

**Interim condensed consolidated financial statements (unaudited)**  
***Joint Stock Company Russian Helicopters***  
***and its subsidiaries***  
**for the six months ended 30 June 2016**

***August 2016***

# Joint Stock Company Russian Helicopters and its subsidiaries

---

<b>Contents</b>	<b>Page</b>
Statement of management's responsibilities for the preparation and approval of the interim condensed consolidated financial statements for the six months ended 30 June 2016	3
Interim consolidated statement of comprehensive income	4
Interim consolidated statement of financial position	5
Interim consolidated statement of changes in equity	6
Interim consolidated statement of cash flows	8
Notes to interim condensed consolidated financial statements	10

## Joint Stock Company Russian Helicopters

### Statement of management's responsibilities for the preparation and approval of the interim condensed consolidated financial statements

*for the six months ended 30 June 2016*

The following statement, which was made by the management in relation to the interim condensed consolidated financial statements of Joint Stock Company Russian Helicopters and its subsidiaries (the "Group").

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of the Group as at 30 June 2016 and the results of its operations, cash flows and changes in equity for the six months then ended, in compliance with International Financial Reporting Standard "IAS 34", Interim Financial Reporting (IAS 34).

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IAS 34 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; and
- 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 International Financial Reporting Standards;
- taking reasonably available steps to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

These interim condensed consolidated financial statements were approved by management on 25 August 2016:

  
S.S. Zheltikov  
Director on Finance and Economy  
Moscow, Russia

# Joint Stock Company Russian Helicopters

## Interim consolidated statement of comprehensive income

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

	Notes	For the six months ended 30 June 2016 (unaudited)	For the six months ended 30 June 2015 (unaudited)
Revenue	5	86,042	87,222
Cost of sales		(42,823)	(39,104)
<b>Gross profit</b>		<b>43,219</b>	<b>48,118</b>
Government grants		–	854
Selling, general and administrative expenses		(22,275)	(22,390)
Impairment of property, plant and equipment and intangible assets		(859)	(1,721)
Research and development costs		(944)	(1,106)
Other operating income		187	112
Other operating expenses		(1,181)	(1,803)
<b>Operating profit</b>		<b>18,147</b>	<b>22,064</b>
Finance income		1,276	909
Finance costs		(4,816)	(3,306)
Gains from joint ventures		–	–
Foreign exchange losses		(282)	(287)
<b>Profit before income tax</b>		<b>14,325</b>	<b>19,380</b>
Income tax expense	6	(4,484)	(6,414)
<b>Profit for the period</b>		<b>9,841</b>	<b>12,966</b>
Attributable to:			
The shareholders of the Company		9,073	12,426
Non-controlling interests		768	540
<b>Other comprehensive income/(loss)</b>			
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
Revaluation of available-for-sale securities		(8)	–
Income tax effect		2	–
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>		<b>(6)</b>	<b>–</b>
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>			
Actuarial (losses)/income on defined benefit plans		(111)	(146)
Income tax effect		22	29
<b>Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods</b>		<b>(89)</b>	<b>(117)</b>
<b>Other comprehensive income/(loss), net of income tax</b>		<b>(95)</b>	<b>(117)</b>
<b>Total comprehensive income for the period, net of income tax</b>		<b>9,746</b>	<b>12,849</b>
Attributable to:			
The shareholders of the Company		9,006	12,326
Non-controlling interests		740	523
Weighted average number of ordinary shares		103,076,534	95,273,116
Basic and diluted earnings per share		0,000088	0,00013

These interim condensed consolidated financial statements were approved by management on 25 August 2016:

  
S.S. Zheltikov  
Director on Finance and Economy

**Joint Stock Company Russian Helicopters**  
**Interim consolidated statement of financial position**  
*(in millions of Russian Roubles)*

	Notes	30 June 2016 (unaudited)	31 December 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	66,430	64,520
Goodwill	8	854	854
Intangible assets	10	12,545	11,861
Investments in associates and joint ventures		-	-
Long-term trade receivables		2,042	3,437
Long-term advances issued		1,955	2,230
Other financial assets	11	165	254
Available-for-sale securities		762	811
Deferred tax assets		3,125	2,610
		<b>87,878</b>	<b>86,577</b>
<b>Current assets</b>			
Inventories	12	72,254	62,798
Amounts due from customers under construction contracts	16	23,269	35,210
Trade receivables		24,875	22,789
Prepayments		49,071	43,465
Income tax receivable		983	130
Other taxes receivable		14,480	10,988
Other receivables		6,952	6,261
Other financial assets	11	103	517
Cash and cash equivalents	13	47,895	65,746
		<b>239,882</b>	<b>247,904</b>
Assets held for sale		827	827
<b>Total assets</b>		<b>328,587</b>	<b>335,308</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital		105	101
Additional paid-in capital		17,255	13,185
Retained earnings and other reserves		94,308	81,210
<b>Attributable to the shareholders of the Company</b>		<b>111,668</b>	<b>94,496</b>
Non-controlling interests		3,741	11,583
		<b>115,409</b>	<b>106,079</b>
<b>Non-current liabilities</b>			
Loans and borrowings	15	64,610	57,681
Obligations under finance leases, net of current portion		94	129
Retirement benefits obligations		1,993	1,786
Provisions		3,962	515
Deferred tax liabilities		5,143	4,406
Advances received		20,139	19,597
		<b>95,941</b>	<b>84,114</b>
<b>Current liabilities</b>			
Loans and borrowings	15	27,382	62,865
Obligations under finance leases, current portion		88	104
Trade payables		11,957	7,421
Advances received		29,406	28,528
Other payables		15,027	21,590
Amounts due to customers under construction contracts	16	26,184	17,123
Income tax payable		1,227	1,555
Other taxes payable		3,814	3,329
Provisions		2,152	2,600
		<b>117,237</b>	<b>145,115</b>
<b>Total liabilities</b>		<b>213,178</b>	<b>229,229</b>
<b>Total equity and liabilities</b>		<b>328,587</b>	<b>335,308</b>

These interim condensed consolidated financial statements were approved by management on 25 August 2016:

  
 S.S. Zheltikov  
 Director on Finance and Economy

The notes on pages 10-28 are an integral part of these interim condensed consolidated financial statements.

