than 10 per cent of the Company's voting shares.

14.4.2. Quorum for holding a meeting of the Board of Directors shall not be less than half of the elected members of the Board of Directors.

14.4.3. When determining the quorum and the results of voting on the agenda items, the written opinion of the member of the Board of Directors, who was absent from the Board of Directors Meeting, shall be taken into account.

14.4.4. A decision of the Board of Directors may be taken by absentee voting. The Regulations for the Board of Directors of PSC "VSMPO-AVISMA Corporation" specify the procedure for calling and holding the Board of Directors Meeting, as well as procedure for decision making by absentee voting.

14.4.5. Decisions of the Board of Directors Meeting shall be taken by a majority vote of the members of the Board of Directors, participating in the Meeting, unless otherwise specified by the Federal Law on Joint Stock Companies, the Company By-Laws and Regulations for the Board of Directors of PSC "VSMPO-AVISMA Corporation".

When voting the issues at the Board of Directors Meeting, every Member of the Board of Directors possesses only one vote.

Transfer of voting authority by a Member of the Board of Directors to another person, including another Member of the Board of Directors, is not allowed.

In case of equal number of votes of the Board of Directors Members when taking decisions, the Chairman of the Board of Directors possesses the casting vote.

Decisions on the following issues shall be taken by unanimous vote of all the members of the Board of Directors, at this the votes of the former members of the Board of Directors shall not be taken into account:

1) Increase of the Company's authorized capital by allocation of additional shares within the number and categories (types) of declared shares;

2) Approval of a large transaction in respect of the assets with the value amounting from 25% to 50% of the book value of the Company's assets.

If the Board of Directors fails to take a unanimous decision in respect of the above-mentioned issues, such issues shall be submitted to the General Meeting of Shareholders based on the Board of Directors' decision.

Decisions regarding approval of related party transactions shall be taken by the Board of Directors by a majority vote of independent Directors, not interested in such transaction.

15. The Company's Sole Executive Officer (The Director General)

15.1. The Company's day-to-day activity shall be managed by the Director General (The Company's Sole Executive Officer). The Sole Executive Officer is accountable to the Board of Directors and the General Meeting of Shareholders.

15.2. All the issues related to the Company's day-to-day activity management fall within the competence of the Director General, except for the issues within the competence of the General Meeting of Shareholders and the Board of Directors.

The Director General provides for implementation of resolutions of the General Meeting of Shareholders and the Board of Directors.

15.3. The Director General can act on behalf of the Company without a letter of attorney with respect to the following:

15.3.1 management of the day-to-day Company's activity;

15.3.2 signing financial documents in the first place;

15.3.3 disposition of the Company's assets for support of the Company's day-to-day activities within the limits stated by the By-Laws;

15.3.4 use of the Company's net profit of the fiscal year based on and in full compliance with the decision of the general meeting of shareholders and Board of Directors. Use of the current year's profit for purposes not related to payment of profit tax and dividends is allowed within the approved budget and appropriation of the net profit of the previous fiscal year;

15.3.5 presentation of the Company's interests within the Russian Federation and abroad;

15.3.6 approval of staff lists in accordance with organizational structure approved by the Board of Directors;

15.3.7 based on decision of the Board of Directors:

- conclusion of employment agreements with the top and middle level managers, starting with department managers;

- use of measures of reward and discipline towards such employees;

15.3.8 within its authority, conclusion of employment agreements with other level employees not specified in para 15.3.7 hereof, use of measures of reward and discipline towards such employees;

15.3.9 making transactions on behalf of the Company, except for the cases stipulated by the Federal Law on Joint Stock Companies and the Company By-Laws;

15.3.10 issue of letters of attorney on behalf of the Company;

15.3.11 opening of bank accounts of the Company;

15.3.12 arrangement of keeping accounting records and reports of the Company;

15.3.13 approval of internal documents (order, regulation, instruction, standard, etc) and giving directions mandatory for all the employees of the Company, based on provisions hereof and within its authority;

15.3.14 performance of other functions necessary to achieve the Company's objective and ensure its regular functioning in accordance with the current Legislation and the Company By-Laws, except for functions assigned by the Federal Law on Joint Stock Companies and the Company By-Laws to other management bodies of the Company.

