

**ACTUAL USE OF DEDICATED FUNDS FORMED DUE TO INCOME,
DISTRIBUTION OF NET INCOME RECEIVED IN 2007,
BUILDING UP AND DISTRIBUTION OF INCOME ACCORDING TO PLAN FOR
2008**

Dear shareholders!

Motor Sich JSC has completed the year 2007 with income. The plans for rising the volume of production and the amount of income have been fulfilled in full. The expenditure of income has been effected in accordance with a decision of general meeting of the shareholders. We offer to your attention the scrutiny and approval of the following utilization of the dedicated funds.

Proceeding from the results of economic activity the factory spent 113.1 mln. UAH in 2007 from the income to the fund of production development.

The amounts from the production development fund have been channelled to reconstruction and technical re-equipment of the existing production facilities, accomplishment of work aimed at preparation to quantity production of new types of aviation and industrial equipment, consumer goods, acquiry of new technologies, training of personnel.

There is a proposal to approve the expenditures of money from the fund of production development in the amount of 113.1 mln. UAH.

According to the budget of social development in 2007 we have carried out reconstruction and economic upkeep of the objects of social sphere, cultural work among the masses, sporting and health-improvement measures, rendering financial assistance to the non-profit public organizations.

There is a proposal to approve the financing of expenditures for social needs from the income in the amount of 43.7 mln. UAH

The successful running of the industrial and economic activity of the factory has permitted to pay social benefits to the factory's employees, which is envisaged by the Collective Agreement, and render the welfare support.

There is a proposal to approve the expenditures from the income paid from the fund of welfare support in the amount of 0.2 mln. UAH.

There is a proposal to approve also the expenditures from the income paid for other purposes (fines, penalty fees, penalty costs) in the amount of 4.0 mln. UAH.

The consolidated income obtained proceeding from the results of factory's activity in 2007 exceeded the expenditures, taking into account the expences for the dedicated funds, which permitted the factory to get the net income amounting to 207.1 mln. UAH.

There is a proposal to channel the income in the amount of 207.1 mln. UAH to:

- surplus fund — 7.0 mln. UAH. Thus, the surplus fund will be built up in the amount stipulated by the Charter in full;
- replenishment of circulating assets of the factory, procurement of the cutting-edge

equipment, mastering of new technologies — 195.3 mln. UAH

- payout of dividends – 4.8 mln. UAH, which makes 2.40 UAH per one share (65% more than in 2006).

There is a proposal to approve the offered distribution of net income for 2007.

The planned amount of funds for 2008 built up due to income.

The execution of assigned plans of production, selling of products and services in 2008 also envisages getting income.

The factory will be able to channel money to development and launching production of new articles, economic upkeep of the social and cultural facilities, render welfare support to the factory's employees.

We propose to plan all mentioned expenditures as dedicated funds in the following amounts:

- production development fund - 34.9 mln. UAH;
- social development fund - 49.4 mln. UAH;
- fund of benefit payments - 0.3 mln. UAH;
- other purposes - 4.0 mln. UAH.

It is proposed to plan the amount of dividends at the level of 6.3 mln. UAH, which will make 3.20 UAH per one share (by 33% more than in 2007).

With this level of expenditures to dedicated funds in 2008 it is expected to get the net income from the production and economic activity of the joint stock company amounting to 132.3 mln. UAH.

I request to approve the planned amount of funds for 2008.