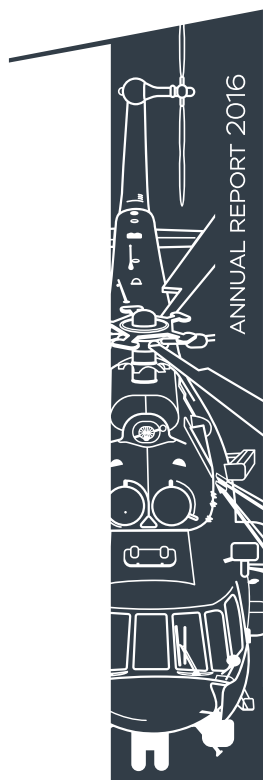


TOUR

DE FORCE



TOUR

DE FORCE





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COMPANY PROFILE

JSC "RUSSIAN HELICOPTERS" IS A LEADING PLAYER IN THE GLOBAL HELICOPTER INDUSTRY, THE SOLE RUSSIAN DESIGNER AND MANUFACTURER OF HELICOPTERS.

Headquartered in Moscow, Russian Helicopters Holding Company includes:

3 design bureaus

5 helicopter plants

2 plants for the production of components

8 aircraft repair enterprises and after-sales services companies

Our helicopters are popular among the Russian ministries and state authorities (Ministry of Defense, Ministry of Internal Affairs, and EMERCOM), operators (Gazpromavia, UTair) and major Russian corporations. Over 8,000 helicopters of Soviet/Russian production are operated in 100 countries worldwide. Traditionally the demand is higher in the Middle East, Africa, Asia-Pacific, Latin America, Russia, and the CIS countries.

Although Russian Helicopters was established only in 2007, some of the Company's key entities have existed for more than

60 years. The new shape of the Holding Company combines updated production and leading intellectual potential of one of the most historically successful high-tech industries in Russia with the modern global system of service and after-sales maintenance.

JSC "UIC "OBORONPROM" is the Company's majority shareholder with the ownership of 91.70 % of shares, including nominal holders. National Settlement Depository holds 5.92 %, JSC "United Engine Corporation" holds 1.69 %, "Rostec" State Corporation holds 0.69 % of shares.

2016

KEY
HIGHLIGHTS

DELIVERIES

189

helicopters

BACKLOG AS AT 31.12.2016

396

helicopters

REVENUE

214.4

billion RUB

EBITDA*

40.9

billion RUB

EBITDA MARGIN
AMOUNTED TO

19.08 %

PROFIT

16.2

billion RUB

*The Company defines EBITDA as operating profit before depreciation and amortization, adjusted for gain/loss on disposal of property plant and equipment, impairment of property, plant and equipment with share in results of associates included. EBITDA is a non-IFRS financial measure; therefore, the Company's definition of EBITDA may differ from similar measures defined by other companies.

SUCCESS

IS THE OPPORTUNITY TO CHANGE THE WORLD,
WE HAVE TURNED IT BY

360°

Mi-28N

is one of the few helicopters capable
of performing a vertical loop

SUPERMANEUVERABILITY OF RUSSIAN-MADE HELICOPTERS

Flight and combat actions
at a low altitude



Camouflage
in any terrain

Independent or group combat
operations



RUSSIAN HELICOPTERS TODAY —

LEADING GLOBAL A&D PLAYER

Over

8,000

helicopters of Soviet/Russian production are operated in 100 countries worldwide

13.00 %

of the world helicopter fleet

The Company's market share in the global market reached

10.40 %

Best positioned for international expansion, especially in the fast growing emerging markets.

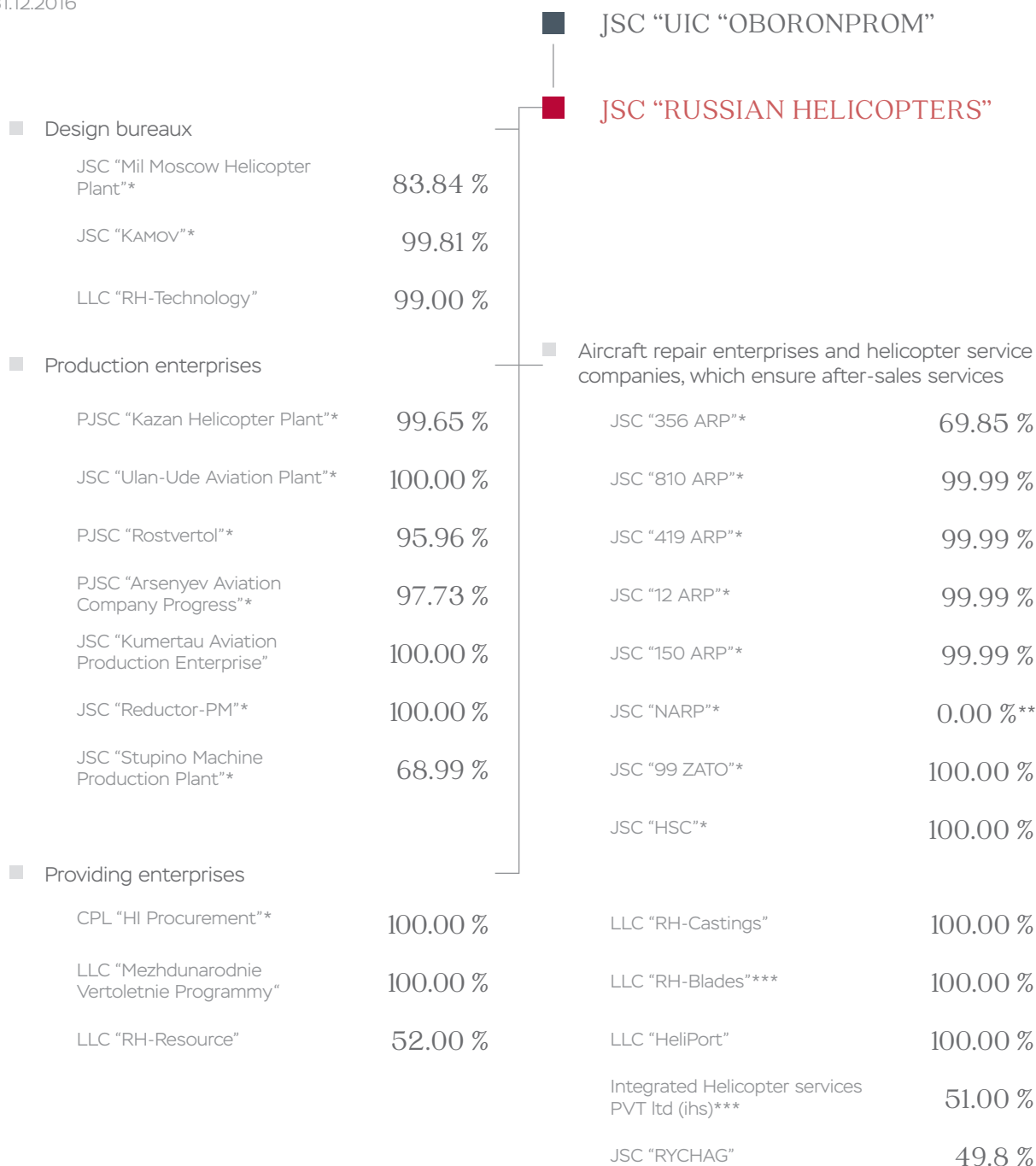
Leader in Russia. Holds leading positions in the key emerging markets.

World's leader in medium and ultra-heavy-lift utility and attack helicopter segments (Mi and Ka brands).

Fully vertically integrated structure that allows the Company to control the whole product cycle – from design, manufacturing of key components, final assembly to sales and after-sales services. Unique and world-renowned R&D base.

More than 44,000 employees and experienced management team with deep knowledge of the industry and needs of the end customer.

The structure of the Holding
on 31.12.2016



*Authority of the sole executive body was delegated to JSC "Russian Helicopters".

**Number of shares of JSC "NARP" belonging to JSC "HSC" (indirect monitoring).

***Decision was made about the disengagement from the organization, liquidation procedure was guaranteed.

The scheme indicates the shares from the registered share capital net of the quantity of the issued shares of unaccomplished additional issue of shares.

MIL MOSCOW HELICOPTER PLANT

This experimental design bureau launched its activities in 1947, headed by the legendary Soviet rotorcraft designer Mikhail Mil. Under Mil's leadership, the bureau developed the world-famous Mi helicopter series, including the most popular model in history – Mi-8/17. Today Mil Moscow Helicopter Plant is one of the world's most respected rotorcraft developers, producing helicopters that operate in over 100 countries.

KAMOV

JSC "Kamov" was set up in 1948 at the design bureau, which specialized in the development of helicopters for the Navy. The bureau was headed by Nikolay Kamov, talented designer and engineer and one of the founders of the Russian school of helicopter manufacturing. The distinctive coaxial rotor system of the Kamov design bureau ensures high maneuverability and good controllability in spite of smaller dimensions of helicopters.

KAZAN HELICOPTER PLANT

Kazan Helicopter Plant dates back to 1940. The enterprise produces the latest modifications of civil and military Mi-8/17 series helicopters designed by Mil Moscow Helicopter Plant, including: Mi-8MTV-5, Mi-17V-5 and Mi-172 helicopters. PJSC "Kazan Helicopter Plant" is also responsible for the development and production of the Ansat light helicopter and its military modification, the Ansat-U, designed for pilot training. Russian Helicopters production manufactured in Kazan have logged more than 50 million flight hours all around the world. Since its founding, Kazan Helicopter Plant has produced over 12,000 helicopters.

ROSTVERTOL

The aviation plant in Rostov-on-Don was founded in 1939 as a manufacturer of military and civil airplanes. It was subsequently restructured and became the first serial producer of helicopters in Russia. The Mi-1 light utility helicopter designed by Mil Moscow Helicopter Plant was put into serial production in 1956. In 1992 the company was renamed from "Plant No. 168" to PJSC "Rostvertol". PJSC "Rostvertol" produces helicopters for both Russian and foreign state and commercial operators. Helicopters manufactured by Rostvertol operate in over 30 countries (CIS, Europe, Asia and South America).

ULAN-UDE AVIATION PLANT

JSC "Ulan-Ude Aviation Plant" was established in 1939 and has produced both helicopters and airplanes in its history. Today it produces Mi-8/17 helicopters designed by Mil Moscow Helicopter Plant: civil models of Mi-8AMT and Mi-171 series, and military transport models of Mi-8AMTSh and Mi-171Sh series. The plant is also preparing to start production of a new upgraded Mi-171A2, one of the core models in Russian Helicopters' range of medium helicopters. Rotorcraft produced by Ulan-Ude Aviation Plant are supplied to governmental and commercial clients in Russia and around the world, and operate successfully in more than 40 countries in Europe, Asia, Africa, South America, Australia and Oceania. The plant has produced approximately 10,000 rotorcraft to date.

ARSENYEV AVIATION COMPANY "PROGRESS"

The history of the Arsenyev Aviation Company "PROGRESS" (AAC "PROGRESS") named after Nikolai Sazykin dates back to 1936, when it opened as Aircraft Repair Plant No. 116 in the

town of Arsensyev in Russia's Far East. During its more than 70-year history the plant has changed its activity from repair work to production of aircraft and has become one of the leading enterprises of Primorsky Kray. The company is named in honour of Nikolai Sazykin, who served as director from 1959 to 1976 and made an enormous contribution to the development of the company and the town of Arsensyev. In 1969, Progress AAC started production of the legendary Mi-24 and continued to produce this model for almost twenty years. Today AAC "PROGRESS" produces one of the most exceptional combat helicopters in its class – Ka-52 Alligator reconnaissance attack helicopters, which is supplied to the Russian Air Force and may be offered for export. The company is also preparing to start production of the naval modification of this helicopter – the Ka-52K.

KUMERTAU AVIATION PRODUCTION ENTERPRISE

JSC "KumAPE" (Kumertau Aviation Production Enterprise) was established in 1962 as the development of Kumertau Repair and Engineering Plant. JSC "KumAPE" specializes in producing coaxial helicopters designed by Kamov Design Bureau. JSC "KumAPE" produces all types of helicopters for the Russian Navy, including the Ka-27, Ka-29 and Ka-31 modifications, which boast unique technical characteristics and are used by naval forces worldwide. In addition to military helicopters, the enterprise produces civil rotorcraft, including new utility Ka-32A11BC helicopter, further development of search and rescue Ka-27PS helicopter, as well as light Ka-226T helicopter. Ka helicopters are operated in more than 30 countries and are employed in special operations worldwide.

HELICOPTER SERVICE COMPANY

JSC "Helicopter Service Company" (HSC) was established in 2006 to perform maintenance and after-sales service of Russian-made helicopters worldwide. JSC "HSC" is expanding its geography of service centers while promoting the products of Russian Helicopters in the new markets. HSC is responsible for overseeing after-sales servicing systems, supplying materials and aviation equipment to Russian Helicopters enterprises, and establishing service centers for Russian-made helicopters both in Russia and abroad. The company also supplies products and parts to companies operating Russian-made helicopters around the globe.

NOVOSIBIRSK AIRCRAFT REPAIR PLANT

JSC "Novosibirsk Aircraft Repair Plant" (JSC "NARP") was established in 1941 on the base of aircraft repair shops evacuated from Moscow during the Great Patriotic War. In 1965 Novosibirsk Aircraft Repair Plant began to specialize in repair and maintenance of rotary-wing aircraft. Over the years, the plant has become the leading company in Russia for repairing helicopters designed by Mil Moscow Helicopter Plant, and has repaired over 6,500 helicopters to date. NARP operates a global network for Mi series helicopters maintenance and repair and offers the option of reconditioning repair at clients' premises. According to the strategy of Russian Helicopters associated with the modernization of its entities, NARP is upgrading and expanding its production facilities, and works closely with other Russian Helicopters enterprises.

STUPINO MACHINE PRODUCTION PLANT

JSC "SMPP" (Stupino Machine Production Plant) was founded in 1948 as Plant No. 120 for the mass production of airplane propellers. Since its foundation, SMPP has mastered the production of 20 baseline items, each of which has led to numerous modifications and is employed in various aircraft models operated worldwide. Today the plant produces accessories for the majority of Russian-made helicopters, including civil, and military Mi-8/17 and Mi-26(T), as well as Mi-35M, Mi-28N Night Hunter and Ka-52 Alligator helicopters.

AVIATION GEARBOXES AND TRANSMISSIONS – PERM MOTORS

JSC "Aviation Gearboxes and Transmissions – Perm Motors" (JSC "Reductor-PM") was established in 1995 at the premises of a separate gearbox facility of Perm Motors Engine-Building Holding Company. JSC "Reductor-PM" is one of the largest enterprises in Russia specializing in the production and after-sales servicing of helicopter gearboxes and transmission units. The enterprise produces, repairs and services main gearboxes and transmission units of Mi-8/17, Mi-26(T), Mi-28N Night Hunter and Ansat helicopters. In the near future it will also begin production of gearboxes and transmission units for Mi-38 helicopters.

12 AIRCRAFT REPAIR PLANT

JSC "12 Aircraft Repair Plant" (12 ARP) offers overhaul services to Mi-2, Mi-8/17, and Mi-24 helicopters and TV3-117 engines.

12 ARP performs modernization of helicopters and installation of additional equipment. Moreover, the plant offers services related to helicopter painting with polyurethane enamels and development, as well as application of brand image on helicopters.

12 ARP has modern equipment and highly trained specialists are capable of repairing aircraft within the short period and at the high level of quality. Technicians of the enterprise have vast experience in the preparation of production and mastering of repair of helicopters, their engines and aggregates.

The plant has access to the airfield and its own railways that allows delivering aircraft for the repair and back to the customer by rail and air.

12 ARP was established in 1934 when 60th Stationary Aviation Workshops of the Airforce specialized in the repair of aircraft and their engines were formed. Its current name – 12 Aircraft Repair Plant – the enterprise got in 1959. Starting from the 1970ies the plant has been performing repair of helicopters and as of today it has vast experience in working with Mi type helicopters.

150 AIRCRAFT REPAIR PLANT

JSC "150 Aircraft Repair Plant" (150 ARP) has a complete range of production facilities to perform overhaul of aircraft – Mi-8/17, Mi-24, Ka-27/28/29, as well as Ka-32 type helicopters. It carries out overhaul and modernization of TV3-117 engines (all modifications), VR-252 main gearboxes, AI-9/9V APU, as well as technical servicing of aircraft.

The plant applies innovative repair methods and state-of-the-art technologies, which allows the enterprise to perform overhaul and maintenance of modern aircraft efficiently.

Having design and technical support of design bureaux and serial plants of Russian Helicopters Holding Company, 150 ARP performs repair of a wide line of helicopters, their systems and aggregates, as well as engines. The repair is also performed with regard to a complete set of armament, instrument and avionics.

150 ARP provides technical support of helicopter operation during the warranty period, as well as their upgrade and modernization and

fitting additional equipment. Moreover, 150 ARP offers helicopter repair services at the Customer's base.

150 ARP history dates back to 8 December 1954. The predecessors of the enterprise were two repair bases – 11th plane repair and 308th engine repair bases. The bases were located in the territory of the former German plant “Seerappen Northwest Aircraft Repair Workshops” in Lublino settlement (former Seerappen).

419 AIRCRAFT REPAIR PLANT

JSC “419 Aircraft Repair Plant” (419 ARP) specializes in the overhaul of all modifications of military and transport helicopters of Mi-8/17 type, Mi-24 combat helicopters, as well as Ka-27, Ka-28, Ka-29 military and naval helicopters. It also repairs all Mi-8/17-series and Ka-32 civil helicopters of all modifications.

419 ARP has a powerful production and technical facilities and modern equipment, highly-accurate metal processing machines and highly skilled specialists. Great importance is paid to the issues of aircraft repair quality enhancement by development and implementation of new technologies at the enterprise, development of facilities and infrastructure.

419 ARP was established in 1942. In 1977 the plant launched mastering the repair of Mi-24 type helicopters, after which it completely re-targeted for the repair of helicopters. More than 1,500 helicopters were repaired for the whole period of its activities.

810 AIRCRAFT REPAIR PLANT

JSC “810 Aircraft Repair Plant” (810 ARP) repairs and services all Mi-8/17-series naval and civil helicopters, Mi-24 combat helicopters, as well as BP-14 and BP-14 main gearboxes.

The production facilities of 810 ARP allows repairing helicopters in three batches. The plant is equipped with all the necessary equipment for repair, monitoring, testing and maintenance of helicopters.

Specialized equipment of its own production is also used at the enterprise. Active work on the modernization, technical re-equipment, engineering and production of non-standard equipment is under way. 810 ARP performs a complete repair and maintenance cycle – from disassembly of helicopters to flight tests. Strict compliance with the requirements of regulatory and technical documentation is provided at all the stages of work.

810 ARP was established in 1984 and is now one of the leading aircraft repair enterprises in Eastern Russia.

356 AIRCRAFT REPAIR PLANT

JSC “356 Aircraft Repair Plant” (356 ARP) specializes in the repair of all Mi-8/17 helicopter modifications (including Mi-8MT, Mi-8MTV, Mi-8AMT).

356 ARP has all the necessary infrastructure, production facilities, information support and highly skilled specialists. QMS of the aircraft repair and maintenance enterprise complies with the current Russian and international standards. The quality of repair and maintenance of the plant is acknowledged by many competent and authoritative enterprises.

356 ARP, one of the oldest aircraft repair facilities in Russia, was established in 1931. 356 ARP has been specializing in the repair and maintenance of helicopters produced by JSC “Mil Moscow Helicopter Plant” since 1995. The activity on the enhancement of after-sales reliability of aircraft is constantly under way at the enterprise.

WIDE

MODEL RANGE

Russian Helicopters is the absolute global leader in the medium segment (MTOW of 8 to 15 tons) by fleet strength. Mi-8/17 is the world's most widely operated super medium heavy-lift helicopter with over 12,000 units delivered to over 100 countries.

The Company produces unique ultra-heavy-lift rotorcraft with the largest lift capacity in the market. Mi-26(T) is the technological leader in the ultra-heavy segment, capable of lifting up to 20 tons (MTOW – 56 tons), more than any other helicopter in the world.

Russian Helicopters is the only manufacturer of unique co-axial rotor platforms.

Key features of our products are reliability, safety and simplicity of operation.

MILITARY AND SPECIAL HELICOPTERS



Ka-52

- Military (attack)

New generation all-weather reconnaissance and attack helicopter.



Mi-26

- Heavy

Ultra-heavy helicopter with the highest carrying capacity of 20 tons.



Mi-35M

- Multirole military (attack)

The sole combat helicopter that may be used as a transport one.



Mi-28N

- Military (attack)

New generation all-weather attack helicopter.



Ka-27/28

- Utility shipborne

Ka-27 is used primarily as an anti-submarine helicopter.



Ka-31

- Special

Radar surveillance shipborne helicopter.

WIDE

MODEL RANGE

CIVIL AND ADVANCED HELICOPTERS

Ka-226T

- Light

Light utility helicopter with a coaxial main rotor system.



ANSAT

- Light

Light utility helicopter.



Mi-8/17

- Medium-class

The world's most-produced helicopter. More than 12,000 helicopters have been delivered in more than 100 countries.



Mi-171A2

- Medium-class

Upgraded main rotor system and avionics.



Ka-32A11BC

- Medium-class

Ka-32A11BC utility helicopter is a recognized leader in its class. EASA certified.



Mi-38

- Heavy-lift

New utility transport helicopter in the segment of heavy-lift helicopters.



Mi-26T2

- Heavy-lift

Improved avionics, glass cockpit, reduced number of crew, extended service life.



Ka-62

- Medium-class

Medium-class utility helicopter. Launching of a serial production is planned for 2020.



ACH

- Advanced commercial

Start of production is expected in 2023.



UAS-500-750

- Unmanned aerial vehicle system
- First sales are expected in 2024.



CHAIRMAN'S

STATEMENT



Today, over 8,000 Russian-built helicopters are operated in countries across the world. JSC "Russian Helicopters" is one of the world leaders in the area of production of combat, medium and super heavy lift helicopters. In 2016, despite difficult economic situation, the Holding Company proved its efficiency and competitiveness in the global helicopter market. As of the end of the financial year JSC "Russian Helicopters" owns 10 % of the global sales of helicopters and more than 90 % of helicopter sales in the Russian market.

In 2016, the enterprises of JSC "Russian Helicopters" produced 22 % of the global military

helicopter fleet. The Holding Company's products occupy 32 % of the global fleet of combat helicopters and 42 % of medium military transport helicopters. In the global fleet of civil helicopters, the products of Russian Helicopters Holding Company account for 49 % among heavy lift helicopters and 65 % among medium-class helicopters.

As of the beginning of 2017 the total value of the order book including 396 helicopters was RUB 466 bln. Despite positive results of the work we do not forget the challenges of our time. In this regard, the Holding Company is constantly improving its operation. Exten-

sion of the model range and modernization of equipment as well as technical re-equipment of production facilities have remained the key strategic objectives of the Company.

In the year under review, we continued to increase operating efficiency of enterprises and carried out optimization of the organizational structure of the Holding Company to achieve the highest performance of activities. Further implementation of the program of import substitution is still an important task. The implementation of the whole range of activities made it possible for us to strengthen the positions of the Company as the leading

manufacturer of helicopters and expand our footprint in the countries and regions that are of crucial importance for us – CIS, China, India, Africa, Latin America and Middle East.

The performance results of Russian Helicopters Holding Company for the year 2016 prove the efficiency of the development strategy and the importance of identified priorities, which makes it possible to count on the Company's sustainable growth in the future.

I would like to thank the shareholders, investors and partners for their confidence and support.

Chairman of the Board of Directors
of JSC "Russian Helicopters"
First Deputy Director General
of Rostec State Corporation
Vladimir Artyakov



BACKLOG AT THE
BEGINNING OF 2017

396

helicopters





DIRECTOR GENERAL'S

STATEMENT

Despite negative operating performance indicators 2016 was marked by the successful implementation of a large number of helicopter programs. Last year JSC "Russian Helicopters" supplied 189 helicopters to 13 countries. In view of the increasing stagnation of the global helicopter market and decreased sales volumes of helicopters, JSC "Russian Helicopters" focused on enhancing the quality of after-sales support services for helicopters in 2016, which significantly improved financial indicators in this area. Revenues from the sales of services and helicopter maintenance increased by 15.6 % as compared to 2015.

In 2016 the total revenue of JSC "Russian Helicopters" was down 2.5 % and amounted to RUB 214.3 bln, EBITDA – RUB 40.9 bln. In 2016 net profit amounted to RUB 16.2 bln.

In 2017 a new strategy of Russian Helicopters Holding Company will be approved, focusing on the development of new products and improvement of the quality of after-sales support services. We expect that these areas of activities will bring considerable additional revenue to the company.

With support from the Ministry of Industry and Trade of the Russian Federation and by cooperating with Rostec State Corporation and



DELIVERY OF 2016

189

helicopters

Russian Direct Investment Fund, JSC "Russian Helicopters" attracted leading international investors, enabling the Holding Company to continue its expansion to new markets and providing an excellent opportunity to increase its footprint in developing countries. Particularly, investments of Middle Eastern partners will broaden the scope of activities of JSC "Russian Helicopters" in this region.

The presence of foreign investors implies intensive work of the Holding Company on implementation of the range of large international projects. In 2016 JSC "Russian Helicopters" entered in an agreement with the Indian partners to establish a joint venture for the production of light Ka-226T helicopters. In accordance with the Russian-Chinese intergovernmental agreement the development of joint advanced heavy-lift helicopter is being conducted. Also that year, the first export contract for the supply of light Ansat helicopter to China was signed.

Holding Company continues to improve its scientific potential. High-speed helicopter prototype is currently being developed at JSC "Mil Moscow Helicopter Plant". Flying laboratory achieved world record speed surpassing the mark of 400 km/h during its tests. We hope that the existing scientific and technological achievements will be applied by the enterprises of the Company for the production of both military and civil

helicopters. Specialists of JSC "Kamov" are working to develop an unmanned aerial vehicle on the base of Ka-226T light utility helicopter.

In 2016 JSC "Russian Helicopters" continued to supply state-of-the-art materiel for the Ministry of Defence of the Russian Federation ensuring defence capability of our country. Russian Aerospace Forces added Ka-52 Alligator and Mi-28N Night Hunter to the fleet, which proved their ability to perform any task under combat conditions. Navy aviation received its first Mi-8AMTSh-VA helicopter specifically designed for operation in a sub-arctic environment.

Today, in the conditions of fierce competition in the helicopter market, we should maintain our financial stability, increase production and ensure high class after-sales support services of helicopters. At the same time, the Holding Company plans to start implementing several large-scale and ambitious projects in 2017, which will reinforce the status of JSC "Russian Helicopters" as one of the leading companies in the global helicopter market.

Director General
of JSC "Russian Helicopters"
Andrey Boginsky

EXPERIENCE IS OUR TOOL

FUTURE

IS OUR GOAL

150%

OF POTENTIAL

XXI CENTURY TECHNOLOGY TOUR DE FORCE

FL PSV (advanced high-speed rotorcraft) – the flying testbed based on Mi-24 helicopter. Due to unique technologies this development will allow increasing the flight speed 1.5 times. This helicopter has already made speed record

405
km/h.

In future this indicator will reach

500
km/h.



Mi-24

HSR



KEY NEWS OF 2016:



- Russian Helicopters launches serial production of a new combat Mi-28NE helicopter with double control
- The first prototype of Ka-62 utility helicopter got off the ground
- Fitch upgraded the rating of Russian Helicopters Holding Company
- Russian Helicopters delivered Ansat in VIP configuration to the private operator
- Moody's rating agency upgraded the rating of Russian Helicopters Holding Company
- Ansat helicopter got a new maintenance schedule
- Upgraded Mi-28N attack helicopter had its maiden flight
- Russian Helicopters fulfilled contract for the delivery of 151 helicopters to India
- Russian Helicopters delivered the first modernized Ka-27 to the Navy marine aviation
- Russian Helicopters produced the first arctic Mi-8AMTSh-VA helicopter for the Russian Navy aviation
- Russian Helicopters started certification tests of Mi-38 for the Ministry of Defence of the RF
- Deputy Minister of the RF, Yuriy Borisov, visited PJSC "AAC "Progress"

HELICOPTER PROGRAMS

19/01 2016 Russian Helicopters launched a series of flight tests of a new experimental helicopter

An experimental helicopter that represents a technology demonstrator, a flying laboratory of an advanced high speed rotorcraft (FL PSV) got off the ground for the first time at the flight test center of Mil Moscow Helicopter Plant of Russian Helicopters Holding Company (part of Rostec State Corporation). The main objective of the project is to develop scientific and technical groundwork to increase the speed of helicopters 1.5 times


as compared to the currently produced serial helicopters.

FL PSV represents an experimental rotorcraft developed based on Mi-24 helicopter that is the most optimal in terms of aerodynamic configuration to perform high-speed flights. Some of the fuselage elements of the flight testbed have been upgraded, helping to significantly reduce air resistance and enhance aerodynamics of the helicopter at high speeds.

One of the main goals when implementing the project of FL PSV is to obtain experimental data on the use of advanced all-com-

posite blades of the main rotor developed by the design bureau of Mil Moscow Helicopter Plant and manufactured at the experimental production facilities of the enterprise. These blades have enhanced aerodynamic performance and have been designed with the use of state-of-the-art developments in the area of aerodynamics, durability, composite material engineering and production technology.

All the data received during flight tests that shall confirm the results of mathematic simulation, wind tunnel test of aircraft models, will form the basis for the development of advanced helicopters. It is also worth noting that the scientific and technical groundwork obtained in the process of performing such activities may be used in the modernization programs of the existing helicopters.


09/03  PJSC "AAC "Progress" performs test flights of the first Alligators 2016
Test flight of first Ka-52 Alligator all-weather reconnaissance and attack combat helicopters produced within the framework of state defence order 2016 are being performed in Arsenyev Aviation Company "Progress" (AAC "Progress") of Russian Helicopters Holding Company (part of Rostec State Corporation). On average the test flight of Alligator takes about an hour. The combat helicopters perform the main maneuvers at height: "ascent", "hovering", "turn" and other maneuvers set forth in their flight test programs. It should be noted that high flight and technical performance of Ka-52 helicopters allow them to perform aerobatics. A co-axial rotor scheme and increased power of longitudinal control enables Alligator to efficiently perform such difficult aerobatics as "Flat turn" and "Circle-strafting", as well as "Slalom" exercise. "Currently Ka-52 Alligator is the most efficient attack helicopter in the world: both in terms of flying qualities achieved also thanks to a co-axial rotor scheme enabling the helicopter to quickly maneuver in a limited space and in terms of availability of weapons and capabilities of combat employment", – Managing Director of AAC "Progress", Yuriy Denisenko, noted.

16/03  Russian Helicopters launches serial production of a new combat Mi-28NE helicopter with double control

Serial production of Mi-28NE combat helicopter with dual control is launched at the enterprise of Rostvertol that is part of Russian Helicopters Holding Company of Rostec State Corporation. The new helicopter differs from Mi-28NE by dual control system that allows controlling the helicopter both from a pilot's cockpit and from the cockpit of a pilot-operator, who acts as an instructor.

Keeping all the functions of an attack helicopter, Mi-28NE with dual control significantly simplifies the process of training of military pilots, who need flight experience on Night Hunters. The new helicopter features increased volume of the cockpit and modern energy-absorbing seats.

The program of modernization of Mi-28NE helicopter into Mi-28NE with dual control was implemented by Rostvertol together with Mil Moscow Helicopter Plant under the auspices of Russian Helicopters Holding Company. A prototype of Mi-28NE with dual control was produced in 2014. State joint tests were completed at the end of 2015.

12/04  Russian Helicopters Holding Company is preparing a prototype of Mi-171A2 for certification tests

Ulan-Ude Aviation Plant of Russian Helicopters Holding Company (part of Rostec State Corporation) has sent a fifth prototype (OP-5) of Mi-171A2 helicopter to "Mil Moscow Helicopter Plant" to bring it to airworthy condition and participate in another stage of Certification test program.

Two prototypes already participate in certification tests. The first one got off the ground in November 2014, the second one – in October 2015. Simultaneously the tests were performed on a flying laboratory based on the serial Mi-8/17. The third and forth prototypes of Mi-171A2 helicopter have not gone through flight tests as they represent iron birds.

The specialists of JSC "Mil Moscow Helicopter Plant" will install main and tail rotor blades on the fifth prototype of Mi-171A2 helicopter,

as well as furnish a cabin and a cockpit. Once this is done, another stage of certification tests will start in June-July 2016 that will allow completing the whole range of scheduled certification activities. The plans of Russian Helicopters Holding Company include certification of Mi-171A2 medium utility helicopter in Q1 2017.

29/04 2016

The first prototype of Ka-62 utility helicopter took to the air

The first prototype (OP-1) of Ka-62 medium utility helicopter took off at Arsenyev Aviation Company "Progress", part of Russian Helicopters Holding Company, on 28 April. The lift in a hover mode was part of the factory flight testing and was completed successfully.

Ka-62 OP-1 was taken to the air to evaluate its overall performance and check its main power supply systems and avionics. The helicopter was operated by test pilots from Kamov Design Bureau, which is the main developer of Ka-62. Previously, the rotorcraft has successfully passed a series of ground run tests.

18/05 2016

Russian Helicopters developed a unique system for detection of concealed damages of helicopter blades

The use of the state-of-art technologies will allow helicopter producers and operators to scan helicopter main and tail rotor blades to detect concealed defects. This system is intended to extend the service life of blades and will contribute towards flight safety.

The specialists of VR-Technologies design bureau, part of Russian Helicopters are responsible for the development of the unique technology of scanning helicopter main and tail rotor blades. Currently the system prototype is being developed and tested. It is anticipated that the final stages will be completed within the nearest two years.

20/05 2016

Medical module of Ka-32A11BC obtained approval of aviation authorities

Medium utility Ka-32A11BC helicopter in a medical configuration produced by Russian Helicopters Holding Company (part of Rostec

State Corporation) obtained approval of the major modification for a medical module. The respective document was solemnly presented during HeliRussia 2016 international exhibition.

The approval of the major modification for a medical module of Ka-32A11BC helicopter considerably extends the range of helicopter missions. The helicopter may be used in medical aviation more efficiently: first of all for medical and evacuation activities, as well as for emergency medical care during transportation of patients to health care facilities and during resuscitation activities. A medical module installed aboard, as well as special-purpose equipment for intensive care allows performing a wide range of medical and resuscitation procedures during flight.

17/06 2016

Russian Helicopters Holding Company entered into a Strategic Cooperation Agreement with Rosneft and Leonardo-Finmeccanica

Within the framework of the signed agreement the parties agreed to continue their cooperation aimed at deep localization of AW189 helicopter manufacturing in Russia. The parties intend to gradually bring manufacturing localization level to 70 % and completely localize production by 2025.

25/06 2016

Russian Helicopters and AVICOPTER to develop an advanced heavy lift rotorcraft

Russian Helicopters, part of Rostec State Corporation, will cooperate with the Chinese state company AVICOPTER to develop the AHL (Advanced Heavy Lift) heavy helicopter. A respective intergovernmental agreement was signed by the Russian and Chinese parties in Beijing in the presence of Russian President, Vladimir Putin.

29/06 2016

Ansats take-off weight rises to 3600 kg

The specialists of Russian Helicopters Holding Company have finished work on increasing

the take-off weight of Ansat light utility helicopter from 3300 to 3600 kg. The change will increase the helicopter's commercial load by 300 kg, thus improving its technical and operational performance. At the same time, the engineers of Kazan Helicopter Plant continue to increase the flight range of Ansat and service life indicators of its assemblies. To increase the flight range, an upgrade of the fuel system and installation of larger auxiliary fuel tanks will be performed in 2017.

12/07 ²⁰¹⁶ Mi-38 to obtain advanced features

Russian Mi-38 medium utility helicopter, fully assembled from Russian components, made its first flight as part of additional tests aimed at expanding its operation opportunities. This will increase the range of Mi-38 missions and make it possible to use it also for transporting passengers.

Additional certification tests of Mi-38 helicopters aimed at extending its operation conditions started at Mil Moscow Helicopter Plant of Russian Helicopters Holding Company (part of Rostec State Corporation). The service life of helicopters is expected to progressively improve, a number of additional programs have been implemented and major modifications to the type certificate have been approved: takeoff weight and flight speed have been increased, flights in icing conditions, at extremely low and extremely high temperatures have been approved.