15.4. The Director General shall be elected by the Board of Directors of the Company for the term established by the Board of Directors. At any time the Board of Directors may take a decision on early termination of the Director General's authority.

Election of the Director General and termination of his authority shall be effected in accordance with the procedure stipulated by the Regulations for the Director General of PSC "VSMPO-AVISMA Corporation".

15.5. Rights and obligations of the Director General regarding management of the day-to-day Company's activity are stipulated by the Federal Law on Joint Stock Companies, the Company By-Laws and Regulations for the Director General of PSC "VSMPO-AVISMA Corporation", as well as by the contract concluded between the Director General and the Company. On behalf of the Company the contract shall be signed by the Chairman of the Board of Directors or by the person assigned by the Board of Directors.

The Director General is obliged to provide to the Company information on the Company's securities owned, purchased or sold by him.

15.6. Requirements for the persons to be elected for the post of the Director General are established in the Regulations for the Director General of PSC "VSMPO-AVISMA Corporation".

15.7. A person performing the functions of the Director General can hold a managerial position at any other organization only subject to approval of the Board of Directors.

15.8. Authority of the Director General in his absence shall be passed to Deputy Director General based on the Company Order or to other persons according to the procedure established in the Regulations for the Director General of PSC "VSMPO-AVISMA Corporation".

15.9 The General Meeting of Shareholders is entitled to pass authority of the Director General to the profit –making organization (management company) or individual entrepreneur (manager) on contractual basis. Decision on passing Director General’s authority to the management company or manager shall be taken by the General Meeting of Shareholders only at the suggestion of the Board of Directors.

16. Liabilities of the Members of the Board of Directors and the Director General

16.1. The Board of Directors Members and the Director General when exercising their rights and performing their duties shall act reasonably and in good faith in the interests of the Company.

16.2. The Board of Directors Members and the Director General shall be liable towards the Company for the losses incurred by the Company due to their acts (failure to act), unless different grounds and extent of liability are established by the Federal Laws.

Members of the Board of Directors, the Sole Executive Officer, as well as Management Company or Manager shall be liable towards the Company or shareholders for the losses incurred by the Company due to their acts (failure to act) in violation of procedure for joint-stock company shares acquisition as stipulated by Section XI.1 of the Federal Law on Joint Stock Companies.

At this, the Members of the Board of Directors, who voted against the decision which caused losses to the Company or did not take part in the voting on this issue, shall not be held liable.

16.3. Regular business conditions and other applicable circumstances shall be taken into account when defining grounds and extent of liability of the Board of Directors Members and the Director General.

16.4 The Director General shall be personally liable for:

- arrangement of security system for the data considered to be the State secret and ensuring protection of the State secrets within the Company;
- non-observance of restrictions established by the RF Legislation regarding access to the data considered to be the State secret;
- non-observance of the current RF Legislation controlling the Company's activities;
- failure to implement resolutions of the General Meeting of Shareholders and Board of Directors;
- non-observance of this By-Laws and internal regulations approved by the General Meeting of Shareholders and Board of Directors as to issues of the Company's management.

16.5. The Company or a shareholder (shareholders) owning in the aggregate no less than 1% of the Company’s ordinary shares shall be entitled to bring a suit against a member of the Board of Directors, the Sole Executive Officer or the Management Company or a Manager for compensation of losses incurred by the Company in the cases stipulated by the Federal Law on Joint Stock Companies.

17. Auditing Committee of the Company

17.1. Supervision over financial and economic activity of the Company shall be carried out by the Auditing Committee elected by the General Meeting of Shareholders. The procedure for the Auditing Committee activity is specified in the Regulations for the Auditing Committee of PSC "VSMPO-AVISMA Corporation" approved by the General Meeting of Shareholders.

17.2. The Auditing Committee shall be elected by the General Meeting of Shareholders for the period till the next Annual General Meeting of Shareholders.

The Auditing Committee shall consist of 7 members.