## Joint Stock Company Russian Helicopters

### Interim consolidated statement of changes in equity

(in millions of Russian Roubles)

Notes	Share capital	Additional paid-in capital	Retained earnings	Revaluation of available-for-sale securities	Actuarial incomes / (losses) on defined benefit plans	Total equity attributable to the shareholders	Non-controlling interests	Total
As at 1 January 2015	95	8,567	49,797	(88)	261	58,632	4,538	63,170
Profit for the period	-	-	12,426	-	-	12,426	540	12,966
Other comprehensive loss for the period	-	-	-	-	(100)	(100)	(17)	(117)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>12,426</b>	<b>-</b>	<b>(100)</b>	<b>12,326</b>	<b>523</b>	<b>12,849</b>
Dividends	-	-	(723)	-	-	(723)	(519)	(1,242)
Share issues:	-	-	(1)	-	-	(1)	33	32
AO Ulad-udensky aviaional plant	-	-	124	-	-	124	528	652
PAO Arsenyev Aviation Company PROGRESS	-	-	(24)	-	-	(24)	76	52
PAO Rosvertol	-	-	(152)	-	-	(152)	460	308
PAO Kazan Helicopter Plant	-	-	130	-	-	130	377	507
AO Stupino Machine Production Plant	-	-	-	-	-	-	-	-
Increase in ownership in subsidiaries:	-	-	(516)	-	-	(516)	243	(273)
AO KAMOV	-	-	(209)	-	-	(209)	(299)	(508)
AO Stupino Machine Production Plant	-	-	-	-	-	-	-	-
<b>As at 30 June 2015 (unaudited)</b>	<b>95</b>	<b>8,567</b>	<b>60,852</b>	<b>(88)</b>	<b>161</b>	<b>69,587</b>	<b>5,960</b>	<b>75,547</b>

The notes on pages 10-28 are an integral part of these interim condensed consolidated financial statements.

# Joint Stock Company Russian Helicopters

## Interim consolidated statement of changes in equity (continued)

(in millions of Russian Roubles)

Notes	Share capital	Additional paid-in capital	Retained earnings	Revaluation of available-for-sale securities	Actuarial incomes / (losses) on defined benefit plans	Total equity attributable to the shareholders	Non-controlling interests	Total
As at 1 January 2016	101	13,185	81,242	(75)	43	94,496	11,583	106,079
Profit for the period	-	-	9,073	-	-	9,073	768	9,841
Other comprehensive loss for the period	-	-	-	(6)	(61)	(67)	(28)	(95)
Total comprehensive income/(loss) for the period	-	-	9,073	(6)	(61)	9,006	740	9,746
Increase due to the exchange of our own shares with AO "OPK Oboronprom"	4	4,070	-	-	-	4,074	-	4,074
Dividends	-	-	-	-	-	-	(419)	(419)
Share issues:	-	-	47	-	-	47	(47)	-
PAO Rostvertol	-	-	3	-	-	3	(3)	-
PAO Kazan Helicopter Plant	-	-	(18)	-	-	(18)	(112)	(130)
Increase in ownership in subsidiaries:	-	-	37	-	-	37	(435)	(398)
AO MIL Moscow Helicopter Plant	-	-	4,729	-	-	4,729	(6,932)	(2,203)
PAO Kazan Helicopter Plant	-	-	(8)	-	-	(8)	(23)	(31)
PAO Rostvertol	-	-	(808)	-	-	(808)	(301)	(1,109)
AO Stupino Machine Production Plant	-	-	110	-	-	110	(310)	(200)
PAO Arsenyev Aviation Company PROGRESS	-	-	-	-	-	-	-	-
AO Ulad-udensky aviational plant	-	-	-	-	-	-	-	-
As at 30 June 2016 (unaudited)	105	17,255	94,407	(81)	(18)	111,668	3,741	115,409

These interim condensed consolidated financial statements were approved by management on 25 August 2016:

  
**S.S. Zheiltikov**  
 Director on Finance and Economy

The notes on pages 10-28 are an integral part of these interim condensed consolidated financial statements.