13/07 ²⁰¹⁶ Russian Helicopters Holding Company masters additive technologies

Russian Helicopters Holding Company demonstrated its developments in the area of additive technologies for the first time within the framework of INNOPROM-2016 exhibition. The exhibition visitors could get acquainted with the elements of the helicopter rudder control, as well as non-bearing parts printed on 3D printer, among exhibit items presented at the booth of the Holding Company. Dmitry Rogozin, Vice Prime Minister of the RF, got acquainted

with the examples of additive technologies used by Russian Helicopters during his visit to INNOPROM-2016.

06/09 ²⁰¹⁶ Russian Helicopters to present police Ansat at Army-2016 international military and technical forum

A prototype of the helicopter produced by Kazan Helicopter Plant of Russian Helicopters Holding Company (part of Rostec State Corporation) was produced within the framework of "Police helicopter" program. The helicopter is equipped with additional equipment and developed with account of the requirements of the Russian law enforcement agencies.

A police configuration of Ansat helicopter is equipped with platforms to transport special purpose team from 4 to 6 people, as well as a frame for airdrop missions with the use of rappelling devices that may be applied in case of emergency. This equipment may be easily removed and allow for quick change of the helicopter configuration from police to medical.

06/09 ²⁰¹⁶ Ansat helicopter got a new maintenance schedule

Ansat light utility civil helicopter with a hydromechanical control system obtained an approval of the major modification from the Ministry of Transportation of Russia and the Federal Air Transport Agency for the modification of Instructions for Continued Airworthiness and Flight Manual.

The major modification involves development of a new Maintenance Schedule adapted to modern requirements of civil aviation aircraft maintenance and related amendments of Maintenance Schedule and Flight Manual.

11/10 ²⁰¹⁶ Ansat got unique blades

The specialists of the innovative design bureau VR-Technologies of Russian Helicopters Holding Company (part of Rostec State Corporation) together with the engineers of Kazan Helicopter Plant developed a unique technology allowing for producing a brand new main rotor blade for Ansat light utility he-

licopter.

The project envisages the production of blades according to one-step moulding technology using polymer composite materials. For comparison, the airfoil of the main rotor blade consists of two parts: spar and tail section, which are produced separately and then assembled in a jig. A new development is implemented using sparless layout technology that presupposes one-stage production of blade airfoil in the mold, where the blade airfoil blank is also assembled.

12/10 ¹⁰₂₀₁₆ Upgraded Mi-28N attack helicopter had its maiden flight

Deputy Minister of Defense of the RF, Yuri Borisov, visited Mil Moscow Helicopter Plant, a subsidiary of Russian Helicopters (part of Rostec State Corporation) today, where flight tests of a modernized Mi-28 combat helicopter prototype had started.

During his visit Yuriy Borisov examined a new combat helicopter, got acquainted with its design features, had a conversation with test pilots, designers and managers of Mil Moscow Helicopter Plant and Russian Helicopters Holding Company. In the presence of the Dep-

uty Minister of Defence, the helicopter made its first test flight, while its first hovering was completed on 9 September. It was reported by the crew that the flight was successful, and the helicopter systems were functioning normally. Yuri Borisov approved the status of Mi-28N modernization activities and expressed confidence that the modified combat helicopter would make a significant contribution to improving combat capabilities of units and subunits of the Army Aviation of the Russian Ministry of Defence.

08/12 ¹⁰₂₀₁₆ A subsidiary of Russian Helicopters Holding Company received two new certificates

JSC "150 Aircraft Repair Plant" obtained the Certificate of authorized repair enterprise approved by Russian Helicopters Holding Company (part of Rostec State Corporation), as well Certificate of Compliance of the Federal Agency for Technical Regulation and Metrology.

This document confirms the capability of the enterprise to perform overhaul of the Russian-made civil helicopters and compliance of the performed overhaul with the requirements of the repair and regulatory doc-

LARGE-SCALE DELIVERIES

OF HELICOPTERS

umentation.

02/02 ¹⁰₂₀₁₆ Russian Helicopters fulfilled contract for the delivery of 151 helicopters to India

Russian Helicopters Holding Company, part of Rostec State Corporation, transferred a final batch of helicopters to the Indian party within the framework of the signed contract. India received 151 Mi-17V5 military and transport helicopters produced by "Kazan Helicopter Plant".

"India is one of the key markets for Russian Helicopters and the largest operator of the Russian helicopters in the Southeast Asia. Today, more than 400 helicopters, which have already proven themselves to be very effi-

cient, are operated in the country, – Alexander Mikheev, Director General of Russian Helicopters Holding Company stated. – We produce high-tech utility helicopters that are capable of fulfilling the most complicated missions anywhere in the world".

16/02 ¹⁰₂₀₁₆ Russian Helicopters Holding Company to deliver 9 helicopters to China

Russian Helicopters Holding Company has signed a number of contracts for the delivery of seven Ka-32A11BC and two Mi-171 helicopters to the PRC.

The customer of two Ka-32A11BC helicopters in fire-fighting configuration will be Qingdao Public Security Fire Bureau (the PRC). An-

other four utility Ka-32A11BC helicopters will be delivered to Jiangsu Baoli: two helicopters will be delivered to the customer in 2016 and another two in 2017. One more Ka-32A11BC helicopter is to be delivered to Easy Best Group. China General Aviation Service will be the customer of two Mi-171 utility helicopters. The Contract will be implemented this year.

22/09 ²⁰¹⁶ Russia to deliver Mi-24P helicopters to Angola

At the end of September the Russian Party will deliver a batch of Mi-24P helicopters to the Air Force of Angola after completing overhaul reconditioning.

The Contract has been concluded with JSC "Rosoboronexport" several years ago. A batch of Mi-24P helicopters received from the stock of the Ministry of Defence of the RF underwent overhaul reconditioning at the facilities of 150 Aircraft Repair Enterprise of Russian Helicopters Holding Company (part of Rostec State Corporation). During repair main and tail rotor blades were replaced, engines, transmission assemblies and on-board equipment were overhauled. Assigned service life of helicopters was considerably extended, which would enable Angolan Armed Forces operate the helicopters for a long time.

26/10 ²⁰¹⁶ Russian Helicopters Holding Company delivered a batch of Mi-8MTV-5 helicopters to the Ministry of Defence of Belarus

A batch of six military and transport Mi-8MTV-5 helicopters produced by "Kazan Helicopter Plant" of Russian Helicopters Holding Company (part of Rostec State Corporation) was delivered to the military department of the Republic of Belarus.

Six Mi-8MTV-5 helicopters were delivered in September this year. At the end of September – beginning of October the helicopters were put at the disposal of the Ministry of Defence of the Republic of Belarus. Delivered helicopters are the first batch of twelve military Mi-8MTV-5 helicopters to be supplied under the contract signed by the representatives of Russian Helicopters Holding Company during Army-2015 military and technical forum. The delivery of the following batch of six helicopters is planned for 2017.

01/11 ²⁰¹⁶ Russian Helicopters Holding Company plans to deliver 18 helicopters to Wuhan Rand Aviation Technology Service

JSC "Russian Helicopters" (part of Rostec State Corporation) entered into contract with Wuhan Rand Aviation Technology Service Co. Ltd. for the delivery of Mi-171, Ka-32 and Ansat helicopters within the framework of China Aviation and Aerospace Exhibition-2016 that took place in Zhuhai, China. Deputy Director General for Marketing and Business Development of Russian Helicopters Holding Company, Alexander Scherbinin, and President of Wuhan Rand Aviation Technology Service Co. Ltd., Liang Ji-an, signed the document.

In accordance with the Contract, Wuhan Rand Aviation Technology Service ordered 2 light Ansat helicopters in a medical configuration, as well as 2 Mi-171 and 1 Ka-32 helicopters with an option for another 13 helicopters (3 Ka-32, 4 Mi-171 and 6 Ansat). The first helicopters will be supplied to the customer in 2017. On the whole, Russian Helicopters plans to supply 18 helicopters to Wuhan Rand Aviation Technology Service by the end of 2018.

02/11 ²⁰¹⁶ Russian Helicopters to supply Mi-171, Ansat and Ka-32 to Jiangsu Baoli Aviation Equipment Co.,Ltd.

JSC "Russian Helicopters" entered into a contract with Jiangsu Baoli Aviation Equipment Co.,Ltd. for the supply of Mi-171, Ka-32 and Ansat within the framework of China Aviation and Aerospace Exhibition-2016 that took place in Zhuhai, China. Deputy Director General for Marketing and Business Development of Russian Helicopters Holding Company, Alexander Scherbinin, and President of Jiangsu Baoli Aviation Equipment Co., Ltd., Zhou Dehong, signed the document in the presence of the Minister of Industry and Trade of the RF, Denis Manturov.

15/11 ²⁰¹⁶ Russian Helicopters produced another batch of Mi-171 type helicopters for the Ministry of Defence of the People's Republic of Bangladesh

Russian Helicopters Holding Company (part of Rostec State Corporation) produced another batch of Mi-171 type helicopters by the

efforts of Ulan-Ude Aviation Plant for the Ministry of Defence of the People's Republic of Bangladesh.

The helicopters were produced at JSC "Ulan-Ude Aviation Plant" by the order of the Ministry of Defence of the People's Republic of Bangladesh and supplied in accordance with the terms and conditions of the contract with JSC "Rosoboronexport".

28/11 2016

JSC "Russian Helicopters" completed the transfer of the first batch of Mi-8MTV-5 helicopters to Ministry of Defence of the Republic of Belarus

Ceremonial handover of six helicopters produced by "Kazan Helicopter Plant" of Russian Helicopters Holding Company (part of Rostec State Corporation) was held today at Machulishchy (Minsk region, the Republic of Belarus) with the participation of the Minister of Defence, Air Force and Air Defence commander of the Republic of Belarus, and top management of Russian Helicopters Holding Company.

Mi-8MTV-5 military transport helicopters were received by the Ministry of Defence of the Republic of Belarus in early October this year. Today, during the ceremonial handover, the helicopters were transferred to the per-

sonnel of the 50th combined airbase of the air force. During the event, military pilots demonstrated the capabilities of the Russian helicopters. Thus, Russian Helicopters has completed the first part of the contract for the delivery of twelve Mi-8MTV-5 military helicopters signed during Army-2015 international military and technical forum.

30/11 2016

JSC "Russian Helicopters" to deliver Mi-8AMT, Mi-8MTV-1 and Ansat helicopters to State transport leasing company

Russian Helicopters Holding Company signed the agreement with PJSC STLC for the supply of 27 Mi-8AMT, Mi-8MTV-1 and Ansat helicopters during the international forum "Transport of Russia". Deputy Director General for Marketing and Business Development of Russian Helicopters Holding Company, Alexander Scherbinin, and Director General of PJSC "STLC", Sergei Khramagin, signed the document.

According to the signed document, the parties agreed to supply 13 Mi-8AMT medium utility helicopters, 10 Mi-8MTV-1 helicopters and 4 Ansat light helicopters to State transport leasing company. The helicopters will be delivered to PJSC "STLC" with the transfer of ownership for these helicopters.

SERVICE SUPPORT

20/01 2016

Russian Helicopters Holding Company is developing cooperation with Serbia in the area of after-sales support services for helicopters

Russian Helicopters Holding Company (part of Rostec State Corporation) is ready to provide after-sale support services for Russian-made helicopters operated in Serbia. The Holding Company is working on the issue of retrofitting of repair facilities of Serbia's Aeronautical Plant "Moma Stanojlovic" in order to improve the quality of repair and maintenance services for Russian helicopters.

Within the framework of project implementation specialists of the Holding Company analyze the production capabilities of "Moma Stanojlovic" plant and its enterprises to determine the possibility of retrofitting this enterprise to provide high quality service for Mi-8/17-type helicopters operated in Serbia.

16/02 2016

JSC "Russian Helicopters" is planning to organize the repair of military helicopters in Vietnam for the first time

Russian Helicopters Holding Company (part of Rostec State Corporation) continues to

develop its cooperation with Vietnam in the area of repair and maintenance of helicopters. Efforts are being made to provide repair services for Mi-8/17-type military helicopters at the joint Russian and Vietnamese repair facility HELITECHCO.

At the end of 2015 based on the results of the 17th meeting of Russian and Vietnamese Inter-Governmental Commission on Military and Technical Cooperation the activities were planned to improve the system of after-sales support services for Russian-made military helicopters.

17/02 2016 JSC "Russian Helicopters" to establish a center for Mi-8/17 and Ka-32A11BC helicopters repair in China

Russian Helicopters Holding Company (part of Rostec State Corporation) signed a framework agreement with Chinese companies, AVIC International Holding Corporation and CITIC Offshore Helicopter Corporation (COHC) to establish a center for maintenance and repair of Russian-made helicopters in China.

Within the framework of the agreement JSC "Russian Helicopters" plans to provide additional equipment to the repair plant in Shenzhen to perform repairs of Russian-made helicopters. The first stage provides for the organization of the provision of authorized maintenance and technical support for Ka-32A11BC helicopters. The second stage provides for the creation of production facilities to ensure technical support and repair of Mi-8/17-type helicopters produced in Russia.

28/03 2016 JSC "Russian Helicopters" and the Ministry of Defence of India enter a new level of cooperation in the area of after-sales support services

Russian Helicopters Holding Company (part of Rostec State Corporation) plans to sign Long Term Maintenance Agreement with the Indian Ministry of Defence for after-sales support services of Mi-8/17-type helicopters in the immediate future.

Russian Helicopters will ensure repair of Russian-made helicopters and supply of their spare parts through the entire life cycle of he-

licopters. It should be noted that the repairs of the helicopters operated in India will be conducted at the enterprises of JSC "Russian Helicopters" and in service centers established in India.

The contract is expected to be signed for 3 years. The contract may be prolonged for 5 years and the line of helicopters for which a comprehensive after-sales support is to be organized may be extended.

Specialists of JSC "Russian Helicopters" submitted to the Indian Air Force a technical and commercial proposal with an extended list of aviation and technical equipment required for helicopters maintenance and overhaul. The list of aviation and technical equipment will be increased by the end of 2016, and later it will be regularly updated.

18/05 2016 Service center of Russian Helicopters Holding Company is ready to conduct maintenance of AW 189 helicopters

A service center of CJSC "HeliVert", which is a joint enterprise of Russian Helicopters Holding Company (part of Rostec State Corporation) and Italian company AgustaWestland (part of Finmeccanica corporation) obtained the right to implement maintenance and repair of AW189 medium helicopters.

In accordance with the Certificate issued by the Federal Air Transport Agency (Rosaviatsiya) to CJSC "HeliVert", the service center is authorized to conduct maintenance, repair and overhaul of AW 189 helicopters as per aircraft operator program. The activities include line maintenance of helicopters: routine repair, fixing minor problems, replacement of assemblies and components. CJSC "HeliVert" is authorized to perform periodical maintenance of AW 189 with up to 800 flight hours. The list of scheduled maintenance activities includes the replacement of aircraft engines, performance of laboratory checks and reconditioning of aggregates and components.

20/05 2016 JSC "Russian Helicopters" diversifies the model range of equipment to be repaired

Under the technical policy for the diversification of the model range of helicopters, aircraft

repair plants of Russian Helicopters Holding Company are conducting a set of activities to repair the following modern helicopters: Mi-28N, Ka-52, Mi-35M combat helicopters, Mi-8MTV-5-1, Mi-17V-5, Mi-8AMTSh, Mi-171Sh troop carrying transport helicopters and Ansat-U training helicopter that have been serially produced from 2008–2011.

Now, the date of scheduled overhaul of helicopters delivered with the first batch has approached; the overhaul will be conducted at the repair facilities of the Holding Company.

20/05 ²⁰¹⁶ JSC “Russian Helicopters” improves its after-sales support system

At HeliRussia 2016, Russian Helicopters Holding Company (part of Rostec State Corporation) presented its new strategy of after-sales support for Russian-made helicopters. A comprehensive implementation of the new strategy will allow the Holding Company to achieve a fundamentally new level of after-sales support services in line with the world standards, and increase revenues from this type of services as well as enhance competitiveness of its products in the global market.

24/08 ²⁰¹⁶ Russian Helicopters authorizes a service center in Iran

Specialists of JSC “Russian Helicopters” (part of Rostec State Corporation) performed technical inspection of the Iranian Helicopter Support and Renewal Company (IHSRC). The Certificate for temporary authorization of the company as the sole aircraft repair facility of Mi-type helicopters and their components in the territory of the Republic of Iran was issued based on the results of the audit.

29/08 ²⁰¹⁶ JSC “Russian Helicopters” increased its revenues from the after-sales support services by 30 % in the first half of 2016

Russian Helicopters Holding Company (part of Rostec State Corporation) increased its revenues from after-sales support services by 29.9 % in the first half of 2016 as compared with 2015, as stated in the IFRS interim financial statements of the Holding Company.

15/09 ²⁰¹⁶ JSC “Russian Helicopters” to conduct the conference of Ansat operators

From 15 to 16 September Russian Helicopters Holding Company (part of Rostec State Corporation) will conduct a traditional conference of operators of Ansat helicopters with hydromechanical control system at PJSC Kazan Helicopter Plant. The purpose of the event is to exchange the experience, jointly develop an optimal training scheme for flight personnel and servicing of helicopters, as well as discuss the results of work on adjusting the helicopter operational documentation. More than 70 specialists from Russian airlines, defense and law enforcement agencies and special-purpose aviation will participate in the meeting.

27/09 ²⁰¹⁶ JSC “Russian Helicopters” and Silk Way Helicopter Services signed an agreement to open a service center in Azerbaijan

During ADEX-2016 which opened today in Baku Russian Helicopters Holding Company and Silk Way Helicopter Services signed an agreement to open a service center to repair Mi-8/17 – type helicopters of Russian production in Azerbaijan. Deputy Director General for After-Sales Support Services of JSC “Russian Helicopters”, Igor Chechikov, and Head of Silk Way Helicopter Services, Azer Gazanfar oglu Sultanov, signed the respective document.

17/11 ²⁰¹⁶ JSC “Russian Helicopters” and IHSRC develop after-sales support services in Iran

During the eighth international salon of aviation taking place on the Iranian island of Kish from 16 to 19 November 2016 Russian Helicopters Holding Company (part of Rostec State Corporation) signed a document to control certification activities with Iran Helicopter Support and Renewal Company (IHSRC).

The signed agreement for the organization of control over the certified activities is a further step of the Russian and Iranian parties to expand the system of after-sales support services for Russian-made helicopters operated in Iran. Earlier, Russian Helicopters Holding Company agreed on a road map for implementation of the project of provision of additional equipment to the Center of maintenance, repair and overhaul of Iranian Mi-17 helicopters.

PROMOTION

IN INTERNATIONAL MARKETS

21/01 2016

Russian Helicopters Holding Company to participate for the first time in Bahrain International Airshow

Russian Helicopters Holding Company (part of Rostec State Corporation) will demonstrate the latest utility helicopters at the fourth "Bahrain International Airshow - 2016" to take place from January 21st to 23rd at the Sakhir Airbase. The representatives of the Holding Company will not only show the product range and the capabilities to organize after-sales support services for the products of JSC "Russian Helicopters" but also hold negotiations with the current operators and potential customers of the helicopters in the countries of the Middle East and the countries of the Northern Africa.

One of the key issues during the meeting will be the development of comprehensive after-sales support system that ensures prompt high-quality servicing of helicopters during their entire life cycle. The fleet of the Soviet- and Russian-made helicopters operated in the countries of the Middle East today has over 500 civil and military helicopters. The ability to perform maintenance and repairs in their own region will allow the operators to ensure timely servicing of helicopters and reduce costs.

09/02 2016

Mi-171E helicopter in VIP configuration delivered to Uganda

Russian Helicopters (part of Rostec State Corporation) has delivered a Mi-171E helicopter with a superior comfort cabin to the government of the Republic of Uganda. The helicopter was delivered under the contract signed by Russian exporter Rosoboronexport in 2015.

The Mi-171E helicopter supplied to Uganda is distinguished by its superior comfort cabin designed for 12 passengers. The interior includes soft seats with leather upholstery and comfortable furniture made of fine wood. Enhanced sound and vibration isolation, a modern multimedia audio speaker system with wi-

descreen displays significantly contribute to flight comfort. There is a wardrobe, bar, lavatory and compartment for luggage. A ramp door with a set of stairs makes it easier for the passengers to board and alight the aircraft. A new MBKhU air conditioning system with increased performance and reduced weight and size has also been installed on Mi-171E to ensure comfortable temperature in the passenger cabin and the cockpit.

The helicopter is equipped with modern flight and navigation equipment that enables safe flights at any time and in any weather conditions. Adjustment of cockpit instruments for night vision goggles will increase flight safety at nighttime. In addition, to increase flight safety, the helicopter is equipped with a ground proximity warning system that duly notifies the crew of a dangerous proximity of an obstacle, or ground or water surface in order to prevent accidents.

15/02 2016

Russian Helicopters to showcase the latest products at the Singapore Airshow

Russian Helicopters (part of Rostec State Corporation) will take part in the Singapore Airshow 2016 from February 16 to 21, 2016 at the Changi Exhibition Center. The holding company will be showing its Mi-171A2 helicopter for the first time at the Singapore Airshow. The display of the newest helicopters will increase the presence of the products of Russian Helicopters in the Southeast Asian markets.

"The aircraft fleet in the Southeast Asia is growing at a fast pace and strengthening of our competitive positions in that market is one of the key objectives of Russian Helicopters. More than 900 Russian-made civil and military helicopters, which are currently in operation in that region, serve as a sound basis for the development of services. Russian Helicopters, which set the highest standards of performance, reliability and operating effi-

ciency, will guarantee the future increase of the Russian presence in Asia", – said Director General of the Company, Alexander Mikheev.

29/02 ²⁰¹⁶ Russian Helicopters to be the strategic partner of the business-mission "Trade and Industrial Dialogue: Russia-Japan 2016"

Russian Helicopters (part of Rostec State Corporation) will act as a sponsor and a strategic partner of the business-mission "Trade and Industrial Dialogue: Russia-Japan" to take place from February 29th to March 1st. The event is aimed at enhancing cooperation between Russia and Japan in trade and economic and industrial fields.

As envisaged by the organizers, the event which will be held this year for the first time will serve to strengthen business relations and expand the spectrum of cooperation between Russia and Japan. Bilateral transfer of technologies between Japanese and Russian manufacturers including aircraft manufacturing companies is of mutual interest.

29/03 ²⁰¹⁶ Russian Helicopters fulfills first contract with the Mexican Secretariat of the Navy

Russian Helicopters (part of Rostec State Corporation) has fulfilled its first contract for after-sales service of Mi-17-1V utility helicopters operated by the Mexican Navy.

"This is our first contract with the Mexican Secretariat of the Navy. It was fulfilled in full and on time," – said Igor Chechikov, Deputy Director General of JSC "Russian Helicopters. – Mexico is one of our key partners in Latin America; it has quite an extensive fleet of Russian-made helicopters. In 2016, we will strengthen cooperation with our Mexican partners in terms of after-sales support services. The parties are already involved in negotiations on these issues."

26/04 ²⁰¹⁶ Russian Helicopters promotes helicopters in Zimbabwe

Russian Helicopters (part of Rostec State Corporation) is participating for the first time in the Zimbabwe International Trade Fair,

ZITF-2016 sharing a stand with the Russian Ministry of Industry and Trade.

Russian Helicopters will present its diversified range of helicopters at the exposition: Mi-8/17 utility helicopters, Ansat light helicopter and Mi-38 medium-lift helicopter. Mi-8/17 type helicopters are especially popular in African countries; the total number of helicopters in Africa is about 700 units. This resulted in the establishment of a MRO center in 2013 for Mi-8/17 type helicopters in Johannesburg (RSA).

19/05 ²⁰¹⁶ Russian Helicopters and Russian exporter Rosoboronexport are stepping up efforts to promote exports of military helicopters

Russian Helicopters and Rosoboronexport, the sole state intermediary agency for Russia's exports of defense-related and dual use products, technologies and services, part of Rostec State Corporation, have signed a Program to jointly promote defense-related and dual use products on the external market at HeliRussia-2016. The document was signed by Director General of Russian Helicopters, Alexander Mikheev, and Rosoboronexport Director General, Anatoly Isaykin.

The Program to promote military and dual use aircraft on the external market for the period 2016–2019 will increase exports of combat and utility helicopters. Specialists of Russian Helicopters and Rosoboronexport will study foreign helicopter markets and basing on the results of the survey a number of marketing events will be conducted, that will include meetings with potential customers and presentations of helicopters.

20/05 ²⁰¹⁶ Russian Helicopters for the first time signs a contract for the repair of helicopters for the Ministry of National Defence of Laos

Russian Helicopters signed a contract with the Ministry of National Defence of Laos for the repair of military products. During HeliRussia-2016 the parties reconfirmed their commitment to complete the contract within the agreed time frames and signed written

notifications of the completion of internal procedures and the entry into force of the contract on 20 May 2016. The document was signed by Deputy Director General of JSC "Russian Helicopters", Igor Chechikov, and Minister of National Defence of Laos, Colonel Sengphachan Khamlek.

Under the contract, the specialists of the holding company will repair four helicopters, among which two Mi-17-1V and two Mi-17. Mi-17 helicopters will be upgraded to Mi-17-1V during the repair. The project will be implemented at the existing maintenance base of the Ministry of National Defence of Laos within the year. The parties also discussed their cooperation prospects during the exhibition.

22/06²⁰¹⁶ Russian Helicopters to showcase advanced helicopters at the Air Medical and Rescue China Conference

Russian Helicopters (part of Rostec State Corporation) will take part in the international conference China General Aviation Rescue Summit. The forum will cover the issues related to the prospects of air medical system development and air medical market outlook in China.

28/06²⁰¹⁶ Russian Helicopters and Rosoboronexport delivered helicopters to Serbia for the first time

The contract for the supply of Mi-17V5 utility helicopters to the Ministry of Defense of Serbia was signed in September 2015 and was fully performed within the agreed time frame. In addition to the supply of helicopters the contract also included conversion training for the flight and technical personnel of the Serbian Air Force.

11/07²⁰¹⁶ Russian Helicopters to participate in Farnborough-2016

Russian Helicopters will promote a number of advanced models at the upcoming Farnborough Airshow, that have drawn attention of the customers from different countries. These include: light utility Ka-226T helicopter, utility Ansat helicopter, utility Mi-171A2 and Mi-38 he-

licopters.

"Farnborough Airshow has always been a forward-thinking talk and the place to position global market players. As usual, we will present our high-tech helicopter models and talk about comprehensive services related to helicopter maintenance. We expect our participation in the coming event to generate profound interest and to facilitate new contracts, as before," – said Director General of JSC "Russian Helicopters" Alexander Mikheev.

11/08²⁰¹⁶ Russian Helicopters signed first firm-order contracts with the Peruvian Air Force

Russian Helicopters (part of Rostec State Corporation) signed contracts for the supply of aviation and technical equipment for Mi-35 type helicopters currently in service with the Air Force of the Republic of Peru.

The contracts were signed in early July this year as a result of winning the tender by Russian Helicopters. In accordance with the terms and conditions of the contract, JSC "Russian Helicopters" shall deliver aviation and technical equipment for helicopters by the end of 2016.

29/09²⁰¹⁶ Iran is interested in assembling Ansat helicopters

Specialists of Russian Helicopters (part of Rostec State Corporation) hold a meeting with the delegation of Iran Helicopter Support and Renewal Company (PANHA). The meeting took place at JSC "Kazan Helicopter Plant" and was devoted to the issues of supply and organization of assembling facility of light Ansat helicopters in Iran.

15/10²⁰¹⁶ Russia and India signed an agreement to establish a joint venture company for the production of Ka-226T helicopters

A new phase in the relations between Russia and India in the helicopter industry will be the signing of an agreement on establishing a joint venture company following the agreements covered under the intergovernmental agreement that Moscow and Delhi signed in

December 2015. A new joint venture will be a pilot project of Russia and India under the Make in India program led by the Indian Government.

24/10 ²⁰¹⁶ Russian Helicopters to establish a flight crew training center in Peru

Russian Helicopters will establish and equip a helicopter training center for the Peruvian Army. The establishment of such a center in the Republic of Peru will make it possible for the Peruvian pilots operating Russian made Mi-171Sh helicopters to be trained in Peru.

The construction of the helicopter training center in Lima, Peru will start immediately after the completion of all the necessary formalities by the Peruvian party. Russian Helicopters and Rosoboronexport have already found a contractor in Peru, and will supervise the process of construction of the training center to ensure the highest quality of works. Russian Helicopters plans to complete the construction of the center in the second half of 2017 by mutual agreement with the Peruvian party.

31/10 ²⁰¹⁶ Russian Helicopters to showcase for the first time their medevac variant of Ansat helicopter at international Airshow China-2016

Russian Helicopters Holding Company (part of Rostec State Corporation) will showcase their latest developments at one of the largest aviation exhibitions in Asia to take place from 1st till November 6th in China International Aviation Exhibition Center, Zhuhai, China.

During China International Aviation & Aerospace Exhibition-2016 Russian Helicopters specialists will present a range of models of civil helicopters and the newest developments of the company. Medevac version of Ansat helicopter, utility Mi-171A2 and firefighting Ka-32A11BC helicopter will be at the Company's booth.

02/11 ²⁰¹⁶ Russian Helicopters and Helicopter Industry Association discuss the capabilities of Russian helicopters built for China

At Airshow China 2016 in Zhuhai Russian Helicopters (part of Rostec State Corporation) and Russian Helicopter Systems organized a special event "Russian Hour" for the promotion of Russian helicopter industry in the global markets, where they highlighted the capabilities of new and upgraded helicopters and their potential use in PRC. The event was organized by Helicopter Industry Association with JSC "Russian Helicopters" as the general sponsor.

28/11 ²⁰¹⁶ Russian Helicopters expands its cooperation with the Ministry of Defence of the Republic of Belarus

The contract for the supply of transport utility Mi-8MTV-5 helicopters to the Ministry of Defence of the Republic of Belarus signed in 2015 during the international military and technical forum "Army-2015" is being performed as planned. In September 2016 Russian Helicopters delivered the first batch of 6 helicopters under this contract. The second batch of 6 Mi-8MTV-5 helicopters shall be delivered in the second quarter of 2017.

14/12 ²⁰¹⁶ Russian Helicopters introduced the capabilities of Russian-made helicopters to the Iranian customers

During Russian and Iranian business forum aimed at raising the international customers' interest for Russian helicopters a Russian Helicopters representative delivered a report on helicopter capabilities. The Iranian operators and potential customers got acquainted with the comprehensive after-sales support system that the Holding Company is actively developing in the Middle East region.

PRODUCTION MODERNIZATION

10/02 2016 Russian Helicopters launched the second system for the production of magnesium castings at low pressure

Arsenyev Aviation Company "Progress" named after N.I. Sazykin of Russian Helicopters Holding Company (part of Rostec State Corporation) completed installation of equipment for the production of large and small magnesium castings with the low pressure moulding. The mechanized equipment was manufactured in Italy. In the coming days the equipment is expected to reach full production capacity, thereby increasing the manufacturing output more than twice.

10/02 2016 Russian Helicopters to start the production of external fuel tanks using new technologies

Under the long-term program of technical re-equipping of Ulan-Ude Aviation Plant of Russian Helicopters Holding Company (part of Rostec State Corporation), work is being completed on installation of the modern robotic welding station that will replace the need for laborious manual welding of parts.

Robotic welding station Fanuc (Japan) was acquired in December 2015 under the technological development plans for 2014–2016 for stamping production. Mastering technological processes and the launch of a new welding station should take place by the end of 2016.

11/02 2016 Russian Helicopters is launching a unique robot station for the processing of products from polymer composite materials

Arsenyev Aviation Company "Progress" (AAC "Progress") of Russian Helicopters Hold-

ing Company (part of Rostec State Corporation) completed installation and launched the modern robot station for the processing of products and polymer-composite materials. The new station is expected to enhance the efficiency of the blank production by 70 %. The range of products produced by the robot station includes more than 250 items made of 23 types of composite materials.

The station for the processing of parts made of polymer-composite materials was developed and created by the engineers of Far Eastern Federal University (FEFU). The representatives of Russian Helicopters and the president of the FEFU Sergey Ivanets who arrived at the plant on a working visit inspected the new station.

09/08 2016 Russian Helicopters is building a helicopter production facility in Bataysk

The main task of the new project will be the creation of a modern high performance production facility in Southern Russia ensuring safe conditions for helicopters testing. The core of the station will be the production facilities of PJSC "Rostvertol" of Russian Helicopters Holding Company (part of Rostec State Corporation).

08/09 2016 Russian Helicopters creates new production facilities in PJSC "AAC "Progress"

Arsenyev Aviation Company "Progress" named after N.I. Sazykin of Russian Helicopters Holding Company (part of Rostec State Corporation) is actively implementing projects on reconstruction of galvanic, thermal, composite and mechanical production facilities, production preparation workshops, assembly workshops and other subdivisions of the plant.



11/12 2016

Russian Helicopters is improving aviation training center in Ulan-Ude

Russian Helicopters Holding Company (part of Rostec State Corporation) is improving material base of the Aviation Training Center of Ulan-Ude Aviation Plant. The plant has reconstructed the building of Aviation Training Center to increase the number of classrooms and laboratories and to include new automated training systems. Classroom-laboratories of aviation safety, hazardous cargo transportation and emergency and rescue training are created in new premises. New classrooms and laboratories with advanced equipment will make it possible to organize a simultaneous training for three groups in comfortable conditions.

HELICOPTER ACTIVITIES

25/01 2016

More than 30 helicopters of Russian Helicopters Holding Company are engaged in combat training of South Military Region in Krasnodar Krai

In 2016 the South Military Region intends to increase the level of combat skills of the crews of Mi-28N Night Hunter, Mi-35M, Mi-24P and Mi-8AMTSh helicopters, increasing the intensity of combat training. Some of the engaged helicopters were delivered in 2015 within the framework of State Defence Order. In January military pilots proceeded to training flights for

combat use. More than 30 helicopters produced by Russian Helicopters are engaged in flight missions at the air proving ground in Krasnodar Krai.

29/02 2016

Mi-28N, Mi-35M, Mi-24P and Mi-8AMTSh helicopters successfully hit all the training targets

The crews of Mi-28N, Mi-35M, Mi-24P and Mi-8AMTSh helicopters took active participation in practicing engagement of targets simulating aircraft and armored vehicles of opposing forces. More than ten helicopters of

a separate regiment of the South Military Region produced by Russian Helicopters Holding Company were involved in performing flight missions.

14/06 2016

Helicopters of Russian Helicopters Holding Company rescued Moscow City business center from fire during EMERCOM training

The helicopters produced by Russian Helicopters Holding Company participated in a demonstration part of fire-tactical training of the Chief Directorate of EMERCOM of Russia in Moscow that took place in the water area of the Moscow river near Moscow City. Two Ka-32 helicopters belonging to the Moscow Aviation Center demonstrated its capability to promptly and efficiently extinguish fires in the most adverse conditions.

04/08 2016

Helicopters of Russian Helicopters Holding Company participate in the abortion of Siberian plague epidemics in Yamal

The helicopters produced by Russian Helicopters Holding Company participate in the abortion of Siberian plague epidemics that broke out in Yamal due to unusually high temperatures. Mi-8 helicopters of the Ministry of Defence were sent to Yamal-Nenets autonomous district to eliminate the focus of hazardous infection.

16/08 2016

Helicopters produced by Russian Helicopters Holding Company extinguish fires in Portugal

Ka-32A11BC utility helicopters produced by Russian Helicopters Holding Company (part of Rostec State Corporation) took part in extinguishing large fires in the territory of the Portuguese island of Madiera. Russian-made helicopters belonging to the Ministry of Internal Affairs of Portugal demonstrated their unique capabilities in action to promptly and efficiently extinguish fires in the most adverse conditions.

16/08 2016

Russian Helicopters Holding Company contributed to the release of its employee from the captivity of Islamists

Russian Helicopters Holding Company with the cooperation of the Ministry of Foreign Affairs of the RF took active part in the release of its employee, a navigator of Mi-17 helicopter, Sergey

Sevastyanov, captured by Taliban militants in the territory of Afghanistan on 1 August. From 16 August the pilot stays in Moscow with his family. There is no danger to his life and health.

During the whole period of captivity of Sergey Sevastyanov, the employees of Russian Helicopters Holding Company were in close contact with the authorities of Pakistan and Afghanistan, also using diplomatic channels of the MFA. The employees of Russian Helicopters Holding Company, for whom the release of Sergey Sevastyanov from Islamists' captivity was the main priority in this situation, did their best to return its employee to Russia.