17.3. Authorities of the Auditing Committee can be subject to early termination based on the decision of the General Meeting of Shareholders on the grounds and in accordance with the procedure stipulated by the Regulations for the Auditing Committee of PSC "VSMPO-AVISMA Corporation".

When the number of the Auditing Committee Members is less than half of the membership established by the Company By-Laws, the Board of Directors shall call the Special General Meeting of Shareholders for election of a new Auditing Committee.

17.4. A shareholder as well as any person proposed by the shareholder can become a Member of the Auditing Committee. The Company's Auditing Committee Members cannot concurrently be the Members of the Board of Directors or other Executive Bodies of the Company.

17.5. The Auditing Committee shall elect the Chairman, Vice-Chairman, and the Secretary of the Auditing Committee from its membership. Vice-Chairman of the Auditing Committee shall exercise functions of the Chairman during absence of the Auditing Committee Chairman.

17.6. An audit (review) of financial and economic activity of the Company shall be carried out based on the results of the annual activity of the Company and at any time on initiative of the Auditing Committee, the decision of the General Meeting of Shareholders and the Board of Directors or on request of a shareholder (shareholders) owning in the aggregate not less than 10% of the Company's voting shares.

17.7. The following falls within the authority of the Auditing Committee:

- audit of financial documents of the Company, accounting records, reports on inventory of property, comparison of the above documents with the primary accounting data;
- review of adequacy and completeness of keeping accounting, tax accounting, management and statistical accounting records;
- review of financial status of the Company, its financial solvency, liquidity of assets, correlation of own and borrowed assets, net assets and authorized capital, revealing resources for improvement of the financial status of the Company, development of recommendations for the Company's Management Bodies;
- audit of on-time and accurate payments to Product and Service Suppliers, payments to the budget and off-budget funds, accrual and payment of dividends, interest on bonds, payment of other obligations;
- confirmation of adequacy of the data included into the Company's annual reports and annual accounting records, profit and loss reports (profit and loss accounts), reports on distribution of profits, reporting documents for Tax and Statistical Bodies and State Authorities;
- audit of competence of the Director General activity regarding conclusion of contracts on behalf of the Company;
- audit of competence of the decisions made by the Board of Directors, the Director General and compliance of these decisions to the Company By-Laws and resolutions of the General Meeting of Shareholders;
- review of compliance of resolutions of the General Meeting of Shareholders with legislation and the Company By-Laws.

17.8. On the request of the Auditing Committee, the persons holding posts in the Control Bodies of the Company shall submit documents on financial and economic activity of the Company.

17.9. The Auditing Committee is entitled to request calling the Special General Meeting of Shareholders in accordance with the procedure stipulated by the Company By-Laws.

17.10. Based on the results of audit of financial and economic activity of the Company, the Auditing Committee shall issue the audit report containing:

- confirmation of adequacy of the data contained in the reports and other financial documents of the Company;
- information on violation of procedures for keeping accounting records and submission of financial reports established by the RF Legal Acts, and also violation of the RF Legal Acts when performing financial and economic activity.

17.11. Based on the decision of the General Meeting of Shareholders, members of the Auditing Committee can receive remunerations and (or) compensations for expenses incurred by them when fulfilling their functions as members of the Auditing Committee at the time of such fulfillment. The amount of such remunerations and compensations shall be determined by the decision of the General Meeting of Shareholders.

18. Register of Shareholders

18.1. The Company entrusts maintenance and filing the Register of Shareholders to the special Registrar in accordance with the procedure stipulated by the current RF Legislation.

18.2. The Register of Shareholders shall include data on each registered person (a shareholder or a nominal shareholder), number and category (type) of shares recorded in the name of each registered person, and also other data stipulated by RF Legal Acts.

18.3. The Company is responsible for maintenance and filing the Register of Shareholders.

18.4. A person registered in the Company’s Register of Shareholders shall on timely basis inform the Company’s Registrar on any changes in his personal data. If no information on changes in the personal data is submitted, the Company and the special Registrar shall not be held liable for any inflicted losses.

18.5. The records into the Company’s Register of Shareholders shall be introduced on the request of a shareholder or a nominal shareholder not later than 3 days of the date of submission of documents in accordance with the RF Legal Acts.

