



Russian Aviation Market 2010

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www.buyusa.gov/russia

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Highlights of the Russian Economy

- Russia remains one of the most promising markets for US Exporters
 - Over 140 million consumers
 - Growing middle class
 - Almost unlimited infrastructure needs
 - Nine-year run of continuous rapid economic expansion prior to the global economic crisis, with GDP growing approximately 7% annually
 - Per capita personal disposable income (\$4,380) and GDP (\$15,200) were the highest among the BRIC countries in 2009
 - Russia emerged from the recession in the third quarter of 2009
 - Forecasts for the 2010 GDP range from 3.3% to 6.2%



Highlights of the Russian Economy

- Future US- Russia business potential
 - U.S. – Russia relationships are warming up
 - April 2009: President Barack Obama's meeting with Russian President Medvedev establishes the Bilateral Presidential Commission
 - June 2010: Medvedev visits the US, discussing innovation and modernization



President Obama and President Medvedev eat hamburgers and share a plate of fries in Northern Virginia

Russian Government's Strategy to Revitalize the Aviation Industry

- Realistic Product Line Policy
 - Transitional Aircraft Projects (IL-96, TU-204/214)
 - Niche Aircraft Projects (Cargo An-124, Amphibious Be-200)
 - Breakthrough Aircraft Projects (MS-21, Superjet-100)
 - International Cooperation
- Consolidated Industry Structure
 - United Aircraft Corporation (UAC) 2006
 - Russian Technologies State Corporation (RT) 2007
 - Helicopters of Russia (under RT) 2006
 - United Engine Making Corporation (under RT) 2008
 - Russian Air Instrument and Device Corporation (under RT) 2009

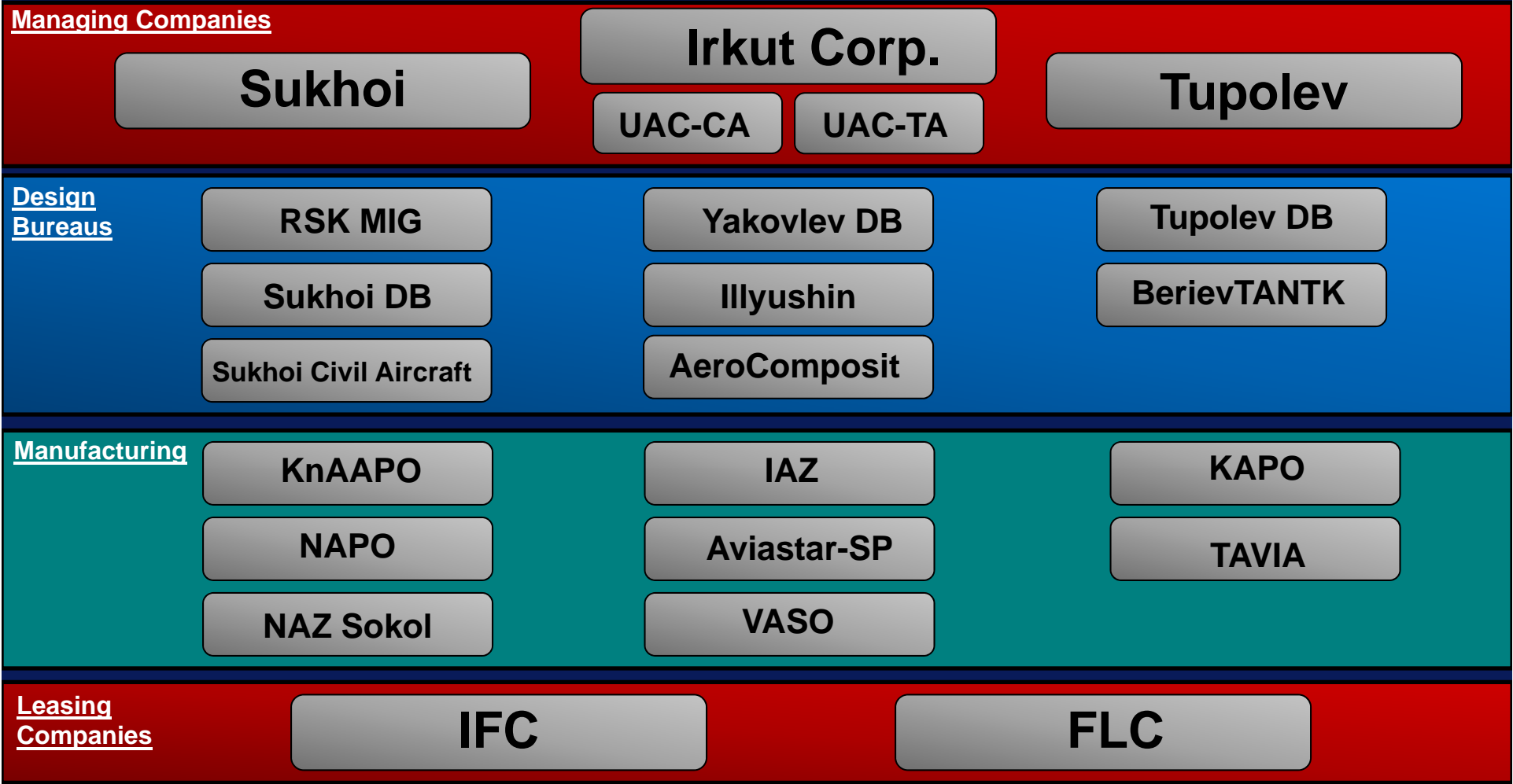
Russian Government's Strategy to Revitalize the Aviation Industry