01/09 2016

Helicopters of Russian Helicopters Holding Company participated in the evacuation of the plane of the time of the Great Patriotic War

An international team of specialists that included experienced technicians, rescuers, engineers, as well as the crew of Mi-8T helicopter of Aerogeo took part in the expedition dealing with the evacuation of the plane under the command of Dmitry Koritko, who not only ensured flights and aviation activities, but also participated in all the stages of the project. Thanks to its high performance, ease of operation, as well as possibility of use in a wide range of climatic conditions and temperatures, the helicopter produced by Russian Helicopters successfully performed the assigned missions.

05/09 2016

Helicopters of Russian Helicopters Holding Company provide assistance to the victims of Layonrok typhoon in Primorye

During the past weekends Mi-8 helicopter performed flights to the settlements of Chuguyevsky Region: Yasnoe, Verkhnyaya Breevka, Berezovka, as well as to three logging sites located in the territory adjacent to the settlements.

The victims have been provided with more than 4 tons of medicines, clothes, drinking water, bread, powder, pasta and cereals, preserves, household chemicals and personal hygiene products, collected by the residents and Arsenyev administration.

05/10 2016

Helicopters of Russian Helicopters Holding Company ensured fire safety at G20 summit in China

Heavy transport Mi-26TS helicopter produced at Rostvertol plant of Russian Helicopters Holding Company (part of Rostec State

Corporation) and delivered to China in July 2016 participated in extinguishing three fires in Zhejiang province, where G20 summit took place.

16/11 2016

Mi-28N and Mi-35M proved themselves very efficient in the severe conditions of the vicinity of the Mt. Elbrus

Mi-28N and Mi-35M helicopters produced by PJSC "Rostvertol" of Russian Helicopters Holding Company proved themselves very efficient during the gathering aimed at training the Army Aviation of the South Military Region that took place in the mountains of vicinity of the Mt. Elbrus. During the month of "extreme" exercises the pilots of the Rostov Region, Krasnodar and

Stavropol Krai, the Republic of Armenia and the Republic of Crimea drilled flight skills on combat helicopters in mountainous and forested areas.

24/11 2016

Mi-26T helicopter evacuated An-2 plane that performed forced landing on the ice of the Northern Dvina

The world's heaviest-lift helicopter, Mi-26T, produced by PJSC "Rostvertol" of Russian Helicopters Holding Company (part of Rostec State Corporation) evacuated An-2 plane that performed forced landing on the ice of the Northern Dvina. Operation for the transportation of 5-ton plane to Vaskovo airport located within 12 km from the accident site took about 15 minutes.

HR POLICY

04/02 2016

Russian Helicopters started competition of design developments among students and young specialists

In February 2016 Russian Helicopters Holding Company started "Helicopters of XXI century – 2016" competition of design and project design developments for young scientists. Not only students of higher education institutions, but also the employees of the enterprises that are part of Russian Helicopters Holding Company may participate in the competition.

Russian Helicopters Holding Company holds competition aimed at promoting engineering professions, involvement of young specialists into innovative activities, as well as formation of the pool of talented designers for the company's enterprises for the eighth time.

All the presented competition entries will be reviewed and evaluated by the competition commission comprising employees of design bureaus of Russian Helicopters Holding Company and the teachers of specialized technical institutions.

14/04 2016

Russian Helicopters to hold corporate WorldSkills Championship for the first time

"Young professionals – 2016" WorldSkills Championship will take place at Ulan-Ude Aviation Plant (part of Russian Helicopters Holding Company) for the first time, from 15 to 18 April 2016. Blue collars of the Holding Company's enterprises aged under 28 years will become the participants of the Championship.

Within the framework of the Championship, organized by Russian Helicopters Holding Company and Union "Agency of development of professional communities and skilled workers (WorldSkills Russia)", young specialists will compete in the most popular and engineering specialties: lathe and milling CNC processing of parts, assembly of aviation items, as well as CAD.

18/04 2016

Russian Helicopters summarized the results of "Young professionals – 2016"

Russian Helicopters Holding Company (part of Rostec State Corporation) summarized

the results of “Young Professionals – 2016” WorldSkills Championship. The team of Ulan-Ude Aviation Plant gained the victory based on the results of the competitions in the overall standing.

Daniil Chernikh (U-UAP) ranked first in lathe work. The representative of U-UAP, Roman Brazhnikov, became the best miller of Russian Helicopters Holding Company. Veniamin Nauman, representing Kazan Helicopter Plant, won a gold medal in the expertise of aviation item assembly. Georgy Piskunov (Kazan Helicopter Plant) became the winner in CAD expertise.

The winners of the corporate championship will participate in the preliminary round for the formation of a combined team of Rostec State Corporation for participation in WorldSkills Hi-Tech 2016.

18/04²⁰¹⁶ Russian Helicopters Holding Company expands HR potential

Russian Helicopters Holding Company, part of Rostec State Corporation, held CAD contests within the framework of “Young Professionals – 2016” WorldSkills Championship among the enterprises of the Holding Company aimed at implementation of the strategy for the formation of HR potential for national high-tech industry.

During the competitions young engineers of the holding company and the students of State Budget Professional Educational Institution “Aviation College” had a shot at computer-aided design. The event was held in CAD laboratory of Aviation College fitted with modern equipment acquired at the expense of Russian Helicopters Holding Company. The renewal of the laboratory became part of the investment project aimed at the development of modern material and technical basis to train the personnel of Ulan-Ude Aviation Plant.

22/04²⁰¹⁶ Denis Manturov handed out state awards to thirteen employees of Russian Helicopters Holding Company

Thirteen employees of JSC “Kamov” of Russian Helicopters Holding Company obtained state awards for the services in the development and production of Ka-226T light utility helicopter, as well as for personal courage

shown during the tests of the new helicopters. Solemn awarding ceremony took place in the Ministry for Industry and Trade of the RF. The head of the ministry, Denis Manturov, personally congratulated each employee and handed out the award.

20/05²⁰¹⁶ The results of Helicopters of XXI Century design and development competition were summarized

In 2016 seven student teams obtained awards in four categories, including “Engineering development”, “Design work”, “PLM project development” and “Development of new materials for aviation structures”. Students became not only the holders of money rewards, but also got the opportunity to undertake an internship at the leading enterprises of Russian Helicopters Holding Company in their specialities.

Also, the specialists of the holding company’s enterprises, who presented the best projects in the following cases, became the winners: “Active vibration control system for light helicopters”, “Rotor system with controllable pitch for tilt-rotor aircraft”, “Concept of the use of additive technologies at the helicopter building enterprise”. The possibility to use the technologies proposed by young engineers within the framework of aircraft production is being considered.

20/05²⁰¹⁶ Russian Helicopters Holding Company prepares the succession of generations in helicopter industry

Russian Helicopters Holding Company (part of Rostec State Corporation) supports children and youth research and technology creativity, providing financial support to “Clear prop!” festival. Therefore, Russian Helicopters Holding Company contributes to the attraction of youth to the innovative activities and enhancement of research and technology speciality prestige.

05/10²⁰¹⁶ Employees of Russian Helicopters Holding Company underwent training in Germany

24 employees of Russian Helicopters Holding Company (part of Rostec State Corporation) underwent professional development in “Engineering and Production of Composite Items”

major. Training took two weeks in a training center of Luratec AG (Rostock, Germany). Also, 13 representatives of the design bureaus of the holding company took a training course in the fundamentals of European aviation legislation at the premises of Dresden Aerospace.

30/12 2016 Russian Helicopters announces the start of "Helicopter of XXI century – 2017" design development competition Russian Helicopters Holding Company (part

of Rostec State Corporation) announces the start of "Helicopter of XXI century – 2017" competition of design and engineering developments. Russian Helicopters holds this annual competition for the ninth time. Winners will get certificates of honour and money rewards. The award ceremony will take place within the framework of X International exhibition of helicopter industry HeliRussia 2017.

INTERACTION

WITH THE MINISTRY OF DEFENCE

11/03 2016 Russian Helicopters Holding Company transferred a batch of new helicopters to the Ministry of Defence of the RF within the framework of the single day of military acceptance

Russian Helicopters Holding Company (part of Rostec State Corporation) transfers 16 helicopters of different types to the Ministry of Defence of the Russian Federation.

"Implementation of state order is the main strategic task for Russian Helicopters. Helicopters for different purpose that set the world trend are manufactured and produced for the Ministry of Defence at the enterprises of the holding company", – Director General of the Holding Company, Alexander Mikheev, noted.

Kazan Helicopter Plant, that is part of Russian Helicopters Holding Company, produced 14 Mi-8MTV-5-1 helicopters and 1 Ansat-U training helicopter. In accordance with the schedule, 15 helicopters shall be delivered to the customer in November 2016. Having produced a batch of helicopters in the shortest possible period, Russian Helicopters delivered them to the Ministry of Defence of the RF ahead-of-schedule.

Quality control of the helicopters and its components was performed during acceptance tests and acceptance by the military representatives. Specialists inspected completely assembled helicopters in the final assembly workshop. They also checked the operability of all the systems. Moreover, tests were performed at flight test center.

Ulan-Ude Aviation Plant, that is part of Russian Helicopters Holding Company, transfers Mi-8AMTSh-VA helicopter intended for the missions of the Arctic force groups to the operating company. The design of this helicopter takes into account

all the main specifics of helicopter operation in the north region. The installation of strapdown inertial navigation system ensures positional accuracy in the absence of satellites. In addition to it, the helicopter is equipped with autonomous system for heating transmission and rotor system gearboxes, which makes it possible to start the helicopter at extremely low temperatures.

04/05 2016 Russian Helicopters sent a batch of new Mi-8MTV-5-1 helicopters to the Ministry of Defence of the RF

Russian Helicopters Holding Company produced a batch of Mi-8MTV-5-1 military and transport helicopters, as well as one Ansat-U training helicopter ahead of schedule within the framework of state defence contract 2016 by the single day of acceptance of military products that took place on 11 March 2016 via video conference with the National Defense Control Center. The helicopters passed all types of tests provided by the terms and conditions of the state contract and technical documentation and were accepted by the military representative office.

19/05 2016 Ministry of Defence to become the first customer of Mi-38 helicopter

The Russian Ministry of Defence together with JSC "Russian Helicopters" made a decision about the procedure and dates for Mi-38 to enter service with the Russian Aerospace Forces. The possibility for introducing certain parameters of the helicopter delivery in the project of the next armament program is being elaborated.

This decision envisages joint flight tests of Mi-38 helicopter equipped for the needs of the Ministry of Defence and having assemblies and components only of domestic production. A transport version of Mi-38 helicopter helps increasing the functionality and expanding the area of its use, developing specialized versions, including the arctic version of the helicopter. A new helicopter will undergo a number of flight tests for the compliance to the Army requirements. Based on their results the acquisitions of Mi-38 helicopter for the Russian Aerospace Forces will be planned.

29/06 ²⁰¹⁶ Russian Helicopters delivered a first batch of new Mi-8AMTSh helicopters to the Ministry of Defence of the RF

Russian Helicopters Holding Company produced a batch of Mi-8AMTSh military and transport helicopters within the framework of State Defence Order 2016 ahead of schedule. The helicopters passed all types of tests provided by the terms and conditions of the state contract and technical documentation and were delivered to the representatives of the Ministry of Defence of the RF.

Helicopters controlled by the crews of the Ministry of Defence of the RF flew to the places of permanent deployment. The helicopters are fitted with auxiliary fuel tanks to increase the flight range.

01/07 ²⁰¹⁶ Deputy Minister of Defence of the RF, Yuriy Borisov, visited PJSC "AAC "Progress"

During the visit Yuriy Borisov checked a process of production of the reconnaissance/attack Ka-52 Alligator helicopters which PJSC "AAC "Progress" manufactures within the existing till 2020 contract on implementation of the State Defensive Order.

15/07 ²⁰¹⁶ Russian Helicopters Holding Company delivered Mi-8AMTSh helicopters to the Ministry of Defence of the RF

Russian Helicopters Holding Company (part of Rostec State Corporation) delivered another batch of Mi-8AMTSh helicopters to the Ministry of Defence of the Russian Federation in the single day of acceptance of military products ahead of schedule.

Ulan-Ude Aviation Plant of Russian Helicopters Holding Company produced and delivered

Mi-8AMTSh military and transport helicopters to the Russian Ministry of Defence within the framework of State Defence Order ahead of schedule.

07/09 ²⁰¹⁶ Russian Helicopters Holding Company modernizes Mi-26T2 for the Ministry of Defence of the RF

The main tasks of the helicopter modernization will be the enhancement of navigation and flight performance, navigation accuracy and communication capabilities of the helicopter.

Mi-26T2V helicopter shall ensure the flights in the conditions of any regions, including in difficult physiographic and adverse climatic conditions any time of the day along prepared and unprepared routes, outside air routes and over featureless terrain, under conditions of enemy's fire and information countermeasures.

08/09 ²⁰¹⁶ Russian Helicopters started certification tests of Mi-38 for the Ministry of Defence of the RF

Russian Helicopters Holding Company will develop a wide range of modifications on the basis of Mi-38-2 helicopter for different services of the Ministry of Defence of the RF: jamming helicopter, evacuation/resuscitation and search/rescue helicopters, troop lift helicopter, as well as modification used for performance of missions as part of arctic force group.

Currently specialists of Russian Helicopters Holding Company are performing activities aimed at increasing the MTOW of Mi-38-2 helicopter and the maximum flight altitude. Moreover, the helicopter will pass tests with installed on-board derrick and external sling, as well as operational tests on helipads covered with dust, sand and snow.

21/10 ²⁰¹⁶ Russian Helicopters are ready to deliver Ka-52 to the Russian Ministry of Defence

Managing Director of Arsenyev Aviation Company "Progress" named after N.I. Sazikin of Russian Helicopters Holding Company (part of Rostec State Corporation), Yuriy Denisenko, made a report on the readiness to deliver Ka-52 Alligator combat reconnaissance/attack helicopters to the forces within the framework of the single day of acceptance of military products.



During video conference with the Ministry of Defence of the RF, Sergey Shoygu, Yuriy Denisenko announced that another batch of Ka-52 combat helicopters produced at "PJSC "AAC Progress" had successfully passed the whole range of tests provided for by the technical specifications and the terms and conditions of the state contract and had been accepted by the military representative office. The transfer of the helicopters to the operating companies has been initiated.

22/11 2016

Russian Helicopters produced the first arctic Mi-8AMTSh-VA helicopter for the Russian Navy aviation

Ulan-Ude Aviation Plant of Russian Helicopters Holding Company (part of Rostec State Corporation) produced the first Mi-8AMTSh-VA helicopter in arctic configuration for the Russian Navy aviation.

JSC "U-UAP" continues the production of arctic Mi-8AMTSh-VA helicopters to enhance defence capabilities and serve the interests of our country in the arctic region. Following the Russian Aerospace Forces for which several Mi-8AMTSh-VA helicopters had already been supplied, the first Mi-8AMTSh-VA helicopter was produced for the Navy Aviation as well.

07/12 2016

Russian Helicopters Holding Company completed the delivery of Ka-52 helicopters under SDO-2016

AAC "Progress" of Russian Helicopters Holding Company (part of Rostec State Corporation) completed the delivery of Ka-52 Alli-

gator combat attack/reconnaissance helicopter planned for supply in 2016 in compliance with the terms and conditions of the State Contract.

After the completion of ground and flight tests, all the necessary acceptance procedures, as well as issue of the documentation for the acceptance and delivery of the helicopters, Ka-52 helicopters were transferred to the ownership of operating companies: depending on the region of location of the military unit Alligators either performed a ferry flight or were transported by air.

14/12 2016

Russian Helicopters Holding Company completed the delivery of Mi-28N, Mi-35M and Mi-26 helicopters under SDO-2016

Russian Helicopters Holding Company (part of Rostec State Corporation) completed the delivery of Mi-28N, Mi-35M combat helicopters and Mi-26 military and transport helicopter (produced by PJSC "Rostvertol") planned for supply in 2016 in accordance with the terms and conditions of the State contracts.

After the completion of tests and issue of acceptance documentation, the helicopters were transferred to the ownership of the departments of the Russian Ministry of Defence. Moreover, in 2016 together with the delivery of new helicopters, PJSC "Rostvertol" performed repair of the helicopters delivered from the military units of the Russian Ministry of Defence.



19/12 2016

Russian Helicopters delivered the first modernized Ka-27 to the Navy marine aviation

Russian Helicopters Holding Company (part of Rostec State Corporation) transferred the first modernized Ka-27 utility helicopter to the Russian Navy marine aviation. Thanks to a new command and tactical system modernized Ka-27 helicopter obtained a possibility of all-around surveillance, detection of all types of ships and submarines, increased range of target detection and destruction.

As compared to Ka-27, a modernized version is fitted with state-of-the-art information real-time transfer systems both to ground and ship command posts and to other helicopters.

21/12 2016

Russian Helicopters delivered the first batch of Ka-29 helicopters to the Russian Navy

Russian Helicopters Holding Company (part of Rostec State Corporation) completed the dispatch of the batch of Ka-29 shipborne helicopters repaired at the facilities of Kumertau Aviation Production Enterprise.

The helicopters underwent all the necessary tests and would be transferred to the ownership of the airbase of the Navy Pacific Fleet Staff of the RF. Activities related to the overhaul of the main rotor masts, engines and gearboxes were implemented on Ka-29 helicopters and the painting coating was renewed.

27/12 2016

Russian Helicopters completed the delivery of Mi-8AMTSh and Mi-8AMTSh-VA helicopters under SDO-2016

Russian Helicopters (part of Rostec State Corporation) completed the delivery of Mi-8AMTSh and Mi-8AMTSh-VA military and transport helicopters (produced by Ulan-Ude Aviation Plant) planned for supply in 2016 in accordance with the terms and conditions of the State contracts.

Ulan-Ude Aviation Plant of Russian Helicopters Holding Company has fulfilled the State Defense Order of 2016 for the supply of helicopters and aviation equipment in full and in a timely manner. After the completion of tests and issue of acceptance documentation, the helicopters were transferred to the ownership of the departments of the Russian Ministry of Defence. The helicopters produced by Ulan-Ude Aviation Plant form the basis for the renewed helicopter fleet of the medium class with the service of the Ministry of Defence of the RF.

HEIGHT

OPENS NEW HORIZONS

8,600

Mi-38

surpassed the height of 8,600 meters and beat the world speed record in E-1h class.



RUSSIAN HELICOPTERS

Nº 1

in the military market
of India and China

Nº 1

in medium-heavy
and super-heavy class
of helicopters

13.00 %

of the world
helicopter fleet

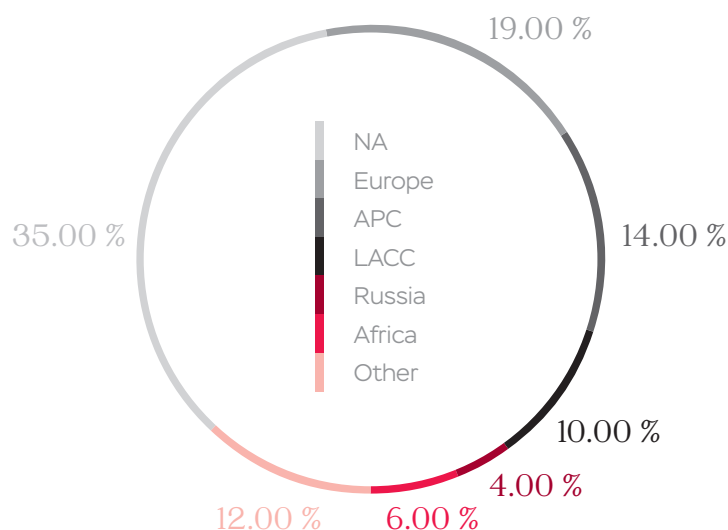
ADVANCED MATHEMATICS

TOUR DE FORCE

MARKET OVERVIEW

The civil helicopter fleet reduced insignificantly in 2014–2016. The markets of North America (by 3 %) and CIS (by 2 %) were characterized by the highest rates of helicopter fleet reduction. However, industry experts are taking a “prudent approach” to forecasting military aircraft segment and are evaluating it in a less optimistic way as compared to several years ago.

CURRENT REGIONAL
DISTRIBUTION OF GLOBAL
HELICOPTER FLEET



BASED ON THE RESULTS OF 2016,
THE GLOBAL HELICOPTER FLEET
AMOUNTED TO

60,477
helicopters

of which civil helicopters

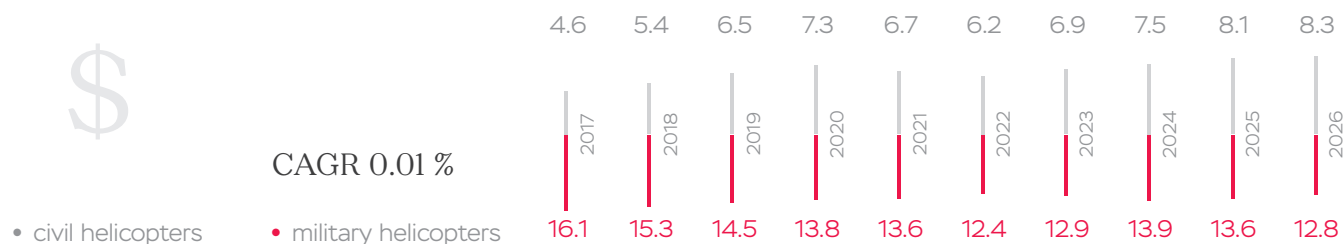
38,360

military helicopters
(excluding Russia)

22,117

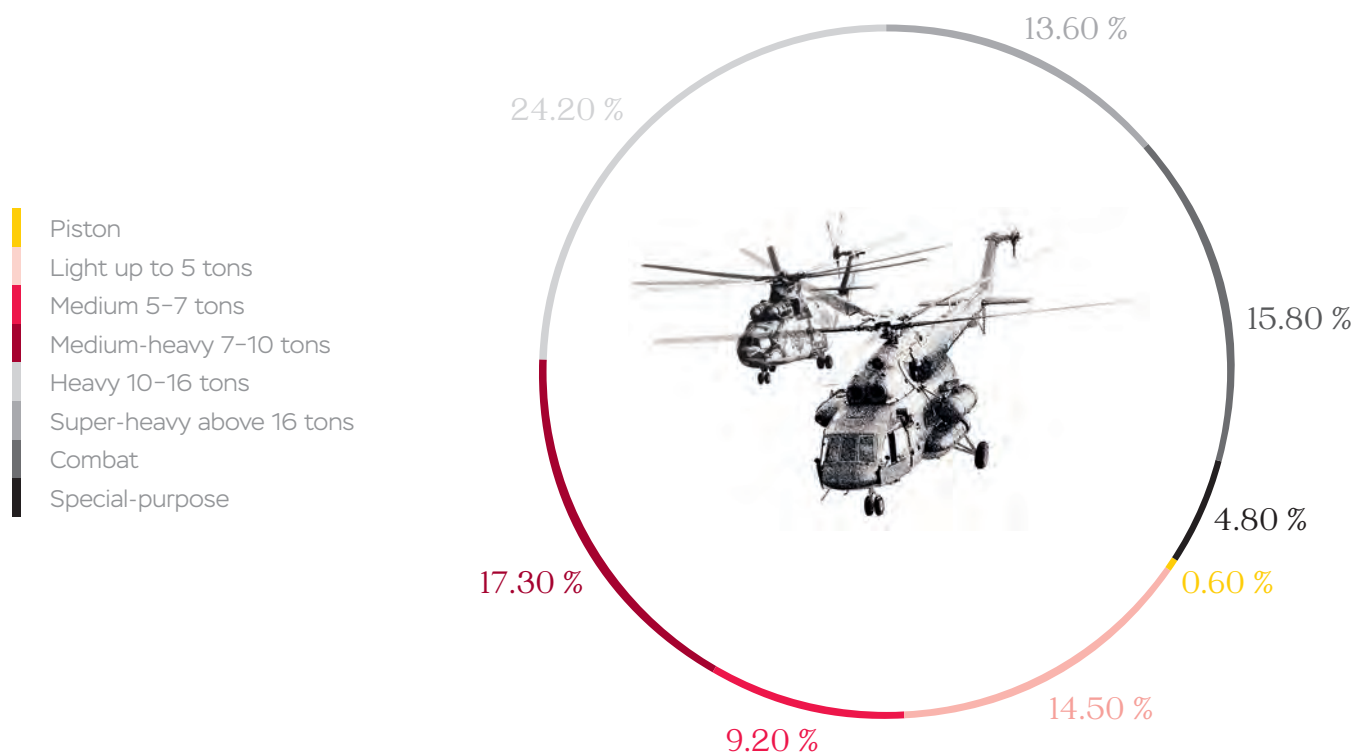
Helicopters have been actively used for military purposes, by emergency services, as well as commercial companies of the oil and gas sector. The total volume of the market for the next 10 years is estimated at USD 206.4* billion.

GLOBAL HELICOPTER PROJECTED DEMAND
IN 2017–2026 (USD BILLION)



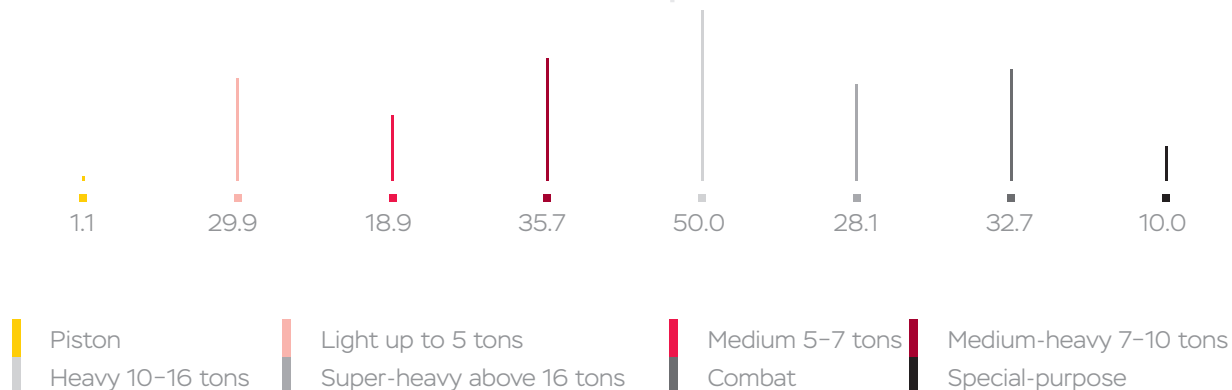
ANTICIPATED MARKET VOLUME BREAKDOWN
BY SEGMENTS IN 2017-2026 (%)

%



ANTICIPATED MARKET VOLUME BREAKDOWN
BY SEGMENTS IN 2017-2026 (billion USD)

\$



CIVIL HELICOPTERS

According to the data provided by the Holding Company, the world fleet of civil helicopters as at December 2016 amounted to approximately 38,360 helicopters, the largest share of which falls within the markets of North America, Europe, Asia-Pacific and Latin America. Civil helicopter fleet in Russia ranks No 5 in terms of quantity among the regions of the world.

In 2016 civil helicopters were delivered to 70 countries, the largest number – to the USA and China. The rest countries received less than 50 helicopters.

In 2016 the civil helicopter market featured the continuing decrease in supplies – around 810 new helicopters, the worst result for the last three years.

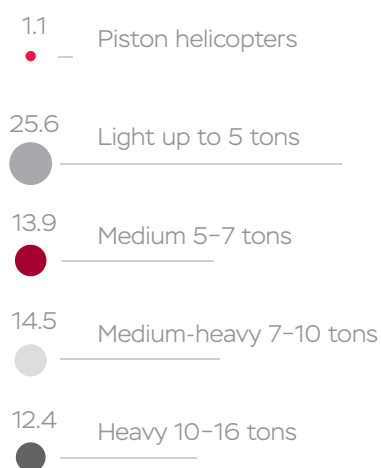
America and Caribbean countries, North America, Russia and other CIS countries were

marked by the downward trend. Only Europe shows the upward trend. The markets of Asian-Pacific region, China and India remain stable.

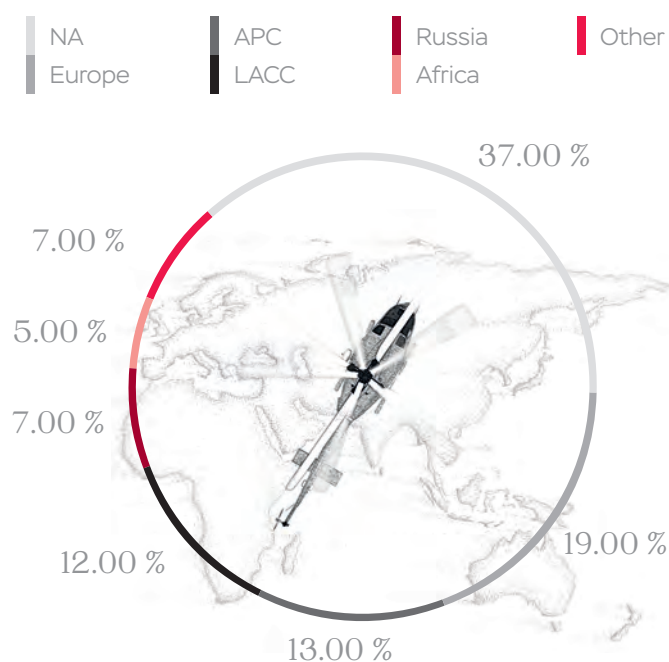
As per take-off weight class of helicopters, moderate growth in light helicopter class (2–5 tons) was recorded. The medium class of helicopters (5–7 tons) is more or less stable. The decline in deliveries was noted in other classes. In the class of super heavy-lift helicopters with TOW more than 16 tons the single helicopter was delivered in 2016, whereas no deliveries were registered in the previous two years.

According to the data provided by Forecast International, the volume of the global civil helicopter market in 2017–2026 is estimated as USD 67.5 billion.

ANTICIPATED MARKET VOLUME OF CIVIL HELICOPTERS BY SEGMENTS (BILLION USD)



REGIONAL DISTRIBUTION OF CIVIL HELICOPTER FLEET



Regional distribution of civil
helicopter fleet

38,360

Regional distribution of military
helicopter fleet (excluding Russia)

22,117

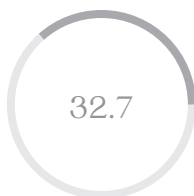
MILITARY HELICOPTERS

Today's world fleet of military helicopters (excluding Russia) totals approximately 22,117 helicopters. More than 74 % of which is represented by military transport helicopters. More than 50 % of the military helicopter fleet is used by US and European armed forces.

According to the data provided by Forecast International, the capacity of the world military helicopter market for 2017–2026 is estimated as USD 138.9 billion.

ANTICIPATED MARKET VOLUME OF
MILITARY HELICOPTERS BY SEGMENTS
(BILLION USD)

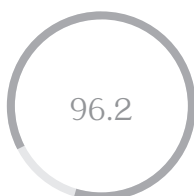
combat



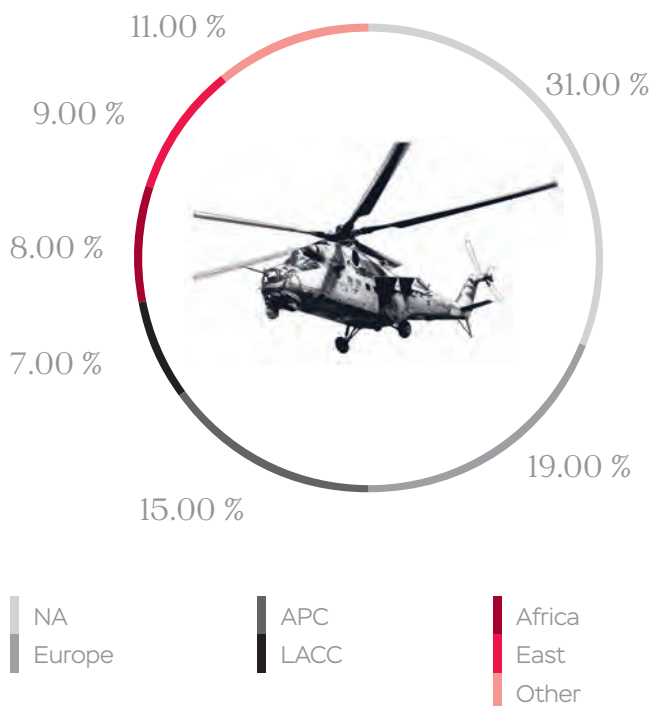
special-purpose



military transport



REGIONAL DISTRIBUTION
(EXCLUDING RUSSIA), %, 2016



MARKET POSITIONS

OF JSC "RUSSIAN HELICOPTERS"

Leading positions in the most attractive market segments

94.40 %
of the Russian market

As per our estimations, the Company's market share reached 10.4 % in 2016. We are definitely going to continue to increase our presence in the global market. The active development of Russian Helicopters will be stimulated by the following:

- upgrade of the aging Russian civil helicopter fleet as part of the implementation of the

Significant presence in both civil and military segments

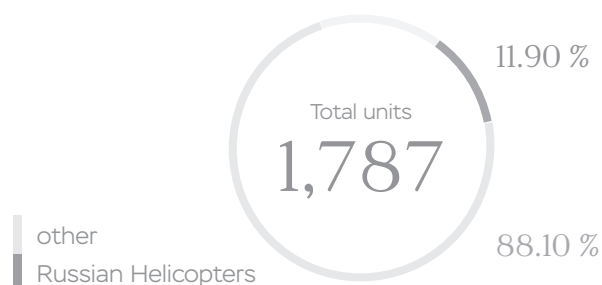
10.40 %
world market

program aimed at improving the transport accessibility in the remote regions;

- large-scale re-equipment program for the Russian Army (by 2020);

- growing demand for our helicopters in the key emerging markets of Latin America, India and China, and sustained interest in the developed markets.

MARKET SHARE IN TERMS OF
QUANTITY IN 2015



MARKET SHARE IN TERMS OF
QUANTITY IN 2016



MARKET SHARE IN TERMS OF MONEY
AT THE END OF 2015



MARKET SHARE IN TERMS OF MONEY
AT THE END OF 2016



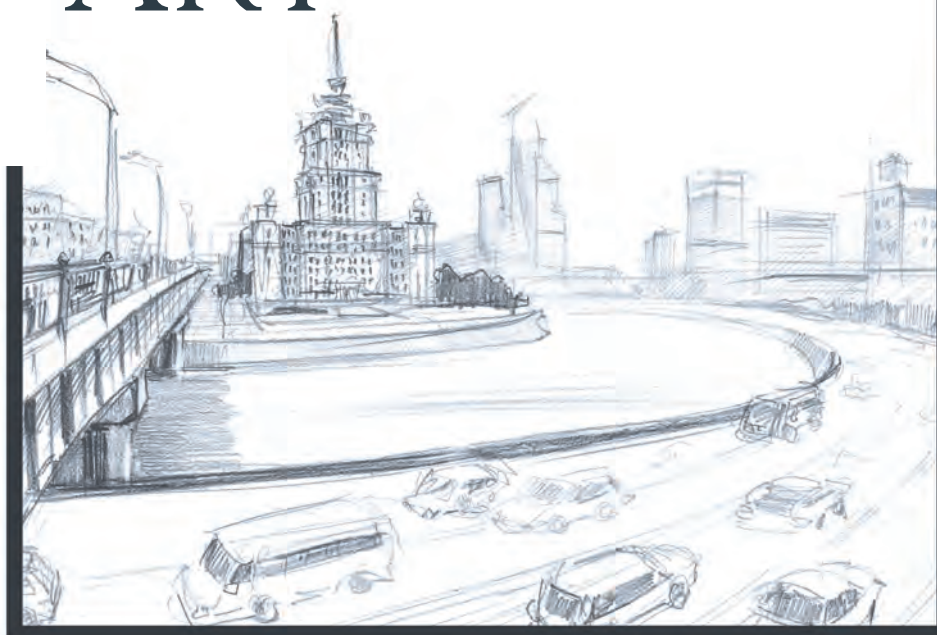
Market segment	Share in total number of helicopters	Russian Helicopters competitive advantage
Russia&CIS	No. 1 in Russia&CIS	The sole supplier of the Defense Ministry of the Russian Federation. State support.
Emerging markets	No. 1 in the military market of India and China	The most favourable cost-effectiveness ratio. Leader in reliability and simplicity of helicopter operation in adverse weather conditions (high mountains, hot climate, low temperatures). Large number of Russian helicopters are already in operation in these markets.
Heavy-lift	No. 1 globally*	Market cost-effectiveness leader. Mi-8/17 – most widely produced helicopter of this class in the history.
Ultra heavy-lift	No. 1 globally*	Mi-26 is the world's heaviest-lift helicopter, capable of lifting up to 20 tons inside cabin or on the external sling.
Civil	One of the leading producers	The most favourable cost-effectiveness ratio. Leader in reliability and simplicity of helicopter operation in adverse weather conditions (high mountains, hot climate, low temperatures). One of the leaders in the Russian and CIS markets.
Attack	One of the leaders in the world	Mi-28N and Ka-52 rank among the most efficient and high tech attack helicopters in the world. Provide operation in adverse conditions, day and night. Equipped with airborne defense system, crew protection means. Ka-52 is the sole combat helicopter with unique aircrew emergency ejection escape system.