18.6. The request to introduce a record into the Company’s Register of Shareholders can not be turned out, except for the cases stipulated by the RF Legal Acts. In case of refusal to enter a record into the Company’s Register of Shareholders, the Registrar, not later than 5 days of the date of submission of a request for introduction of a record into the Company’s Register of Shareholders, shall send to the person submitting the request a reasonable notification of the refusal.

The refusal to make a record in the Company’s Register of Shareholders can be subject to appeal. Following the court judgment, the Company’s Registrar shall introduce the appropriate record into the Register of Shareholders.

18.7. The Company’s Registrar, on request of a shareholder or a nominal shareholder, shall confirm his title to shares by issuing an abstract from the Company’s Register of Shareholders which is not considered to be a security.

19. Affiliated Persons of the Company

19.1. A person is considered to be affiliated in accordance with the requirements of the RF Legislation.

19.2. The Affiliated Persons of the Company shall send to the Company a written notification of the Company’s shares owned by them, indicating the number and categories (types) of the shares within 10 days of the date of shares acquisition.

19.3 If the Affiliated Person fails to submit the required information or fails to submit it in due time which results in material damage to the Company, then the affiliated person shall be held liable towards the Company in the amount of the caused damage.

19.4 The Company shall maintain records of its Affiliated Persons and submit these records in accordance with the requirements of the RF Legislation.

20. Accounting and Reporting. Company’s Funds

20.1. Profit (income) after payment of taxes, other fees and budget or off-budget charges shall come at the Company’s complete disposal and can be used by the Company independently.

Relevant specialized funds for maintaining the Company’s liabilities, its production development and social welfare shall be formed at the expense of the profit (income) after payment of taxes, fees and charges as well as other earnings.

20.2. The Company shall establish the reserve fund in the amount of 25 per cent of the Company’s authorized capital.

The Company’s reserve fund is formed by annual compulsory allocations. The amount of the annual compulsory allocations shall not be less than 5 per cent of the net profit, until the amount stipulated by the Company By-Laws is reached.

The Company’s reserve fund is set to cover the Company’s losses, and for redemption of the Company’s bonds or repurchase of the Company’s shares in case of lack of other funds.

The reserve fund can’t be used for other purposes than those listed above.

20.3. The Company shall keep the accounting records and submit financial reports according to procedures established by the RF Legal Acts.

20.4. Responsibility for arrangement, accuracy and validity of the Company’s accounting, for timely submission of annual reports and other financial documents to appropriate authorities and for submission of information on the Company’s activity to the shareholders, creditors and mass media shall be placed on the Director General in accordance with the RF Legal Acts and the Company By-Laws.

20.5. The accounting policy and the system of documents circulation within the Company, its subsidiaries and representative offices shall be established by the General Director’s order.

20.6. The fiscal year is established from January 1 to December 31 inclusive.

20.7. Validity of the data included into the Company’s annual report submitted to the General Meeting of Shareholders, into balance sheets, profit and loss reports shall be confirmed by the Auditing Committee.

20.8. The Company’s annual report shall be preliminary approved by the Board of Directors at least 30 days prior to the date of the Annual General Meeting of Shareholders.

21. The Company’s Auditor

21.1. The Company’s Auditor (auditing firm) shall conduct audits of the Company’s financial and economic activity in accordance with the RF Legal Acts on the basis of the signed contract.

21.2. The Company’s Auditor shall be appointed by the General Meeting of Shareholders. The Board of Directors shall establish the rate of the Auditor’s fee.

21.3. Based on the results of audit of financial and economic activity of the Company, the Company’s Auditor shall issue the audit report containing:

- confirmation of adequacy of the data contained in the reports and other financial documents of the Company;
- information on violation of procedures for keeping accounting records and submission of financial reports established by the RF Legal Acts, and also violation of the RF Legal Acts when performing financial and economic activity.

21.4. Audit of the Company’s activity shall be performed by the Company’s Auditor at any time on the request of the shareholders owning in the aggregate no less than 10 per cent of the Company’s voting shares as of the date of request submission.