- Modernization of Production Facilities
 - Purchase New Machine Tools
 - State Guarantees on Loans
 - Restructure Debt
 - Optimize Cost Structure
- Coordination and integration with other Government programs
 - Technical Regulation of International Aviation Requirements (compliance with ICAO)
 - Aircraft Fleet Renewal
 - Favorable Import Tariff Policy

UAC Composition



United Aircraft Corporation





Current UAC Projects

IL-96, Long Haul			
Model	Pax	Range (km)	Certification
IL-96-300	257-289	13,500	1988
IL-96 M/T	435	12,800	1993
IL-96-400M	315-436	13,000	No

Tu-204/214, Medium Range			
Model	Pax	Range (km)	Certification
Tu-204-100	212	6,500	1995
Tu-204-300	164	7,500	2005
Tu-204-200	212	6,670	2001

SuperJet-100, Regional			
Model	Pax	Range (km)	Certification
SSJ-100-75	78	2,900-4,550	2010
SSJ-100-95	98	2,950-4,420	2010

MS-21, Short/Medium Range			
Model	Pax	Range (km)	Certification
MS-21-200	162	5,000	2016
MS-21-300	181	5,000	2017
MS-21-400	212	5,500	2018

An-148, Regional			
Model	Pax	Range (km)	Certification
An-148-100A	68-85	2,000-3,000	2009
An-148-100B	68-85	3,600	2009
An-148-100E	68-85	5,000	2009



International Suppliers for MS-21

Materials / Composites

MAG Industrial Automation Systems	USA	Composite manufacturing supplies: VIPER fiber placement systems, hypermach vertical profilers
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Components / Actuation

Goodrich Actuation Systems	USA	Electromechanical actuators: flight control actuation system
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Components / Mechanical Components

Hamilton Sunstrand Corporation	USA	Ice protection/prevention equipment: wing anti-ice
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Airframe Systems / Cabin Interiors

C & D Aerospace	USA	Aircraft interiors: cabin interiors
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Airframe Systems / Fluid Power

Eaton Aerospace, Fluid Conveyance Division	USA	Hydraulic systems and equipment: hydraulic system
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International Suppliers for MS-21

Airframe Systems / Oxygen Systems and Equipment

Intertechnique	France	Oxygen systems
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Airframe Systems / Safety and Security Systems

Kidde Aerospace and Defense	USA	Fire fighting/detection systems
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Avionics / Flight and Data Management

Rockwell Collins	USA	Avionics management systems: ARINC 664 hardware, avionics Ethernet switch, configuration tools; Flight management systems: information management infrastructure
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Power Systems / Electrical Power Systems

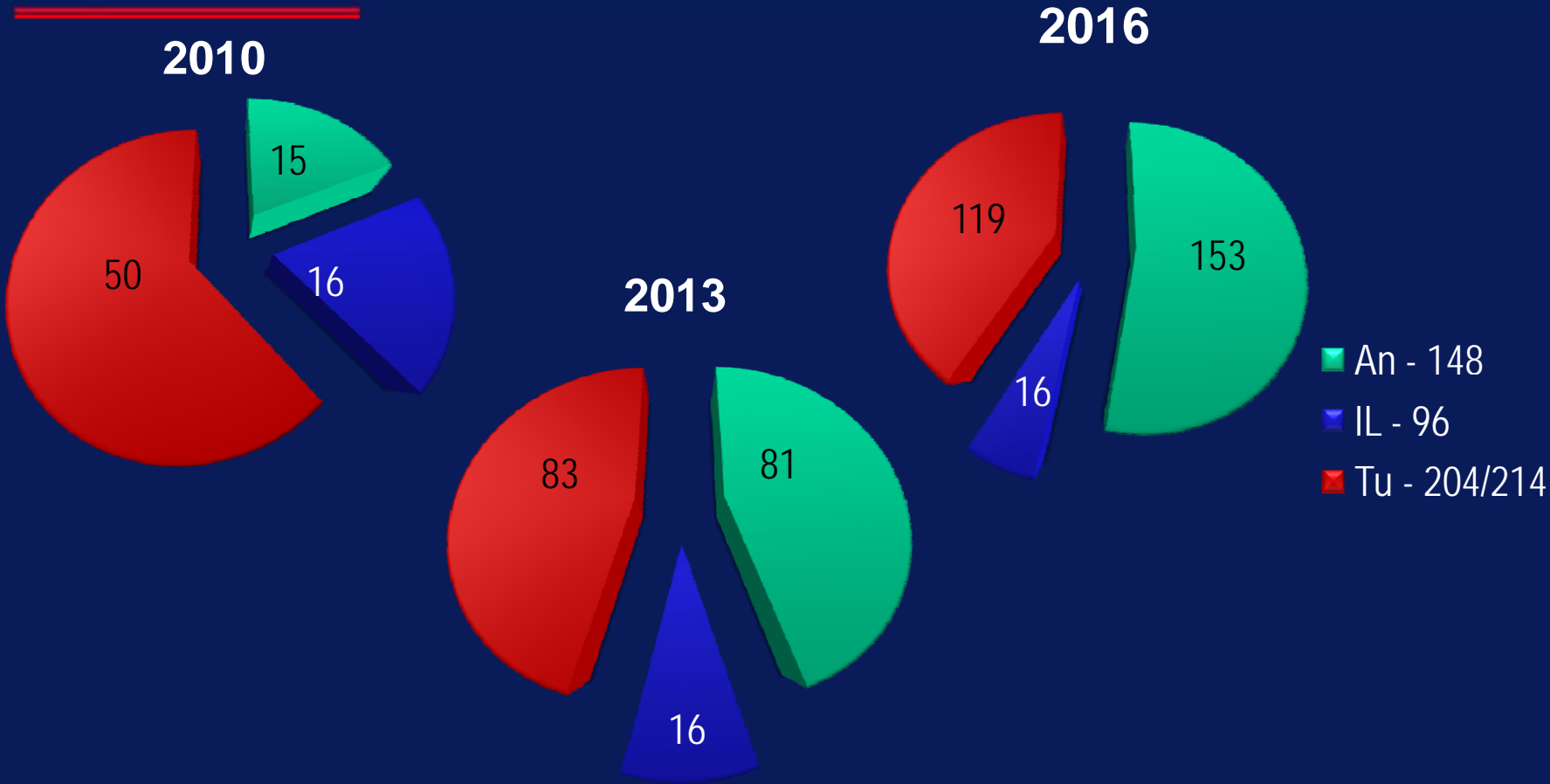
Zodiac Aerospace ECE	France	Power distribution equipment: power generation and distribution system
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Airframe Systems / Fluid Power