* The Company's data



CLIMBING HIGH IS AN ACHIEVEMENT,
MAINTAINING HEIGHTS IS AN

ART





Ka-52 —

STABILITY IN ANY CONDITIONS

Unique characteristics allow performing sideward flight without tilt of fuselage.



Two engines 2,400 hp each ensure continuous flight in any conditions.

2,400

2016 – YEAR OF STRENGTHENING THE RESULTS OBTAINED

DELIVERIES

Due to the stable demand for helicopter deliveries from our customers, the Company's market positions have been strengthened.

The helicopter deliveries in 2016 are as follows

189

helicopters

On the whole, in 2016 the Company delivered helicopters to

13

countries of the world

Actual revenue from helicopter sales in last year amounted to

165.8

billion RUB

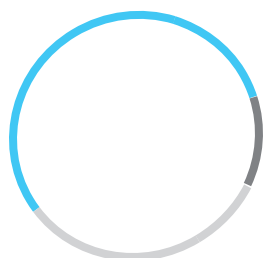
From 2011 to 2014 a positive dynamics related to the advanced deliveries of helicopters as per the contract with the Ministry of Defence was observed. From 2015 to 2016 deliveries declined due to the current market trends. As of today the strategic objective of the Holding Company is the preservation of the production volumes achieved recently and methodical diversification of sources of income by increasing the service component of the business in the conditions of the sanctions and crisis.

The Company continued to develop a global system of after-sales service and logistics. As a result, revenue from the implementation of service support and after-sales support amounted to RUB 45.3 billion, representing 21.3 % of the Company's total revenue in 2016.

The company focused on enhancing the quality of after-sales support services for helicopters, which significantly improved financial indicators in this area. Revenues from the sales of services and helicopter maintenance increased by more than 18 % as compared to 2015.

STRUCTURE OF DELIVERIES

%



~ 52.00 %

to Russian state customers

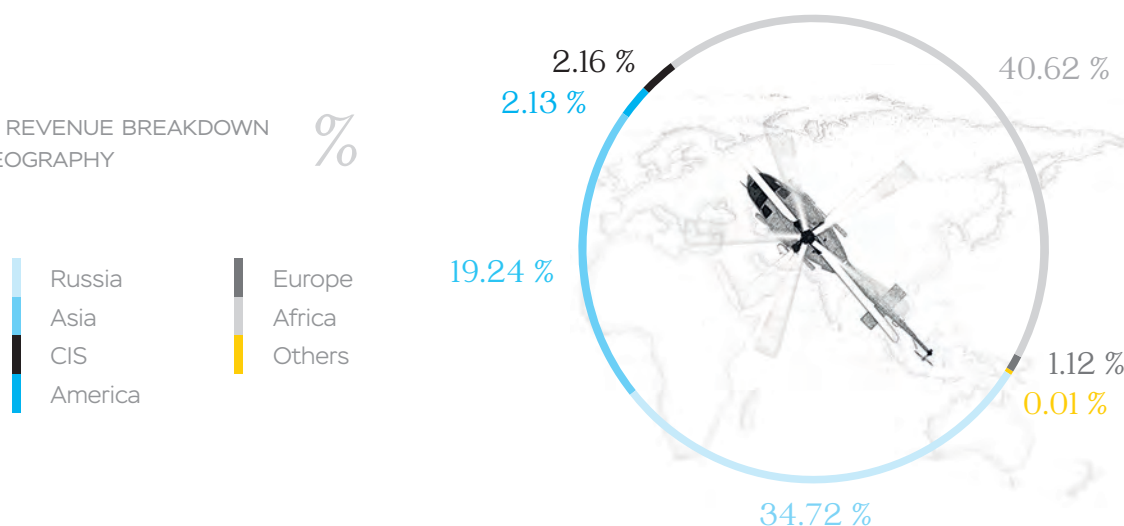
~ 39.00 %

to foreign state customers

~ 9.00 %

to commercial customers of civil helicopters

2016 REVENUE BREAKDOWN
BY GEOGRAPHY



MAINTENANCE AND AFTER-SALES SUPPORT SERVICES

The Company continued to develop a global system of after-sales service and logistics.

Revenues from maintenance and after-sales support services in 2016

45.3
billion RUR

or

21.13 %
of the Company's total revenue
in 2016, that increased as
compared to 2015 by more than
18.30 %

As part of the strategy development aimed at increasing sales of the product life cycle in 2016, JSC "HSC" delivered aviation goods and provided after-sales support to clients in 27 countries.

A comprehensive implementation of the new strategy will allow the Holding Company to achieve a fundamentally new level of after-sales support services in line with the world standards, and increase revenues from this type of services as well as enhance com-

petitiveness of its products in the global market. Special attention in a new strategy is paid to the formation and promotion of after-sales services package proposals, development of the global network of service centers all around the world, improving logistics and system of spare parts delivery to meet the requirements of an operator, as well as development of helicopter modernization programs to extend service life and improve operational performance.

BACKLOG

The main factor for the significant increase (in 2010–2011) was entering into long-term contracts with the RF Ministry of Defence for the supply of more than 600 helicopters up to 2020. The order book has currently normalized.

The Company's firm order book reached 396 units by the end of 2016 and its value is estimated as RUB 466,0 billion.

As far as maturity date is concerned, 41.2 % of the order book represents orders for 2017, 39.9 % – orders for 2018, and 18.9 % – orders for the period of 2019–2020.

Our delivery schedule for 2017 is 100 % secured with firm orders.

Backlog breakdown by years
(billion RUB)

2017	192 billion RUB
2018	186 billion RUB
2019	59 billion RUB
2020	29 billion RUB

Backlog breakdown by markets
(billion RUB)

Russia	129 billion RUB
CIS	5 billion RUB
China+India	17 billion RUB
Africa	169 billion RUB
Middle East	128 billion RUB
Asia	18 billion RUB

BACKLOG BREAKDOWN BY YEARS
(UNITS)



2017
2018
2019
2020

Main customers:

Russian companies

27.69 %

African companies

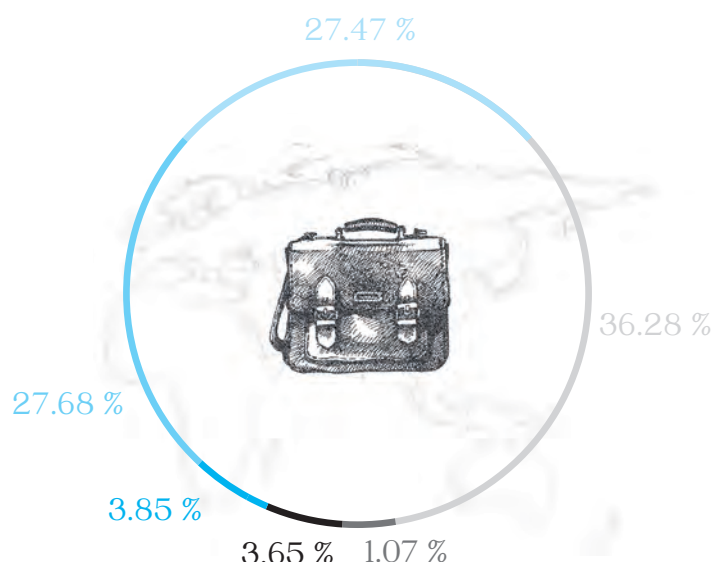
36.27 %

The companies from the Middle East

27.47 %

The rest of the portfolio is allocated among our traditional markets: Southeast Asia, China, CIS countries and India.

BACKLOG BREAKDOWN BY GEOGRAPHY (UNITS)



CAPEX

The Company's CAPEX has made RUB 17.5 billion. The volume of investment into production facilities has made RUB 14.5 billion of them. Within the program of modernization and technical re-equipment in 2016 JSC "Russian Helicopters" continued realization of the following key events:

- Construction of the new production building for final assembly is finished. Moving of JSC "Kamov" onto production site of STC in Tomilino is made. On the basis of JSC "Mil Moscow Helicopter Plant" and JSC "Kamov", the consolidated scientific and technical complex consisting of two integrated design offices, the flight-test center, pilot production and the experimental and research center is created;

- Technical re-equipment of machining production and the building of dynamic tests of PJSC "Kazan Helicopter Plant" is finished, reconstruction of power infrastructure of the enterprise is carried out;

- First step of implementation of the project "Technical re-equipment and reconstruction of production of JSC «SMPP», 2nd stage" (TFP)

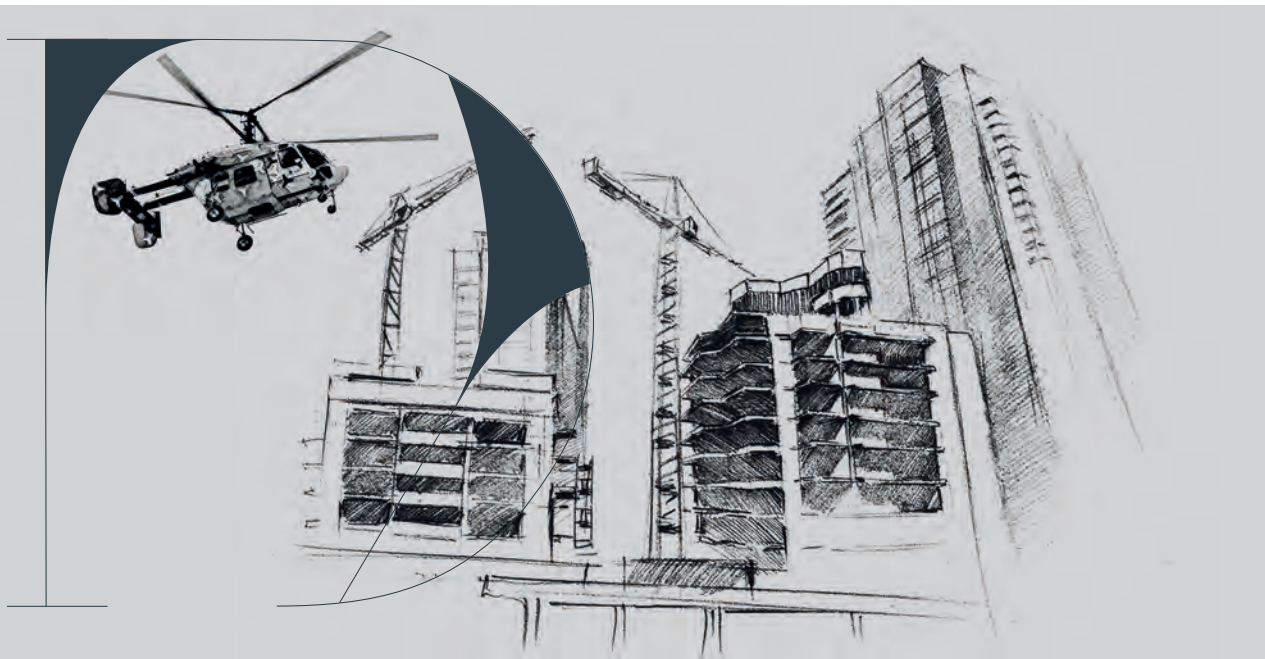
is finished – 8 units of the machining equipment for processing of titan and 2 galvanic lines are purchased and put into operation.

R&D expenses of the Company in 2016 have made RUB 3.0 billion. The main volume of R&D in 2016 focused on projects on the organization and performance of the research and development complex for creation and bringing to the market of the following competitive perspective helicopters of a model range – Mi-38, Ka-62, PSKV, Ka-52, Mi-35M, modernization of Mi-28N (Mi-28NM), Mi-171A2 (Mi-171M), Mi-26T2B, Mi-17B-5 (Mi-8MTB-5), modernization of the Ansat, Ka-226T.

Activities of the Company for modernization of production facilities and development of new products are actively supported at the state level. In 2016 50 % of capital investments for R&D were financed by the state within various Targeted Federal Programs.

The Company continues to pursue the strategy directed to accumulation of innovative potential. In the medium and long term the general capital expenditure will make about 3.5–4.5 % of the Holding revenue.

ORGANIZATIONAL DEVELOPMENT



Within the framework of the assigned objectives aimed at improving operational efficiency, we continued to work effectively on the organizational development of the Company in 2016.

A number of key areas, such as pricing and management of treasury operations, are characterized by secondment matrix which increased the efficiency of making strategically important decisions and provided for the use of human resources of enterprises.

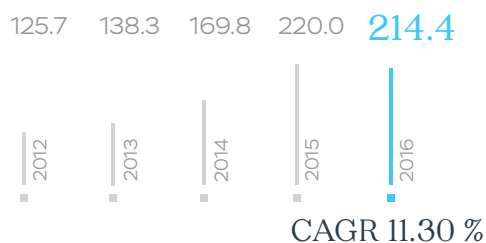
We have started a transition process from geographic to product oriented mechanism

of management, which involves managing the product throughout its life cycle – from design to after-sales service and decommissioning. The management of helicopter programs has been centralized in the parent company of the Holding Company.

To improve the efficiency of industrial enterprises, the Company further localizes key manufacturing processes through the establishment of centers of excellence.

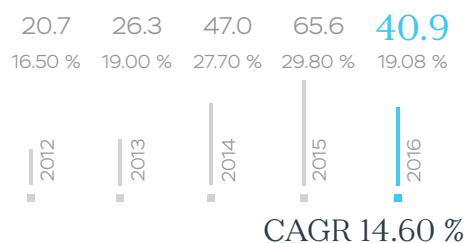
2016 FINANCIAL RESULT

REVENUE
billion RUB



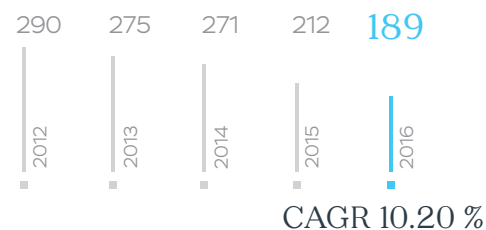
Revenue from the sales of helicopters for the previous year amounted to RUB 165.8 billion. Revenue from services and after-sales support reached RUB 45.3 billion.

EBITDA*
billion RUB

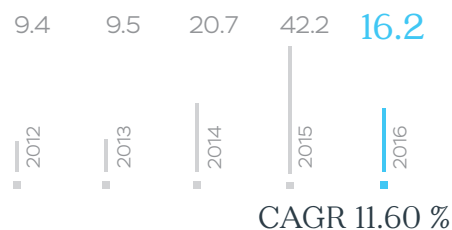


EBITDA lowered by 37.7 % for the reporting period. EBITDA for the helicopter sales segment amounted to RUB 22.3 billion, and EBITDA for services and after-sales support segment amounted to RUB 16.1 billion.

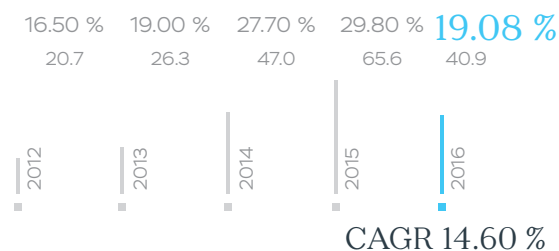
DELIVERIES
billion RUB



PROFIT
billion RUB



EBITDA MARGIN
%



OPERATING EXPENSES
have grown up by 11.2 %

65.5
billion RUB

COST OF SALES

116.4
billion RUB

HARE OF MINORITY IN SUBSIDIARIES HAS BEEN FIXED AT A LEVEL OF

13.79 %

*The Company defines as segment operating profit adjusted to exclude depreciation and amortization, loss on disposal of property, plant and equipment and impairment on property, plant and equipment, goodwill and intangibles assets and to include the Company's share of financial results of associates and joint ventures. Since adjusted EBITDA is not a standard measure under IFRS, the Company's definition of adjusted EBITDA may differ from that of other companies.

STRATEGY

01

OUR STRATEGY IS VERY TRANSPARENT AND FOCUSED ON RECEIVING ADDITIONAL PROFIT, WHILE ENSURING STABLE GROWTH, AND COMPRISES THE FOLLOWING:

- Receive maximum return on the domestic market, which is of top priority (both military and civil sectors), as a result of an increase in the Company's market share both in Russia and globally, and to sustain and strengthen our leadership positions in the key emerging markets, including India, China and Brazil;
- Increase the Company's competitiveness and receive additional profit from enhancing

the model range, upgrading existing models, as well as developing new and advanced models;

- Diversify the Company's activities to establish new sources of income and, as a result, increase the share of after-sales revenue to the level of best practices;
- Increase the efficiency of production, which will further enhance profitability and net margin.

02

THE TARGET GOAL OF JSC "RUSSIAN HELICOPTERS" IS TO ACHIEVE LEADING POSITION IN THE AIRCRAFT-BUILDING INDUSTRY:

- Successfully competing in internal and external markets of civil and military helicopters;
- Wide product range meeting market requirements;
- Modern after-sales support system in line with best practice, aimed at increasing the customers' satisfaction;
- Creating a stable cash flow for shareholders and attracting foreign investors due to high financial indicators.





KEY OBJECTIVES FOR 2017



THE COMPANY SETS THE FOLLOWING GOALS FOR 2017
WITHIN THE STRATEGIC DEVELOPMENT

Increase the level of helicopter supplies by more than

15.00 %

as compared to the last year

Increase the revenue by more than

14.00 %

as compared to 2016

Reaching at least EBITDA margin

18.00 %

Maintain the Net Debt/EBITDA ratio lower

3x

Within strengthening of market positions we set the task of preservation of positions in the world market.

TESTS IN FOCUS

Day by day nominees of Helicopter Industry Association Award find new possibilities that allow successfully developing the potential of helicopter industry and strengthen its global positions.



IMAGINATION DEPICTURES, INTELLECT CALCULATES, TALANT

PERFORMS

2016

Alexander Cherednichenko,
JSC "Kamov", (Active participant
of state tests of Mi-28N, Ka-52
and Ansat-U helicopters) is 2016 Award
winner in nomination "Test pilot".

TOUR DE FORCE

SOCIAL RESPONSIBILITY

Personnel policy of the Holding is aimed at expanding human resources potential of the Holding, forming a team of professionals able to implement the Holding Company's strategy – establish a competitive, highly cost-effective and self-developing helicopter manufacturer.

Recruiting young and promising professionals is one of our top priority objectives, as part of our personnel policy. The entities of the Holding Company work in close cooperation with the core professional training and higher education institutions,

which allows monitoring and ensuring the proper level of young people's training for further working in the helicopter industry.

Focused interaction with the students of the key specialized technical universities, vocational schools and training colleges ensures the inflow of young qualified specialists to the enterprises.

Proven system of staff reproduction, establishment of attractive working conditions and active development of the enterprises have already resulted in the average age of employees as 42 years

in 2016. This allows the Holding Company to effectively implement the assigned strategic objectives.

The Holding Company needs professional, high-skilled, promising managerial personnel experienced in areas as follows:

- project management;
- strategic and systems thinking;
- use of modern methods of efficient production management;

· focusing on the achievement of strategic goals of the Holding Company.

To solve this task, the program of selecting and training of candidates' pool has been being implemented within the Holding for a few years already. The program enables not only meeting the challenge of timely closing of executive (top management) vacancies, but also using such personnel development tools as rotation.

The Holding Company has taken an active part in developing its personnel through the training programs, which are planned in full compliance with the strategic objectives of each of the Holding Company's enterprises.

2016 also witnessed the successive efforts to improve the system of incentives across the Holding Company. The main objective of such activities is to provide consistency between the achieved results and remuneration. The majority of the Holding Company's enterprises implemented the system of bonuses based on the gained key performance indicators (KPIs).

Special attention is also paid to developing the non-financial motivation. The system is operated across the Holding Company to reward and encourage the staff for excellent job performance, including for the development and implementation of new hardware/equipment, and for the improvement of industrial efficiency. Employee benefits and social support include a wide range of sporting events, medical care, corporate parties and entertainment.

The Holding Company's social policy is defined together with employees and Russian trade union of aviation industry workers (Profavia). Approximately 92 % of the Holding Company's employees were members of Profavia as at 31 December 2016.

The main priorities of Russian Helicopters have always been health and safety of our

44,000
employees

The enterprises of the Holding have a strong cooperation with profile highest and specialized secondary educational institutions:

universities

~30

technical colleges

~14

It allows to trace and provide due level of training of youth for helicopter branch.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Company's Board of Directors, which has been established as part of the new effective Corporate Governance system, consists of nine members.

The Board of Directors carries out its activities in accordance with the Charter of JSC "Russian Helicopters". The main responsibilities of the Board of Directors are:

- establishment of strategic goals and analyzing the work of management aimed at achieving these goals;
- development of system and ensuring compliance with the risk management and monitoring procedures;

· development and analysis of investment policy, including development proposals from the management.

Annual General Shareholders' Meeting (date of the meeting: 30.06.2016, Minutes of the meeting No. 25 of 01.07.2016), as well as extraordinary general meeting of shareholders (date of the meeting: 07.10.2016, Minutes of the meeting No. 27 of 10.10.2016) the agenda whereof included the issue on election of the Board of Directors' members, were held during the period from 01.01.2016 to 31.12.2016.

#	Members of the Board of Directors until 30.06.2016	Members of the Board of Directors from 30.06.2016 to 07.10.2016	Members of the Board of Directors after 07.10.2016
01	Artyakov Vladimir Vladimirovich	Artyakov Vladimir Vladimirovich	Artyakov Vladimir Vladimirovich
02	Lelikov Dmitry Yurievich	Lelikov Dmitry Yurievich	Lelikov Dmitry Yurievich
03	Dynkin Alexander Alexandrovich	Dynkin Alexander Alexandrovich	Minnikhanov Rustam Nurgaliyevich
04	Mikheev Alexander Alexandrovich	Mikheev Alexander Alexandrovich	Mikheev Alexander Alexandrovich
05	Laletina Alla Sergeevna	Laletina Alla Sergeevna	Laletina Alla Sergeevna
06	Skvortsov Sergey Viktorovich	Skvortsov Sergey Viktorovich	Skvortsov Sergey Viktorovich
07	Fedorov Alexey Innokentyevich	Fedorov Alexey Innokentyevich	Fedorov Alexey Innokentyevich
08	Serdyukov Anatoliy Eduardovich	Serdyukov Anatoliy Eduardovich	Serdyukov Anatoliy Eduardovich
09	Boginsky Andrey Ivanovich	Boginsky Andrey Ivanovich	Boginsky Andrey Ivanovich

MEMBERS OF THE BOARD OF DIRECTORS ELECTED AT THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING ON 07.10.2016 (MINUTES OF THE MEETING NO. 27 OF 10.10.2016)

VLADIMIR ARTYAKOV

Chairman of the Board of Directors



Vladimir Artyakov – Deputy Director General of Rostec, Member of the Russian Helicopters Board of Directors since 2013.

From 1997 to 1999 Mr. Artyakov worked in the Presidential Property Management Division. From 1999 to 2000 he was the Deputy Director General of Promexport. From 2000 to 2006 he worked as the Deputy CEO of Rosoboronexport. In 2005–2006 he was the Chairman of the Board of Directors of AvtoVAZ, and in 2006–2007 he was the President of AvtoVAZ Group.

From March to August 2007 Vladimir Artyakov was a Deputy in the Samara region Duma, and from August 2007 to May 2012 he was the Governor and Chairman of the Government of the Samara region.

In May 2012 he was appointed the CEO of Rostec.

Mr. Artyakov was born on 30 July 1959 in Moscow. In 1986 he graduated from the All-Union Polytechnic Institute with a degree in construction engineering. In 2000 he graduated from the Russian Academy of State Service and completed a higher education at the Military Academy of the Russian Federation Military High Command.

He has been awarded the Order of Honour, the IV Degree Order of Merit for the Homeland, the Order of Friendship and a medal for Strengthening Comradeship-in-Arms.

He has a PhD in Economics and is a professor at the Academy of Military Sciences.

He doesn't own any shares in JSC "Russian Helicopters".

ANDREY BOGINSKY

Chief Executive Officer



Mr. Boginsky, ex-Russian Federation Deputy Minister for Industry and Trade was named CEO of Russian Helicopters in January 2017 and has been a member of the Board of Directors at Russian Helicopters since 30 June 2015.

Andrey Boginsky was appointed the Russian Federation's Deputy Minister for Industry and Trade on 5 February 2015. He has been Director of the Department for Aviation Industry at the Ministry of Industry and Trade since May 2012.

From 2010 to 2012 he was Deputy Director General for Economics and Finance at the Zhukovsky Central Aerohydrodynamic Institute.

From 2006 to 2009 Mr. Boginsky was Vice President for Finance at AvtoVAZ. From 2004 to 2006 he served as Deputy Chairman of the Board at Russian Development Bank (renamed Otkritie in 2009),

and from 1999 to 2004 was Department Head and Regional Director for the bank First Mutual Lending Company (Pervoe Obshchestvo Vzaimnogo Kredita). From 1995 to 1999 Mr. Boginsky worked in the Serpukhov branch of SBS-Agro in roles ranging from credit consultant and expert to chief accountant, department head, and director. From 1994 to 1995 Mr. Boginsky was an economist with National Credit bank.

Andrey Boginsky was born in August 1974 in Bryansk. He worked as a labourer before enrolling in university. He received his BA in Financial Management from the Economics and Management Faculty at New Humanities University. In 2000 he graduated from the Ministry of Foreign Affairs Diplomatic Academy, specialising in global economics, in 2000. He has a PhD in Economics and has been awarded the title Honorary Aircraft Builder.

He doesn't own any shares in JSC "Russian Helicopters".

ALEXANDER MIKHEEV
Non-Executive Officer



Alexander Mikheev was named CEO of Russian Helicopters in September 2013 and has been a member of the Company's Board of Directors since 2008. In January 2017 he became CEO of JSC "Rosoboronexport".

Before taking up the leadership of Russian Helicopters, Alexander Mikheev served as Deputy CEO of Rosoboronexport, and previously as Head of the Export Department for Special Property and Services at the same company.

Born in 1961, Alexander Mikheev graduated in aeronautical engineering from Moscow Institute of Civil Aviation Engineering in 1985. In 2005 he obtained a masters' degree from the Military Academy of the General Staff of the Russian Armed Forces, and in 2006 graduated from the Russian Government Financial Academy. He holds a candidate degree in economics.

He has been awarded the Order of Honour, and Medal for Services to the Fatherland (2nd class).

He doesn't own any shares in JSC "Russian Helicopters".

DMITRY LELIKOV
Non-Executive Director



Mr. Lelikov is Deputy Director General of Rostec of Investments and a member of the Board of Directors of Russian Helicopters since 2008.

From 2004 to 2012 he was First Deputy Director General of Oboronprom. Before joining Oboronprom he was Chairman of the Management Board of International Commercial Bank (within 2001–2004) and ORGRES-BANK (within 1999–2001). In 2001 Mr. Lelikov served as Advi-

sor to the Chairman of the Management Board of Tempbank.

Mr. Lelikov was born in 1968. In 1992 he graduated from the Financial University under the Government of the Russian Federation with a degree in finance, and in 1994 he completed his postgraduate studies at the Russian Academy of Public Administration under the President of the Russian Federation with a degree in economics.

He doesn't own any shares in JSC "Russian Helicopters".

SERGEY SKVORTSOV
Non-Executive Director



Sergey Skvortsov was appointed to the Board of Directors in February 2014.

Skvortsov became Co-founder and Director of Moscow Business Consultants (MBC) in 1988. In 1997 he took a position as Managing Director of the Investment Banking Department at Troika Dialog. In 2003 he was appointed Executive Director

for Investment Banking, Global Markets and Asset Management at Troika Dialog.

In March 2013 Skvortsov was appointed Managing Director for Investment at Rostec

State Corporation. In January 2014 he was appointed Deputy Director General at Rostec State Corporation.

He is a member of the Boards of Directors at KAMAZ and AvtoVaz.

Skvortsov was born on 1 March 1964 in Moscow. In 1986 he graduated from the Moscow State Institute of International Relations (MGIMO), specialising in international economics. He holds a PhD in Economics. Married, has two children.

He doesn't own any shares in JSC "Russian Helicopters".

KIRILL FEDOROV
Non-Executive Director



Mr. Fedorov is Director of Economics and Finance of Rostec State Corporation and a member of the Board of Directors of JSC "Russian Helicopters" since 2016.

In 2006 he joined the Federal Agency for Construction, Housing and Utilities (Rosstroy) as a Deputy Head of a Department. In

2008 worked as Assistant to the Minister of Regional Development of Russia. In 2009 joined Rostec State Corporation as the Head of the Financial Restructuring Service.

He graduated from Kazan State Technological University in 2003. In 2009 he graduated from postgraduate studies of Saint Petersburg State University of Engineering and Economics. Holds a candidate of sciences degree.

He doesn't own any shares in JSC "Russian Helicopters".

RUSTAM MINNIKHANOV
Non-Executive Director



Rustam Minnikhanov was born on March 1, 1957 in the Novyi Arysh village of the Rybno-Slobodsky District in the Tatar ASSR. He graduated from Kazan Agricultural Institute in 1978 as mechanical engineer and from Correspondence Institute of Soviet Trade (Moscow) as a commodity expert in 1986.

He is a doctor of economic sciences. Career: 1996-1998 – Minister of Finance of the Republic of Tatarstan. In 1998 Rustam Minnikhanov was appointed Prime Minister of the Republic of Tatarstan.

From March 25, 2010 – President of the Republic of Tatarstan. From March 24, 2015 – Acting President of the Republic of Tatarstan. From September 18, 2015 – President of the Republic of Tatarstan. State awards: Order

of Friendship (2002); Order of Services to Motherland 4th class (2007); Order of Services to the Republic of Tatarstan (2007); Medal in memory of the 300th Anniversary of Saint Petersburg (2003); Medal in memory of the 1000th Anniversary of Kazan (2005); Medal to mark the three billionth ton of oil in Tatarstan (2007); Gratitude of the President of the Russian Federation (2008); Laureate of the Prize of the Government of the Russian Federation in the field of science and technology (2009); Certificate of Honor of the President of the Russian Federation (2009); Certificate of Honor of the Government of the Russian Federation (2010); Gratitude of the President of the Russian Federation (2012); Gratitude of the Government of the Russian Federation (2012, 2013); Order of Honor (2014).

He doesn't own any shares in JSC "Russian Helicopters".

ANATOLIY SERDYUKOV
Non-Executive Director



Mr. Serdyukov, Industrial Director of the Aviation Cluster of Rostec State Corporation, became a member of the Board of Directors of Russian Helicopters in 2015.

From 2007 to 2012 Mr. Serdyukov was the Minister of Defense of the Russian Federation.

In 2014 he was appointed Advisor to First Deputy Director General of Rostec State Corporation.

Since 2015 he has been Industrial Director of the Aviation Cluster of Rostec State Corporation.

Anatoly Serdyukov was born in 1962. In 1984 he graduated from Saint Petersburg Trade and Economics University, specializing in Economics. In 2001 he graduated from Saint Petersburg State University, specializing in Law. He holds a PhD in economics.

He doesn't own any shares in JSC "Russian Helicopters".

ALLA LALETINA
Non-Executive Director



Alla Laletina was elected a member of Russian Helicopters' Board of Directors in December 2014.

Alla Laletina heads the corporate legal department at Rostec State Corporation.

From November 2013 to July 2014 she headed the legal department of Rostec State Corporation. From 2009 to 2013 she was Deputy Director for Corporate and Legal Issues at Tobolsk Polymer (OAO Sibur Holding). From 2007 to 2010 she was Director of the Corporate Legal Department at SiburTyumenGaz (OAO Sibur Holding). From 2005 to 2007 she headed the hydro-carbon section projects department at Sibur. From 2003 to 2005 she was Deputy Director General for Legal Affairs at Tsentrprof 2000.

Before that she spent four years teaching international corporate and civil law at MGIMO. From 1997 to 2001 she worked as a legal counsel, and headed the legal department at the company Agros.

Alla Laletina was born in 1976. In 1999 she graduated from the faculty of international law at Moscow State University of International Relations (MGIMO, MFA RF) specialising in international law with foreign languages (English, French). From 2001 to 2003 she completed a postgraduate course of studies at MGIMO, and in 2004 she defended her dissertation. In 2010–2012, she studied for her doctorate at the Institute of State and Law at the Russian Academy of Sciences, and in 2012 she defended her doctoral dissertation. She is a Doctor of Law and a Professor.

She doesn't own any shares in JSC "Russian Helicopters".

COMMITTEES

OF THE BOARD OF DIRECTORS

The committees of the Board of Directors provide management oversight within the scope of their competency. While decision-making authority and responsibility lies with the full Board of Directors, the separate committees allow for a more detailed control. The committees analyze information provided by the management, highlight issues to be brought to the attention of the full Board and ensure that proper attention is paid to these issues.

STRATEGY COMMITTEE OF THE BOARD OF DIRECTORS OF JSC "RUSSIAN HELICOPTERS"

Was formed to ensure the efficient fulfillment by the Board of Directors of its functions in the area of strategic management and control by means of preliminary review of the issues related to:

1. Priority areas of activities of the Company and Holding Company, medium-term and long-term strategy of development of the Company and entities of the Holding Company;
2. Programs (business plans) of financial and economic activities of the Company and entities of the Holding Company;

3. Investment activities of the Company and entities of the Holding Company.

The composition of the Committee was approved by the resolution of the Company's Board of Directors of 10.02.2016 (Minutes of the meeting No. 28 of 11.02.2016), of 22.08.2016 (Minutes of the meeting No. 9 of 23.08.2016), of 19.12.2016 (Minutes of the meeting No. 32 of 20.12.2016).

The Strategy Committee of the Company's Board of Directors was not formed from 01.01.2016 to 10.02.2016.

#	Members of the Strategy Committee from 10.02.2016 to 30.06.2016	Members of the Strategy Committee from 22.08.2016 to 07.10.2016	Members of the Strategy Committee from 19.12.2016 to 31.12.2016
01	Anatoly Serdyukov (chairman) – member of the Company's Board of Directors, Industrial Director of the Aviation Cluster of Rostec State Corporation	Anatoly Serdyukov (chairman) – member of the Company's Board of Directors, Industrial Director of the Aviation Cluster of Rostec State Corporation	Anatoly Serdyukov (chairman) – member of the Company's Board of Directors, Industrial Director of the Aviation Cluster of Rostec State Corporation
02	Dmitry Lelikov – member of the Company's Board of Directors, Director General of JSC "UIC "OBORONPROM"	Dmitry Lelikov – member of the Company's Board of Directors, Deputy Director General of Rostec State Corporation	Dmitry Lelikov – member of the Company's Board of Directors, Deputy Director General of Rostec State Corporation
03	Sergey Skvortsov – member of the Company's Board of Directors, Deputy Director General of Rostec State Corporation	Sergey Skvortsov – member of the Company's Board of Directors, Deputy Director General of Rostec State Corporation	Sergey Skvortsov – member of the Company's Board of Directors, Deputy Director General of Rostec State Corporation
04	Vyacheslav Kozlov – Deputy Director General for Finance and Investments of JSC "Russian Helicopters"	Vyacheslav Kozlov – Deputy Director General for Finance and Investments of JSC "Russian Helicopters"	Vyacheslav Kozlov – Deputy Director General for Finance and Investments of JSC "Russian Helicopters"
05	Aleksander Idrisov – President of CJSC "Strategy Partners Group"	Aleksander Idrisov – President of CJSC "Strategy Partners Group"	Aleksander Idrisov – President of CJSC "Strategy Partners Group"
06	Igor Simakin – Head of Strategic Planning Department of JSC "Russian Helicopters"	Sergey Zheltikov – Economy and Finance Director of JSC "Russian Helicopters"	Sergey Zheltikov – Economy and Finance Director of JSC "Russian Helicopters"
07	Alexey Fedorov – member of the Company's Board of Directors		

HR AND REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS OF JSC "RUSSIAN HELICOPTERS"



Was formed to ensure the efficient fulfillment by the Board of Directors of its functions by means of preliminary review of the issues related to:

1. Operating performance of the Board of Directors and its committees, members of executive bodies of the Company, other key executive employees of the Company the list of which is approved by resolution of the Board of Directors;

2. Development of an efficient and transparent system of the Company's remuneration of the members of the Board of Directors, members of the executive bodies, other key executive employees of the Company;

3. HR policy of the Company and entities of the Holding Company, strengthening of the professional staff and system of planning of succession of members of the management bodies, members of executive bodies, and other key executive employees of the Company.