# Joint Stock Company Russian Helicopters

## Interim consolidated statement of cash flows

(in millions of Russian Roubles)

	For the six months ended 30 June 2016 (unaudited)	For the six months ended 30 June 2015 (unaudited)
<b>Operating activities</b>		
<b>Profit for the period</b>	<b>9,841</b>	<b>12,966</b>
<i>Adjustments to reconcile profit for the period to net cash flows:</i>		
Income tax expense	4,484	6,414
Finance income and costs, net	3,540	2,397
Depreciation and amortisation	3,131	2,595
Impairment of property, plant and equipment and intangible assets	859	1,721
Foreign exchange losses, net	282	287
Change in allowance for doubtful receivables	381	380
Write-down of inventories to net realisable value	1,924	2,201
Change in provisions and retirement obligations	445	522
Loss on disposal of property, plant and equipment	102	8
Other	28	-
	<b>25,017</b>	<b>29,491</b>
<i>Movements in working capital:</i>		
Increase in inventories	(11,380)	(12,167)
Decrease/(increase) in amounts due from customers under construction contracts	13,818	7,780
(Increase)/decrease in trade and other receivables	(5,120)	(14,167)
(Increase)/decrease in prepayments	(5,279)	(5,865)
(Increase)/decrease in other taxes receivable	(3,492)	(4,200)
Increase in trade and other payables	3,860	2,562
Increase in advances received	1,424	3,371
Increase in amounts due to customers under construction contracts	9,061	10,338
(Decrease)/increase in provisions and other employee benefit obligations	388	(84)
(Decrease)/increase in other taxes payable	485	(313)
<b>Cash generated from operating activities</b>	<b>28,782</b>	<b>16,746</b>
Interest paid	(4,671)	(2,835)
Government grants - compensation of finance costs	28	809
Income tax paid	(5,444)	(6,956)
<b>Net cash generated from operating activities</b>	<b>18,695</b>	<b>7,764</b>

The notes on pages 10-28 are an integral part of these interim condensed consolidated financial statements.



# Joint Stock Company Russian Helicopters

## Interim consolidated statement of cash flows (continued)

(in millions of Russian Roubles)

	For the six months ended 30 June 2016 (unaudited)	For the six months ended 30 June 2015 (unaudited)
<b>Investing activities</b>		
Purchases of property, plant and equipment	(5,544)	(6,078)
Proceeds from disposal of property, plant and equipment	645	1 206
Purchases and costs to develop intangible assets	(1,955)	(1,887)
Government grants – compensation of capitalised development costs	–	65
Loans provided	(49)	(896)
Loans repaid	–	241
Purchases of other financial assets	(15)	(9)
Proceeds from sale of other financial assets	21	–
Interest received	477	740
<b>Net cash used in investing activities</b>	<b>(6,420)</b>	<b>(6,618)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	33,304	26,739
Repayments of loans and borrowings	(56,702)	(30,855)
Principal repayments of obligations under finance leases	(49)	(29)
Acquisitions of non-controlling interests in subsidiaries	–	(781)
Advances received from AO OPK Oboronprom as contribution to share capitals of the Group's subsidiaries	–	84
Dividends paid to shareholders	(3,650)	–
Dividends paid to non-controlling shareholders	(5)	(10)
<b>Net cash used in financing activities</b>	<b>(27,102)</b>	<b>(4,852)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(14,827)</b>	<b>(3,706)</b>
Effect of foreign exchange rate changes on cash and cash equivalents	(3,024)	605
<b>Cash and cash equivalents at beginning of the period</b>	<b>65,746</b>	<b>31,764</b>
<b>Cash and cash equivalents at end of the period</b>	<b>47,895</b>	<b>28,663</b>

These interim condensed consolidated financial statements were approved by management on 25 August 2016:

  
 \_\_\_\_\_  
 S.S. Zheltikov  
 Director on Finance and Economy

# Joint Stock Company Russian Helicopters

## Notes to the interim condensed consolidated financial statements

### 1. General information

Joint Stock Company Russian Helicopters (hereinafter referred to as "the Company") was established on 9 January 2007 as a subsidiary of AO OPK Oboronprom (hereinafter referred to as "Oboronprom"), a Russian state-controlled aerospace holding company. The share of «Oboronprom» on 30 June 2015 is 94,26% based with nominal holders.

The entities included in the Group are as follows:

Entity and its location	Nature of business	30 June 2016		31 December 2015	
		(1)	(2)	(1)	(2)
<b>Parent company</b>					
JSC Russian Helicopters	Management company	–	–	–	–
<b>Group subsidiaries</b>					
PAO Kazan Helicopter Plant (Kazan)	Producer of helicopters: Mi-8, Mi-17, Ansat	99,65	99,65	98,3	98,3
PAO Rostvertol (Rostov-on-Don)	Producer of helicopters: Mi-24, Mi-26, Mi-28, Mi-35	95,97	95,97	73,9	73,9
AO Ulan-Ude Aviation Plant (Ulan-Ude)	Producer of helicopters: Mi-8, Mi-17	99,16	99,16	98,4	98,4
AO Kumertau Aviation Production Enterprise (Kumertau)	Producer of helicopters: Ka-28, Ka-31, Ka-32, Ka-226	100,0	100,0	100,0	100,0
PAO Arsenyev Aviation Company PROGRESS (Arsenyev)	Producer of helicopters: Ka-50, Ka-52, producer of military missile systems	97,74	97,74	85,1	85,1
AO MIL Moscow Helicopter Plant (Moscow)	Engineering centre (for helicopters brand Mi)	83,84	86,15	79,0	80,8
AO KAMOV (Moscow)	Engineering centre (for helicopters brand Ka)	99,81	99,81	99,8	99,8
AO Stupino Machine Production Plant (Stupino)	Producer of helicopter allied products (for helicopter brands Mi and Ka)	68,99	69,92	68,3	69,3
AO Reductor-PM (Perm)	Producer of helicopter allied products (for helicopter brands Mi and Ansat)	100,0	100,0	100,0	100,0
ZAO Ulan-Ude Blade Plant (Ulan-Ude)	Producer of helicopter allied products (for helicopter brand Mi)	99,16	99,16	98,4	98,4
AO Helicopter Innovation Industrial Company (Ulan-Ude)	Producer of helicopter allied products (for helicopter brand Mi)	99,16	99,16	98,4	98,4
AO Novosibirsk Aircraft Repair Plant (Novosibirsk)	Helicopter repair and maintenance services (for helicopter brand Mi)	95,1	95,1	95,1	95,1
AO Helicopter Service Company (Moscow)	Supplier of materials and spare parts	100,0	100,0	100,0	100,0
ZAO Company Rostvertol-Avia (Rostov-on-Don)	Helicopter services supplier	95,97	95,97	73,9	73,9
OOO Purchase and Logistic Center of the Helicopter Industry (Moscow)	Supplier of materials and spare parts	100,0	100,0	100,0	100,0
OOO Mezhdunarodnie Vertoletnie Programmy (Moscow)	Holding company	100,0	100,0	100,0	100,0
AO 150 Aircraft Repair Plant	Helicopter repair and maintenance services	99,9	99,9	99,9	99,9
AO 419 Aircraft Repair Plant	Helicopter repair and maintenance services	99,9	99,9	99,9	99,9
AO 810 Aircraft Repair Plant	Helicopter repair and maintenance services	99,9	99,9	99,9	99,9
AO 356 Aircraft Repair Plant	Helicopter repair and maintenance services	99,9	99,9	99,9	99,9
<b>Joint ventures</b>					
ZAO HeliVert (Moscow)	Producer of helicopters AW	50,0	50,0	50,0	50,0