Pratt & Whitney Large Commercial Engines	USA	Turbofan Engines: PW1400G engine
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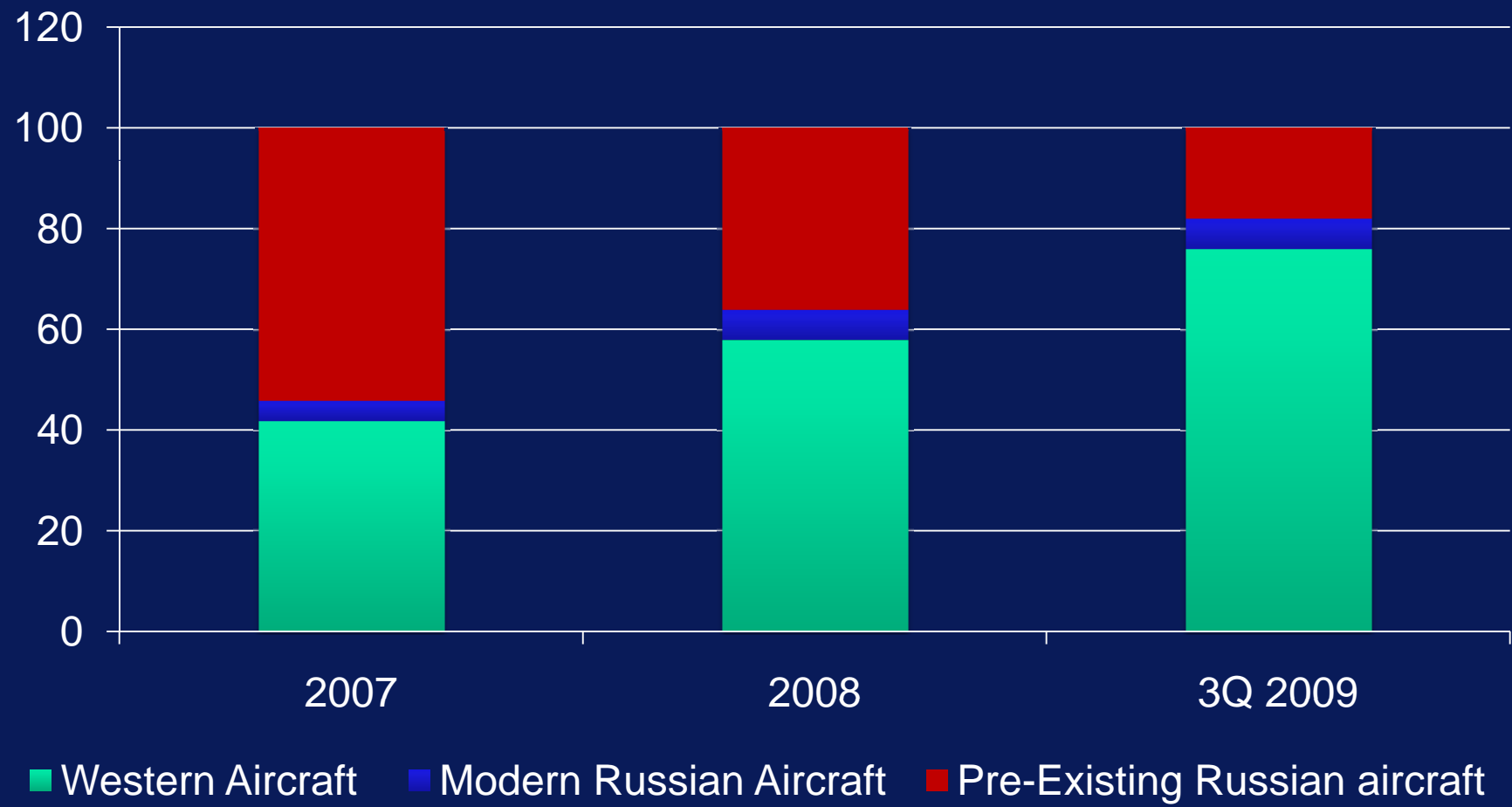
Projected Composition of the Russian Aircraft Fleet (Expressed in Units)