The composition of the Committee was approved by the resolution of the Company's Board of Directors of 11.03.2016 (Minutes of the meeting No. 31 of 14.03.2016).

The HR and Remuneration Committee of the Company's Board of Directors was not formed from 01.01.2016 to 11.03.2016.

#	Members of the HR and Remuneration Committee from 11.03.2016 to 30.06.2016	Members of the HR and Remuneration Committee from 19.12.2016 to 31.12.2016
01	Anatoly Serdyukov – member of the Company's Board of Directors, Industrial Director of the Aviation Cluster of Rostec State Corporation	Anatoly Serdyukov – member of the Company's Board of Directors, Industrial Director of the Aviation Cluster of Rostec State Corporation
02	Alexander Mikheev – member of the Company's Board of Directors, Director General of the Company	Alexander Mikheev – member of the Company's Board of Directors, Director General of the Company
03	Yuliya Skaletskaya – Head of Organizational Development at Rostec State Corporation	Yuliya Skaletskaya – Head of Organizational Development at Rostec State Corporation

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF JSC "RUSSIAN HELICOPTERS"

Was formed to ensure the efficient fulfillment by the Board of Directors of its functions, for preliminary review of the issues related to the system of control of financial and economic activities of the Company and entities of the Holding Company. The following issues fall within the competence of the Committee:

1. Control over the system of internal control, audit and risk management;
2. Ensuring the compliance with the regulatory requirements and informing the sole

executive body of the Company on the violations in this regard;

3. Control over the financial statements.

The composition of the Committee was approved by the resolution of the Company's Board of Directors of 18.12.2015 (Minutes of the meeting No.21 of 21.12.2015), of 12.08.2016 (Minutes of the meeting No. 6 of 15.08.2016), of 17.11.2016 (Minutes of the meeting No. 25 of 18.11.2016).

#	Members of the Audit Committee from 01.01.2016 to 30.06.2016	Members of the Audit Committee from 12.08.2016 to 07.10.2016	Members of the Audit Committee from 17.11.2016 to 31.12.2016
01	Nataliya Smirnova (chairperson) – Director of Internal Audit Department of Rostec State Corporation	Nataliya Smirnova (chairperson) – Director of Internal Audit Department of Rostec State Corporation	Nataliya Smirnova (chairperson) – Director of Internal Audit Department of Rostec State Corporation
02	Aleksander Vetvitsky – Head of Audit, Revision and Methodology Division of Rostec State Corporation	Aleksander Vetvitsky – Head of Audit, Revision and Methodology Division of Rostec State Corporation	Aleksander Vetvitsky – Head of Audit, Revision and Methodology Division of Rostec State Corporation
03	Galina Kuzmina – Head of 1 category projects, Audit, Revision and Methodology Division of Rostec State Corporation	Galina Kuzmina – Head of 1 category projects, Audit, Revision and Methodology Division of Rostec State Corporation	Galina Kuzmina – Head of 1 category projects, Audit, Revision and Methodology Division of Rostec State Corporation
04	Aleksander Dynkin – independent member of the Board of Directors of JSC "Russian Helicopters", economist, member of the Russian Academy of Sciences, Director of the Institute of World Economy and International Relations (IMEMO) (Russian Academy of Science), member of the Bureau of the Presidential Council of the Russian Federation for Science and Education	Aleksander Dynkin – independent member of the Board of Directors of JSC "Russian Helicopters", economist, member of the Russian Academy of Sciences, Director of the Institute of World Economy and International Relations (IMEMO) (Russian Academy of Science), member of the Bureau of the Presidential Council of the Russian Federation for Science and Education	Alla Laletina – member of the Board of Directors of JSC "Russian Helicopters", Director of Legal Affairs and Corporate Development of Rostec State Corporation
05	Alla Laletina – member of the Board of Directors of JSC "Russian Helicopters", Director of Legal Affairs and Corporate Development of Rostec State Corporation	Alla Laletina – member of the Board of Directors of JSC "Russian Helicopters", Director of Legal Affairs and Corporate Development of Rostec State Corporation	
06	Pavel Osin – First Deputy Director General of JSC "UIC "OBORONPROM"	Pavel Osin – First Deputy Director General of JSC "UIC "OBORONPROM"	

BUDGET COMMITTEE OF THE BOARD OF DIRECTORS OF JSC "RUSSIAN HELICOPTERS"

Was formed to ensure the efficient fulfillment by the Board of Directors of its functions, for preliminary review of the issues related to the planning of financial and economic activities of the Company and entities of the Holding Company and control over such activities. The following issues fall within the competence of the Committee:

1. Financial and economic and budget management within the Company and entities of the Holding Company;

2. Budget and financial, as well as credit policy of the Company and entities of the Holding Company;

3. Corporate decisions which have a significant impact on the financial status of the Company and entities of the Holding Company.

The composition of the Committee was approved by the resolution of the Company's Board of Directors of 18.12.2015 (Minutes of the meeting No. 21 of 21.12.2015), of 22.08.2016 (Minutes of the meeting No. 9 of 23.08.2016), of 14.11.2016 (Minutes of the meeting No. 23 of 15.11.2016).

#	Members of the Budget Committee from 01.01.2016 to 30.06.2016	Members of the Budget Committee from 12.08.2016 to 07.10.2016	Members of the Budget Committee from 17.11.2016 to 31.12.2016
01	Kirill Gaidash (chairman) – Director General of Unitary Enterprise "Microgen" of the Ministry of Health of the Russian Federation	Kirill Fedorov (chairman) – Economy and Finance Director of Rostec State Corporation	Kirill Fedorov (chairman) – Economy and Finance Director of Rostec State Corporation
02	Pavel Osin – First Deputy Director General of JSC "UIC "OBORONPROM"	Zoya Kuzmich – Head of Financial Policy at Rostec State Corporation	Zoya Kuzmich – Head of Financial Policy at Rostec State Corporation
03	Vyacheslav Kozlov – Deputy Director General for Finance and Investments of JSC "Russian Helicopters"	Vyacheslav Kozlov – Deputy Director General for Finance and Investments of JSC "Russian Helicopters"	Vyacheslav Kozlov – Deputy Director General for Finance and Investments of JSC "Russian Helicopters"
04	Aleksander Dynkin – independent member of the Board of Directors of JSC "Russian Helicopters", economist, member of the Russian Academy of Sciences, Director of the Institute of World Economy and International Relations (IMEMO) (Russian Academy of Science), member of the Bureau of the Presidential Council of the Russian Federation for Science and Education	Aleksander Dynkin – independent member of the Board of Directors of JSC "Russian Helicopters", economist, member of the Russian Academy of Sciences, Director of the Institute of World Economy and International Relations (IMEMO) (Russian Academy of Science), member of the Bureau of the Presidential Council of the Russian Federation for Science and Education	Alla Laletina – member of the Board of Directors of JSC "Russian Helicopters", Director of Legal Affairs and Corporate Development of Rostec State Corporation
05	Svetlana Bezyzvestnykh – Senior Expert of Budgeting and Consolidated Management Reporting Subdivision of Financial and Economic Policy Department of the Rostec State Corporation		
06	Sergey Zheltikov – Economy and Finance Director of JSC "Russian Helicopters"		
07	Irina Migal – Head of Treasury Division at Rostec State Corporation		



INVESTMENT ATTRACTION COMMITTEE OF THE BOARD OF DIRECTORS OF JSC "RUSSIAN HELICOPTERS"

Was formed to ensure the efficient fulfillment by the Board of Directors of its functions for preliminary review of issues related to the attraction of financial investment. The following issues fall within the competence of the Committee:

1. Forming a strategy of attraction of investment in the Company's authorized capital;
2. Supervising activities for preparation and implementation of the transaction with the investor and/or investors.;
3. Informing the Company's Board of Directors about the risks related to the attraction

of investment in the Company's authorized capital;

4. Elaboration and provision of recommendations to the Company's Board of Directors on the issues under consideration within the competence of the Committee.

The composition of the Committee was approved by the resolution of the Company's Board of Directors of 04.08.2016 (Minutes of the meeting No. 4 of 05.08.2016).

The Investment Attraction Committee of the Company's Board of Directors was not formed from 01.01.2016 to 04.08.2016 and from 07.10.2016 to 31.12.2016.

Members of the Investment Attraction Committee from 04.08.2016 to 07.10.2016



01 Sergey Skvortsov – member of the Company's Board of Directors

02 Dmitry Lelikov – member of the Company's Board of Directors, Deputy Director General of Rostec State Corporation

03 Alexander Mikheev – member of the Company's Board of Directors, Director General of the Company

04 Vyacheslav Kozlov – Deputy Director General for Finance and Investments of the Company



MANAGEMENT

ANDREY BOGINSKY
Chief Executive Officer



Mr. Boginsky, ex-Russian Federation Deputy Minister for Industry and Trade was named CEO of Russian Helicopters in January 2017 and has been a member of the Board of Directors at Russian Helicopters since 30 June 2015.

Andrey Boginsky was appointed the Russian Federation's Deputy Minister of Industry and Trade on 5 February 2015. He has been Director of the Department for Aviation Industry at the Ministry of Industry and Trade since May 2012. From 2010 to 2012 he was Deputy Director General for Economics and Finance at the Zhukovsky Central Aerohydrodynamic Institute.

From 2006 to 2009 Mr. Boginsky was Vice President for Finance at AvtoVAZ. From 2004 to 2006 he served as Deputy Chairman of the Board at Russian Development Bank (renamed Otkritie

in 2009), and from 1999 to 2004 was department head and regional director for the bank First Mutual Lending Company (Pervoe Obshchestvo Vzaimnogo Kredita). From 1995 to 1999 Mr. Boginsky worked in the Serpukhov branch of SBS-Agro in roles ranging from credit consultant and expert to chief accountant, department head, and director. From 1994 to 1995 Mr. Boginsky was an economist with National Credit bank.

Andrey Boginsky was born in August 1974 in Bryansk. He worked as a labourer before enrolling in university. He received his BA in Financial Management from the Economics and Management Faculty at New Humanities University. In 2000 he graduated from the Ministry of Foreign Affairs Diplomatic Academy, specialising in global economics. He has a PhD in Economics and has been awarded the title Honorary Aircraft Builder.

SERGEY FOMIN
First Deputy
Director General



Mr. Fomin was appointed the Executive Director of Russian Helicopters in March 2017. In May, 2017 he was appointed as First Deputy Director General.

Prior to the appointment, Mr. Fomin had served as First Deputy Director General of OOO Transport Components Holding since April 2016. From November 2009 to April 2016 he had served as Deputy

Director General for Strategic Development at ZAO Transmashholding.

From 2005 to 2009 Mr. Fomin had been working at OAO AvtoVAZ as Financial Director, Vice-President for Finances and Business, Senior Vice-President for Finances and Business, and Presidential Advisor.

Sergey Fomin was born on March 26, 1966 in Moscow. In 1987 he graduated from Yaroslavl Higher Military Finance School specializing in army finances. Mr. Fomin holds an MBA degree.

YURI KORITSKY

Chief of Staff to the CEO



Mr. Koritsky has been appointed as Chief of Staff to the Russian Helicopters CEO in February 2017.

Previously, Mr. Yuri Koritsky had served as Chief of Staff to the Minister of Industry and Trade of the Russian Federation D. Manturov from July 2013. In 2012–2013 Mr. Koritsky was the Head of the Department of Information Technology and Public Relations at the Ministry of Industry and Trade of the Russian Federation. From 2008 to 2012 he served as Assistant to the First Deputy Chairman of the Government of the Russian Federation Viktor Zubkov. In 2007–2008 Mr. Koritsky was the press-secretary for the Chairman of the Government of the Russian Federation V. Zubkov. In 2007 he worked as an assistant to the First Deputy Prime Minister Sergei Ivanov. From 2004 to 2007 Mr. Koritsky

held various positions at the President of the Russian Federation's Press and Information Office. Since 1999, he had worked for the Consulate General of Russia in Trabzon (Turkey), the Russian Consulate in Antalya (Turkey), and the Third European Department of the Russian Foreign Ministry.

Mr. Koritsky was born January 18, 1977. In 1999 he graduated from the Institute of Asian and African Studies at Lomonosov Moscow State University majoring in oriental history. Mr. Koritsky is fluent in English and Turkish.

Mr. Koritsky has been awarded the medal of the order "For Merit to the Fatherland", 1st class, a Diploma of the Government of the Russian Federation, and a "M.T. Kalashnikov – designer of small-arms" medal. Mr. Koritsky is an Actual State Councillor of Russian Federation, 2nd Class.

ANDREY SHIBITOV

Deputy CEO for Production and Innovations



Mr. Shibitov has held the position of Deputy CEO for Production and Innovations at Russian Helicopters since July 2012.

Prior to this appointment, Mr. Shibitov was the Deputy CEO for Marketing and Export Sales at Rostvertol from 2000 to 2004. From 2004 to 2008 he served as Director General of the Mil Moscow Helicopter Plant, and from 2007 to

2010 Mr. Shibitov was Director General of Russian Helicopters. He was a member of the Board of Directors of Russian Helicopters from 2007 to 2011.

Mr. Shibitov graduated from the Kharkiv Aviation Institute with a degree in aircraft construction in 1988. He was born in 1961.

Member of the Board of Directors: Mil Moscow Helicopter Plant, Reductor-PM, Stupino Machine Production Plant.

ALEXANDER SHCHERBININ
Deputy CEO for Marketing
and Business Development



Alexander Shcherbinin was appointed Deputy CEO for marketing and business development on 16 October 2015.

Mr. Shcherbinin boasts extensive management experience in international economic activities. From 2010 to 2014, he occupied management posts at the Norilsk Nickel group. From 2012 to 2014,

Shcherbinin was Director General of the Main Sales Division at CJSC "Normetimpex", the company's main revenue-generating arm, with an annual turnover of in excess of 10

billion USD. He was responsible for sales within Russia, and to countries across Europe, Asia and America. From 2004 to 2010 Shcherbinin occupied several different positions within Rosoboronexport.

Shcherbinin was born on 27 April 1978 in Leningrad (now St. Petersburg). In 2000 he graduated from St. Petersburg State University of Economics, specialising in finance and lending, and in 2007 graduated from the Russian Foreign Affairs Ministry Diplomatic Academy, specialising in Global Economics. He has a PhD in Economics.

ROMAN CHERNYSHEV
Deputy CEO for Programs Management



Roman Chernyshev was named Deputy CEO for Programs Management on 1 December 2011.

Roman Chernyshev was born in 1976 in the town of Penza-19, and graduated from the Moscow Physics and Technical Institute in 1999. From 1996 to 1998 he held various management positions at Norilsk Nickel. In 2003–2004, Ro-

man Chernyshev served as deputy CEO of Energomash-Project. From 2004 to 2008 he worked as Director of Finance and Economics and First Deputy CEO at Arsenyev Aviation Company "Progress", one of Russia's largest aerospace companies and owner of unique aviation and missile technologies.

Member of the Board of Directors: Kamov Design Bureau, Arsenyev Aviation Company "Progress".

VYACHESLAV KOZLOV

Deputy CEO for Finance and Investments



Vyacheslav Kozlov was named Deputy CEO for Finance and Investments of Russian Helicopters on 12 November 2013.

From 2006 to 2013 he served as First Deputy Managing Director of Ulan-Ude Aviation Plant, a Russian Helicopters company.

Since 2009 he has been a member of the Board of Directors of Helicopter Innovation Industrial

Company.

Before coming to work in the helicopter industry, Vyacheslav Kozlov worked at the Ministry for Economic Development and Trade (2004–2006).

Vyacheslav Kozlov was born in 1981, and in 2002 graduated from Novosibirsk State University in mathematics and economics. In 2004 he obtained a master's degree from the Higher School of Economics in Moscow. He holds an Executive MBA and has been awarded the Certificate of Merit of the Republic of Buryatia.

Member of the Board of Directors: Kamov Design Bureau, Ulan-Ude Aviation Plant, Kazan Helicopter Plant, Helicopter Service Company, Kumertau Aviation Production Enterprise.

NIKOLAY PAVLENKO

Deputy CEO, Chief Designer



Nikolay Serafimovich Pavlenko was born on September 14, 1952 in the city of Mineralnye Vody, Stavropol Krai. In 1976 he graduated with a helicopter engineering degree from Moscow Aviation Institute and started to work as a design engineer for the experimental design bureau at the Mil Moscow Helicopter Plant.

Mr. Pavlenko worked as Chief Designer of the experimental design bureau since 1992. Later on, he held positions of Crew Supervisor, Assistant Department Head, and department head of the experimental design bureau, Deputy Chief Designer in charge of durability and blades, Chief Designer, and Chief Designer in charge of durability and blades.

In 2010, Nikolay Pavlenko was appointed Deputy Chief Designer, in 2014 Chief Designer and First Deputy CEO of the Mil Moscow Helicopter Plant. On August 24, 2016, Nikolay Pavlenko was appointed Chief Designer and Deputy CEO of Russian Helicopters.

Nikolay Pavlenko is a specialist in the area of durability of helicopter rotors. He greatly contributed to the design, development and test flights of the Mi-26, Mi-28, Mi-34 and Mi-38 helicopters. He offered a new concept of the main rotor for a high-speed helicopter.

Mr. Pavlenko is a Candidate of Technical Sciences, has 18 printed scientific works and is the author of 16 inventions. In 1993–1995 he taught at Moscow Aviation Institute and was assistant professor of structural engineering and durability. He was awarded the “60th Anniversary of the Soviet Armed Forces” medal.

IGOR CHECHIKOV

Deputy CEO for Aftersales Service



From December 2014, Igor Chechikov has been Director for International Business Development and Aftersales Service in Military-Technical Cooperation. He has extensive experience in management positions in the defence industry.

From October 2013 Chechikov served as Deputy CEO for Foreign Trade Activity at Oboronprom.

From 2012 to 2013 Chechikov was Deputy CEO for Marketing and Oversight over Foreign Trade Activity at Oboronprom. From 2011 to 2012 he served as Deputy CEO for cooperation with India at Oboronprom.

From 2009 to 2011, Chechikov was Deputy Head of the Marketing and Sales Department at

United Engine Corporation. From 2006 to 2009 he was Department Head, Deputy CEO, and Executive Director at Astrasystems, prior to which he was Deputy Department Head at the Federal Service for Environmental and Nuclear Oversight. From 2004 to 2005 he served as Chief Specialist at Novye Regionalnie Samolety, and from 2000 to 2004 he was Leading Specialist, then Chief Specialist at the Russian Munitions Agency.

He is a member of the Board of Directors at NARP.

He graduated from the Military University, Russian Presidential Academy of Public Service, Financial Academy under the Russian Government, and the Kutafin Moscow State Law Academy.

NIKOLAY GRYAZNOV

Deputy CEO for Security



Mr. Gryaznov was appointed Deputy CEO for Security of Russian Helicopters on 5 November 2014.

Nikolay Gryaznov was born in 1955 in the Buryat Autonomous Soviet Socialist Republic. In 1977 he graduated from National Research Irkutsk State Technical University majoring in aircraft mechanical engineering. Nikolay worked at Irkutsk Aviation Plant for five years

and occupied various management positions.

Nikolay Gryaznov is a lieutenant general of the Federal Security Service of the Russian Federation.

Since 1982 he has been serving with the state security bodies. He has the following awards: Order of Courage, Order "For Military Merit", Order "For Merit to the Fatherland" IV class with "swords", Order of Alexander Nevsky, Order of Saint Righteous Grand Duke Dmitry Donskoy II class, more than 20 medals and badges. Mr. Gryaznov is the honorary citizen of the Republic of Kalmykia and city of Makhachkala (Russia's Republic of Dagestan).

Member of the Board of Directors at NARP.

VLADISLAV SAVELYEV

Deputy CEO for Sales



Mr. Savelyev was appointed as Deputy Director General for Sales at Russian Helicopters on 2 November 2016. Earlier he worked as Director for State Deliveries and Military-Technical Co-operation from 2 December 2013.

From 2001 to 2013 Vladislav Savelyev worked at Rosoboronexport, where before joining Russian Helicopters he served as Deputy

Director of the Department of Helicopter Exports.

From 1975 to 2000 Vladislav Savelyev served in the Russian Armed Forces.

Vladislav Savelyev was born in 1957 in Shchelkovo, Moscow region. He graduated from the Alksnis Higher Military Aviation Engineering Academy in Riga in 1980 in aircraft and propulsion systems.

He has been awarded state honours.

INTERNAL AUDIT

Internal Audit Department was established in 2011, as part of the activities aimed at improving the efficiency of the Holding Company's corporate governance system. The main activities the Department carries out are as follows:

1. Performance of internal audits aimed at improving the Holdings operations.
2. Establishment and continuous improvement of risk management and internal controls.
3. Establishment and continuous improvement of the processes aimed at timely fraud detection and prevention.

Internal Audit is an inherent part of public business company. Its main goal, in accordance with international corporate governance and stock exchange standards and recommendations, is to contribute to the improvement of governance, risk management, and control processes by bringing a systematic, disciplined approach to assess the ef-

fectiveness of these systems and provide recommendations on their improvement.

Internal Audit Department is an independent unit within the organization that functionally reports to the Audit Committee of the Board of Directors. The Department is organized and performs its activities in compliance with International Practice Professional Standards of the Institute of Internal Auditors, recommendations of UK Corporate Governance Code and Enterprise Risk Management and Internal control Framework of Committee of Sponsoring Organizations (COSO).

The existence and the above-described functioning of Internal Audit allows the Holding to obtain reasonable assurance that the goals set up by the shareholders, Board of Directors and Executive Management will be achieved, as well as that the resources used are effectively employed and financial reporting is reliable and transparent.

CAPITAL MARKETS AND INVESTOR RELATIONS

Russian Helicopters is actively working on the implementation of the highest standards of information disclosure in order to build a strong relationship with the global financial markets and the media.

The main principles of our Information Disclosure Policy are:

- to provide all the stakeholders with a constant and actual news flow, which fully and clearly covers all the aspects of the Company's activities;
- to provide all the stakeholders with a timely response to any information requests.

We have Investor Center on our corporate website www.russianhelicoptres.aero, accessible at www.russianhelicoptres.aero/ru/investors/. It contains information for analysts and inves-

tors interested in Russian Helicopters, including financial statements, information on corporate governance, Company's structure etc. If information is not accessible on the website, the IR team can be contacted at any time. Improvements continued to be made to our Investor Center in 2015 to make it the most convenient source of information about the Company.

In 2012 Russian Helicopters began to cooperate closely with rating agencies. As result of that Fitch Ratings and Moody's Investors Service have assigned our first rating. At the moment, Fitch Ratings estimates our Long-Term Issuer Default Ratings at BB+, Outlook Stable. In turn, Moody's Investors Service evaluates Russian Helicopters probability of default rating of Russian Helicopters at Ba2, Outlook Stable.

RISK MANAGEMENT



Risk is an integral part of business. The Holding Company, as any other company, is constantly dealing with risks and opportunities that can either negatively or positively influence its business. To minimize the negative impact of risks and to capitalize opportunities, we have introduced an integrated risk management system aimed at ensuring transparency of decision-making process and effective risk management.

Though we are not yet a public company, the risk management system of the Company is in compliance with the international standards, such as an integrated risk management model developed by the Committee of Sponsoring Organizations (COSO) and its Enterprise Risk Management Framework, as well as international aerospace engineering standards AS/EN 9100C.

Risk management system ensures that risks are fully understood and managed through the system of their identification, assessment and control. We maintain the Risk Register that covers the key strategic risks, including their description, key risk owners, as well as control and procedures to be implemented for mitigating those risks on a corporate level. The content of the Register is determined by senior management and approved by Director General. At the operational level, risk management is performed through internal controls documented in our internal policies & procedures. Monitoring activities of risk management effectiveness are performed by the Risk Manager of the Company, and assessed by Internal Audit Department. The results of such evaluation are delivered to the Audit Committee, as well as to the attention of the Board of Directors.

KEY RISK FACTORS

Below are the main risks the Holding Company currently faces that can have a significant impact on the achievement of strategic goals and objectives. The Holding Company may be

exposed to additional risks, including those that that are not yet known to us and/or considered insignificant.

RISKS RELATED TO CHANGES IN THE POLITICAL AND ECONOMIC ENVIRONMENT GLOBALLY AND IN THE RUSSIAN FEDERATION

Adverse changes arising from systemic risks in global financial system, including decline in the oil and gas prices, could slow or disrupt the RF economy, adversely affect the Company's access to capital and cost of capital for the Holding Company and, more generally, its business, results of operations, financial stability and prospects.

Moreover, the US and EU sector-specific sanctions imposed in 2014 targeting the key elements of the Russian economy. No direct sanctions were officially imposed on the entities of Russian Helicopters Holding Company. However, the imposed sanctions, including those against Russian banks, may indirectly have a negative impact on the activities of the entities of the Holding Company. In particular, the following circumstances may arise:

- Limitations on the supply of imported equipment and components.
- More expensive borrowings due to limited access to foreign capital markets for state banks, and, as a result reduced volume of the RF debt market.
- Difficulties with the processing of payments in foreign currency (USD, EUR) through correspondent banks of the US and European Union.

- Potential ban to use SWIFT paralyzes all settlements with the use of foreign currency when carrying out activities with foreign counterparties on a temporary basis, which may negatively impact the Holding Company's inflows, which, in turn, may lead to inability to pay current debt liabilities (primarily contract financing).

The Company makes various arrangements aimed at organizing early supplies of the required items in sufficient quantity (provisions), as well as arrangements as part of the Import Substitutions Program (see also risks of interactions with suppliers) to minimize the influence of limitations to supplies of imported components and equipment on the activities of the entities of the Holding Company.

Also, the Holding Company optimizes current and investment expenses to minimize the volume of external borrowings.

In general, the Holding Company is unable to have a material impact on the business environment in the RF. However, in case of negative changes in the business environment globally and in the Russian Federation, the Holding Company will take all the necessary actions to reduce the negative impact on the possibility to meet obligations with regard to securities, including diversification of production.

RISKS OF HELICOPTER INDUSTRY

Demand for helicopters largely depends on long-term budget priorities of consumer countries which the Holding Company is unable to have influence on. Besides, helicopter industry, especially its civil sector, is highly dependent on the risk of technological breakthrough, including adjacent industries that may lead to a decrease in demand for existing helicopter models and/or will require substantial financial investments aimed at developing new models in line with the new competitive environment.

Market positions of the Holding, therefore, are dependent on the following key factors:

- Economic and political stability of main customer countries, including the stability of their long-term national defense policies.

- The ability to keep our leadership position on internal market including efficiency and quality of performance of obligations under the State Defense Order of Ministry of Defense, our main customer.

- The success of current design and development projects aimed at modernization and upgrade of existing models, as well as at development of new and advanced models to be competitive in the domestic and foreign markets.

Our activities aimed at the mitigation of the above mentioned risks are described in "Market position", "Model range" and "Strategy" sections of this Annual Report.

RISKS OF RELATIONSHIPS WITH SUPPLIERS

The major part of materials and key parts used for helicopter production are purchased from the third parties. In addition, key parts are purchased from suppliers that hold a monopoly in their industry. Therefore, the Holding is highly dependent on the effectiveness of our key suppliers, i.e. on the following factors:

- Financial stability of suppliers that directly influence their capacity to timely and effectively fulfill contractual agreements to provide the Holding with necessary materials and key parts necessary for helicopter production.

- The ability of our suppliers to keep the price level on a competitive basis by the efficient monitoring of prices on parts and materials that they use for production.

Moreover, due to the current unstable geopolitical and macroeconomic environment, there is a risk of short deliveries of Ukrainian vendor items and materials, as well as vendor items and materials produced in the US, countries of the European Union and those countries that joined the EU in imposing sanctions.

To minimize the negative impact of this risk on the activities, the Holding Company considered the possibility to work with the suppliers of similar equipment and components and is actively involved in the implementation of activities stipulated by the import substitution programs.

Thus, procurement of engines manufactured by JSC "Klimov" may be significantly increased with simultaneous decrease in the orders of Ukrainian engines of JSC "Motor Sich" to ensure the fulfillment of obligations of the Holding Company to its customers.

As a result, the impact of this risk on the Company's activities will be minimized to the acceptable level.

Apart from that, the Holding Company imposes certain strict requirements on potential suppliers during the contract negotiation process. Quality monitoring activities and supplier effectiveness evaluation are performed as part of the implemented quality management system.

OPERATIONAL RISKS

Our customers are our main focus. We constantly analyze and improve key operational processes to increase their effectiveness and to provide our clients with the best quality product at a reasonable price. The key risk factors in this area are as follows:

- Effective personnel management, including recruitment, training, development and retaining of unique competencies, as well as ensuring an optimal number of employees and establishment of a balanced organizational structure that enables and motivates them to achieve the objectives of the Holding Company.
- The success of our marketing and sales of helicopters, pricing and contract management as well as production cost control

mechanisms in order to provide substantial growth in the total number of helicopter orders and deliveries and ensure sustainable profitable growth.

- Effective production platform infrastructure and reliable management and IT systems to ensure efficient allocation of resources across the entire supply chain.
- Effectiveness of after-sales support system to provide our customers with reliable guarantee and post-guarantee services and necessary spare parts.

Sections "Deliveries", "Service and after-sales support", "CAPEX", "Organizational development", "Key objectives for 2014", "HR policy" of this Annual Report include the description of actions that we perform to mitigate the above mentioned risks.

FINANCIAL RISKS

The main financial risks faced by the Holding relate to the availability of funds to meet business needs (liquidity, credit and capital risks) and fluctuations in interest and foreign exchange rates.

We are currently operating the information system using Oracle Hyperion Planning, which allows us to monitor and take efficient management decisions to minimize financial risks,

including current monetary assets and cash position, funding requirements, interest rates, and currency positions.

Note 36 "Capital management" and note 38 "Risk management activities" to the consolidated financial statements in this Annual Report contain a detailed description of financial risks and risk management tools used by the Holding Company to mitigate these risks.

REGULATORY ENVIRONMENT AND COMPLIANCE

The activities of the Holding Company are regulated by various laws and regulations related to, among other areas, federal anti-monopoly rules, intellectual property protection, transfer pricing, currency and customs rules, export regulations as well as international financial statements standards.

Due to the fact that the legal and regulatory framework of the Russian Federation is still exposed to fast changes and ambiguous interpretation, there is a risk of negative impact of these changes on the activities of the Holding Company, in particular, changes to

the regulation of the State Defence Order, state subsidies, etc.

Therefore, the Holding Company monitors regulatory development and enforces a strong compliance regime. Moreover, our layers are performing expertise of all potential contracts and obligations on protection of Holding rights and compliance with applicable laws and regulations.

Note 39 "Commitments and contingencies" to the consolidated financial statements in this Annual Report contains risk description and mitigation measures in these areas.



CONSOLIDATED

FINANCIAL STATEMENTS OF

Joint Stock Company “Russian Helicopters” and its
subsidiaries for the year ended 31 December 2016

April 2017

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STATEMENT OF MANAGEMENT'S

RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE CONSOLIDATED
FINANCIAL STATEMENTS

for the year ended 31 December 2016



The following statement, which should be read in conjunction with the independent auditor's report, is made with a view to distinguishing the respective responsibilities of the management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company "Russian Helicopters" and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2016, 2015 and 2014, and the results of its operations, cash flows and changes in equity for the years then ended, in compliance with International Financial Reporting Standards ("IFRS"), accepted in the Russian Federation.

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides rele-

vant, reliable, comparable and understandable information;

- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the financial statements of the Group comply with IFRS;
- taking reasonably available steps to safeguard the assets of the Group;
- preventing and detecting fraud and other irregularities.

These consolidated financial statements were approved by management on 25 April 2017.



A.I. Boginsky
Director General



S.S. Zheltikov
Director on Finance and Economics

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Russian Roubles, except number of shares)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Revenue	5.7	214,360	219,972	169,842
Cost of sales	8	(116,420)	(102,432)	(88,917)
Gross profit		97,940	117,540	80,925
Government grants		239	378	1,985
Selling, general and administrative expenses	9	(53,366)	(55,416)	(37,915)
Impairment of property, plant and equipment, goodwill and intangible assets	13,14,16	(4,025)	(1,407)	(2,396)
Research and development costs		(2,982)	(228)	(1,492)
Other operating income	10	1,563	569	300
Other operating expenses	10	(6,974)	(2,842)	(2,003)
Operating profit		32,395	58,594	39,404
Finance income	11	1,466	2,933	852
Finance costs	11	(8,443)	(7,340)	(5,436)
Loss from associates and joint ventures	17	-	-	(251)
Foreign exchange (losses)/gains		(542)	(222)	(4,987)
Profit before income tax		24,876	53,965	29,582
Income tax expense	12	(8,672)	(11,767)	(8,870)
Profit for the year		16,204	42,198	20,712
Attributable to:				
The shareholders of the Company		12,362	37,951	19,802
Non-controlling interests		3,842	4,247	910
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Revaluation of available-for-sale securities		(36)	16	11
Income tax effect		(10)	(3)	(2)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		(46)	13	9

	Notes	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial incomes/(losses) on defined benefit plans		341	(308)	481
Income tax effect		(68)	62	(94)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		273	(246)	387
Other comprehensive income/(loss), net of income tax		227	(233)	396
Total comprehensive income for the period, net of income tax		16,431	41,965	21,108
Attributable to:				
The shareholders of the Company		12,587	37,746	20,163
Non-controlling interests		3,844	4,219	945
Weighted average number of ordinary shares		103,293,723	96,768,778	95,273,116
Basic and diluted earnings per share		0.00012	0.00039	0.00021

These consolidated financial statements were approved by management on April 2017:



A.I. Boginsky
Director General



S.S. Zheltikov
Director on Finance and Economics

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in millions of Russian Roubles)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Assets				
Non-current assets				
Property, plant and equipment	13	71,267	64,520	53,247
Goodwill	14	1,053	854	780
Intangible assets	15	9,862	11,861	12,658
Investments in associates and joint ventures	17	-	-	-
Trade receivables	18	4,712	3,437	741
Prepayments	19	3,356	2,230	653
Other financial assets	20	484	254	185
Available-for-sale securities	21	624	811	806
Deferred tax assets	22	3,990	2,610	793
		95,348	86,577	69,863
Current assets				
Inventories	23	74,966	62,798	47,065
Amounts due from customers under construction contracts	24	39,060	35,210	22,864
Trade receivables	18	17,225	22,789	18,091
Prepayments	19	55,750	43,465	28,847
Income tax receivable		560	130	446
Other taxes receivable	25	14,938	10,988	6,608
Other receivables	19	3,830	6,261	5,532
Other financial assets	20	268	517	842
Cash and cash equivalents	26	66,402	65,746	31,764
Total current assets		272,999	247,904	162,059
Assets held for sale	27	-	827	-
Total assets		368,347	335,308	231,922
Equity and liabilities				
Capital and reserves				
Share capital	28	105	101	95
Additional paid-in capital		18,122	13,185	8,567
Retained earnings and other reserves		89,226	81,210	49,970
Attributable to the shareholders of the Company		107,453	94,496	58,632
Non-controlling interests		11,261	11,583	4,538
		118,714	106,079	63,170

	Notes	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Non-current liabilities				
Loans and borrowings	29	69,604	57,681	55,333
Obligations under finance leases, net of current portion	30	78	129	87
Retirement benefits obligations	31	1,579	1,786	1,418
Provisions	32	3,451	515	458
Deferred tax liabilities	22	10,540	19,597	-
Advances received		5,140	4,406	1,688
		90,392	84,114	58,984
Current liabilities				
Loans and borrowings	29	25,639	62,865	40,882
Obligations under finance leases, current portion	30	41	104	63
Trade payables	38	10,642	7,421	5,294
Advances received	33	35,368	28,528	26,252
Other payables	34	22,888	21,590	13,162
Amounts due to customers under construction contracts	24	45,189	17,123	16,749
Income tax payable		1,236	1,555	3,294
Other taxes payable	25	6,312	3,329	2,988
Provisions	32	11,926	2,600	1,084
		159,241	145,115	109,768
Total liabilities		249,633	229,229	168,752
Total equity and liabilities		368,347	335,308	231,922

These consolidated financial statements were approved by management on 25 April 2017.