(1) Effective ownership interest

(2) Voting rights

# Joint Stock Company Russian Helicopters

## Notes to the interim condensed consolidated financial statements (continued)

### 1. General information (continued)

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: 12 Krasnopresnenskaya naberezhnaya, Moscow, 123610, Russian Federation.

### 2. Significant accounting policies

#### Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its 2015 consolidated financial statements. These statements should be read in conjunction with the Group's 2015 annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS, IAS).

Each entity of the Group individually maintains its accounts and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation.

In the opinion of the Group's management, the financial statements reflect all changes necessary to present fairly the Group's financial position, results of operations, statements of changes in equity and cash flows for the interim reporting periods.

The accounting policies adopted in the preparation of the interim condensed 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 the adoption of new standards and interpretations effective as at 1 January 2016.

#### New standards, interpretations and amendments issued but not yet effective

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Company is currently assessing the impact of the following new standards and amendments on the interim condensed consolidated financial statements.

## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### **2. Significant accounting policies (continued)**

##### **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.

##### **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.

##### **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.

# Joint Stock Company Russian Helicopters

## Notes to the interim condensed consolidated financial statements (continued)

### 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 available 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 judgements, estimates and assumptions applied by the Group in this interim condensed consolidated financial statements are not significantly changed from those applied by the Group in its consolidated financial statements as of and the year 31 December 2015.

### 4. Currency exchange

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. 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:

	<u>30 June 2015</u>	<u>31 December 2015</u>	<u>30 June 2016</u>
<b>Closing exchange rates at the period end – RUB</b>			
1 U.S. Dollar ("USD")	64,26	72,88	55,52
1 Euro	71,21	79,70	61,52
<b>Average exchange rates for the period – RUB</b>			
1 USD	70,23	61,32	57,40
1 Euro	78,39	67,99	64,31

### 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.

# Joint Stock Company Russian Helicopters

## Notes to the interim condensed consolidated financial statements (continued)

### 5. Segment information (continued)

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 30 June 2016 and 30 June 2015:

	<u>Six months ended 30 June 2016</u>	<u>Six months ended 30 June 2015</u>
Helicopters	66,308	72,995
Services and support	17,462	13,439
Research and development	110	37
Other	2,162	751
<b>Total</b>	<b>86,042</b>	<b>87,222</b>

The segment revenue reported above represents revenue generated from external customers only. During the six months ended 30 June 2016 and 30 June 2015, inter-entities sales were RUB 12,848 million and RUB 9,434 million, respectively. Inter-entities 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.

# Joint Stock Company Russian Helicopters

## Notes to the interim condensed consolidated financial statements (continued)

### 5. Segment information (continued)

#### 5.2. Segment operating results (continued)

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 six months ended 30 June 2016 and 30 June 2015:

	Six months ended 30 June 2016	Six months ended 30 June 2015
<b>Adjusted EBITDA</b>		
Helicopters	13,251	20,655
Services and support	8,061	6,220
Research and development	(278)	(44)
Other	1,205	(443)
<b>Total adjusted EBITDA</b>	<b>22,239</b>	<b>26,388</b>
Amortisation of property, plant and equipment and intangible assets	(3,131)	(2,595)
Loss on disposal of property, plant and equipment	(102)	(8)
Impairment allowance for property, plant and equipment and intangible assets	(859)	(1,721)
Share of results of joint ventures	-	-
<b>Operating profit per IFRS financial statements</b>	<b>18,147</b>	<b>22,064</b>
Finance income	1,276	909
Finance costs	(4,816)	(3,306)
Share in results of joint ventures	-	-
Foreign exchange loss, net	(282)	(287)
<b>Profit before income tax per IFRS financial statements</b>	<b>14,325</b>	<b>19,380</b>

#### 5.3. Major customers

During the six months ended 30 June 2016 and 2015, the Group's most significant customers are state-controlled bodies, such as the Ministry of Defence and the Ministry of Emergency Situations of the Russian Federation. 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.

## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### 5. Segment information (continued)

##### 5.4. Other segment information (continued)

##### Revenue by geographical regions

<b>By customer destination</b>	<b>Six months ended 30 June 2016</b>	<b>Six months ended 30 June 2015</b>
Africa	40,070	20,309
Russian Federation	21,005	19,389
Asia	18,886	35,805
Other CIS countries	2,828	3,695
America	1,811	7,634
Europe	1,438	70
Other	4	320
<b>Total</b>	<b>86,042</b>	<b>87,222</b>

#### 6. Income tax expense

	<b>Six months ended 30 June 2016</b>	<b>Six months ended 30 June 2015</b>
Current income tax expense	3,762	5,727
Adjustment to income tax of prior periods	444	392
<b>Total current income tax expense</b>	<b>4,206</b>	<b>6,119</b>
Deferred tax expense/(benefit) relating to origination and reversal of temporary differences	278	295
<b>Total income tax expense</b>	<b>4,484</b>	<b>6,414</b>

The corporate income tax rate in the Russian Federation, the primary location of the Group's production entities, for the years ended 30 June 2016, was 20% (15.5% in the Perm region where AO Reductor-PM is located).



Joint Stock Company Russian Helicopters

Notes to the interim condensed consolidated financial statements  
(continued)

7. Property, plant and equipment

	Land and buildings	Machinery and equipment	Transport	Other	Construction- in-progress	Total
<b>Cost</b>						
At 1 January 2016	30,992	30,912	6,687	6,266	18,683	93,540
Additions	18	477	153	216	4,511	5,375
Transfers	329	654	471	134	(1,588)	–
Transfers between groups	–	–	–	(318)	318	–
Disposals	(1,092)	(292)	(30)	(203)	(136)	(1,753)
At 30 June 2016	30,247	31,751	7,281	6,095	21,788	97,162
<b>Accumulated depreciation and impairment</b>						
At 1 January 2016	(11,801)	(11,235)	(1,790)	(4,086)	(108)	(29,020)
Depreciation charge	(532)	(1,457)	(321)	(484)	–	(2,794)
Disposal	598	265	23	122	–	1 008
Impairment	–	–	–	30	44	74
At 30 June 2016	(11,735)	(12,427)	(2,088)	(4,418)	(64)	(30,732)
<b>Carrying value</b>						
At 1 January 2016	19,191	19,677	4,897	2,180	18,575	64,520
At 30 June 2016	18,512	19,324	5,193	1,677	21,724	66,430

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.

	30 June 2016	31 December 2015
Carrying value of leased property, plant and equipment	762	867

8. Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 31 December 2015. The Company did not identify any impairment indicators as at 30 June 2016.

## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### 9. Impairment testing

The Group tests for impairment property, plant and equipment and intangible assets with a definite useful life when circumstances indicate that their carrying values could be impaired. The Group's impairment test is based on the estimation of value in use calculations.

The key assumptions used to determine value in use cash-generating units (CGU) were disclosed in the annual consolidated financial statements for the year ended 31 December 2015. The Company did not identify any extra impairment indicators of CGU as at 30 June 2016.

#### 10. Intangible assets

	Capitalised development costs	Purchased software and other	Total
<b>Cost</b>			
At 1 January 2016	18,293	1,207	19,500
Additions	2,616	84	2,700
Government grants received	—	—	—
Disposals	(621)	(1,195)	(1,816)
At 30 June 2016	<u>20,288</u>	<u>96</u>	<u>20,384</u>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2016	(6,843)	(796)	(7,639)
Amortisation charge	(288)	(49)	(337)
Disposals	293	777	1 070
Impairment	(933)	—	(933)
At 30 June 2016	<u>(7,771)</u>	<u>(68)</u>	<u>(7,839)</u>
<b>Carrying value</b>			
At 1 January 2016	11,450	411	11,861
At 30 June 2016	<u>12,517</u>	<u>28</u>	<u>12,545</u>

Development costs comprise the internally-generated intangible assets (including those which were not in use as at 30 June 2016).

#### 11. Other financial assets

	30 June 2016	31 December 2015
Bank deposits	17	26
Loan issued	158	653
Other	93	92
<b>Total</b>	<u>268</u>	<u>771</u>
<b>Total non-current other financial assets</b>	<u>165</u>	<u>254</u>
<b>Total current other financial assets</b>	<u>103</u>	<u>517</u>

## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### 12. Inventories

	30 June 2016	31 December 2015
Materials (at cost or net realisable value)	45,139	41,620
Work-in-progress (at cost or net realisable value)	21,984	16,387
Finished goods (at cost or net realisable value)	5,131	4,791
<b>Total inventories at the lower of cost and net realisable value</b>	<b>72,254</b>	<b>62,798</b>

During six-months period ended 30 June 2016 RUB 2,509 million (six-months ended 30 June 2015: RUB 2 735 million) was expensed to write down inventions to net realisable value.

During six-months period ended 30 June 2016 RUB 585 million (six-months ended 30 June 2015: RUB 534 million) was reversed as expenses to write down inventions to net realisable value.