Source: Yezhegodnik ATO



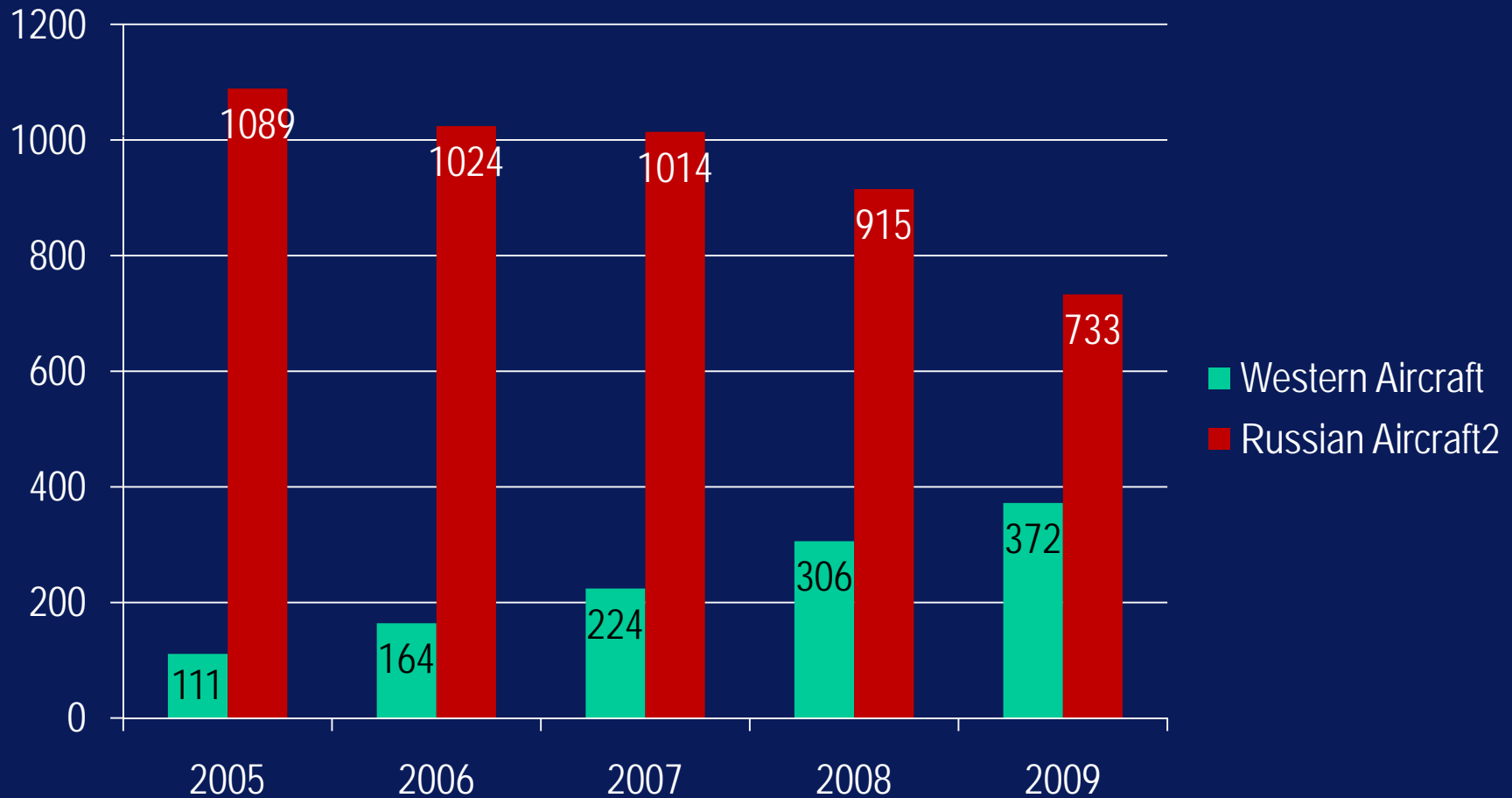
Comparison of Western and Russian Fleet Dynamics (Expressed in %)



Source: Yezhegodnik ATO



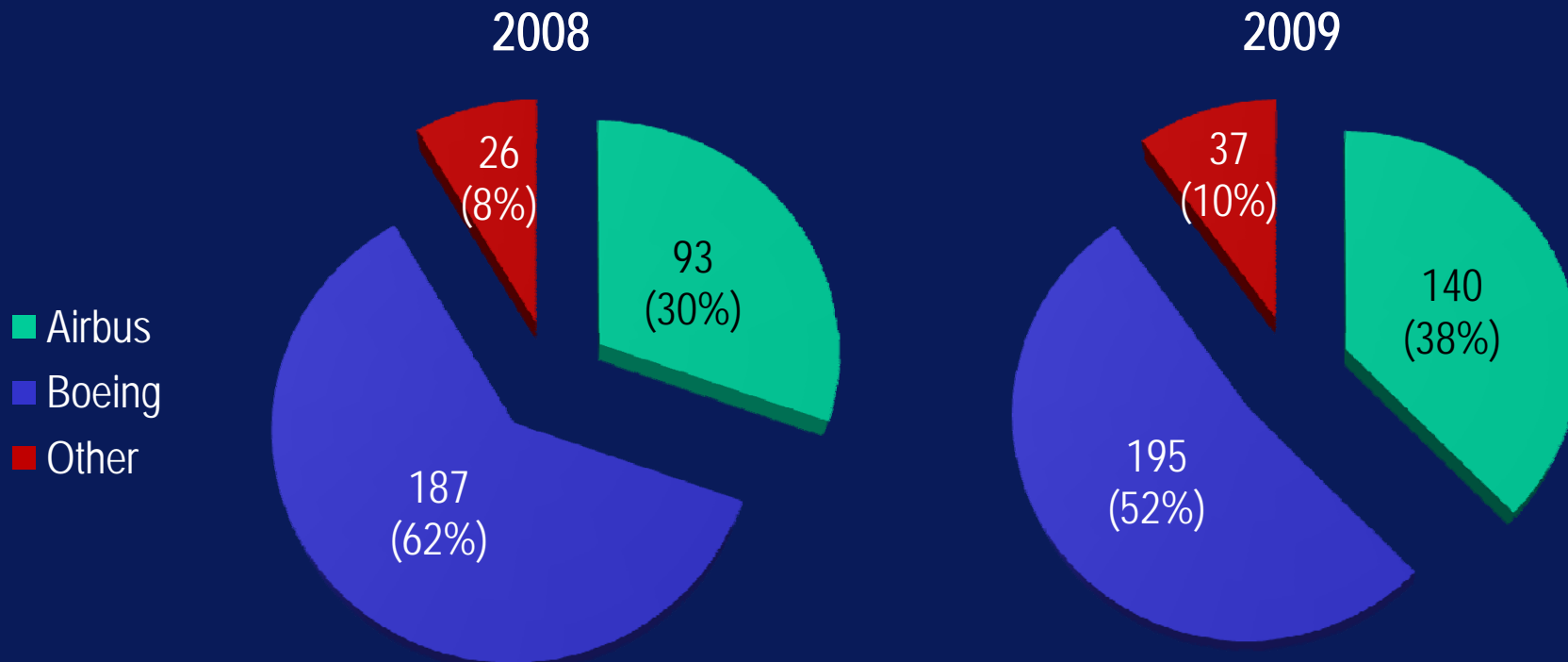
Comparison of Western and Russian Fleet Dynamics (Expressed in aircraft units)