A.I. Boginsky
Director General



S.S. Zheltikov
Director on Finance and Economics

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Russian Roubles)

	Note	Share capital	Additional paid-in capital	Retained earnings	Revaluation of available-for-sale securities	Actuarial losses on defined benefit plans	Total equity attributable to the shareholders	Non-controlling interests	Total
Balance at 1 January 2014		95	8,567	31,154	(97)	(91)	39,628	2,867	42,495
Profit for the year		-	-	19,802	-	-	19,802	910	20,712
Other comprehensive income (loss) for the year		-	-	-	9	352	361	35	396
Total comprehensive income for the year		-	-	19,802	9	352	20,163	945	21,108
Dividends	28	-	-	(975)	-	-	(975)	(453)	(1,428)
Additional shares issue:									
JSC "Arsenyev Aviation Company "Progress"		-	-	(95)	-	-	(95)	626	531
JSC "Ulan-udensky aviaional plant"		-	-	57	-	-	57	203	260
JSC "Rostvertol"		-	-	(138)	-	-	(138)	374	236
Increase in ownership in subsidiaries:									
JSC "MIL Moscow Helicopter Plant"		-	-	(13)	-	-	(13)	(9)	(22)
JSC "Rostvertol"		-	-	5	-	-	5	(15)	(10)
Balance at 31 December 2014		95	8,567	49,797	(88)	261	58,632	4,538	63,170
Balance at 1 January 2015		95	8,567	49,797	(88)	261	58,632	4,538	63,170
Profit for the year		-	-	37,951	-	-	37,951	4,247	42,198
Other comprehensive income (loss) for the year		-	-		13	(218)	(205)	(28)	(233)
Total comprehensive income for the year		-	-	37,951	13	(218)	37,746	4,219	41,965

	Note	Share capital	Additional paid-in capital	Retained earnings	Revaluation of available-for-sale securities	Actuarial losses on defined benefit plans	Total equity attributable to the shareholders	Non-controlling interests	Total
Increase due to the exchange of our own shares with JSC "OPK Oboronprom"	2	1,505	-	-	-	-	1,507	-	1,507
Increase due to the exchange of our own shares with GC "Rostec" and acquisitions of subsidi	4	3,113	-	-	-	-	3,117	277	3,394
Dividends	28	-	-	(4,372)	-	-	(4,372)	(520)	(4,892)
Additional shares issue:									
JSC "Ulan-Ude Aviation Plant"	-	-	315	-	-	-	315	180	495
JSC "Arsenyev Aviation Company "Progress"	-	-	749	-	-	-	749	(97)	652
JSC "Stupino Machine Production Plant"	-	-	230	-	-	-	230	809	1,039
PJSC "Rostvertol"	-	-	(428)	-	-	-	(428)	1,545	1,117
PJSC "Kazan Helicopter Plant"	-	-	1,191	-	-	-	1,191	465	1,656
JSC "Mil Moscow Helicopter Plant"	-	-	258	-	-	-	258	(72)	186
Increase in ownership in subsidiaries:									
JSC "Ulan-Ude Aviation Plant"	-	-	(285)	-	-	-	(285)	2	(284)
JSC "Arsenyev Aviation Company "Progress"	-	-	(827)	-	-	-	(827)	-	(827)
JSC "Kamov"	-	-	(516)	-	-	-	(516)	243	(273)
JSC "Stupino Machine Production Plant"	-	-	(354)	-	-	-	(354)	(655)	(1,009)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
(in millions of Russian Roubles)

	Note	Share capital	Additional paid-in capital	Retained earnings	Revaluation of available-for-sale securities	Actuarial losses on defined benefit plans	Total equity attributable to the shareholders	Non-controlling interests	Total
PJSC "Kazan Helicopter Plant"		–		(1,336)	–	–	(1,336)	–	(1,336)
JSC "Kumertau Aviation Production Enterprise"		–	–	(804)	–	–	(804)	649	(155)
JSC "Mil Moscow Helicopter Plant"		–	–	(327)	–	–	(327)	–	(327)
Balance at 31 December 2015		101	13,185	81,242	(75)	43	94,496	11,583	106,079
Balance at 1 January 2016		101	13,185	81,242	(75)	43	94,496	11,583	106,079
Profit for the year		–	–	12,362	–	–	12,362	3,842	16,204
Other comprehensive income (loss) for the year		–	–		(46)	271	225	2	227
Total comprehensive income for the year		–	–	12,362	(46)	271	12,587	3,844	16,431
Increase due to the exchange of our own shares with JSC "OPK Oboronprom" and GK «Rostex»		4	4,937	–	–	–	4,941	–	4,941
Dividends	28	–	–	(6,850)	–	–	(6,850)	(419)	(7,269)
Additional shares issue:									
PJSC "Rostvertol"		–	–	(4,161)	–	–	(4,161)	5,958	1,797
PJSC "Kazan Helicopter Plant"		–	–	3	–	–	3	(3)	–
JSC "Arsenyev Aviation Company "Progress"		–	–	377	–	–	377	21	398
JSC "Reductor-PM"		–	–	–	–	–	–	285	285
Increase in ownership in subsidiaries:									
JSC "Mil Moscow Helicopter Plant"		–	–	(26)	–	–	(26)	(125)	(151)
PJSC "Kazan Helicopter Plant"		–	–	38	–	–	38	(436)	(398)

	Note	Share capital	Additional paid-in capital	Retained earnings	Revaluation of available-for-sale securities	Actuarial losses on defined benefit plans	Total equity attributable to the shareholders	Non-controlling interests	Total
PJSC "Rostvertol"		-	-	6,597	-	-	6,597	(8,797)	(2,200)
JSC "Stupino Machine Production Plant"		-	-	96	-	-	96	250	346
JSC "Arsenyev Aviation Company "Progress"		-	-	(883)	-	-	(883)	(226)	(1,109)
JSC "Ulan-Ude Aviation Plant"		-	-	238	-	-	238	(674)	(436)
Balance at 31 December 2016		105	18,122	89,033	(121)	314	107,453	11,261	118,714

These consolidated financial statements were approved by management on 25 April 2017.



A.I. Boginsky
Director General



S.S. Zheltikov
Director on Finance and Economics

CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions of Russian Roubles)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Operating activities				
Profit for the year		16,204	42,198	20,712
Adjustments to reconcile profit for the year to net cash flows:				
Income tax expense		8,672	11,767	8,870
Finance income and costs, net	11	6,977	4,407	4,584
Depreciation and amortisation		5,631	5,765	5,160
Impairment of property, plant and equipment, goodwill and intangible assets	13, 14, 16	4,025	1,407	2,396
Foreign exchange losses/(gains), net		542	222	4,987
Change in allowance for doubtful receivables		519	825	2,923
Write-down of inventories to net realisable value		5,592	2,184	621
Change in provisions and retirement obligations		(82)	198	115
Loss/(gain) on disposal of property, plant and equipment		(1,130)	(160)	305
Loss/(gain) from assets held for sale		(491)	-	-
Gain on disposal of a subsidiary		-	-	-
Loss from associates and joint ventures	17	-	-	251
Other		20	90	-
		46,479	68,903	50,924
Movements in working capital:				
Increase in inventories		(17,761)	(14,278)	(11,255)
(Increase)/decrease in amounts due from customers under construction contracts		(3,452)	(9,978)	(9,511)
(Increase)/decrease in trade and other receivables		3,568	(6,257)	964
(Increase)/decrease in prepayments		(13,565)	(16,893)	(3,101)
(Increase)/decrease in other taxes receivable		(3,950)	(4,380)	(786)
Increase in trade and other payables		687	8,397	6,355
Increase/(decrease) in advances received		6,710	19,735	12,926
Increase/(decrease) in amounts due to customers under construction contracts		28,066	374	(8,797)
Increase/(decrease) in provisions and other employee benefit obligations		12,383	1,437	1,157
Increase in other taxes payable		2,983	181	347

	Notes	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Cash generated from operating activities		62,148	47,241	39,223
Interest paid		(9,109)	(9,426)	(4,600)
Government grants – compensation of finance costs		746	1,176	598
Income tax paid		(10,067)	(12,289)	(5,960)
Net cash generated from / (used in) operating activities		43,718	26,702	29,261
Investing activities				
Purchases of property, plant and equipment		(14,524)	(15,779)	(13,162)
Proceeds from disposal of property, plant and equipment		2,126	1,649	758
Proceeds from disposal assets held for sale		1,320	–	–
Purchases and costs to develop intangible assets		(2,987)	(3,579)	(7,420)
Government grants – compensation of capitalised development costs	15	1,555	1,951	4,470
Loans provided		(288)	(371)	(544)
Loans repaid		374	486	239
Purchases of other financial assets		(9)	(25)	(4)
Proceeds from sale of other financial assets		131	167	53
Contribution to share capital of associate		–	–	–
Disposal of subsidiaries, net of cash on the balance sheets of subsidiaries		–	–	–
Interest received	11	1,310	1,183	842
Net cash used in investing activities		(10,992)	(14,318)	(14,768)
Cash flows from financing activities				
Proceeds from loans and borrowings		69,149	81,690	51,669
Repayments of loans and borrowings		(87,930)	(66,790)	(52,262)
Principal repayments of obligations under finance leases		(114)	(146)	(90)
Acquisitions of non-controlling interests in subsidiaries		–	(653)	(34)
Proceeds from sale of non-controlling interests in subsidiaries		–	–	–
Advances received from JSC “OPK Oboronprom” as contribution to share capitals of the Group’s subsidiaries		130	112	652

The notes on pages 105–168 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
(in millions of Russian Roubles)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Contribution to share capitals of the Group's subsidiaries by JSC "OPK Oboronprom"		2,948	1,289	–
Dividends paid by the Company to the shareholders		(10,500)	(723)	(975)
Dividends paid to non-controlling shareholders		(364)	(528)	(448)
Net cash generated from / (used in) financing activities		(26,681)	14,251	(1,488)
Net increase/(decrease) in cash and cash equivalents		6,045	26,635	13,007
Effect of foreign exchange rate changes on cash and cash equivalents		(5,389)	7,347	2,733
Cash and cash equivalents at beginning of the year		65,746	31,764	16,024
Cash and cash equivalents at end of the year		66,402	65,746	31,764

These consolidated financial statements were approved by management on 25 April 2017.



A.I. Boginsky
Director General



S.S. Zheltikov
Director on Finance and Economics

1. GENERAL INFORMATION

Joint Stock Company "Russian Helicopters" (the "Company") was established on 9 January 2007 as a wholly-owned subsidiary of JSC "OPK Oboronprom" ("Oboronprom"), a Russian state-controlled aerospace holding

company. The share of Oboronprom on 31 December 2016 is 91.69 % based with nominal holders.

The entities included in the Group are as follows:

Entity and its location	Nature of business	31 December 2016		31 December 2015		31 December 2014		
		(1)	(2)	(1)	(2)	(1)	(2)	
Associated company								
JSC "Russian Helicopters"	Management company	-	-	-	-	-	-	
Group subsidiaries								
PJSC "Kazan Helicopter Plant" (Kazan)	Producer of helicopters: Mi-8, Mi-17, Ansat	99.7	99.7	98.3	98.3	99.6	100	
PJSC "Rostvertol" (Rostov-on-Don)	Producer of helicopters: Mi-24, Mi-26, Mi-28, Mi-35	83.3	83.3	73.9	73.9	81.5	81.5	
JSC "Ulan-Ude Aviation Plant" (Ulan-Ude)	Producer of helicopters: Mi-8, Mi-17	100	100	98.4	98.4	99.1	99.1	
JSC "Kumertau Aviation Production Enterprise" (Kumertau)	Producer of helicopters: Ka-28, Ka-31, Ka-32, Ka-226	100	100	100	100	90.8	90.8	
PJSC "Arsenyev Aviation Company "Progress" (Arsenyev)	Producer of helicopters: Ka-50, Ka-52, producer of military missile systems	94.6	94.6	85.1	85.1	79.2	79.2	
JSC "Mil Moscow Helicopter Plant" (Moscow)	Engineering centre (for helicopters brand Mi)	83.8	85.8	79	80.8	73.1	75.3	
JSC "Kamov" (Moscow)	Engineering centre (for helicopters brand Ka)	99.8	99.8	99.8	99.8	90.4	90.4	
JSC "Stupino Machine Production Plant" (Stupino)	Producer of helicopter allied products (for helicopter brands Mi and Ka)	65.2	66.0	68.3	69.3	60	61.1	
JSC "Reductor-PM" (Perm)	Producer of helicopter allied products (for helicopter brands Mi and Ansat)	95	95	100	100	100	100	
CJSC "Ulan-Ude Blade Plant" (Ulan-Ude)	Producer of helicopter allied products (for helicopter brand Mi)	100	100	98.4	98.4	99.1	99.1	
JSC "Helicopter Innovation Industrial Company" (Ulan-Ude)	Producer of helicopter allied products (for helicopter brand Mi)	100	100	98.4	98.4	99.1	99.1	

Entity and its location	Nature of business	31 December 2016		31 December 2015		31 December 2014	
		(1)	(2)	(1)	(2)	(1)	(2)
JSC "Novosibirsk Aircraft Repair Plant" (Novosibirsk)	Helicopter repair and maintenance services (for helicopter brand Mi)	95.1	95.1	95.1	95.1	95.1	95.1
JSC "Helicopter Service Company" (Moscow)	Supplier of materials and spare parts	100	100	100	100	100	100
CJSC "Company Rostvertol-Avia" (Rostov-on-Don)	Helicopter services supplier	83.3	83.3	73.9	73.9	81.5	81.5
LLC "Purchase and Logistic Center of the Helicopter Industry" (Moscow)	Supplier of materials and spare parts	100	100	100	100	100	100
LLC "Mezhdunarodnie Vertoletnie Programmy" (Moscow)	Holding company	100	100	100	100	100	100
JSC "12 Aircraft Repair Plant"	Helicopter repair and maintenance services	99.9	99.9	99.9	99.9	-	-
JSC "150 Aircraft Repair Plant"	Helicopter repair and maintenance services	99.9	99.9	99.9	99.9	-	-
JSC "419 Aircraft Repair Plant"	Helicopter repair and maintenance services	99.9	99.9	99.9	99.9	-	-
JSC "810 Aircraft Repair Plant"	Helicopter repair and maintenance services	99.9	99.9	99.9	99.9	-	-
JSC "356 Aircraft Repair Plant"	Helicopter repair and maintenance services	69.85	69.85	69.85	69.85	-	-
JSC "99 ZATO"	Helicopter repair and maintenance services	100	100	-	-	-	-
Joint ventures							
CJSC "HeliVert" (Moscow)	Producer of helicopters AW	50	50	50	50	50	50

(1) Legal ownership interest

(2) Effective ownership interest

The above subsidiaries are registered in the Russian Federation, which is the principal place of their business. Most of the above companies disclose information on the financial position, the structure of the share capital, management bodies and other things on the official website of the "Center for Corporate Information Disclosure Interfax".

Information about the Group is disclosed on the official website <http://www.russianhelicopters.aero/en/>.

The Company and its subsidiaries (hereinafter – the Group) is the producer of

civil and military helicopters and includes engineering centres and production plants which produce the full spectrum of helicopters under the Mi, Ka and Ansat brands. The Group products are sold in the Russian Federation and internationally. The most significant production, engineering and service operations of the Group are incorporated within the Russian Federation.

The head office of the Company is located at: 1 Bolshaya Pionerskaya, Moscow, 115054, Russian Federation.

2. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared on the basis of the requirements of the Federal Law of 27 July, 2010 № 208-FZ "On consolidated financial statements" in accordance with International Financial Reporting Standards ("IFRS"), recognized in the Russian Federation.

These consolidated financial statements are presented in Russian Roubles ("RUB"), unless otherwise indicated.

The entities of the Group maintain their accounting records in Russian Rouble in accordance with the laws, accounting and reporting regulations of the Russian Federation, where the majority of the Group's entities are incorporated.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the accounting policy below.

BASIS OF CONSOLIDATION

The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group

controls an investee if and only if the investor has all the following: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income or loss of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, when necessary; adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

BUSINESS COMBINATIONS WITH THIRD PARTIES

Acquisitions of subsidiaries and businesses from third parties are accounted for using the acquisition method.

The consideration transferred in each business combination is measured at aggregate acquisition-date fair value of the assets given, liabilities incurred or assumed and equity instruments issued by the Group, if any, in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

When the consideration transferred by the Group in a business combination includes any assets or liabilities resulting from a contingent consideration arrangement, they are measured at the acquisition-date fair value and included in the consideration transferred in a business combination. Subsequent changes in the fair value of the contingent consideration are adjusted against the cost of the acquisition when they qualify as measurement period adjustments arising from additional information obtained during the measurement period, which cannot exceed twelve months from the acquisition date, about facts and circumstances that existed at the acquisition date. Contingent consideration classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is measured at subsequent reporting dates in accordance with the relevant IFRSs.

When business combination is achieved in stages, the Group's previously held equity interest in the acquiree is measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from the interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interests were disposed of.

At the acquisition date, the acquiree's identifiable assets acquired and the liabilities, meeting the recognition criteria of IFRS 3, are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit obligations are recognised and measured in accordance with IAS 12 Income "Taxes and IAS 19 Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment transactions of the Group entered into to replace share-based payment transactions of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date;
- assets (or disposal group) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with IFRS 5.

Goodwill is measured as the excess of the sum of consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amount of identifiable assets acquired and the liabilities assumed.

If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree. Then the Company reassess whether it has correctly identified and measured all the assets acquired and all liabilities assumed, if after such reassessment excess is confirmed it is recognised in profit or loss as bargain purchase gain after additional analysis.

Non-controlling interests, identified separately from the Group's equity, may be initially measured either: (i) at fair value; or (ii) at the non-controlling interests' share of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Subsequent to acquisition, the non-controlling interests carrying amount is the amount at initial recognition, plus the non-controlling interests' share of changes in equity. Total comprehensive income is attributable to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

THE ACQUISITION OF COMPANIES UNDER COMMON CONTROL OF THE GROUP

Assets and liabilities of businesses acquired from companies under common control of the Group are recorded at the carrying amounts recognized in the financial statements of the transmitting side. The difference, if any, between the carrying value of net assets acquired and the consideration paid is recorded as an adjustment to equity. The net assets from the subsidiaries, and the results of their activities are taken into account from the time when the transmission side has been obtained control of the subsidiary.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholder of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded

as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

GOODWILL

Goodwill arising on an acquisition of a business as described in paragraphs "Business combinations with third parties" above is carried at cost as established at the acquisition date less accumulated impairment loss, if any.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets, and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale and accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (or disposal group) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

FOREIGN CURRENCY TRANSACTIONS

The functional currency of the Company and its subsidiaries registered and operating on the territory of the Russian Federation is the Russian Rouble ("RUB"). Transactions in currencies other than the functional currency ("foreign currencies") are recorded at the exchange rates prevailing at the dates of the transactions. At each reporting date monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction.

Non-monetary items carried at fair value are translated at the exchange rate prevailing on

the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the statement of comprehensive income.

Exchange rates for the currencies in which the Group transacts were as follows.

REVENUE RECOGNITION

The Group derives revenue from the sale of manufactured helicopters, helicopter repair and maintenance services, research and development works and manufacturing of other products, such as helicopter spare parts. Revenue is recognised to the extent that it is probable that the economic benefit arising from the ordinary activities of the Group will flow to the Group, it can be measured reliably, and that the recognition criteria as stated below have been met. Revenue is measured at the fair value of the consideration received or receivable after deducting any discounts, rebates and value added tax.

REVENUE FROM HELICOPTER MANUFACTURING

The Group accounts its helicopter manufacturing business as construction contracts with customers and presents the financial result for each helicopter separately.

Where the outcome of a construction of helicopter can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the construction of helicopter at the end of the reporting period, measured based on the proportion of costs of a construction of helicopter incurred for work performed to the reporting date relative to the estimated total amount costs of

	31 December 2016	31 December 2015	31 December 2014
Closing exchange rates at the end of the year – RUB			
1 U.S. Dollar ("USD")	60.66	72.88	56.26
1 Euro	63.81	79.70	68.34
Average exchange rates for the year ended – RUB			
1 U.S. Dollar	66.83	61.32	38.60
1 Euro	73.99	67.99	50.99

a construction of helicopter. The amount of planned costs is determined based on the planned cost estimate. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably (for example during the early stages of a construction contract), contract revenue is recognised to the extent of contract costs incurred when it is deemed probable they will be recoverable and contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised as an expense immediately.

The Group presents the amount due from customers under the construction contracts as an asset and the amount due to customers under the construction contracts as a liability in the statement of financial position and is not recognized as a monetary item. The amount due from customers is the amount of construction costs incurred plus recognised profits less the sum of recognised losses and progress billings for all construction contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The amount due to customers is the amount of construction costs incurred plus recognised profits less the sum of recognised losses and progress billings for all construction contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

The Group is required to export its military helicopters through JSC "Rosoboronexport" ("Rosoboronexport"). Rosoboronexport charges a commission for this service. The Group recognises the commission expense upon revenue recognition and records the commission fee within Selling, general and administrative expenses.

REVENUE FROM HELICOPTER REPAIR AND MAINTENANCE SERVICES, AND RESEARCH AND DEVELOPMENT WORKS

Revenue from long-term contracts to provide these services is recognised by reference

to the stage of completion of the contract at the end of the reporting period, determined based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

REVENUE FROM MANUFACTURING OF OTHER PRODUCTS

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The transfer of risks to the buyer is based on the shipping conditions, and is generally at the time of shipment.

DIVIDEND AND INTEREST INCOME

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

LEASES

Leases are classified as finance leases whenever the contract terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

OPERATING LEASE – THE GROUP AS LESSOR

Rental and sub-rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging lease are added to the carrying amount of the leased asset and recognised in profit or loss on a straight-line basis over the lease term.

OPERATING LEASE – THE GROUP AS LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised in profit or loss in the period in which they are incurred.

FINANCE LEASE – THE GROUP AS LESSEE

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception date of the lease or, if lower, at present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to profit or loss.

BORROWING COSTS

Net borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until they are substantially ready for their intended use or sale. All other finance costs are recognised as an expense in the year in which they are incurred.

INCOME TAX

Income tax represents the sum of the income tax currently payable (recoverable) and deferred tax expense (income).

CURRENT INCOME TAX

Current income tax has been computed in accordance with the Russian Federation tax law. Income tax currently payable is based on taxable profit for the year, which differs from profit as reported in the statement of comprehensive income/(loss) as it excludes items of income or expense that are taxable or deductible in other years or excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using enacted tax rates by the end of the reporting period.

DEFERRED TAX

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and calculated on an entity basis. Deferred tax assets arising from tax losses are recognised as an asset only where there was assurance beyond any reasonable doubt that future taxable income would be sufficient to allow the benefit of the loss to be realised. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such tax assets and liabilities are not recognised if the related temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition to that, deferred tax liabilities are not recognised if the related tax difference arises from recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is

probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the period in which the liability is settled or the asset realised. The measurement of deferred tax liabilities and assets reflects tax consequences that would follow from the manner in which the Group expected, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Financial result from disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the asset, and is recognised within Other operating expenses in the consolidated statement of comprehensive income/(loss).

DEPRECIATION

Depreciation is recognised in profit or loss (unless it is included in the carrying amount of another asset) on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entities of the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of major classes of property, plant and equipment are as follows:

Buildings	10–60 years
Machinery and equipment	7–35 years
Transport	2–40 years
Other assets	2–25 years

The estimated useful lives, residual values, and depreciation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

INTANGIBLE ASSETS

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Separately acquired intangible assets are recorded at cost less accumulated amortisation and accumulated impairment losses. These intangible assets primarily represent various purchased software.

Amortisation is charged on a straight-line basis over their estimated useful lives which are:

Purchased software	2–10 years
Other	2–5 years

The estimated useful lives and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

INTERNALLY-GENERATED INTANGIBLE ASSETS

Costs for self-initiated research and development activities are assessed as to whether they qualify for recognition as internally-generated intangible assets.

Apart from complying with the general requirements for and initial measurement of an intangible asset, qualification criteria are met only when technical as well as commercial feasibility can be demonstrated and cost can be measured reliably.

It must also be probable that the intangible asset will generate future economic benefits and that it is clearly identifiable and allocable to a specific product. Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalised. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project related costs are treated as if they were incurred in the research phase only.

Capitalised development costs are generally amortised over the estimated number of units produced. In case the number of units produced cannot be estimated reliably, capitalised development costs are amortised over the estimated useful life. Amortisation of capitalised development costs is recognised in Cost of sales. Internally-generated intangible assets are reviewed for impairment annually when the asset is not yet in use and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment loss, on the same basis as intangible assets that are acquired separately.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the assets do not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (group of units) to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value. The cost of inventories is determined on the weighted average basis and includes all costs in bringing the inventory to its present location and condition.

Net realisable value represents the estimated selling price for inventories less estimated costs to completion and selling costs. Where

appropriate, the impairment charged to reduce the carrying amount of inventories to their net realizable value and included in the consolidated statement of comprehensive income as Cost of sales.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of cash balances, cash deposits and highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

FINANCIAL ASSETS

Financial assets of the Group are classified into the following specific categories: (i) available-for-sale ("AFS"), (ii) held-to-maturity, and (iii) loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

AFS FINANCIAL ASSETS

AFS financial assets are stated at fair value. The fair value for AFS financial assets with standard terms and conditions that are traded in active market is determined based on quoted market prices.

If the market for AFS financial assets is not active, the fair value is determined by using a valuation technique.

Gain and losses arising from changes in fair value are recognised in the consolidated statement of comprehensive income in other comprehensive income and accumulated in the investments revaluation reserve. Where the investment is disposed of or determined to be impaired, the cumulative gain or loss on revaluation previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

HELD-TO-MATURITY INVESTMENTS

Promissory notes with fixed or determinable payments and fixed maturity dates for which the Group has the positive intent and ability to hold to maturity are classified as held-to-matu-

urity investments. Held-to-maturity investments are recorded at amortised cost less accumulated impairment losses, if any. Interest income is recognised using the effective interest method.

LOANS AND RECEIVABLES

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that the estimated future cash flows of the investment have been affected as a result of one or more loss events that occurring after initial recognition of the financial asset.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

For other financial assets objective evidence of impairment could include:

- significant financial difficulty of the counterparty;
- default or delinquency in interest or principle payments;
- it becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards

of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

FINANCIAL LIABILITIES

Financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

PROVISIONS AND CONTINGENCIES

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

OFFSET OBLIGATIONS

The existing offset obligations arising from the terms of the contract are distinctive duties for execution and are reflected in the Group's accounts as reserves

ONEROUS CONTRACTS

Present obligations arising under onerous contracts are recognised and measured as a

provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract.

WARRANTY PROVISIONS

The Group provides warranties in connection with the sale of helicopters. The Group generally warrants its new helicopters to be free from defects in materials and workmanship appearing within one to three and a half years from the date of delivery or during the first three hundred to one thousand hours of operation, whichever event occurs first. The warranty provision is recorded at the time when helicopters are shipped to customer based on the best estimate of the expected future costs. The warranty expense is included within Selling, general and administrative expenses in the statement of comprehensive income.

CONTINGENCIES

Contingent liabilities are not recognised in these consolidated financial statements unless they arise as a result of a business combination. Contingencies attributable to specific events are disclosed unless the possibility of an outflow or resources embodying economic benefit is remote.

Contingent assets are not recognised in these consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

GOVERNMENT GRANTS

Deferred income attributable to the grants obtained from the Government is not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be receivable.

The Group receives Government grants for partial compensation of development costs capitalised within intangible assets and recognises the amounts of government grants received as a deduction from the full amount of development costs incurred.

As part of such supporting programs the Government also compensates for a portion of overhead expenses associated with the ex-

ecution and monitoring of such projects, which are presented within selling, general and administrative expenses. Government grants that are receivable as compensation for overhead expenses already incurred are recognised in profit or loss in the period in which they become receivable, and are recorded within Government grants.

The Group receives Government grants for compensation of finance costs on borrowings used by the Group for helicopter manufacturing and research and development expenses. Government grants that are receivable as compensation for finance costs already incurred are recognised in profit or loss in the period in which they become receivable, and are recorded as an offset of the Finance costs.

EMPLOYEE BENEFIT OBLIGATIONS

Employee benefits provided by the Group include salaries, bonuses, anniversary payments, monthly payments and other compensation and benefits (i.e. transport, welfare, etc.), a one-time payment upon death, a one-time payment on retirement of the employee as well as contributions to the state and non-state pension funds.

Remuneration to employees in respect of services rendered during the reporting period, including accruals for vacation and bonuses and the related social security taxes, as well as other short-term benefits are recognised as an expense in the period when they are incurred.

DEFINED CONTRIBUTION PLANS

The Group's entities are legally obliged to make defined contributions to the Russian Federation State Pension Fund, a defined contribution plan. The Group's contributions to the Russian Federation State Pension Fund are recorded as an expense over the reporting period based on the related employee service rendered.

DEFINED BENEFIT PLANS

The Group's entities operate a number of unfunded defined benefit plans for its employees. Under these plans employees are entitled to the following payments:

- an one-time payment upon death that equals actual funeral expenses but is limited to twice monthly employee's monthly salary;

- an one-time payment on retirement, which is generally in line with the employee's base salary at the date of retirement.

For defined benefit plans, the cost of providing benefits is determined using the Project Unit Credit Method, with actuarial valuations being carried out as at 31 December 2016, 2015 and 2014. Actuarial gains and losses are recognised in other comprehensive income and are not reclassified subsequently to profit or loss. Expected returns on plan assets are no longer recognised in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss calculated using the discount rate applied to measure the defined benefit obligation. Unvested past service costs are recognised in profit or loss at the earlier of when the defined benefit plan is changed or when the related restructuring costs or termination benefits are recognised.

DIVIDENDS

Dividends and the related taxes are recognised as a liability in the period in which they have been declared and become legally payable. Dividends may only be paid out of legally distributable accumulated profits, which are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the standalone statutory financial statements of the Group entities. These amounts may differ significantly from the amounts calculated on the basis of IFRS.

When the Group accounts granted put options to non-controlling interest shareholders of a subsidiary as liability, any dividends paid to the other shareholders are recognised as Finance cost of the Group, unless they represent a repayment of the liability.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

NEW STANDARDS AND INTERPRETATIONS, AS WELL AS AMENDMENTS TO THE EXISTING STANDARDS AND INTERPRETATIONS, ADOPTED BY THE GROUP FOR THE FIRST TIME

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for adoption of new standards and amendments to standards and interpretations effective for annual periods beginning on 1 January 2016.

Application of following new standards and amendments to standards and interpretations does not have impact on the Group's consolidated financial statements:

- Amendment to IFRS (IAS) 19 "Employee Benefits" – contributions of employees;
- Amendments to IAS 1 "Presentation of Financial Statements";
- Annual improvements 2012–2014.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

REVENUE RECOGNITION ON CONSTRUCTION CONTRACTS

As described in the revenue recognition policy, the Group accounts for construction projects using the percentage of completion method. Critical to the correct application of this method are the accuracy of estimates of the financial outcome at completion, as well as the determination of the extent of progress towards completion.

In estimating the percentage of completion, the Group compares the estimated total cost of the project to the costs incurred to date.

The Group has not historically had significant changes in its estimates of total income and costs during a project. To the extent there is such a change, the amount of revenue and costs recognised in future periods may vary and if the total estimated costs exceed the total revenue a loss would be recorded at the time such loss is revealed.

VALUATION OF TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are stated at their net realisable value after deducting the Group's best estimate of probable credit losses related to these assets and recognized as monetary debt.

In estimating the level of probable credit losses, management considers a number of factors, including current overall economic conditions, industry-specific economic conditions and historical and anticipated customer performance. Uncertainties regarding changes in the financial condition of customers, either adverse or positive, could impact the amount and timing of any additional allowances for doubtful accounts that may be required. This may have a negative impact on the financial results if additional losses occur that were not anticipated in prior periods.

INVENTORY VALUATION

Inventory consists of finished goods, work-in-progress and raw materials which are stated at lower of cost or net realisable value. In assessing the net realisable value of its inventory, management estimates the net realisable value of finished goods and work-in-progress based on various assumptions including current market prices.

At each reporting date, the Group evaluates its inventory balance for excess quantities and obsolescence and, if necessary, records an impairment to reduce inventory for obsolete and slow-moving raw materials and spare parts. This allowance requires assumptions related to future inventory use. These assumptions are based on inventory ageing, forecasted consumer demands, and technological obsolescence. Any changes in the estimates may impact the amount of the impairment for inventory that may be required.

USEFUL ECONOMIC LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment are depreciated using the straight-line method over their estimated useful lives which are based on management's business plans and operational estimates.

The factors that could affect the estimation of the useful economic life of property, plant

and equipment and its residual value include the following:

- changes in asset utilisation rates;
- changes in maintenance technology;
- changes in regulations and legislation;
- unforeseen operational issues.

Any of the above could affect prospective depreciation of property, plant and equipment and their carrying and residual values.

Management annually reviews the appropriateness of assets' useful economic lives. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group. Any change in estimated useful life or residual value is recorded on a prospective basis from the date of the change.

DEVELOPMENT COSTS

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Management reviews the carrying amounts of assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit (group of units).

The assessment of whether there are indicators of a potential impairment are based on various assumptions including market conditions, asset utilisation and the ability to utilise the asset for alternative purposes. If

an indication of impairment exists, the Group estimates the recoverable value (greater of fair value less cost to sell and value in use) and compares it to the carrying value, and records impairment to the extent the carrying value is greater.

The value in use is based on estimated future cash flows that are discounted to their present value using a pre-tax discount rate. The estimated future cash flows require management to make a number of assumptions including customer demand and industry capacity, future growth rates and the appropriate discount rate. Any change in these estimates may result in impairment in future periods.

FAIR VALUE OF FINANCIAL INSTRUMENTS

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The recoverable amounts of the CGUs, including allocated goodwill and intangible assets not in use, have been determined on a basis of value in use calculations for which the most significant estimates and assumptions are as follows:

- Cash flows were projected based on the budgeted amounts approved by senior management;
- Growth rate estimates – Growth rates in terminal period are based on published industry research and analysis of the specific environment of CGUs;
- A pre-tax discount rate was determined by adjusting the Weighted Average Cost of Capital for the risks specific to the respective CGUs;

- Raw materials price inflation – Estimates are obtained from published indices. Forecast figures are used if data is publicly available otherwise past actual raw material price movements are used as an indicator of future price movements;
- Production volumes/capacity – Estimated production volumes are based on detailed development plans agreed by management as part of the long-term planning process including forecasts on production of new types of the models which, inter alia, depends on outcome of certain tendering procedures.

EMPLOYEE BENEFIT OBLIGATIONS

The Group's recognition of the unfunded retirement benefit obligations for defined benefit plans depends on a number of significant actuarial assumptions relating to:

- discount rate;
- inflation;
- projected salary and pension increase;
- mortality rates;
- participants turnover rate.

These assumptions are determined based on the current market conditions, historical information and through consultation with the Group's actuaries. Changes in the key assumptions can have a significant impact of on the projected benefit obligations, funding requirements and periodic pension costs incurred.

WARRANTY PROVISION

The Group provide warranties related to its manufacture and repair of helicopters and aviation equipment and record a warranty provision at the time of sale. Estimated warranty costs represent the contractual warranty, which provides against any defects in materials and workmanship appearing within one to three and a half years from the date of delivery, or during the first three hundred to one thousand hours of operation (whichever event occurs first).

Warranty provisions are estimated based on historical claims statistics, the warranty period, the average time-lag between faults

occurring and claims to the Group and anticipated changes in quality indexes, future expectations. Differences between actual warranty claims and the estimated claims will impact the recognised expense and provisions in future periods. Refunds from suppliers, that decrease the Group's warranty costs, are recognised to the extent these are considered to be certain.

If actual results are not consistent with the assumptions and estimates used, the Group may be exposed to additional adjustments that could materially, either positively or negatively, impact the Group's profit. Adjustments to the Group's profit have historically not been material.

CONTINGENCIES

LEGAL CONTINGENCIES

Legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against the Group. Periodically, the status of each significant loss contingency is reviewed to assess the potential financial exposure. The Group records provisions for pending litigation when it determines that an unfavourable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates. Provisions are based on the best information available at the time. As additional information becomes available, the potential liability related to pending claims and litigation is reassessed and, if required, estimates are revised. Such revisions in estimates could have a material impact on the future results of the Group.

TAX CONTINGENCIES

The Group is subject to income tax and other taxes in accordance with the legislation of the Russian Federation. Significant judgement is required in determining the provision for income tax and other taxes due to the complexity of the tax legislation in the Russian Federation. There are a number of transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax

inspection issues based on management's estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

RECOGNITION OF DEFERRED TAX ASSETS

Deferred tax assets are assessed each period for recoverability and adjusted, as necessary, based on whether it is probable the Group will generate sufficient profits in future periods to utilise the assets. Various factors are considered in assessing the probability of future utilisation including past operating results, operational

plans, expiration of tax losses carry-forwards and tax planning strategies. If the actual results differ from these estimates or if these estimates are adjusted in future periods, the result of operations may be impacted in those periods.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The Company is currently assessing the impact of the new standards and amendments on the consolidated financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The Company is currently assessing the impact of the new standards and amendments on the consolidated financial statements.

