

ON ACTIVITY OF THE COMPANY'S SUPERVISORY COUNCIL DURING ACCOUNTING PERIOD

Dear Shareholders!

The activity of Motor Sich JSC Supervisory Council has been guided by a necessity of increasing the influence on the process of implementing the most important lines of financial and economic activity of the joint-stock company in analyzing the activity of the Board of Directors, principal departments and specialists in the field of investment, technical and price policy, widening the range of manufactured products and services.

In accordance with the work plan 15 sessions of the Supervisory Council have been held to analyze the activity of structural divisions, standards of managing the collectives, provision of results of production and quality of labour.

The sessions of the Supervisory Council tackled the following issues:

- Level of fund of salary for different categories of employees as compared with 2006 and scheduled figures for 2007.
- On production and economical activity of shops Nos 1, 10, 21, 31, 32, 39, 43, 53, 60, 61, 639.
- Results of implementing measures aimed at reducing the prime cost of producing consumer goods, further measures for increasing the volume of producing and selling them.
- Status of incorporating a unified infomedia and advanced information technologies at the factory.
- Analysis of production and economical activity of Motor Sich Airline and prospects for its development.
- On activity of DPMA in the field of reducing expenditures while procuring materials, workpieces and components.
- On progress in preparation to celebrating the centennial of Motor Sich JSC.
- On measures aimed at improving the voluntary medical insurance of the factory's employees and ensuring medical care for them.
- On preparation of health-improvement complexes to work in the summer time, dedicated use of planned funds for upkeeping the health-improvement institutions.
- Results of production and financial activity of joint-stock company in 2007.

The information received after analyzing it together with specialists has been used for releasing suitable recommendations.

It is a pleasure to note that during the past year a net profit has increased significantly, other technical and economical indices have also increased.

Using our own funds we have managed to develop and certify new engine TV3-117VMA-

SBM1V, provide preparatory measures for quantity production of new articles AI-450-MS, AI-222-25, D-436-148, increase the volumes of production and sales, preserve and keep at the required level the social facilities of the factory, improve health of the employees and members of their families in full volume.

Certainly positive is the fact that the factory has intensified its presence in the aviation market by effecting deliveries of new aircraft engines, industrial equipment, performing its overhaul and after-sale maintenance.

In order to expand the production capabilities and providing a required level of quality and reliability of the produce, we have implemented a program of increasing the engineering level of production. Within the year of account alone we have obtained 14 items of up-to-date production equipment, 8 items of metallurgical equipment. The upgrade to 53 and overhaul to 210 machines of various purpose have been made. The technical re-equipment of production should go on continuously, otherwise we will not be able to manufacture the produce competitive on the world market.

One of the top-priority objectives set forth for 2007 was to increase the level of produce quality and to reduce the expenditures due to decreased spoilage. This is a very pressing question. Under conditions that we live, it is just impermissible to have such considerable losses because of spoilage due to workmanship, which unfortunately takes place.

The positive balance of the factory's activity, every-year acquirement of profit has helped solve the problems of social character. The most important among them is the level of salaries. The average salary in December 2007 amounted to 1,639.6 UAH. Thus, further increase of the level of salary to the skilled workers and office workers will allow to decrease the drift of skilled specialists.

The Supervisory Council has been carefully tracking all positive and negative processes related to the salaries of the working people. The further stepwise increase of salaries to all categories has been specified for 2008.

It is a matter of concern to us: the turnover of staff in some divisions- the average figure for the headquarter plant is 9.5%, while in shop No. 2 it is 16.23%, in shop No. 18 it is 16.06%, in shop No. 38 it is 15.94%.

We still have quite a lot neglects of educational duties. We have failed to decrease the number of people stopped at the gate in a state of intoxication, cases of stealage of our joint-stock property. The situation can be and should be changed for better by the working collectives. It is necessary to raise the role of community influence on the infringers, create the atmosphere of irreconcilability towards any sort of drawbacks and neglects inside the collectives. We really are the joint stock company and we have to uproot the phenomena like these.

Nowadays, the human factor, professional skills and responsibility of everyone for the fate

of the factory comes to a forefront in any kind of business. They are the definitely determinative conditions for successful changes and should be permanently kept in the focus of attention of the managers of divisions and Council activists.

Regarding the Board of Directors, it should be noted that all lines of activity related to the factory's employees, have the highest priority in the principles of its work.

The Council has not received a sole document for consideration comprising evidences of solving financial problems of ensuring factory's life support at the expense of the employees.

The Supervisory Council has defined in the plans of its activity for 2008 to increase a dedicated influence on the results of main lines of activity of joint stock company, ensuring dynamic and balanced development of the factory. The reinforcement of attained results, persistent search of new and effective lines of activity will help retain the positions of steadily working collective.