Source: Yezhegodnik ATO

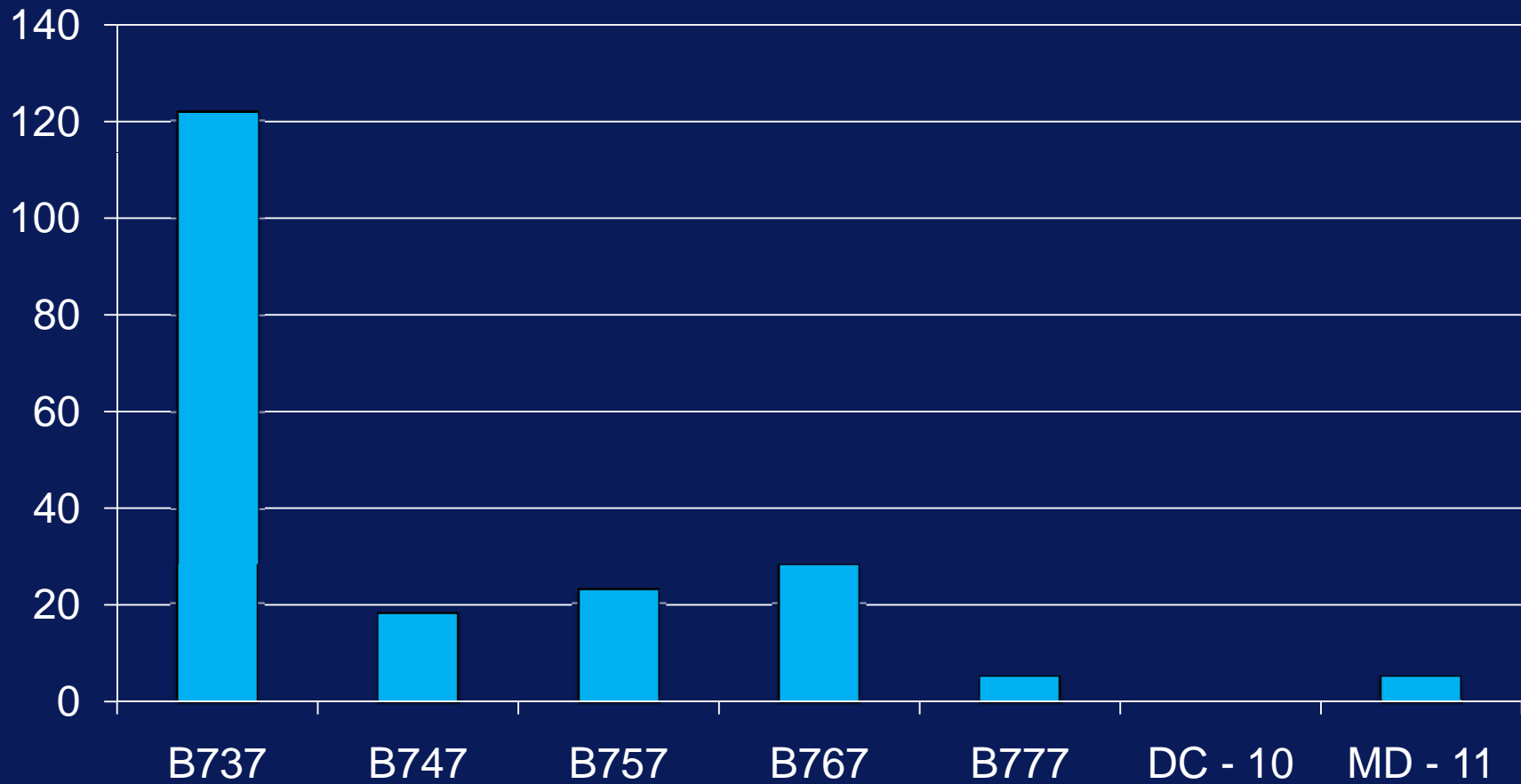


Comparison of Boeing versus Airbus Fleet in Russia (Expressed in units and %)





Russian Boeing Fleet By Type (Expressed in units)