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

IFRS 15 establishes a single framework for revenue recognition and contains requirements for related disclosures. The new standard replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", and the related interpretations on Revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. September 11, 2015, the International Accounting Standards Board (IASB) issued an official confirmation of transfer of the effective date of IFRS (IFRS) 15 "Revenue from Contracts with Customers" on January 1, 2018.

IFRS 11 "JOINT ARRANGEMENTS" (AMENDMENT)

The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business and requires the application of IFRS 3 "Business Combinations", for such acquisitions. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

IAS 16 "PROPERTY, PLANT AND EQUIPMENT", AND IAS 38 "INTANGIBLE ASSETS" (AMENDMENTS)

The amendments to IAS 16 "Property, Plant and Equipment", and IAS 38 "Intangible Assets", entitled "Clarification of Acceptable Methods of Depreciation and Amortization". Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. These amendments are effective for annual periods beginning on or after January 1, 2016

with earlier application permitted. At present, the Company analyzes the impact of changes introduced by the standard on the consolidated financial statements.

IFRS 9 “FINANCIAL INSTRUMENTS”

The final version of IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement”, and all previous versions of IFRS 9. IFRS 9 brings together the requirements for the classification and measurement, impairment and hedge accounting of financial instruments. In respect of impairment IFRS 9 replaces the ‘incurred loss’ model used in IAS 39, with a new ‘expected credit loss’ model that will require a more timely recognition of expected credit losses. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. At present, the Company analyzes the impact of changes introduced by the standard on the consolidated financial statements.

AMENDMENTS TO IFRS 10 “CONSOLIDATED FINANCIAL STATEMENTS” AND IAS 28 “INVESTMENTS IN ASSOCIATES”

The issued amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” entitled “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”. These narrow scope amendments clarify, that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted. The entry into force of these amendments is postponed.

These amendments will not have a significant impact on the consolidated financial statements, as their requirements have already been met in the Company’s accounting policies.

IFRS 16 “LEASES”

The Ministry of Finance has published IFRS 16 on the official website on August 11, 2016. This standard establishes principles for recognizing, measuring, presenting and disclosing information about renting and replaces the existing IFRS standard (IAS) 17

“Leases”. The purpose of the standard is to provide disclosure about tenants and landlords relevant information, truly represents these operations. The standard significantly will change the accounting for operating lease transactions. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. At present, the Company analyzes the impact of changes introduced by the amendment on the consolidated financial statements.

AMENDMENT TO IAS 7 “STATEMENT OF CASH FLOWS” UNDER THE NAME “DISCLOSURE INITIATIVE”

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 “Statement of Cash Flows” under the name of the “Disclosure Initiative”. On the territory of the Russian Federation was introduced by Order of the Ministry of Finance of Russia from 11.06.2016 N 111n. This amendment requires companies to present a reconciliation for each cash flow item in the Statement of Cash Flows with the incoming and outgoing balance of the relevant balance sheet lines, except for capital items. The amendment to IFRS IAS 7 becomes effective for annual periods beginning on or after 1 January 2017; early application of the provisions of the amendment is permitted. At present, the Company analyzes the impact of changes introduced by the amendment on the consolidated financial statements.

AMENDMENT TO IAS 12 “INCOME TAXES”, ENTITLED “RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALIZED LOSSES”.

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 12 “Income Taxes”, entitled “Recognition of Deferred Tax Assets for Unrealized Losses”. On the territory of the Russian Federation was introduced by Order of the Ministry of Finance of Russia from 11.06.2016 N 111n. This amendment clarifies the recognition of a deferred tax asset arising from debt instruments measured at fair value. The amendment to IAS 12 becomes effective for annual periods beginning on or after 1 January 2017; early application of the provisions of the amendment is permitted. The amendment will not have a significant impact on the consolidated financial statements.

5. SEGMENT INFORMATION

The reporting segments are as follows:

- Helicopters segment includes manufacturing of helicopters;
- Services and support segment includes manufacturing of spare parts for helicopters and providing of helicopter repair and maintenance services;
- Research and development segment includes the provision of research and

development works mostly related to helicopter engineering and design.

In addition, the Group has various other operations that are not reported separately and has certain corporate costs that are not included in the reportable segments.

These are included as reconciling item between the total reportable segments and the consolidated results.

5.1. SEGMENT REVENUES

The following is the analysis of the Group's revenue for the years ended 31 December 2016, 2015 and 2014:

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Helicopters	165,750	177,021	141,507
Services and maintenance	45,304	38,336	21,641
Research and development	491	2,183	397
Other	2,815	2,432	6,297
Total	214,360	219,972	169,842

The segment revenue reported above represents revenue generated from external customers only. Inter-segment revenue

primarily consists of sales of semi-products and research and development services for helicopters production.

5.2. SEGMENT OPERATING RESULTS

The measure of segment profitability separately reported to the Chief Operating Decision Maker for purposes of allocating resources and assessing segment performance is measured based on segment adjusted EBITDA, which the Group defines as segment operating profit adjusted to exclude depreciation and amortization, loss on disposal of property, plant and equipment and impairment on property, plant and equipment, goodwill and intangibles assets and to include

the Group's share of financial results of associates and joint ventures. Since adjusted EBITDA is not a standard measure under IFRS, the Group's definition of adjusted EBITDA may differ from that of other companies.

The following represents the analysis of operating results measures by adjusted EBITDA and its reconciliation to the pre-tax operating profit/(loss) and profit/(loss) for the years ended 31 December 2016, 2015 and 2014:

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Adjusted EBITDA			
Helicopters	22,316	48,053	39,894
Services and maintenance	16,079	16,114	6,208
Research and development	(58)	(306)	(812)
Other	2,584	1,745	1,724
Total adjusted EBITDA	40,921	65,606	47,014
Amortisation of property, plant and equipment and intangible assets	(5,631)	(5,765)	(5,160)
Loss on disposal of property, plant and equipment	1,130	160	(305)
Impairment allowance for property, plant and equipment, goodwill and intangible assets	(4,025)	(1,407)	(2,396)
Loss from associates and joint ventures	-	-	251
Operating profit per IFRS financial statements	32,395	58,594	39,404
Finance income	1,466	2,933	852
Finance costs	(8,443)	(7,340)	(5,436)
Share in results of associates and joint ventures	-	-	(251)
Foreign exchange (losses)/gains, net	(542)	(222)	(4,987)
Profit before income tax per IFRS financial statements	24,876	53,965	29,582

5.3. MAJOR CUSTOMERS

During the years ended 31 December 2016, 2015 and 2014, the Group's most significant customers are state-controlled bodies, such as the Ministry of Industry and Trade, the Ministry of Defence, the Ministry of Emergency Situations of the Russian

Federation, the Ministry of Internal Affairs of Russian Federation and other (below – State customers). The Russian Federation state-controlled entities represent significantly more than 10 % of the Group's consolidated revenue for each of the years presented.

5.4. OTHER SEGMENT INFORMATION

Substantially all assets and production, management and administrative facilities of the Group are located in the Russian Federation.

Revenue by the geographical regions is disclosed in Note 7.

6. BUSINESS COMBINATIONS AND CHANGES IN OWNERSHIP

ACQUISITION OF SUBSIDIARIES DURING THE YEARS ENDED 31 DECEMBER 2016, 2015 AND 2014

In these consolidated financial statements transactions reflected on the “purchase method” in accordance with IFRS 3 “Business Combinations”, similar to the previous acquisitions of shares in other companies of the Group.

In September 2016 JSC “Russian Helicopters” in the payment of an additional issue of shares received from the Rostec State Corporation shares of JSC “99 ZATO” – 99.99 % stake in the share capital in the amount of remuneration under the contract RUB 867 million.

The company’s identifiable assets at the date of acquisition were: 1,036 million rubles, identifiable liabilities – 368 million rubles.

million RUB

Assets	
Fixed assets	634
Cash and cash equivalents	47
Inventories	216
Accounts receivable	139
Total assets	1,036
Liabilities	
Trade and other payables	(233)
Loans and borrowings	(65)
Deferred tax liabilities	(70)
Total liabilities	(368)
Total net assets at fair value	668
Non-controlling interest at fair value	-
Goodwill arising on acquisition	199
Consideration transferred on acquisition	867

26 August 2015 Group acquired 99.9 % interest in share capital of the companies: JSC “810 Aircraft Repair Plant”, JSC “419 Aircraft Repair Plant”, JSC “150 Aircraft Repair Plant”, JSC “12 Aircraft Repair Plant” and 69.85 % of

the company JSC “356 Aircraft Repair Plant” for the total amount of remuneration under the contract of RUB 3,118 million.

The fair value of aircraft repair plants at the acquisition date are as follows:

million RUB

Assets

Fixed assets	2,242
Cash and cash equivalents	644
Financial assets	186
Inventories	3,750
Accounts receivable	2,293

Total assets	9,115
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Liabilities

Trade and other payables	(793)
Advances received	(4,082)
Loans and borrowings	(372)
Provisions	(272)
Deferred tax liabilities	(329)

Total liabilities	(5,848)
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Total net assets at fair value	3,267
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Non-controlling interest at fair value	(277)
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Goodwill arising on acquisition	128
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Consideration transferred on acquisition	3,118
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The assessment of the net assets at the acquisition date have been positive goodwill on JSC "356 ARP" in the amount of RUB 74 million (See Note 14). At JSC "810 ARP" and JSC "419 ARP" is negative in the amount of RUB 443 million, which is recognized in the

income period, JSC "150 ARP", JSC "12 ARP" – written off in the amount of RUB 497 million.

15 July 2014 Group acquired 100 % interest in share capital of LLC Information-consulting group "Infintrast" for cash consideration of RUB 2,271 million.

7. REVENUE

By customer destination	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Russian Federation	74,406	63,064	63,464
Asia	41,236	74,509	72,998
Other CIS countries	4,638	8,684	1,435
America	4,574	20,470	25,310
Europe	2,406	398	104
Africa	87,081	52,682	6,497
Other	19	165	34
Total	214,360	219,972	169,842

8. COST OF SALES

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Cost of production, including:			
Raw materials and manufacturing supplies	66,039	61,650	63,941
Payroll and related social taxes	21,538	20,789	19,447
Depreciation and amortisation	4,947	5,090	4,351
Production services	17,230	12,927	4,845
Energy and utilities	2,739	2,239	1,347
Other	8,894	5,730	1,877
Total cost of production	121,387	108,425	95,808
Increase in work in progress and finished good	(4,967)	(5,993)	(6,891)
Total cost of sales	116,420	102,432	88,917

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Commission fees	25,466	27,316	15,776
Payroll and related social taxes	9,175	9,077	8,494
Professional services	3,983	7,076	2,195
Depreciation and amortisation	684	675	809
Transport expenses	2,766	3,080	1,579
Repair and maintenance expenses	975	914	997
Advertising expenses	141	609	347
Insurance expenses	1,316	1,030	533
Taxes other than income tax	1,082	1,166	904
Warranty expenses	934	649	615
Bank charges	2,349	897	491
Impairment of accounts receivable	540	(1,366)	2,622
Other	3,955	4,293	2,553
Total	53,366	55,416	37,915

10. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Gain on disposal of inventory	–	218	174
Gain on disposal of property, plant and equipment	–	–	–
Income from operating leases	1,130	160	–
Reversal of provision for litigations	–	108	126
Other income from operating activities	433	83	–
Total	1,563	569	300

OTHER OPERATING EXPENSES

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Loss on disposal of property, plant and equipment	–	–	305
Provision for litigation and claims	130	–	–
Charity	425	666	465
Fines, penalties	542	–	–
Loss from write off and sale of inventories	578	–	–
Maintenance of the local infrastructure facilities	647	481	423
Provision for encumbrance	659	–	–
Other	3,993	1,695	810
Total	6,974	2,842	2,003

11. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Finance income			
Interest income on financing provided	1,310	1,183	842
Dividends	10	14	10
Discounting effect	146	1,462	-
Other income	-	274	-
Total	1,466	2,933	852
Finance costs			
Interest expense on loans and borrowings	9,255	8,519	5,984
Interest expense on obligations under finance leases	48	38	26
Interest expense on pension liabilities	152	162	138
Total interest expense	9,455	8,719	6,148
Less: amounts included in the cost of qualifying assets	(266)	(203)	(114)
Less: government grants - compensation of finance costs	(746)	(1,176)	(598)
Total finance costs	8,443	7,340	5,436

12. INCOME TAX EXPENSE

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Current income tax expense	9,466	11,051	8,564
Adjustments in respect of current income tax of previous years	-	25	11
Total current income tax expense	9,466	11,076	8,575
Deferred tax:			
Relating to obligation and reversal of temporary differences	(794)	691	295
Total income tax expenses	8,672	11,767	8,870

The corporate income tax rate in the Russian Federation, the primary location of the Group's production entities, for the years ended 31 December 2016, 2015 and 2014

was 20 % (15.5 % in the Perm region where Reductor-PM is located).

A reconciliation between the statutory income tax rate and the effective rate was as follows:

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Profit before income tax	24,876	53,965	29,582
Income tax expense computed at statutory income tax rate of 20 %	4,975	10,793	5,916
Adjustments due to:			
Adjustments in respect of current income tax of previous years	-	-	-
Effect of income tax preferences in the Perm region	(52)	(78)	(50)
Net change in unrecognised and unutilised tax losses	(102)	(159)	1,085
Expenses not deductible for tax purposes	4,047	1,327	2,105
Income not taxable for tax purposes	(196)	(116)	(186)
Total income tax expense	8,672	11,767	8,870

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Other	Construction- in-progress	Total
Cost						
At 1 January 2014	24,377	22,816	3,932	5,353	6,961	63,439
Additions	94	982	2,308	1,195	8,401	12,980
Transfers	318	3,765	99	179	(4,361)	-
Disposals	(168)	(251)	(832)	(480)	(81)	(1,812)
At 31 December 2014	24,621	27,312	5,507	6,247	10,920	74,607
Additions	281	2,136	1,313	1,080	12,008	16,818
Assets held for sale	(1,016)	(3)	-	-	-	(1,019)
Transfers	1,857	1,289	272	254	(3,672)	-

	Land and buildings	Machinery and equipment	Motor vehicles	Other	Construction- in-progress	Total
Acquisition of subsidiaries	5,339	614	121	61	62	6,197
Disposals	(90)	(436)	(526)	(1,376)	(635)	(3,063)
At 31 December 2015	30,992	30,912	6,687	6,266	18,683	93,540
Additions	2,295	1,582	1,558	782	7,193	13,410
Transfers	465	1,185	584	(117)	(2,117)	-
Acquisition of subsidiaries	596	677	6	3	-	1,282
Disposals	(138)	(272)	(1,279)	(109)	(3)	(1,801)
At 31 December 2016	34,210	34,084	7,556	6,825	23,756	106,431
Accumulated depreciation and impairment						
At 1 January 2014	(7,072)	(6,369)	(1,125)	(3,001)	(60)	(17,627)
Depreciation charge	(880)	(2,151)	(292)	(1,107)	-	(4,430)
Disposals	32	128	135	465	-	760
Impairment	-	-	-	(28)	(35)	(63)
At 31 December 2014	(7,920)	(8,392)	(1,282)	(3,671)	(95)	(21,360)
Depreciation charge	(990)	(2,580)	(512)	(967)	-	(5,049)
Assets held for sale	189	3	-	0	-	192
Acquisition of subsidiaries	(3,245)	(551)	(106)	(53)	-	(3,955)
Disposals	34	197	96	523	-	850
Impairment	-	-	-	-	(13)	(13)
Reversal of impairment	131	88	14	82	-	315
At 31 December 2015	(11,801)	(11,235)	(1,790)	(4,086)	(108)	(29,020)
Depreciation charge	(943)	(2,993)	(551)	(940)	-	(5,428)
Acquisition of subsidiaries	(3)	(647)	(2)	(2)	-	(654)
Disposals	54	205	138	407	-	804
Impairment	(141)	(10)	-	-	(755)	(906)
Reversal of impairment	-	-	-	27	13	40
At 31 December 2016	(12,834)	(14,680)	(2,205)	(4,595)	(850)	(35,164)
Carrying value						
At 31 December 2014	16,701	18,920	4,225	2,576	10,825	53,247
At 31 December 2015	19,191	19,677	4,897	2,180	18,575	64,520
At 31 December 2016	21,376	19,404	5,351	2,230	22,906	71,267

As at 31 December 2016, 2015 and 2014, construction-in-progress included advances issued for acquisition of property, plant and equipment in the amounts of RUB 7,380 million, RUB 8,987 million and RUB 3,116 million, respectively.

Certain property, plant and equipment have been pledged to secure bank loans and borrowings granted to the Group:

	31 December 2016	31 December 2015	31 December 2014
Carrying value of property, plant and equipment	882	3,563	3,446

The Group leases machinery and equipment and transport under a number of finance lease agreements. At the end of the term of the lease the Group obtains ownership of the

assets or has an option to purchase leased assets at a beneficial price. Finance leases obligations are secured by the lessors' title to the leased assets.

	31 December 2016	31 December 2015	31 December 2014
Carrying value of leased property, plant and equipment	-	867	971

14. GOODWILL

	31 December 2016	31 December 2015	31 December 2014
Balance at the beginning of the year	854	780	943
Acquisition of subsidiaries	199	74	436
Impairment	-	-	(599)
Balance at the end of the year	1,053	854	780

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

The carrying value of goodwill was allocated to the following separate cash generating units:

	31 December 2016	31 December 2015	31 December 2014
JSC "Ulan-Ude Aviation Plant"	775	775	775
ZJSC "Avia Company Rostvertol-Avia"	-	-	-
JSC "Novosibirsk Aircraft Repair Plant"	-	-	-
JSC "Reduktor-PM"	5	5	5
JSC "356 Aircraft Reduktor-PM"	74	74	-
JSC "99 ZATO"	199	-	-
Total	1,053	854	780

As at 31 December 2016, 2015 and 2014 the Group conducted an assessment of the recoverable amount of goodwill (Note 16).

15. INTANGIBLE ASSETS

	Capitalised development costs	Purchased software and other	Total
Cost			
At 1 January 2014	14,841	1,004	15,845
Additions	11,419	217	11,636
Government grants received	(4,470)	–	(4,470)
Disposals	(5,011)	(42)	(5,053)
At 31 December 2014	16,779	1,179	17,958
Additions	10,120	122	10,242
Government grants received	(1,951)	–	(1,951)
Disposals	(6,655)	(94)	(6,749)
At 31 December 2015	18,293	1,207	19,500
Additions	3,750	744	4,494
Government grants received	(1,555)	–	(1,555)
Disposals	(1,393)	(989)	(2,382)
At 31 December 2016	19,095	962	20,057
Accumulated amortisation			
At 1 January 2014	(2,726)	(511)	(3,237)
Amortisation charge	(501)	(229)	(730)
Disposals	388	13	401
Impairment	(1,734)	–	(1,734)
At 31 December 2014	(4,573)	(727)	(5,300)
Amortisation charge	(596)	(120)	(716)
Disposals	35	51	86
Impairment	(1,709)	–	(1,709)
At 31 December 2015	(6,843)	(796)	(7,639)
Amortisation charge	(49)	(154)	(203)
Disposals	–	806	806
Impairment (Note 16)	(3,159)	–	(3,159)
At 31 December 2016	(10,051)	(144)	(10,195)
Carrying value			
At 31 December 2014	12,206	452	12,658
At 31 December 2015	11,450	411	11,861
At 31 December 2016	9,044	818	9,862

Capitalised development costs comprise the internally-generated intangible assets (including those which were not in use as at 31 December 2016) which are primarily consisted of Mi-38, Mi-171, Ka-62, Ka-226T and other helicopter development projects.

The development of helicopters Ka-62, Mi-38 is included in the State program of the Russian Federation "Development of the aviation industry in the 2013-2025 years." In

accordance with these programs, the Group receives funding for research and development in accordance with the contract with the Russian Ministry of Industry and Trade (Ministry of Industry).

The Group has performed an impairment test for intangible assets including not yet in use as at 31 December 2016 (Note 16).

16. IMPAIRMENT TESTING

The Group performed impairment testing for goodwill and intangible assets including not in use (capitalised R&D costs) as at 31 December 2015 on Cash Generating Unit (CGU) level. As

at 31 December 2015, the carrying value of goodwill and development costs including not yet in use was allocated to CGUs as presented in the table below:

Cash generating unit	Goodwill	Intangible assets, incl. not yet in use
JSC "Ulan-Ude Aviation Plant" ("Ulan-Ude")	775	2,490
JSC "Kumertau Aviation Production Enterprise" ("KumAPP")	-	1,688
PJSC "Arsenyev Aviation Company "Progress" ("Progress")	-	721
PJSC "Kazan Helicopter Plant" ("KHP")	-	3,623
JSC "356 ARP"	74	-
JSC "99 ZATO"	199	-
Others	5	3,193
Individual assets not allocated to CGU	-	4,195
Impairment	-	(6,866)
Total	1,053	9,044

CGU Value in use was determined using a discounted cash flow model. The most significant assumptions used in the calculation of value in use are as follows: discount rate of 16.5 %, the forecast period – up to 10 years. Forecasts of cash flows for the forecasted period based on the current order book and financial budgets approved by senior management. It was assumed that after the three-year period, production will remain at the same level.

RESULTS OF IMPAIRMENT TESTING

"ULAN-UDE", "KHP", "PROGRESS", "KUMAPP", "356 ARP" AND THE OTHERS

The group did not reveal impairment of non-current assets as a result of the audit as of 31 December 2016. Management believes that regardless of the reasonably possible change in the key assumptions on which was calculated the recoverable amount of units generating cash flows, the carrying value of units generating cash

flows (including development costs) "Ulan-Ude", "KHP" "Progress", "KumAPP", "356 ARP" and the others does not exceed their recoverable value.

INDIVIDUAL ASSETS RETAINED ON THE UNIT GENERATING CASH FLOWS

Assets are helicopter development projects Ka and Mi models. In the current unstable macroeconomic environment of the financial indicators of the project can be purely

indicative. Projects are subject to revision after updating of the Group's long-term development strategy. As a result, impairment loss in the amount of RUB 2,091 million for 2016 for the Ka model and in the amount of RUB 1,740 million – for Mi model. As a result the impairment for the Ka and Mi models in the amount of RUB 3,159 million was recognized in the statement of comprehensive income for the year 2016 for intangible assets.

17. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The Group has a 50 % interest in the joint venture of ZJSC "Helivert". In 2014 the investment was impaired in the amount of 251 million rubles because of the interrupt of the project.

18. TRADE RECEIVABLES

	31 December 2016	31 December 2015	31 December 2014
Trade receivables	22,304	26,621	19,144
Less: Allowance for doubtful receivables	(367)	(395)	(312)
Total trade receivables, including	21,937	26,226	18,832
Long-term trade receivables	4,712	3,437	741
Short-term trade receivables	17,225	22,789	18,091

The Group's ageing of trade receivables is presented as follows:

	31 December 2016	31 December 2015	31 December 2014
Past due, but not impaired:			
1 month	418	245	123
1–3 months	64	18	71
3 months to 1 year	105	61	22
More than 1 year	180	184	13
Total past due but not impaired	767	509	229

	31 December 2016	31 December 2015	31 December 2014
Due in:			
1 month	3,981	12,440	7,291
1-3 months	503	3,641	9,258
3 months to 1 year	11,974	6,384	1,326
More than 1 year	4,712	3,253	728
Total	21,937	26,226	18,832

Included in the trade receivables as at 31 December 2016, 2015 and 2014 were receivables with amounts of RUB 767 million, RUB 509 million and RUB 229 million, respectively, that were past due but not included in allowance for doubtful trade receivables.

The Group does not hold any collateral over these balances. Management of the Group believes that these amounts are recoverable in full.

The following is movement in the allowance for doubtful trade accounts receivables:

	31 December 2016	31 December 2015	31 December 2014
Balance at beginning of the year	395	312	247
Allowance for doubtful debt recognised	(28)	122	66
Amounts written-off as uncollectible	-	(39)	(1)
Balance at end of the year	367	395	312

At 31 December 2016, 2015 and 2014, other long-term trade receivables were measured at amortised cost using the weighted

average discount rate of 10 %, 11 % and 12 %, respectively. The Group does not hold any collateral over these balances.

19. PREPAYMENTS AND OTHER RECEIVABLES

19.1. ADVANCES PAID TO SUPPLIERS OF INVENTORIES AND SERVICES

	31 December 2016	31 December 2015	31 December 2014
Non-financial assets			
Advances paid to suppliers of inventories and services	49,436	41,514	26,432
Prepaid commission fee	9,670	4,181	3,068
Total non-financial assets	59,106	45,695	29,500
Long-term advances issued	3,356	2,230	653
Short-term advances issued	55,750	43,465	28,847

The following is movement in allowance for advances:

	31 December 2016	31 December 2015	31 December 2014
Balance at the beginning of the year	912	214	193
Allowance for doubtful debt recognised	257	775	100
Amounts written-off as uncollectible	(104)	(77)	(79)
Balance at the end of the year	1,065	912	214

As at 31 December 2016, 2015 and 2014, the Group largest balances in advances paid to suppliers of inventories and services

represented 52 %, 44 % and 37 % of the total balance, respectively, and were presented as follows:

Name of counterparty	31 December 2016	31 December 2015	31 December 2014
Agent	9,670	4,181	2,891
JSC "Concern Radioelectronic Technologies"	6,513	-	-
JSC "Stella-K"	6,524	-	-
JSC "Klimov"	4,231	2,622	3,272
JSC "Corporation "Phazotron-NIIR"	1,688	969	1,147
JSC "NII Ekran"	1,625	5,375	-
JSC "Motor Sich"	709	1,779	2,314
JSC "Ramenskoe priborostroitelnoe konstruktorskoe buro"	52	5,405	1,245
	31,012	20,331	10,869

19.2. OTHER RECEIVABLES

Financial assets	31 December 2016	31 December 2015	31 December 2014
Other receivables	5,056	6,696	5,924
Less: Allowance for doubtful receivables	(1,226)	(435)	(392)
Total financial assets	3,830	6,261	5,532

The following is movement in allowance for other receivables:

	31 December 2016	31 December 2015	31 December 2014
Balance at beginning of the year	435	392	379
Allowance for doubtful other receivables recognised	854	263	37
Amounts recovery of impairment losses	(41)	(4)	(24)
Amounts written-off as uncollectible	(22)	(216)	-
Balance at end of the year	1,226	435	392

20. OTHER FINANCIAL ASSETS

	31 December 2016	31 December 2015	31 December 2014
Bank deposits	17	26	167
Loans issued	258	653	856
Other	477	92	4
Total	752	771	1,027
Total other non-current financial assets	484	254	185
Total other current financial assets	268	517	842

21. AVAILABLE-FOR-SALE SECURITIES

	Ownership, %	31 December 2016	31 December 2015	31 December 2014
JSC "TVTz Rostvertol"	*25.0	359	359	359
JSC "OPK Oboronprom"	0.45	-	160	160
JSC "AKB Zarechye"	15.5	140	139	139
JSC "AKB Doncombank"	15.0	68	88	71
JSC "AKB MMB Bank of Moscow"	0.03	-	12	18
Total	различные	57	53	59
Total		624	811	806

* Preferred non-voting shares.

In 2016, the Group recognised loss on revaluation of available for sales securities in amount of RUB 20 million and related deferred tax effect in amount of RUB 4 million in the statement of comprehensive income (2015: income in amount of RUB 16 million and RUB 3 million, respectively; 2014: loss in amount of RUB 11 million and RUB 2 million, respectively).

Due to the fact that for the rest of the securities market does not exist and there were no transactions in the recent past, the fair value can not be estimated. On the reporting date, the likelihood of a significant difference between the fair value and the carrying amount is insignificant.

22. DEFERRED TAX ASSETS AND LIABILITIES

	At 31 December 2016	Recognised in profit or loss	Acquisition of subsidiaries	Recognised in equity	At 31 December 2015	Recognised in profit or loss	Acquisition of subsidiaries	Recognised in equity	At 31 December 2014	Recognised in profit or loss	Recognised in equity	At 1 January 2014
Inventories	8,206	147	-	-	8,059	3,159	-	-	4,900	(299)	-	5,199
Tax losses carried forward	239	2	-	-	237	237	-	-	-	(58)	-	58
Accounts receivable	-	-	-	-	-	-	-	-	-	(252)	-	252
Prepayments and other receivables	512	41	-	-	471	263	-	-	208	208	-	-
Accounts payable	-	-	-	-	-	(169)	-	-	169	169	-	-
Loans and leases payable	-	-	-	-	-	-	-	-	-	(9)	-	9
Other financial assets	-	-	-	-	-	(1)	-	-	1	(98)	(2)	101
Deferred tax assets	8,957	190	-	-	8,767	3,489	-	-	5,278	(339)	(2)	5,619
Property, plant and equipment and intangible assets	(3,464)	(34)	(70)	-	(3,360)	173	(269)	-	(3,264)	(91)	-	(3,173)
Accounts receivable	(3,534)	295	-	-	(3,829)	(1,504)	-	-	(2,325)	(2,325)	-	-
Accounts payable	(2,043)	-	-	(68)	(1,975)	(2,037)	-	62	-	1,531	(94)	(1,437)
Prepayments and other receivables	-	-	-	-	-	-	-	-	-	1,513	-	(1,513)
Loans and leases payable	(1,066)	23	-	-	(1,089)	(505)	-	-	(584)	(584)	-	-
Other financial assets	-	320	-	(10)	(310)	(307)	-	(3)	-	-	-	-
Deferred tax liabilities	(10,107)	604	(70)	(78)	(10,563)	(4,180)	(269)	59	(6,173)	44	(94)	(6,123)
Net deferred tax liabilities	(1,150)	794	(70)	(78)	(1,796)	(691)	(269)	59	(895)	(295)	(96)	(504)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following

is the analysis of the deferred tax balances (after offset) as they are presented in the consolidated statement of financial position:

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Deferred tax assets	3,990	2,610	793
Deferred tax liabilities	(5,140)	(4,406)	(1,688)
Net deferred tax liabilities	(1,150)	(1,796)	(895)

The accumulated unused tax losses carried forward of the certain Group's subsidiaries which were available for offset against future

taxable income and for which no deferred tax assets were recognised are presented as follows:

	At 31 December 2016	At 31 December 2015	At 31 December 2014
JSC "Russian Helicopters"	1,777	2,020	1,655
JSC "KAMOV"	74	219	262
JSC "Kumertau Aviation Production Enterprise"	890	604	1,085
Total	2,741	2,843	3,002

Deferred tax assets in regard of unused tax losses carried forward were not recognised as it is not probable that future taxable profit

will be available against which the unused tax losses can be utilised. The unused tax losses will expire during the period up to 2023.

23. INVENTORIES

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Materials (at cost or net realisable value)	48,821	41,620	31,880
Work-in-progress (at cost or net realisable value)	22,389	16,387	13,846
Finished goods (at cost or net realisable value)	3,756	4,791	1,339
Total inventories at the lower of cost and net realisable value	74,966	62,798	47,065

In 2016, RUB 8,779 million (2015: RUB 3,267 million; 2014: RUB 1,238 million) were expensed to write down inventories to net realisable value.

In 2016, RUB 3,187 million (2015: RUB 1,083 million; 2014: RUB 617 million) inventory write

offs were reversed to reflect the net realisable value of those inventories.

Certain inventories have been pledged to secure bank loans and borrowings granted to the Group:

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Carrying amount of inventories	–	114	206

24. CONSTRUCTION CONTRACTS

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Construction costs incurred plus recognised profits less recognised losses to date	94,113	69,526	44,708
Less: progress billings	(100,242)	(51,439)	(38,593)
	(6,129)	18,087	6,115
Recognised and included in the consolidated financial statements as:			
Amounts due from customers under construction contracts	39,060	35,210	22,864
Amounts due to customers under construction contracts	(45,189)	(17,123)	(16,749)
	(6,129)	18,087	6,115

In 2011, in connection with the 2011–2020 State Program of the Russian Federation (FCP) the Group's subsidiaries entered into long-term contracts with the State customer of the Russian Federation to produce and deliver military helicopters over the period of 2011–2020. Under these contracts, the substantial portion of amounts due from the State customer is deferred and paid on or after the 4-year period following the delivery dates. Under the Program the Group's subsidiaries entered into credit facility agreements linked to the aforementioned long-term contracts with certain state-owned banks. Cash receipts from the State customer under the long-term agreements will only be used to reduce the outstanding balances of the credit line facilities. Obligations under these credit line facilities are fully secured by the guaranties

provided by the Ministry of Finance of the Russian Federation (the "Ministry of Finance"). The Group will be relieved from any obligations to pay the outstanding balances of the credit line facilities if the State customer defaults or delays payments beyond the credit line facilities tenors and the amounts due under the credit line facilities, as secured by the guarantees, will be paid by the Ministry of Finance. As the credit line facilities are linked to the helicopters construction contracts and payments are made automatically and not at discretion of the Group, settled when funds are transferred from the State customer under construction contracts, the proceeds from such credit lines represent, in substance, advances received. Interest expenses incurred on these credit line facilities are fully reimbursed by the State customer.

Amounts due to under the State Program are comprised of the following:

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Amounts drawn down under credit line facilities under the State Program	1,638	88,769	120,892
Amounts billed under the State Program	-	(87,256)	(90,534)
Amounts due from customers under the State Program construction contracts	-	(1,513)	(29,093)
Amounts due to customers under the State Program construction contract (advances received)	1,638	-	1,265

25. OTHER TAXES

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Other taxes receivable			
VAT receivable	14,612	10,916	6,545
Other	326	72	63
Total	14,938	10,988	6,608
Other taxes payable			
VAT payable	4,418	1,241	1,454
Personal income tax and social taxes	1,429	1,499	1,159
Property tax	130	132	118
Other	335	457	257
Total	6,312	3,329	2,988

26. CASH AND CASH EQUIVALENTS

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Current bank accounts, including:			
RUB-denominated	51,004	22,382	11,433
USD-denominated	8,520	19,981	9,776
Euro-denominated	4,566	2,645	2,806
Bank deposits, including:			
RUB-denominated	1,813	2,645	3,672
Euro-denominated	40	–	376
USD-denominated	448	18,078	3,663
Other cash and cash equivalents	11	15	38
	66,402	65,746	31,764

BANK DEPOSITS

Bank	Currency	At 31 December 2016		At 31 December 2015		At 31 December 2014	
		Rate, %	Balance	Rate, %	Balance	Rate, %	Balance
PJSC "Bank VTB"	RUB	0.01	689	10.50–11.8	2,016	2.85	62
PJSC "Sberbank of Russia"	RUB	6.97–8.36	917	7.55–10.35	629	10.4–26.97	1,844
PJSC "Sberbank of Russia"	USD	–	–	0.78	6,419	3.72–4.1	3,368
PJSC "Sberbank of Russia"	Euro	–	–	–	–	3.3	376
PJSC "Bank VTB"	Euro	0.01	40	–	–	–	–
JSC "AKB Rosbank"	RUB	–	–	–	–	15	11
JSC "AKB Rosbank"	USD	–	–	–	–	3	281
JSC "Promstroybank"	Euro	–	–	–	–	–	–
ZJSC "AKB Novikombank"	RUB	9	207	–	–	16	221
JSC "Gazprombank"	RUB	–	–	–	–	17	284
PJSC "Bank VTB"	USD	0.01	448	0.01	11,659	2	14
JSC "Rosselkhozbank"	RUB	–	–	–	–	22.07–28.91	1,250
Total			2,301		20,723		7,711

All bank deposits classified as cash and cash equivalents have an original maturity of less than three months.

27. ASSETS HELD FOR SALE

The Group has decided to relocate "Kamov" on the territory of the NTC JSC "Russian Helicopters" in the village of Tomilino, Lyubertsy district, Moscow region, and as a consequence – for sale real estate complex administrative and production facilities – storage destination total area of 62,371.06 sq.m, located on a plot of land at Lyubertsy, st. March 8, 8a (the former office

building and production facilities, "Kamov" JSC). The cost has been estimated at the lower of the expected sales price and the carrying amount of an asset in the amount of RUB 827 million and reclassified to assets held for sale. On September 23, 2016, the Complex was sold through a public offer for 1,471 million rubles (including VAT).