21.5. Shareholders who have initiated the audit shall forward a written request to the Board of Directors.

The request shall include the following:

- explicit reasons for submission of the request;
- shareholders’ names (designations);
- data on the shares owned by them (amount, category, type).

The request shall be signed by the shareholder or his authorized representative. If the request is signed by the representative, the letter of attorney shall be attached.

If the request is initiated by a shareholder who is a legal entity, then the signature of the representative of this legal entity acting according to the By-Laws of this legal entity without a letter of attorney shall be certified by the seal of this legal entity. If the request is signed by the representative of the legal entity acting on behalf of this legal entity by letter of attorney, the letter of attorney shall be attached to the request.

21.6. The request for the audit initiated by the shareholders shall be forwarded to the Company’s address via registered mail with the delivery notice, or handed personally to the Secretary of the Company’s Board of Directors.

The date of the delivery notice or the date of request handing to the Secretary of the Board of Directors shall be considered the date of request submission.

21.7. Within 10 working days of the request submission, the Board of Directors shall take a decision on carrying out the audit of the Company’s activity and the rate of the Auditor’s fee, or issue notification of a reasonable refusal of a request.

21.8. The Chairman of the Board of Directors can turn down the request for carrying out an audit of the Company’s activity, if:

- the shareholders who initiated the request don’t own the necessary amount of the voting shares on the date of request submission;
- the persons who initiated the request are not registered in the Company’s Register of Shareholders and/or are not authorized representatives of shareholders;
- the request contains incomplete data.

21.9. The report of the Company’s Auditor shall be approved at the next Regular Meeting of the Board of Directors and forwarded via registered mail to the shareholders who initiated the audit upon payment by them the Auditor’s fee.

21.10. Initiators of the Company’s audit are entitled to, at any time before the Board of Directors has taken a decision on carrying out the audit of the Company’s activity, to withdraw their request with the written notification to the Board of Directors.

21.11. The audit expenses, with respect to the audit initiated by the shareholders, shall be paid by these shareholders. Subject to resolution of the General Meeting of Shareholders, audit expenses may be attributed to the Company with relevant indemnification to the shareholders who initiated the audit.

22. The Company Data

22.1. The Company provides to its shareholders access to the documents stipulated for by the Federal Law on Joint Stock Companies. A shareholder (shareholders) owning in the aggregate not less than 25 per cent of the Company’s voting shares shall have access to accounting records.

22.2. Upon a shareholder’s request, the Company shall make available, subject to payment, copies of the above-mentioned documents or also other Company’s documents stipulated for by the RF Legal Acts. The amount of payment shall be established by the Company’s Director General and shall not exceed the cost of documents copying and mailing.

22.3. The documents stipulated for by the Federal Law on Joint Stock Companies shall be submitted by the Company, within 7 days of the date of receipt of the relevant request, for review within the premises of the Company’s Executive Body. Upon request, the Company is obliged to submit copies of the documents stipulated for by the Federal Law on Joint Stock Companies to the persons who have the right of access to such documents. The amount of payment charged by the Company for such copies shall not exceed the cost of the copies preparation.

23. Reorganization of the Company

23.1. The Company can be voluntarily reorganized on resolution of the General Meeting of Shareholders.

Other grounds for reorganization and reorganization procedure are stipulated in the RF Civil Code and Federal Laws.

23.2. The Company reorganization can be in the form of merger, affiliation, split-up, separation or transformation to another organizational and legal form according to the procedure established by the Federal Law on Joint Stock Companies.

23.3. The Company is considered reorganized, except for the cases of reorganization in the form of affiliation, as of the time of state registration of the newly established legal entities.

Should the Company be reorganized in the form of affiliation to another company, the first is considered reorganized as of the time when the state registration authority enters a record on termination of the affiliated company’s activity into the Uniform Register of Legal Entities.

23.4 In case of Company reorganization:

- the internal Company’s documents and also the documents received from state authorities, companies, enterprisers and organizations and containing state secrets shall be passed to the legal successor of PSC “VSMPO-AVISMA Corporation” authorized to handle such information.