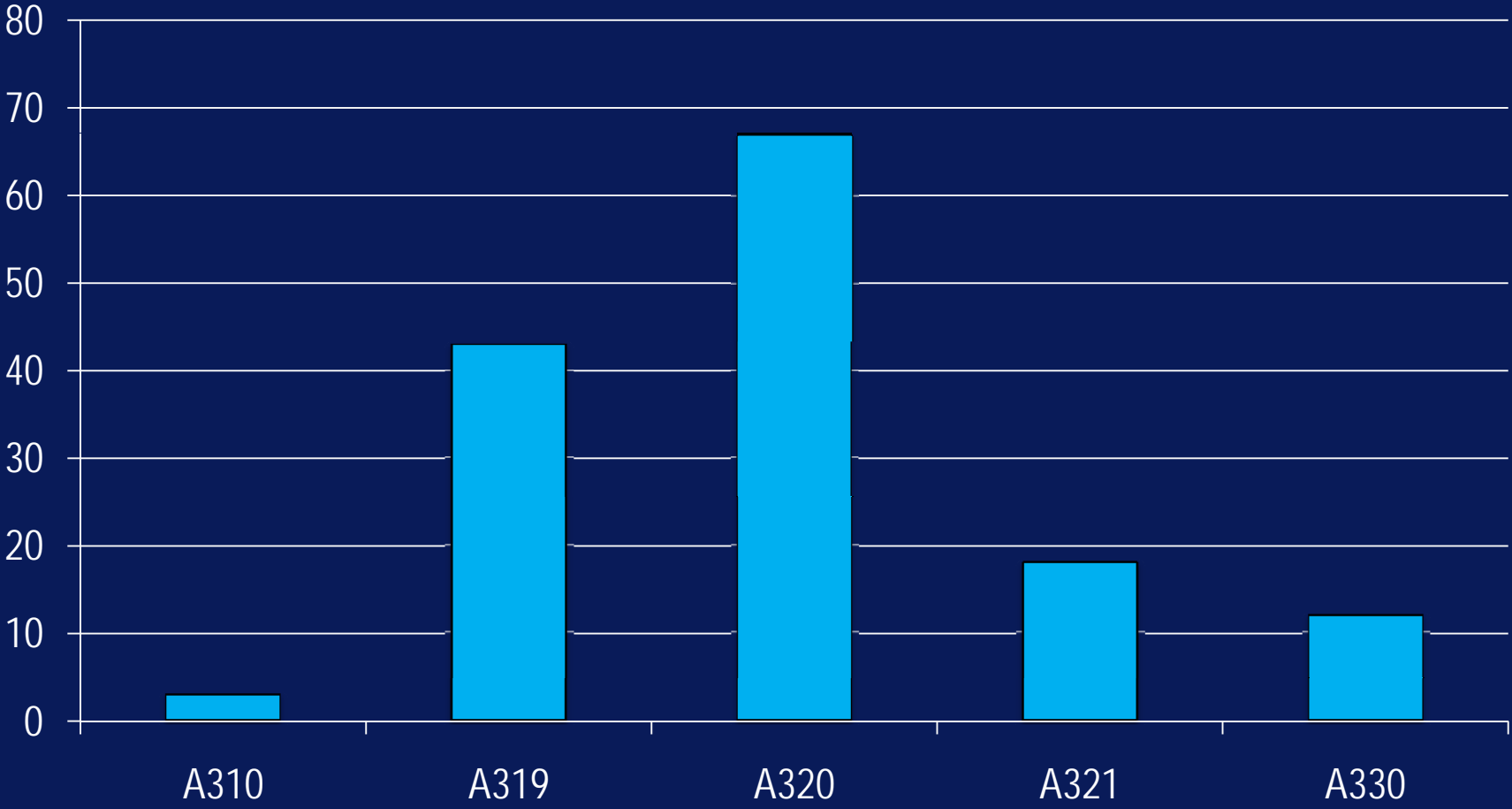


Source: Yezhegodnik ATO



Russian Airbus Fleet By Type

(Expressed in units)



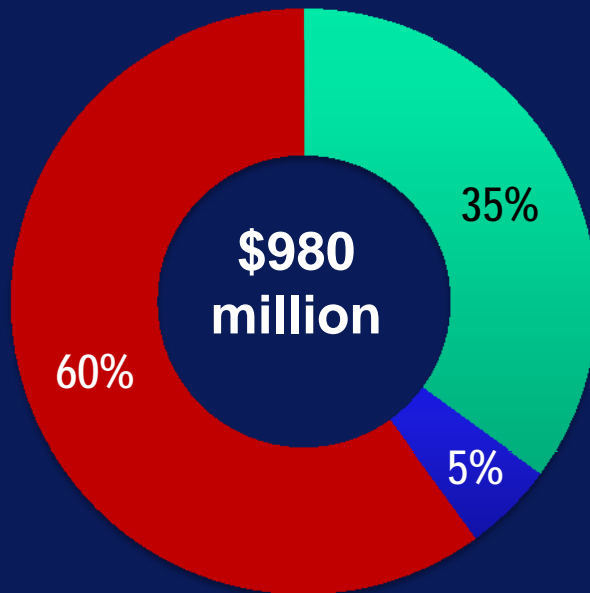
Source: Yezhegodnik ATO

MRO Services Market for Western Aircraft

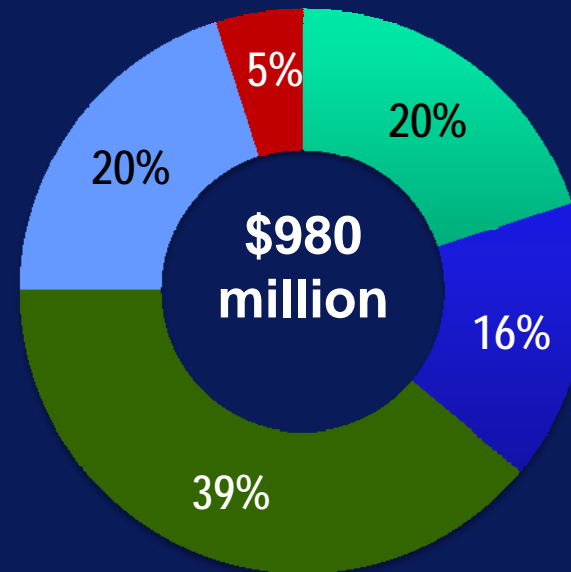
Almost \$1 billion USD is spent on Western-OEM aircraft MRO in Russia/CIS and in the Baltic States