28. EQUITY

ORDINARY SHARES

	At 31 December 2016		At 31 December 2015		At 31 December 2014	
	Number of shares	Share capital (RUB'000)	Number of shares	Share capital (RUB'000)	Number of shares	Share capital (RUB'000)
Balance at the beginning of the year	101,255,763	101,256	95,273,116	95,273	95,273,116	95,273
Additional shares issued (see below)	4,177,132	4,177	5,982,647	5,983	–	–
Balance at the end of the year	105,432,895	105,433	101,255,763	101,256	95,273,116	95,273

The share capital of the Company as at 31 December 2016 consists of 101,255,763 (2015: 101,255,763; 2014: 95,273,116) authorised, issued and outstanding common shares with par value of RUB 1.

During the years ended 31 December 2016, 2015 and 2014, the Group's entities declared the following dividends attributable to non-controlling interests:

Entity name	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
JSC "AAC Progress"	–	17	13
JSC "NARP"	3	–	–
JSC "356 ARP"	8	–	–
PJSC "Kazan Helicopter Plant"	20	141	9
JSC "Mil Moscow Helicopter Plant"	26	22	28
JSC "Stupino Machine Production Plant"	50	50	149
JSC "Ulan-Ude Aviation Plan"	69	64	28
PJSC "Rostvertol"	243	226	226
Total	419	520	453

DIVIDENDS AND RETAINED**EARNINGS**

The Group declared dividends attributable to the shareholder of the Company for 9 months of 2016 in the amount of RUB 6,850 million, the dividend per share is RUB 64.97.

The Group declared dividends attributable to the shareholder of the Company for the year 2015 in the amount of RUB 3,650 million (2014: RUB 722 million), the dividend per share is RUB 36.05 and 7.56 per share respectively.

EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2016, 2015 and 2014 were calculated based on the weighted average number of the Company's ordinary shares outstanding during the respective periods.

The amounts of net profit used for calculation of basic and diluted earnings per share for the years ended 31 December 2016, 2015 and 2014 are the same as the amount of profit attributable to the Company's shareholders recognised in the consolidated statement of comprehensive income for respective periods.

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Weighted average number of the Company's ordinary shares	103,293,723	96,768,778	95,273,116

29. LOANS AND BORROWINGS

		At 31 December 2016		At 31 December 2015		At 31 December 2014	
	Interest rate	Rate, %	Balance	Rate, %	Balance	Rate, %	Balance
Secured bank loans, including							
RUB-denominated							
PJSC "Sberbank of Russia"	Fixed	9.75– 14.75	12,262	9.75– 14.75	5,910	8–12	12,187
PJSC "Sberbank of Russia"	Various	10.5– 13.30	1,177	10.5– 13.30	1,182	–	–
Vnesheconombank	Fixed	–	–	12.10	680	–	–
Vnesheconombank	Various	–	–	10.5	2,064	11-12	4,009
JSC "Alfa Bank"	Fixed	9.70	357	9.70	357	9–13	4,227
JSC "Gazprombank"	Various	10.90	250	13.25	105	9–11	250
PJSC "Bank VTB"	Fixed	–	–	12.79	1,120	10–12	619
CJSC "AKB Novikombank"	Fixed	–	–	14.50	995	10–12	1,435
JSC "AKB Rossia"	Fixed	12.5	245	12.5– 12.8	524	–	–
PJSC "AKB Ural FD"	Fixed	–	–	11	200	10	200
JSC "AKB Perm"	Fixed	–	–	11.4	35	–	–

	Interest rate	At 31 December 2016		At 31 December 2015		At 31 December 2014	
		Rate. %	Balance	Rate. %	Balance	Rate. %	Balance
Others	Various	-	-	-	-	10-11	56
USD-denominated							
PJSC "AKB Rosbank"	Fixed	-	-	4.25	1,564	3	4,765
PJSC "Bank VTB"	Fixed	4.50-5	14,274	4.50-5	22,911	5	13,633
PJSC "Sberbank of Russia"	Fixed	3.6-4.90	644	4.08-7.50	18,552	2-6	12,609
JSC "Gazprombank"	Fixed	3.48	815	-	-	6	733
PJSC "Promsvyazbank"	Fixed	4.90	6,267	4.90	6,221	-	-
Euro-denominated							
PJSC "Sberbank of Russia"	Various	-	-	5	5	2-5	278
PJSC "Sberbank of Russia"	Fixed	1.47-7.50	64	1.47-7.50	160	-	-
JSC "Gazprombank"	Fixed	7.25	505	7.25	976	7	1,133
Unsecured bank loans and borrowings, including							
RUB-denominated							
PJSC "Sberbank of Russia"	Fixed	9.75-13.75	15,428	9.75-15.5	16,551	8-15	16,049
PJSC "Bank VTB"	Various	11.5-12.47	14,020	11.5-14	11,095	8-11	1,230
JSC "AK BaikalBank"	Fixed	-	-	-	-	10	350
JSC "Alfa Bank"	Fixed	10.7-11.5	2,857	10.7-11.5	174	11	174
JSC "Gazprombank"	Various	11.80	2,469	11.80	2,376	-	-
Bank VBRR (JSC)	Various	-	-	12.29	927	-	-
JSC "OPK Oboronprom"	Fixed	-	-	-	-	12	899
JSC "AKB Rossia"	Fixed	11.8-12.4	536	-	-	-	-
CJSC "AKB Novikombank"	Fixed	11-11.65	2,833	-	-	-	-
Bank VBRR (JSC)	Fixed	12.29	2,490	-	-	-	-
USD-denominated							
JSC "Alfa Bank"	Fixed	-	-	-	-	4	748
PJSC "Bank VTB"	Fixed	3.8-4.2	70	7.50-7.80	1,445	-	-
PJSC "Sberbank of Russia"	Fixed	4	1,665	4.40-5.60	2,551	-	-
Euro-denominated							
JSC "VO Stankoimport"	Various	-	-	1-1.75	100	1-1.75	199
PJSC "Bank VTB"	Fixed	-	-	4.05	707	4.05	707

	Interest rate	At 31 December 2016		At 31 December 2015		At 31 December 2014	
		Rate, %	Balance	Rate, %	Balance	Rate, %	Balance
PJSC Sberbank of Russia	Fixed	-	-	2.80	558	2.80	558
Accrued interest	N/A	-	961	-	632	-	632
Long-term bonds	Fixed	8.25-11.90	10,054	8.25-8.75	4,869	8.25-8.75	4,869
Short-term bonds	Fixed	8.25-8.75	5,000	8.25-8.75	15,000	8.25-8.75	15,000
Total			95,243		120,546		96,215
Non-current portion of loans and borrowings			69,604		57,681		55,333
Current portion repayable in one year and shown under current liabilities			25,639		62,865		40,882

The Group receives loans from government-related banks at lower interest rates. In financial statements the outstanding balances of these loans are stated at amortized cost on the basis

of the effective interest rate. A corresponding effect on the operations reflected in the consolidated statement of comprehensive income is stated below:

Bank name	Currency	Effective interest rate	Book value at 31 December 2016	Discount	Amortized cost at 31 December 2016
JSC "Gazprombank"	RUB	13.04 %	2,500	31	2,469
JSC "Gazprombank"	USD	6.56 %	936	81	855
Bank VBRR (JSC)	RUB	13.77 %	965	24	941
PJSC "Bank VTB"	RUB	13.77-14.03 %	4,900	44	4,856
PJSC "Bank VTB"	USD	4.37-7.35 %	16,544	599	15,945
PJSC "Sberbank of Russia"	RUB	10.50-14.55 %	9,677	323	9,354
PJSC "Sberbank of Russia"	USD	5.19-7.62 %	9,499	481	9,018
PJSC "Promsvyazbank"	USD	5.99-7.62 %	8,005	148	7,857
			53,026	1,731	51,295

The bank loans are subject to certain covenants. These covenants impose restrictions in respect of certain transactions and financial ratios. The Group is in compliance with all covenants stipulated in loan agreements.

The maturity profile of loans and borrowings is as follows:

	31 December 2016	31 December 2015	31 December 2014
Due in one month	1,064	3,084	613
Due from one to three months	2,358	8,374	10,152
Due from three to twelve months	22,217	51,407	30,117
Total current portion repayable in one year	25,639	62,865	40,882
Due in the second year	31,733	48,241	22,794
Due in the third year	3,673	3,697	9,044
Due in the fourth year	10,843	2,279	17,550
Due in the fifth year and further	23,355	3,464	5,945
Total non-current portion of loans and borrowings	69,604	57,681	55,333
Total	95,243	120,546	96,215

Certain numbers of shares of the Group's subsidiaries have been pledged to secure bank loans and borrowings granted to the Group:

	31 December 2016	31 December 2015	31 December 2014
JSC "Kamov"	-	1,360,447,119	1,360,447,119
PJSC "Kazan Helicopter Plant"	-	-	69,870,671
JSC "Ulan-Ude Aviation Plant"	-	-	3,166,919

As a security for the performance of credit obligations of JSC "Russian Helicopters" under the loan agreement with JSC Gazprombank No. 304/11-B dated 06.10.2011, 100 % of the share in the authorized capital of LLC International Helicopter Programs was pledged in favor of JSC "Gazprombank" "Owned" by JSC "Helicopters of Russia" on the right of ownership.

ISSUED BONDS

In January 2016, the Group placed exchange-traded bonds in rubles with a total nominal

value of RUB 10,000 million. A coupon rate of 11.9 % per annum, payable semi-annually, starting from the 182nd day from the date of placement and the circulation period until January 2026.

In April 2016, the Group completed a partial redemption of bonds with a nominal value of RUB 15,000 million. A coupon rate of 8.25 % per annum, payable semi-annually, starting from the 182nd day from the date of placement and the circulation period until April 2018.

30. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	At 31 December 2016	At 31 December 2015	At 31 December 2014	At 31 December 2016	At 31 December 2015	At 31 December 2014
Due within one year	65	148	95	41	104	63
Due in the second year	43	67	84	27	45	70
Due in the third year	39	45	15	30	30	14
Due in the fourth year	23	40	4	21	32	3
Due in the fifth year and further	–	24	–	–	22	–
	170	324	198	119	233	150
Less: future finance charges	(51)	(91)	(48)	N/A	N/A	N/A
Present value of lease obligations	119	233	150	119	233	150
Total current portion of obligations under financial leases				41	104	63
Total non-current portion of obligations under financial leases				78	129	87

The Group leases property, plant and equipment under a number of finance lease agreements. The average lease term is 49 months. All leases are on a fixed repayment basis.

31. RETIREMENT BENEFIT LIABILITIES

DEFINED CONTRIBUTION PLAN

During the years ended 31 December 2016, 2015 and 2014, the entities of the Group made the following contributions to the Russian Federation State Pension Fund:

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Contributions to the Russian Federation State Pension Fund	4,904	5,913	4,760

DEFINED BENEFIT PLANS

All of the Group's entities operate unfunded defined benefit plans for qualifying employees, in particular:

- lump-sum retirement or disability benefits;
- periodic (quarterly) or other lifelong benefits to retired employees;
- non-state pension benefits to the retired employees;
- anniversary benefits for employees;
- payments upon death of employees and pensioners (retired employees);
- payments upon death of relatives of employees and pensioners (retired employees).

Defined benefit plans expose the Group to such actuarial risks as interest rate risk, longevity risk and payroll risk.

The actuarial valuation of the Group's defined benefit obligations as at 31 December 2016, 2015 and 2014 was performed by an independent actuary.

Revaluation of defined benefit obligation (asset) is recognised in other comprehensive income but not in profit or loss.

Amounts recognised in profit or loss in respect of defined benefit plan are presented as follows:

	Year ended 31 December 2016			Year ended 31 December 2015			Year ended 31 December 2014		
Net interest expense on defined benefit plan	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
Current service cost	75	34	109	38	29	67	94	22	116
Net interest under net obligation (asset) under defined benefit plan	136	16	152	146	16	162	128	10	138
Revaluation of net obligation (asset) under defined benefit plan	-	(4)	(4)	-	3	3	-	(5)	(5)
Recognised past service costs	-	-	-	-	-	-	751	-	751
Other actuarial adjustments	(178)	(1)	(179)	-	-	-	-	-	-
Net interest expense on defined benefit plan	33	45	78	184	48	232	973	27	1,000

DEFINED BENEFIT PLANS

Changes in the present value of the defined benefit plan obligations are presented below:

	Year ended 31 December 2016			Year ended 31 December 2015			Year ended 31 December 2014		
	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
At 1 January	1,609	177	1,786	1,275	141	1,416	897	136	1,033
Current service cost	75	34	109	38	29	67	94	22	116
Interest cost	136	16	152	146	16	162	128	10	138
Past service cost	-	-	-	-	3	3	751	3	754
Actuarial (gains)/ losses arising from changes in demographic assumptions	(24)	1	(23)	(76)	-	(76)	(5)	(5)	(10)
Actuarial (gains)/ losses arising from changes in finance assumptions	32	4	36	326	15	341	(454)	(27)	(481)
Experience adjustments	(170)	(9)	(179)	58	(15)	43	(22)	24	2
Other actuarial adjustments	(178)	(1)	(179)	-	-	-	-	-	-
Payments made	(92)	(31)	(123)	(158)	(12)	(170)	(112)	(22)	(134)
At 31 December	1,388	191	1,579	1,609	177	1,786	1,277	141	1,418

Changes in the fair value of the defined benefit plan assets are presented below:

	Year ended 31 December 2016			Year ended 31 December 2015			Year ended 31 December 2014		
	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
At 1 January	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-
Employer contributions	92	31	123	158	12	170	112	22	134
Payments made	(92)	(31)	(123)	(158)	(12)	(170)	(112)	(22)	(134)
Revaluation of net obligation (asset) under defined benefit plan	-	-	-	-	-	-	-	-	-
At 31 December	-	-	-	-	-	-	-	-	-

The effect of IAS 19 on the consolidated statement of financial position is presented below:

	Year ended 31 December 2016			Year ended 31 December 2015			Year ended 31 December 2014		
	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
Net obligations at 1 January	(1,609)	(177)	(1,786)	(1,275)	(141)	(1,416)	(897)	(136)	(1,033)
Net expense through profit or loss	(33)	(49)	(82)	(184)	(48)	(232)	(973)	(27)	(1,000)
Revaluation of net obligation (asset) under defined benefit plan	162	4	166	(308)	-	(308)	481	-	481
Employer contributions	92	31	123	158	12	170	112	22	134
Net obligations at 31 December	(1,388)	(191)	(1,579)	(1,609)	(177)	(1,786)	(1,277)	(141)	(1,418)

Key actuarial assumptions used to measure the obligations are presented below:

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Discount rate	8.30 %	9.60 %	12.00 %
Wage growth rate	6.50 %	6.00 %	7.00 %
Inflation / Expected post-retirement benefits increase	5.0 %	7.50 %	8.50 %
Mortality	2014 RF mortality table adjusted for 80 %	2013 RF mortality table adjusted for 80 %	2011 RF mortality table adjusted for 80 %

SENSITIVITY ANALYSIS

Calculation of defined benefit plan obligations is sensitive to significant actuarial assumptions.

The table below presents the effect of changes in respective actuarial assumptions on the defined benefit plan obligations as at the specified date:

	-1 %	+1 %
Discount rate	-	74
Wage growth rate	(21)	22
Inflation / Expected post-retirement benefits increase	(51)	55
Employee turnover rate	36	(34)

	Year ended 31 December 2016			Year ended 31 December 2015			Year ended 31 December 2014		
	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
Funding									
Group entities operate unfunded defined benefit plans for qualifying employees									

	Year ended 31 December 2016			Year ended 31 December 2015			Year ended 31 December 2014		
	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
Group intends to make a contribution to the defined benefit	261	28	289	266	29	295	100	25	125
Average weighted term of defined benefit plan obligations at the reporting date was the following	10	8	18	10	8	18	8	7	15

32. PROVISION

	Warranty provision	Litigations and claims	Offset obligations	Onerous and unprofitable contracts	Other	Total
At 1 January 2014	905	-	-	-	-	905
Increase in provision	896	433	-	-	2	1,331
Provision utilised	(694)	-	-	-	-	(694)
At 31 December 2014	1,107	433	-	-	2	1,542
Increase in provision	279	13	1,508	-	519	2,319
Provision utilised	(649)	(97)	-	-	-	(746)
At 31 December 2015	737	349	1,508	-	521	3,115
Increase in provision	1,438	3,197	2,947	3,212	2,478	13,074
Provision utilised	(704)	-	(306)	-	-	(1,010)
At 31 December 2016	1,471	3,546	4,149	3,212	2,999	15,377

The amounts of short-term and long-term provisions, as presented in the consolidated statement of financial position, are as follows:

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Long-term provisions	3,451	515	458
Short-term provisions	11,926	2,600	1,084
	15,377	3,115	1,542

33. ADVANCES RECEIVED

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Non-financial liabilities			
Advances received	45,778	48,013	25,292
Total long-term and short-term non-financial liabilities	45,778	48,013	25,292
Financial liabilities			
Advances received from Oboronprom in relation to future contribution to share capital of the Group's subsidiaries	130	112	960
Total financial liabilities	130	112	960
Total long-term and short-term advances received	45,908	48,125	26,252

34. OTHER PAYABLES

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Payroll payable	2,367	2,409	2,274
Unused vacation accrual	1,867	1,814	1,610
Dividends payable	95	3,690	48
Other payables	18,559	13,677	9,230
Total other payables	22,888	21,590	13,162

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of certain financial instruments have been determined using valuation technique based on available market information or other valuation methodologies that require considerable judgement in interpreting market data and developing estimates. Accordingly, the estimates applied are not necessarily indicative of the amounts that the Group could realise in a current market conditions. The use of different assumptions and estimation methodologies may have a material impact on the estimated fair values.

The estimated fair values of short-term financial assets and liabilities, which include cash and cash equivalents, trade receivables, loans receivable, bank deposits, short-term borrowings, trade payables, approximated their carrying values due to the short-term nature of these instruments. The fair values of long-term financial assets, which include loans receivable and bank deposits, are estimated in the context of the significance of outstanding balances at the reporting date.

The carrying and fair values of the Group's financial assets and liabilities are stated below:

	At 31 December 2016		At 31 December 2015		At 31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Cash and cash equivalents	66,402	66,402	65,746	65,746	31,764	31,764
Short-term trade receivables	17,225	17,225	22,789	22,789	18,091	18,091
Long-term trade receivables	4,712	4,712	3,437	3,437	741	741
Other receivables	3,830	3,830	6,261	6,261	5,532	5,532
Bank deposits	17	17	26	26	167	167
Available-for-sale securities	624	624	811	811	806	806
Loans issued	258	258	653	653	856	856
Other financial assets	477	477	92	92	4	4
	93,545	93,545	99,815	99,815	57,961	57,961
Financial liabilities						
Loans and borrowings	95,243	94,429	120,546	118,782	96,215	92,355
Obligations under finance leases	119	119	233	233	150	150
Trade payables	10,642	10,642	7,421	7,421	5,294	5,294
Other payables	18,559	18,559	13,677	13,677	9,230	9,230
	124,563	123,749	141,877	140,113	110,889	107,029

36. CAPITAL MANAGEMENT

The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends, new share issuances and share buy-backs as well the issuance of new debt or the redemption of existing debt.

The management of the Group is monitoring capital on the basis of the gearing ratio, and to ensure that the ratio is not more than 3.0. This ratio is calculated as net debt divided by equity attributable to the shareholders.

Net debt is determined as total loans and borrowings (Note 29) and obligations under finance leases (Note 30) less cash and cash equivalents (Note 26), as shown in the consolidated statement of financial position.

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Loans and borrowings	95,243	120,546	96,215
Obligations under finance leases	119	233	150
Less: cash and cash equivalents	(66,402)	(65,746)	(31,764)
Net debt	28,960	55,033	64,601
Equity attributable to the shareholder of the Company	107,453	94,496	58,592
Gearing ratio	0.27	0.58	1.10

The adjusted EBITDA is calculated as defined in Note 5 "Segment information".

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Adjusted EBITDA	40,921	65,606	47,014
Net debt	28,960	55,033	64,601
Net debt / Adjusted EBITDA	0.71	0.84	1.37

37. RELATED PARTIES

Related parties include parent of the Company and key management personnel, entities over which Group's key management personnel exercises significant influence and entities under common ownership and control of the Government of the Russian Federation.

In the ordinary course of their business, the Group's entities enter into various sale, purchase and service transactions with related parties. These transactions are primarily with state bodies of the Russian Federation or other Government controlled entities. These transactions are effected on terms that are not

always applicable to third party transactions. The Group has received loans from and made deposits with related parties, the terms of which are disclosed in the related notes to these consolidated financial statements.

FINANCIAL GUARANTEES AND SECURED LOANS

As at 31 December 2016, 2015 and 2014 the amounts drawn down under the credit line facilities under the State Program are as follows:

Bank	Currency	At 31 December 2016		At 31 December 2015		At 31 December 2014	
		Rate, %	Balance	Rate, %	Balance	Rate %	Balance
PJSC "Bank VTB"	RUB	-	-	9.70-10.05	52,868	8-9.75	69,926
PJSC "Sberbank of Russia"	RUB	11.00	1,638	9.10-9.75	33,706	8.2-9.75	48,052
Vnesheconombank	RUB	-	-	7	2,195	7	2,914
Total			1,638		88,769		120,892

The Group had the following significant transactions and balances with the Government of the Russian Federation,

parties under control of the Government of the Russian Federation and other related parties (as defined below).

	Accounts receivable			Advances paid			Cash and deposits			Other investments		
	At 31 December 2016	At 31 December 2015	At 31 December 2014	At 31 December 2016	At 31 December 2015	At 31 December 2014	At 31 December 2016	At 31 December 2015	At 31 December 2014	At 31 December 2016	At 31 December 2015	At 31 December 2014
Group 1	18,060	19,324	13,143	31,419	22,314	18,128	65,297	59,741	23,487	26	363	572
Group 2	515	351	344	67	48	100	22	2,860	4,441	-	29	414
Total	18,575	19,675	13,487	31,486	22,362	18,228	65,319	62,601	27,928	26	392	986

	Accounts payable			Advances received, including State Armament Program			Loans and borrowings, financial liabilities and obligations under finance lease		
	At 31 December 2016	At 31 December 2015	At 31 December 2014	At 31 December 2016	At 31 December 2015	At 31 December 2014	At 31 December 2016	At 31 December 2015	At 31 December 2014
Group 1	22,746	18,379	9,329	17,794	20,206	17,663	66,809	89,451	64,460
Group 2	9	29	46	444	2	508	-	-	-
Total	22,755	18,408	9,375	18,238	20,208	18,171	66,809	89,451	64,460

As at 31 December 2016, 2015 and 2014, the Group recognised an impairment allowance on accounts receivable from related parties in the amounts of RUB 1,413 million, RUB 1,125 million and 273 million, respectively. The

expense/(gain) recognised during the reporting period for bad debt or doubtful debts due from related parties equals to RUB 288 million (2015: RUB 852 million; 2014: RUB 98 million).

	Sales of goods and services			Purchases of goods and services			Finance costs			Interest income		
	At 31 December 2016	At 31 December 2015	At 31 December 2014	At 31 December 2016	At 31 December 2015	At 31 December 2014	At 31 December 2016	At 31 December 2015	At 31 December 2014	At 31 December 2016	At 31 December 2015	At 31 December 2014
Group 1	57,352	56,427	58,661	28,337	43,981	34,572	6,777	5,595	5,029	911	998	488
Group 2	134	146	192	113	386	635	-	4	-	2	4	35
Total	57,486	56,573	58,853	28,450	44,367	35,207	6,777	5,599	5,029	913	1,002	523

Group 1 consists of the Government of the Russian Federation and other entities under common control of the Government of the Russian Federation.

Group 2 consists of other associates entities over which the Group's management exercises significant influence.

REMUNERATION OF THE GROUP'S KEY MANAGEMENT PERSONNEL

During the years ended 31 December 2016, 2015 and 2014, key management personnel of the Group (who are considered to be the Director General, Deputy Directors General,

Directors of key departments and Members of the Board of Directors of the Company) received compensation of RUB 187 million, RUB 292 million and RUB 367 million, respectively. Key management personnel received only short-term employee benefits.

38. RISK MANAGEMENT ACTIVITIES

The main risks inherent to the Group's operations are those related to liquidity risk, credit risk, currency risk and interest rate risk. A description of the Group's risks and management policies in relation to these risks follows.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed. The Group manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group prepares a twelve months financial plan to determine whether the Group has sufficient cash to meet expected operational expenses, financial obligations and investing activities as they arise.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares and finance leases. 21 % of the Group's debt will mature in less than one year at 31 December 2016 (2015: 48 %; 2014: 42 %) based on the carrying value of borrowings reflected in the financial statements.

Presented below is the maturity profile of the Group's loans and borrowings (maturity profiles for obligations under finance leases are presented in Note 30) based on contractual undiscounted cash flows, including interest, based on the earliest date on which the Group may be required to pay. To the extent that interest is based on a floating rate, the undiscounted amount is derived from interest rate at the reporting date.

The maturity profiles of loans and borrowings, as well as Group's trade payables are presented as follows:

	Total	Past due	One month	One to three months	Due in Three to twelve months	Second to fifth years	Thereafter
At 31 December 2016							
Principal	94,282	-	103	2,358	22,217	51,248	18,356
Interest	27,331	-	776	1,454	539	13,708	10,854
Trade payables	10,642	-	991	3,720	5,742	189	-
	132,255	-	1,869	7,532	28,498	65,145	29,211
At 31 December 2015							
Principal	119,914	-	2,452	8,374	51,407	54,217	3,464
Interest	21,596	-	847	1,566	1,374	12,586	5,223
Trade payables	7,421	-	1,007	1,818	4,392	204	-
	149,563	-	4,938	11,758	57,173	67,007	8,687

At 31 December
2014

Principal	95,652	-	50	10,152	30,117	50,368	4,965
Interest	15,793	-	607	1,146	4,301	8,029	1,710
Trade payables	5,294	307	1,030	1,549	2,408	-	-
	116,739	307	1,687	12,847	36,826	58,397	6,675

At 31 December 2016, 2015 and 2014, the Group did not have any issued financial guarantees.

CREDIT RISK

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses of the Group. A majority of the Group's relationships with counterparties have been ongoing for many years and in many cases the counterparties are Government controlled entities of the Russian Federation or other countries. As such, the Group has not historically performed a formal credit rating analysis.

Additionally, a majority of the Group's export sales are overseen through the Group's related party, Rosoboronexport (Agent), a monopoly agent, controlled by the Government of Russian Federation specifically

for the oversight of export sales of military and related products. The Group does not typically establish credit limits as majority of the contracts are entered into by the Group's companies on a prepayment basis, except for certain of its agreements with the Ministry of Defence of the Russian Federation.

No interest is charged on trade receivables. An allowance for trade receivables is established based on the estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience, but generally the Group has fully provided for all trade receivables over 365 days, unless they relate to a contract whereby the agreement allows payment later than this point.

As at 31 December 2016, 2015 and 2014, the Group five largest customers represented 86 %, 84 % and 84 % of the total balance of trade receivables, respectively, and is presented as follows:

Name of counterparty	At 31 December 2016	At 31 December 2015	At 31 December 2014
State customers	14,334	13,521	10,613
Foreign customer (through an Agent)	4,308	3,357	2,421
JSC "OPK Oboronprom"	241	1,711	1,859
DP Aero-Kamov LLC	-	400	578
AVIC International Holding Corporation	-	120	648
	18,883	19,109	16,119

The maximum exposure to credit risk arising from the Group's financial assets is presented as follows:

	At 31 December 2016	At 31 December 2015	At 31 December 2014
Cash	66,402	65,746	31,764
Trade and other receivables	25,767	32,487	24,364
Deposits	17	26	167
Loans issued	258	653	856
Other financial assets	477	92	4
Total	92,921	99,004	57,155

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes transactions denominated in foreign currencies and consequently is exposed to foreign currency risk. The Group does not have formal arrangements to mitigate foreign currency risk. Purchases in foreign currency account for less

than 10 % of total purchases. The management of the Group believes that the foreign currency risk is partly mitigated for the Group by the situation where approximately 65 % of total sales of the Group are denominated in foreign currencies that reduce negative impact of changes in exchange rates for the Group foreign currencies borrowings and purchases, denominated mostly in USD. The Group does not currently use derivative instruments to manage exchange rate exposures.

	At 31 December 2016		At 31 December 2015		At 31 December 2014	
	USD	Euro	USD	Euro	USD	Euro
Assets						
Cash and cash equivalents	8,967	4,606	38,059	2,645	13,439	3,182
Other financial assets	-	-	-	-	-	-
Trade and other receivables	9,440	912	19,616	898	12,063	2,062
Total assets	18,407	5,518	57,675	3,543	25,502	5,244
Liabilities						
Trade and other payables	(18,250)	(2,234)	(13,130)	(627)	(7,114)	(600)
Obligations under finance leases	-	-	-	-	-	-
Loans and borrowings	(25,044)	(569)	(53,243)	(2,507)	(32,489)	(1,609)
Total liabilities	(43,294)	(2,803)	(66,373)	(3,134)	(39,603)	(2,209)
Total net (liability)/asset position	(24,887)	2,715	(8,698)	409	(14,101)	3,035

The table below details the Group's sensitivity to a devaluation of the RUB against USD and Euro by 10 %, which management believes

is an appropriate measure in the current market conditions and which would impact its operations.

	USD-impact			Euro-impact		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
(Loss)/profit, net of tax	(2,489)	(870)	(1,410)	271	41	304

In case of an appreciation of RUB against USD and Euro, results of the sensitivity analysis will be opposite to those presented above.

INTEREST RATE RISK

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group.

The Group manages this risk through analysis of current interest rates, performed by the Group's treasury function. If there are significant changes in market interest rates management may consider refinancing of a particular financial instrument on more favourable terms.

39. COMMITMENT AND CONTINGENCIES

CONTRACTUAL COMMITMENT

In the course of carrying out its operations and other activities, the Group enters into various agreements which require the Group to invest in or provide financing to specific projects. In the opinion of the Group's management, these commitments are entered into under standard terms, which are representative of each project's feasibility and should not result in unreasonable losses for the Group.

CAPITAL COMMITMENTS

The Group's capital commitments including both contractual commitments and future capital expenditures provided in the annual budget for the year ending 31 December 2017 amount to RUB 26,980 million for property, plant and equipment and RUB 7,086 million for development costs.

SOCIAL COMMITMENTS

The Group contributes to the maintenance and upkeep of the local infrastructure and the

welfare of its employees. This includes making contributions to the development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which the Group operates.

LITIGATION

The Group has a number of claims and litigations relating to sale and purchases of goods and services. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

OPERATING ENVIRONMENT

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns else-

where in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

In 2014, economic sanctions foreign states and reciprocal steps taken by the Russian side led to the fact that the import substitution strategy has become a priority for the Russian government. The Group is actively cooperating with the Government Commission on import substitution, formed by RF Government Decree from 4 August 2015 number 785. In April 2014 in the framework announced by the government policy of import substitution Cabinet approved a new version of Russian state program "The development of industry and increasing its competitiveness". One of the main tasks of the state program, which runs until 2020, announced decline in the share of import products, including those used by domestic producers in our country.

These consolidated financial statements reflect management's assessment of the Group on the impact the business environment in the Russian Federation on the operations and the financial position of the Group. The future business environment may differ from management's assessment at this time.

TAX CONTINGENCIES IN THE RUSSIAN FEDERATION

Major part of the Group's business activity is carried out in the Russian Federation. Russian tax legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Fiscal periods remain open and subject to review for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances, the tax authorities may review earlier accounting periods. All group entities apply similar tax accounting principles.

Management believes that its interpretation of the tax laws and the principles of industry practice and the Group's tax positions will be preserved. All Group companies consistently use uniform tax accounting.

INSURANCE EXPENSES

The Group's entities do not have full coverage for property damage, business interruption and third party liabilities. Losses from business interruption and third party liabilities could have a material adverse effect on the Group's operations and financial position.

40. PARTIALLY OWNED SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTEREST

Consolidated financial information for each of the Group's subsidiaries that have non-controlling interests that are material to the Group (before elimination of intra-group transactions) is stated below:

	JSC "Mil Moscow Helicopter Plant"		JSC "Stupino Machine Production Plant"		PJSC "Rostvertol"		JSC "AAC "Progress"	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Non-current assets	17,598	16,756	2,152	1,747	16,548	13,947	9,950	8,342
Current assets	9,357	8,964	3,475	2,619	110,085	85,892	45,728	29,591
	26,955	25,720	5,627	4,366	126,633	99,839	55,678	37,933
Non-current liabilities	1,596	1,745	40	34	24,290	30,100	23,255	26,887
Current liabilities	22,250	21,496	1,332	851	49,306	38,022	34,293	8,666
	23,846	23,241	1,372	885	73,596	68,122	57,548	35,553
Total equity	3,109	2,479	4,255	3,481	53,037	31,717	(1,870)	2,380
Attributable to:								
The shareholders of the Group	2,674	2,018	2,765	2,411	44,021	23,447	(1,777)	2,023
Non-controlling interests	435	461	1,490	1,070	9,016	8,270	(93)	357
Revenue	9,690	7,592	3,959	3,790	108,657	78,313	19,673	12,778
Profit for the period	720	427	558	688	25,464	15,268	(4,651)	(1,500)
Other comprehensive income	38	(79)	(3)	(5)	(21)	(25)	3	20
Total comprehensive income	758	348	555	683	25,443	15,243	(4,648)	(1,480)

The above subsidiaries are registered in the Russian Federation, which is the principal place of their business. They disclose information about the financial position,

capital structure, administration and so on to the official website of "Center for Corporate Information Disclosure" Interfax".

41. EVENTS SUBSEQUENT TO THE REPORTING DATE

Mr. Boginsky was named CEO of Russian Helicopters in January 2017.

The Group paid a coupon income on exchange-traded bonds of 4B02-01-12310-A series BO-01 in the amount of RUB 593 million in January 2017.

RFPI Investment Management-21 LLC (Russian Federation) acquired the right to dispose of 105,432,895 shares (6,245,969 votes, a percentage share of 5.92 %) attributable to voting shares (stakes) constituting the authorized capital JSC "Russian Helicopters" in March 2017.

An additional issue of securities of JSC "Russian Helicopters" was registered in the amount of 551,502 pieces with a par value of 1 ruble each share in March 2017.

BORROWINGS

Up to the date of approval of these consolidated financial statements, the Group obtained bank loans in the total amount of RUB 8,336 million and repaid RUB 8,545 million.

		31 December 2015		31 December 2015 until issuance date		
	Interest rate	Rate, %	Balance	Received	Paid	Balance
Secured bank loans, including:						
RUB-denominated						
PJSC "Sberbank of Russia"	Fixed	9.75–14.75	12,262	765	983	12,044
PJSC "Sberbank of Russia"	Various	10.5–13.30	1,177	–	260	917
JSC "Alfa Bank"	Fixed	9.7	357	–	–	357
JSC "Gazprombank"	Various	10.9	250	–	–	250
JSC "AKB Rossia"	Fixed	12.5–12.8	245	4	–	249
USD-denominated						
PJSC "Bank VTB"	Fixed	4.50–5	14,274	626	–	14,900
PJSC "Sberbank of Russia"	Fixed	3.6–4.90	644	–	564	80
JSC "Gazprombank"	Fixed	3.48	815	1,317	–	2,132
PJSC "Promsvayzbank"	Fixed	4.9	6,267	–	2,248	4,019
Euro-denominated						
PJSC "Sberbank of Russia"	Fixed	1.47–7.50	64	–	14	50
JSC "Gazprombank"	Fixed	7.25	505	–	–	505

		31 December 2015		31 December 2015 until issuance date		
	Interest rate	Rate, %	Balance	Received	Paid	Balance
Unsecured loans and borrowings, including:						
RUB-denominated						
PJSC "Sberbank of Russia"	Fixed	9.75–13.75	15,428	3,887	3,605	15,710
PJSC "Bank VTB"	Fixed	11.5–12.47	14,020	1,237	586	14,671
JSC "Alfa Bank"	Fixed	10.7–11.5	2,857	–	–	2,857
JSC "Gazprombank"	Various	11.8	2,469	–	–	2,469
JSC "AKB Rossia"	Fixed	11.8–12.4	536	67	–	603
CJSC "AKB Novikombank"	Fixed	11–11.65	2,833	20	–	2,853
JSC "Bank VBRR"	Fixed	12.29	2,490	343	–	2,833
Long-term bonds	Fixed	8.25–11.90	10,054	–	–	10,054
Short-term bonds	Fixed	8.25–8.75	5,000	–	–	5,000
USD-denominated						
PJSC "Bank VTB"	Fixed	3.8–4.2	70	70	140	–
PJSC "Sberbank of Russia"	Fixed	4–4.4	1,665	–	145	1,520
Total			94,282	8,336	8,545	94,073

These consolidated financial statements were approved by management on 25 April 2017.



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Director General



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