24. Company Liquidation Procedure. Liquidation Commission

24.1. The Company can be liquidated voluntary according to the procedure established by the RF Civil Code and in accordance with the requirements of the Federal Law on Joint Stock Companies and Company By-Laws. The Company can be liquidated by the court judgment on the grounds established by the RF Civil Code.

The Company liquidation involves termination of the Company’s activity without any lapse of rights or obligations to other persons in the order of legal succession.

24.2. Should the Company be liquidated voluntary, the Board of Directors of the liquidated Company shall submit issues on the Company’s liquidation and Liquidation Commission appointment for consideration of the General Meeting of Shareholders.

The General Meeting of Shareholders of the voluntary liquidated company shall pass a resolution on the Company liquidation and appointment of the Liquidation Commission with the membership equal to the number of the Board of Directors Members established by these By-Laws.

In case of compulsory liquidation, the Liquidation Commission shall be appointed by the court, which defines its membership.

24.3. Upon appointment of the Liquidation Commission, it assumes all the authorities to run the Company’s business. The Liquidation Commission shall lay before the court on behalf of the liquidated company.

The Liquidation Commission is responsible for any damage caused to the Company, its shareholders or third parties according to the RF legislation.

24.4. The Liquidation Commission shall publish information on the Company liquidation, the order and term of the creditors’ claims submission in the specialized prints for registered legal entities. The term of the creditors’ claims submission shall not be less than 2 months of the date of publication the information on the company liquidation.

24.5. If on the date of resolution on the Company liquidation the Company has no obligations to its creditors, the Company’s assets shall be distributed among its shareholders.

24.6. The Liquidation Commission shall take actions to identify creditors and collect accounts receivable and shall notify creditors, in writing, of the Company liquidation.

24.7. When the term for the creditors’ claims submission is expired, the Liquidation Commission shall make up an interim liquidation balance sheet including information on the liquidated company’s assets value, creditors’ claims and the results of the claims review. The interim liquidation balance sheet shall be approved by the General Meeting of Shareholders in co-ordination with the official body responsible for state registration of the liquidated company.

24.8. If available cash assets of the liquidated Company are not sufficient to cover all the creditors’ claims, the Liquidation Commission shall sell other Company’s property by public sale in the order established for implementation of the court judgments.

24.9. The Liquidation Commission shall make cash payments to the creditors of the liquidated Company in the order of priority established by para 1, Article 64 of the RF Civil Code in accordance with the interim liquidation balance sheet data, beginning on the date of the interim liquidation balance sheet approval, except for the creditors of the fifth priority who are paid after a month of the date of the interim liquidation balance sheet approval.

24.10. Upon payment of creditors’ claims, the Liquidation Commission shall make up a liquidation balance sheet which shall be approved by the General Meeting of Shareholders in co-ordination with the official body responsible for state registration of the liquidated company.

24.11. The liquidated company’s assets left after creditors’ claims payment shall be distributed by the Liquidation Commission among the Company’s shareholders in the following order of precedence:

- firstly, payment of shares subject to redemption in accordance with the Company By-Laws,
- secondly, payment of charged, but unpaid dividends on preference shares and preference share liquidation value,
- thirdly, distribution of the liquidated company assets among shareholders owning ordinary shares.

24.12. Distribution of assets at each subsequent stage shall be performed only upon completion of the preceding distribution stage.

If the Company’s assets are not sufficient to cover all charged but unpaid dividends and liquidation value established by the By-Laws to all the shareholders owing preference shares, then the assets shall be distributed among the shareholders owning preference shares pro rata to the number of shares owned by them.

24.13. The Company liquidation procedure is considered completed and the Company is considered to have terminated its activity when the public registration body makes the relevant record in the Uniform Register of Legal Entities.

24.14 In case of the Company liquidation or termination of work with the information containing state secrets:

- the internal Company’s documents shall be destroyed in accordance with the RF legal procedures or transferred to archive depository;

- the documents received from the state bodies, companies, enterprisers and organizations shall be returned to them or transferred to other state bodies or organizations based on the instruction of the State Secrets Protection Committee.