2009 MRO Spending by Origin



2009 MRO Spending by Activity



■ Other CIS ■ Baltic States ■ Russia

■ Line

■ Engine

■ Airframe Modifications

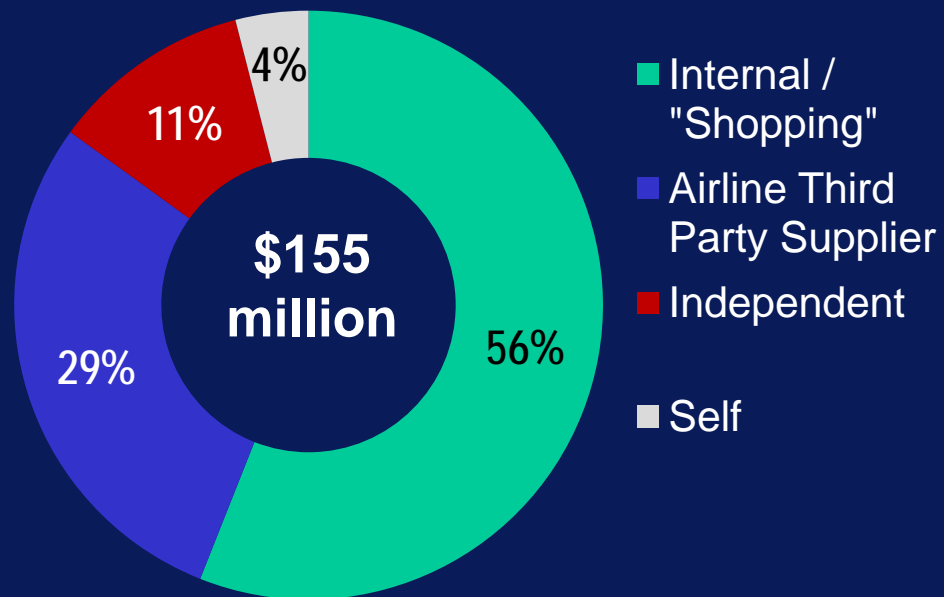
■ AHM

■ Component

Source: AeroStrategy

Supply Profile for MRO Services in Russia

Airframe Heavy Maintenance Supply 2009



- Open Market for local independent MRO providers

Line Maintenance

- Entirely internal

Engine

- Lufthansa Technic etc., Air France, Turkish Airline Technic

Component

- Significant take-up of integrated deals from OEM or third-party maintenance suppliers