#### 13. Cash and cash equivalents

	30 June 2016	31 December 2015
Current bank accounts, including:		
RUB-denominated	29,361	22,382
USD-denominated	5,867	19,981
Euro-denominated	1,775	2,645
Bank deposits, including:		
RUB-denominated	3,222	2,645
Euro-denominated	1,107	-
USD-denominated	6,548	18,078
Other cash and cash equivalents	15	15
<b>Total</b>	<b>47,895</b>	<b>65,746</b>

#### Bank deposits

Bank name	Currency	30 June 2016		31 December 2015	
		Rate, %	Balance	Rate, %	Balance
PAO Bank VTB	RUB	6,3-7	2,594	10,50-11,8	2,016
PAO Sberbank of Russia	RUB	7,09-7,35	128	7,55-10,35	629
PAO Sberbank of Russia	USD	0,21	170	0,78	6,419
AO AKB Novikombank	RUB	10	500	-	-
AO AKB Novikombank	USD	0,1	2,163	-	-
AO AKB Novikombank	Euro	0,1	932	-	-
PAO Bank VTB	USD	0,1	4,215	0,01	11,659
PAO Bank VTB	RUB	0,1	175	-	-
<b>Total</b>			<b>10,877</b>		<b>20,723</b>

All bank deposits classified as cash and cash equivalents have an original maturity of less than three months.

## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### 14. Dividends

During the six months ended 30 June 2016 and 30 June 2015, the Group entities declared the following dividends attributable to non-controlling interests:

<b>Entity name</b>	<b>Six months ended 30 June 2016</b>	<b>Six months ended 30 June 2015</b>
PAO Rostvertol	243	227
PAO Kazan Helicopter Plant	20	141
AO Ulan-Ude Aviation Plant	69	63
AO Stupino Machine Production Plant	50	50
AO MIL Moscow Helicopter Plant	26	21
PAO AAK Progress	–	17
AO Novosibirsk Aircraft Repair Plant	3	–
AO 356 Aircraft Repair Plant	8	–
<b>Total</b>	<b>419</b>	<b>519</b>

During the six months ended 30 June 2016 the General Meeting of Shareholders Group decided to not distribute profits to dividends attributable to equity the shareholders of the Company (during the six-months ended 30 June 2015 the group declared dividends: RUB 723 million).

# Joint Stock Company Russian Helicopters

## Notes to the interim condensed consolidated financial statements (continued)

### 15. Loans and borrowings

	Interest rate	30 June 2016		31 December 2015	
		Rate, %	Balance	Rate, %	Balance
<b>Secured bank loans, including:</b>					
<i>RUB-denominated</i>					
PAO Sberbank of Russia	Fixed	11,5-14,5	3,066	9,75-14,75	5,910
PAO Sberbank of Russia	Various	5,0-14,75	5,218	10,5-13,30	1,182
GK Vnesheconombank	Fixed	11-12	–	12,10	680
GK Vnesheconombank	Various	–	–	10,5	2,064
AO Alfa Bank	Fixed	9,7-11,5	531	9,70	357
AO Gazprombank	Various	13,25	250	13,25	105
PAO Bank VTB	Fixed	11,5-12,3	1,230	12,79	1,120
ZAO AKB Novikombank	Fixed	11,5	334	14,50	995
OAO AKB Russia	Fixed	12,5	593	12,5-12,8	524
PAO AKB Ural FD	Fixed	12,0	200	11	200
AO AKB Perm	Fixed	11,4	35	11,4	35
<i>USD-denominated</i>					
PAO AKB Rosbank	Fixed	–	–	4,25	1,564
PAO Bank VTB	Various	4,2-5,0	15,827	4,5-5,0	22,911
PAO Sberbank of Russia	Fixed	3,6-7,5	7,888	4,08-7,50	18,552
PAO Promsvyazbank	Various	4,9	6,405	4,90	6,221
<i>EURO-denominated</i>					
PAO Sberbank of Russia	Various	–	–	5	5
PAO Sberbank of Russia	Fixed	1,47-7,5	605	1,47-7,50	160
AO Gazprombank	Fixed	7,25	872	7,25	976
<b>Unsecured bank loans and borrowings, including:</b>					
<i>RUB-denominated</i>					
PAO Sberbank of Russia	Fixed	11,7-15,5	16,234	9,75-15,5	16,551
PAO Sberbank of Russia	Various	9,75-14,3	626	–	–
PAO Bank VTB	Various	11,8-13,9	11,441	11,5-14	11,095
AO Alfa Bank	Fixed	–	–	10,7-11,5	174
AO Gazprombank	Various	13,25	1,466	11,80	2,376
Bank VBRR (AO)	Various	12,29	1,650	12,29	927
OAO «AB «Russia»	Fixed	12,44	175	–	–
<i>USD-denominated</i>					
PAO Bank VTB	Fixed	–	–	7,50-7,80	1,445
PAO Sberbank of Russia	Fixed	4,0-4,4	1,338	4,40-5,60	2,551
<i>EURO-denominated</i>					
OOO VO Stankoimport	Various	1,75	1	1-1,75	100
PAO Bank VTB	Fixed	–	–	4,05	707
PAO Sberbank of Russia	Fixed	–	–	2,80	558
Accrued interest	N/A	–	1,017	–	632
Long-term bonds	Fixed	8,25-11,90	14,990	8,25-8,75	4,869
Short-term bonds	Fixed	–	–	8,25-8,75	15,000
<b>Total</b>			<b>91,992</b>		<b>120,546</b>
<b>Long-term portion of loans and borrowings</b>			<b>64,610</b>		<b>57,681</b>
<b>Current portion repayable in one year and shown under current liabilities</b>			<b>27,382</b>		<b>62,865</b>

## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### 15. Loans and borrowings (continued)