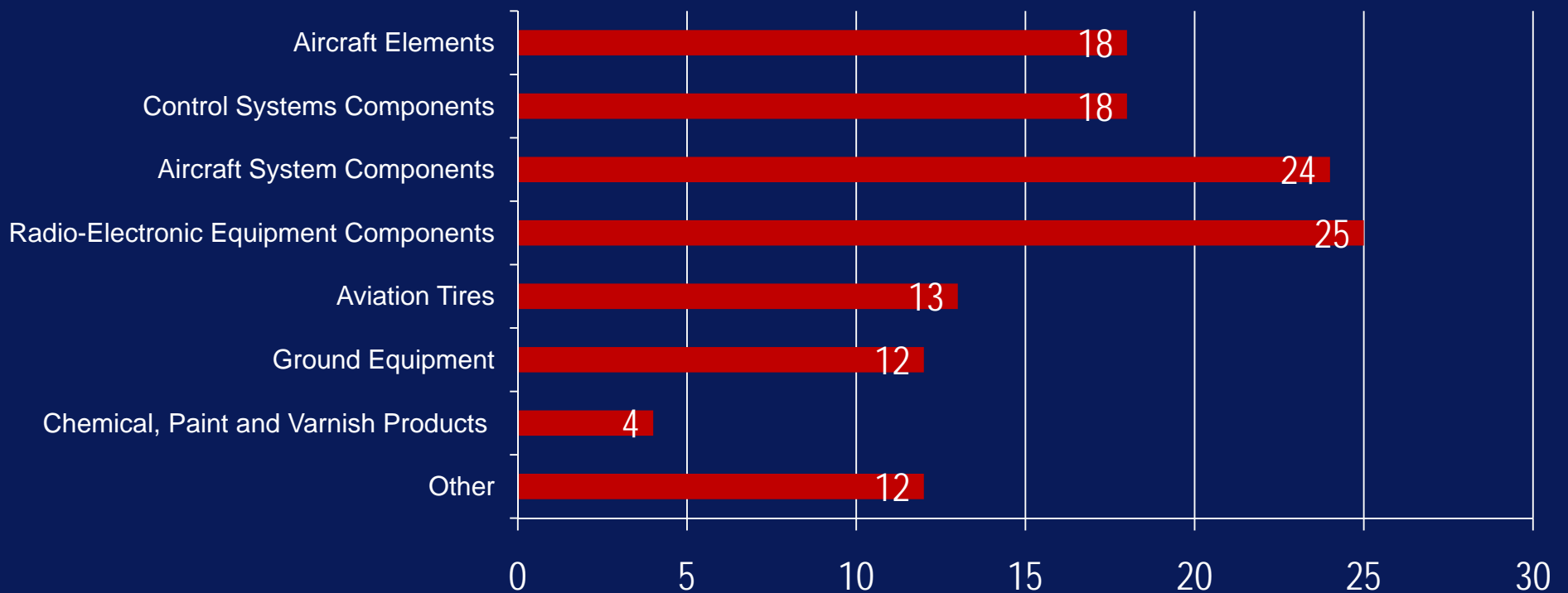
Air Parts Market



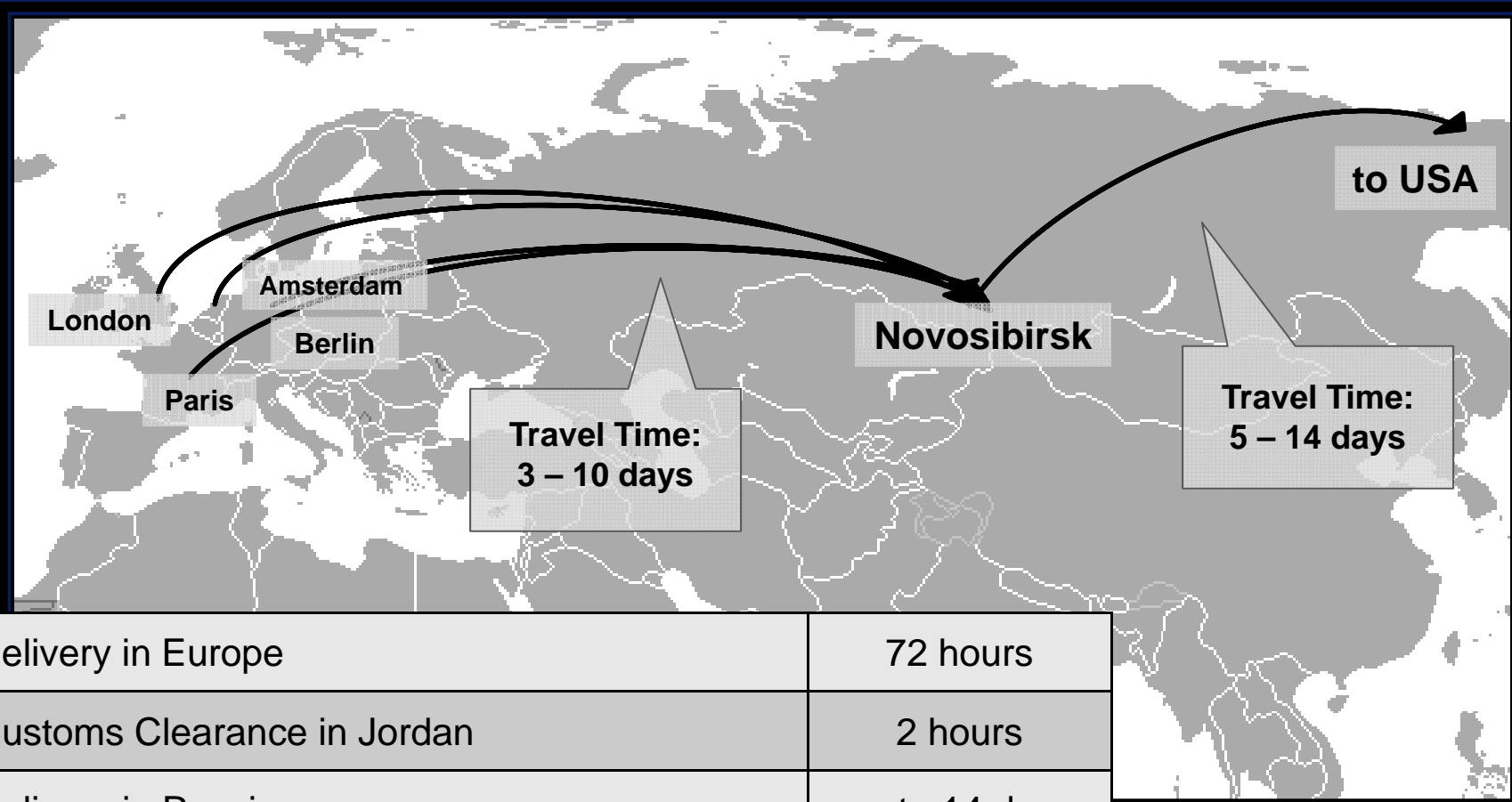
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Specialization of Suppliers by Type of Aircraft Equipment

Aircraft Type	Number of Suppliers
Aircraft and Helicopters	27
Helicopters	1
Aero Engines	1
Aviation Tires	2



Expected Delivery Times



Higher Prices for Components

Part Number	Description	Price	Import Duty	VAT	Total
467Q02 – 3	Aircraft tire	435 Euros	20%	18%	615.96 Euros
LN9496 – 380	Angle section from aluminum	204.18 Euros	20%	18%	289.12 Euros
A35041	Metallic plug	\$47.91 USD	15%	18%	\$65.01 USD



Challenges and Conclusions

- Growing costs of MRO services/air parts provision in Russia
 - High import duty
 - Lengthy customs procedures
- Opportunities for Western MRO providers
 - Airframe heavy maintenance performed abroad
 - Very few MRO integrators
 - Russia is a healthy growth market for nearby third-party MRO suppliers
- Russian government's work in progress
 - Easing customs procedures for foreign parts and components
 - Abolishing import duties
 - Stimulating Russian airlines to be serviced within Russia