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	Effective interest rate	Book value at 30 June 2016	Accumulated discount	Discount	Amortized cost at 30 June 2016
AO Gazprombank	13,04%	2,500	124	—	2,376
Bank VBRR (AO)	13,77%	1,650	60	22	1,590
PAO Sberbank of Russia	13,77%	516	68	68	448
PAO Sberbank of Russia	13,69%	1,000	4	4	996
PAO Sberbank of Russia	8,21%	776	3	3	773
PAO Sberbank of Russia	13,04%	273	5	5	268
PAO Sberbank of Russia	7,06%	1,350	209	209	1,141
OAO «AB «Russia»	13,11%	175	1	1	174
OAO «AB «Russia»	13,71%	90	1	1	89
PAO Bank VTB	13,11%	1,500	33	33	1,467
PAO Bank VTB»	13,21%	1,000	19	19	981
PAO Bank VTB	12,70%	200	1	1	199
PAO Bank VTB»	14,03%	2,500	43	—	2,457
PAO Bank VTB»	13,77%	2,400	94	—	2,306
PAO Sberbank of Russia	13,04%	2,727	58	—	2,669
PAO Sberbank of Russia	7,21%	7,307	486	23	6,821
PAO Bank VTB»	6,07%	9,064	359	281	8,705
PAO Promsvyazbank	6,07%	7,263	204	26	7,059
PAO Sberbank of Russia	14,55%	3,000	129	—	2,871
PAO Sberbank of Russia	13,21%	3,000	34	34	2,966
PAO Sberbank of Russia	12,82%	1,399	41	41	1,358
PAO Sberbank of Russia	14,30%	3,500	347	16	3,153
		<b>53,190</b>	<b>2,232</b>	<b>787</b>	<b>50,867</b>

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:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Due in one month	624	3,084
Due from one to three months	3,104	8,374
Due from three to twelve months	23,654	51,407
<b>Total current portion repayable in one year</b>	<b>27,382</b>	<b>62,865</b>
Due from one to fifth year	63,271	54,217
Due in the fifth year and further	1,339	3,464
<b>Total non-current portion of loans and borrowings</b>	<b>64,610</b>	<b>57,681</b>
<b>Total</b>	<b>91,992</b>	<b>120,546</b>

## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### 15. Loans and borrowings (continued)

The following items of property, plant and equipment and inventories were pledged to secure loans and borrowings:

	30 June 2016	31 December 2015
Inventories	40	114
Property, plant and equipment	2,942	3,563
<b>Total</b>	<b>2,982</b>	<b>3,677</b>

Certain numbers of shares of the Group's (subsidiaries) have been pledged to secure bank loans and borrowings granted to the Group:

	30 June 2016, units	31 December 2015, units
AO KAMOV	1 360 447 119	1 360 447 119

#### 16. Construction contracts

	30 June 2016	31 December 2015
Construction costs incurred plus recognised profits less recognised losses to date	92,068	69,526
Less: progress billings	(94,983)	(51,439)
	<b>(2,915)</b>	<b>18,087</b>
<b>Recognised and included in the consolidated financial statements as:</b>		
Amounts due from customers under construction contracts	23,269	35,210
Amounts due to customers under construction contracts	(26,184)	(17,123)
	<b>(2,915)</b>	<b>18,087</b>

In 2011, in connection with the 2011-2020 State Program of the Russian Federation ("FCP #1") 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.

## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### 16. Construction contracts (continued)

The amounts due to the State Program are comprised of the following:

	30 June 2016	31 December 2015
<b>Amounts drawn down under credit line facilities under the State Program</b>	<b>60,293</b>	<b>88,769</b>
Amounts billed under the State Program	(48,699)	(87,256)
Amounts due from customers under the State Program construction contracts	(8,169)	(1,513)
<b>Amounts due to customers under the State Armament Program construction contract (advances received)</b>	<b>3,425</b>	<b>-</b>

As at 30 June 2016 and as at 31 December 2015 the amounts drawn down under the credit line facilities under the State Program are as follows:

Bank name	Currency	30 June 2016		31 December 2015	
		Rate, %	Outstanding balance	Rate, %	Outstanding balance
PAO Bank VTB	RUB	9,75	39,080	9,70-10,05	52,868
PAO Sberbank of Russia	RUB	9,75	19,805	9,10-9,75	33,706
GK Vnesheconombank	RUB	7	1,408	7	2,195
<b>Total</b>			<b>60,293</b>		<b>88,769</b>

#### 17. 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 exchange. The use of different assumptions and estimation methodologies may have a material impact on the estimated fair values.



## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### 17. Fair value of financial instruments (continued)

Detailed in the following table are the carrying and fair values of the Group's financial assets and liabilities:

	30 June 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	47,895	47,895	65,746	65,746
Current trade receivables	24,875	24,875	22,789	22,789
Long-term trade receivables	2,042	2,042	3,437	3,437
Other receivables	7,029	7,029	6,261	6,261
Bank deposits	17	17	26	26
Available-for-sales securities	762	762	811	811
Loan issued	158	158	653	653
Other financial assets	93	93	92	92
<b>Total</b>	<b>82,871</b>	<b>82,871</b>	<b>99,815</b>	<b>99,815</b>
<b>Financial liabilities</b>				
Loans and borrowings	92,992	88,576	120,546	118,782
Obligation under finance leases	182	182	233	233
Trade payables	11,957	11,957	7,421	7,421
Other payables	9,887	9,887	13,677	13,677
<b>Total</b>	<b>114,018</b>	<b>110,602</b>	<b>141,877</b>	<b>140,113</b>

#### 18. 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 interim condensed consolidated financial statements.

Transactions between the Group's entities, which are related parties, have been eliminated in full in these interim condensed consolidated financial statements and are not disclosed in this note.

#### Financial guarantees and secured loans

As at 30 June 2016 and 31 December 2015, the related parties («Oboronprom» Ministry of Finance, and certain banks) provided guarantees in the amount of RUB 44,532 million and RUB 63,295 million, respectively, for certain bank loans of the Group's entities.

## Joint Stock Company Russian Helicopters

### Notes to the interim condensed consolidated financial statements (continued)

#### 18. Related parties (continued)

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).

	Advances paid to suppliers of inventory and services							
	Accounts receivable*		Cash and deposits		Other investments			
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Group 1	10,257	19,324	49,596	22,314	40,985	59,741	254	363
Group 2	43	351	14	48	34	2,860	29	29
<b>Total</b>	<b>10,300</b>	<b>19,675</b>	<b>49,610</b>	<b>22,362</b>	<b>41,019</b>	<b>62,601</b>	<b>283</b>	<b>392</b>

	Advances received, including State Armament Program*				Loans and borrowings, financial liabilities and obligations under finance lease	
	Accounts payable		State Armament Program*			
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Group 1	20,233	18,379	39,798	20,206	67,774	89,451
Group 2	21	29	9	2	-	-
<b>Total</b>	<b>20,254</b>	<b>18,408</b>	<b>39,807</b>	<b>20,208</b>	<b>67,774</b>	<b>89,451</b>

\*Excluding outstanding balances with related parties under construction contracts disclosed in the Note №16.

	Six months ended 30 June 2016					
	Sales of goods and services	Purchase of goods and services		Finance costs	Interest income	
Group 1		17,676		23,565	3,285	273
Group 2		39		35	-	-
<b>Total</b>		<b>17,715</b>		<b>23,600</b>	<b>3,285</b>	<b>273</b>

	Six months ended 30 June 2015					
	Sales of goods and services	Purchase of goods and services		Finance costs	Interest income	
Group 1		16,705		23,170	2,143	673
Group 2		65		275	-	4
<b>Total</b>		<b>16,770</b>		<b>23,445</b>	<b>2,143</b>	<b>677</b>

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.

# Joint Stock Company Russian Helicopters

## Notes to the interim condensed consolidated financial statements (continued)

### 19. Commitments and contingencies

#### Contractual commitments

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.

#### Litigations

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 elsewhere 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.

These Interim condensed 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.

# Joint Stock Company Russian Helicopters

## Notes to the interim condensed consolidated financial statements (continued)


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.

### 20. Events subsequent to the reporting date

Up to the date of approval of these consolidated financial statements the Group obtained bank loans in the total amount of RUB 8,523 million and repaid RUB 3,086 million.

	Interest rate	30 June 2016		30 June 2016 until issuance date		
		Rate, %	Balance	Received	Paid	Balance
<b>Secured bank loans, including:</b>						
<i><b>RUB-denominated</b></i>						
PAO Sberbank of Russia	Fixed	11,5-14,5	3,066	477	93	3,450
PAO Sberbank of Russia	Various	5,0-14,75	5,218	–	385	4,833
AO Alfa Bank	Fixed	9,7-11,5	531	–	17	514
AO Gazprombank	Fixed	13,25	250	–	–	250
PAO Bank VTB	Fixed	11,5-12,29	1,230	–	320	910
ZAO AKB Novikombank	Fixed	11,5	334	–	–	334
OAO «AB Russia»	Fixed	12,5	593	4	199	398
PAO AKB Ural FD	Fixed	12	200	–	–	200
OAO AKB Perm	Fixed	11,4	35	–	–	35
<i><b>USD-denominated</b></i>						
PAO Promsvyazbank	Fixed	4,9	6,405	627	–	7,032
PAO Bank VTB	Fixed	4,2-5,0	15,827	2,073	9	17,891
PAO Sberbank of Russia	Fixed	3,6-7,5	7,888	219	167	7,940
<i><b>EURO-denominated</b></i>						
AO Gazprombank	Fixed	7,25	872	–	–	872
PAO Sberbank of Russia	Fixed	1,47-7,5	605	–	511	94
<b>Unsecured loans and borrowings, including:</b>						
<i><b>RUB-denominated</b></i>						
PAO Sberbank of Russia	Fixed	11,7-15,5	16,234	284	385	16,133
PAO Sberbank of Russia	Various	9,75-14,3	626	–	–	626
PAO Bank VTB	Fixed	11,8-13,9	11,441	–	1,000	10,441
AO Gazprombank	Fixed	13,25	1,466	1,342	–	2,808
Bank VBRR (AO)	Various	12,29	1,650	–	–	1,650
OAO «AB Russia»	Fixed	12,44	175	22	–	197
<i><b>USD-denominated</b></i>						
PAO Sberbank of Russia	Fixed	4-4,4	1,338	775	–	2,113
AO Alfa Bank	Fixed	11,10	–	2,700	–	2,700
<i><b>EURO-denominated</b></i>						
OOO VO Stankoimport	Fixed	8,25-11,90	1	–	–	1
Long-term bonds	Fixed	8,25-11,9	14,990	–	–	14,990
<b>Total</b>			<b>90,975</b>	<b>8,523</b>	<b>3,086</b>	<b>96,412</b>

These interim condensed consolidated financial statements were approved by management on 25 August 2016:

  
S.S. Zheltikov  
Director on Finance and Economy