



Development Partner

Rostec State Corporation Annual Report for 2015





APPROVED BY
Rostec State Corporation
Supervisory Board
(Minutes No. 7 dated June 15, 2016)

Rostec State Corporation

2015 ANNUAL REPORT

*New Strategy
as the Path to Leadership*

CEO
of Rostec State Corporation

S. CHEMEZOV

2016

Chief Accountant
of Rostec State Corporation

N. BORISOVA

2016

Contents

This report features augmented reality technology

enabling the reader to view the Rostec products in 3D, using a mobile phone or tablet. In order to do that, the reader needs to use the free Augment software and scan the page with the Augment sign located next to the product in the report.

DOWNLOAD
and run the
AUGMENT Program



SCAN
the page with a product
and AUGMENT sign



VIEW
Rostec products
in augmented reality



DETAILED TIPS:

Before you start using the system, make sure that you have a Wi-Fi connection.

1. Depending on the operating system of your phone, you have to log in either to Google Play or Appstore.
2. Type AUGMENT in the search box.
3. Download the free program.
4. Open the program on your phone.
-  5. Scan the page featuring the product of interest to you.
6. Wait for the model image to upload. The models files are large and require some time to upload.
-  7. If the model was visible but then disappeared from your screen, press the button with the arrows to the left (in order to center the model on the screen).
-  8. Press the button "View in 3D" in the bottom menu. You can rotate the model.
-  9. You can link the model to any printout (for instance, to your business card). In this case, you will have to turn the business card itself in order to view the object from different angles. In order to do that, you have to turn the bottom menu to the left and press the button "Create Marker."

*Address by D. Manturov,
Chairman of the Supervisory Board of Rostec State Corporation*

4

*Address by CEO of Rostec State Corporation,
S. Chemezov*

8

1. Review of Rostec State Corporation

12

- 1.1 Main Factual Information and Background
- 1.2 Structure of the Corporation
- 1.3 Composition of the Supervisory Board
- 1.4 Members of the Management Board
- 1.5 Key Performance Indicators for 2015
- 1.6 Major Annual Events

2. New Strategy of Rostec State Corporation – Path to Leadership

40

- 2.1 New Strategy for Rostec: Assumptions, Objectives, Main Stages, Roll-out Mechanism
- 2.2 Update and Roll-Out of the Strategy in 2015-2016
- 2.3 Target Business Model

3. Corporate Governance

54

- 3.1 Corporate reorganization
- 3.2 KPI and Remuneration System

4. Review of Operational Activities

64

- 4.1 Industrial Clusters – The New Key Business Unit of the Corporation
- 4.2 Review of Key Innovative Products of Clusters
- 4.3 Rostec in Global Context
- 4.4 Informatization for Management and Production Processes
- 4.5 Treasury
- 4.6 Brand and Communications

5. Investment Activity

194

6. Scientific Activities and Innovations

200

7. Sustainable Development

208

- 7.1 Personnel Policy
- 7.2 Social Responsibility
- 7.3 Internal Audit and Risk Management
- 7.4 Anti-corruption

8. Report on Corporation Property Use

228

- 8.1 Land Plots and Real Estate
- 8.2 Shareholdings Management

9. Preparation of Corporation's Consolidated Financial Statements

232

Disclaimer

236

*Address by **D. Manturov**,
Chairman of the Supervisory
Board of Rostec State
Corporation*

THE COMPANIES BELONGING
TO THE CORPORATION
ENSURED THE STABLE
FULFILLMENT OF STATE
DEFENSE ORDERS, WHOSE
VOLUMES GREW BY

11%

FROM 2014

New global challenges, the unstable geopolitical and economic environments around the globe – all of these factors could not but have an impact on Russian industry. In 2015, consumer and investment demand decreased, as did production indexes. As a result, trade volumes for the first time since 1999 decreased by 10%, while investments in production decreased by 8.4%.

Notwithstanding the overall unfavorable background, in 2015 Rostec State Corporation demonstrated growth of its core financial indicators, with revenues increasing by 18%. The Corporation managed to derive the maximum benefit from the ruble devaluation, strengthening its position both in the internal and foreign markets.

Rostec State Corporation worked to expand international cooperation, promoting the export of Russian weaponry and military equipment to the global market which are superior to their global counterparts. In addition, the Corporation Companies ensured the fulfillment of state defense orders, whose volumes increased by 11% from 2014, as well as across key Federal Targeted Programs for the purposes of the development of Russian defense and industrial complex.

The approval of the updated 2025 Corporation Development Strategy was a milestone which enabled Rostec State Corporation to attain sustainable development. One of its objectives is the almost two-fold increase in the proportion of non-military products. In addition, the innovative products and services currently marketed by the Corporation Companies not only strengthen national security and technological independence, but also improve living standards for Russians.

Last year measures were taken to roll-out corporate reorganization measures via the optimization of the administrative and management personnel and the increase of the number of experts employed at the Rostec Holding company. One of the key HR innovations included the creation of the Industrial Directors Institute, which will enable the product strategies of the holdings to be coordinated more effectively, the opportunities for the deepening of internal cooperation to be identified, and the duplication of production to be eliminated.

Systematizing the import substitution process was a strategic area for industrial development last year. The RF Government identified clear technology priorities, while industry-wide plans were created, seeking to bring about a reduction in the dependence on imported equipment, accessories, technical services, and programs. Undoubtedly, subsequently we will continue this work, which, coupled with a number of macroeconomic factors, already in 2015 led to a reduction in the share of imports across a number of industries by 10–15% and even higher reductions across particular industries. Serious attention is paid to the implementation of import substitution programs in Rostec.

For the Corporation it is extremely important to have production facilities that are high tech, economically viable and environmentally safe. The phased transition to optimal available technologies is seen as a link between the roll-out of industrial and environmental policies across the Rostec production facilities. The RF Government has taken a number of measures, seeking to eliminate the use of outdated, ineffective solutions and the phased roll-out of principles for the best available technologies. Last year, we started to create industry-specific references logs on the best available technologies and the procedures to identify these technologies, as well the areas for their application. We are planning to wrap up the work in this line of business by the end of 2017.

I would like to stress that the main objectives for the Corporation at the active growth stage include the consistent attraction of investment and technological development across the full scope of our activities up to the level of global leaders. Meanwhile, since the number of production facilities should not be considered an advantage in the current conditions, we need to build up a portfolio of "smart" products, which will be in high demand not only today, but in the next 10–20 years. It is only this balanced, well rounded approach to Rostec's product range that will enable it to boost its competences, share risks and open up access to new, high-tech markets.

D. Manturov

*Chairman of the Supervisory Board
of Rostec State Corporation*



I would like to stress that the main objectives for the Corporation at the active growth stage include the consistent attraction of investment and technological development across the full scope of our activities up to the level of global leaders.

Address by
S. Chemezov,
CEO of Rostec State Corporation

AS YOU KNOW, 2015 WAS NOT AN EASY YEAR FOR OUR COUNTRY. THE COMPLICATED GEOPOLITICAL ENVIRONMENT, GENERAL REDUCTION IN WORLDWIDE GROWTH RATES, FALLING OIL PRICES, AS WELL AS THE LIMITATIONS CAUSED BY THE SANCTIONS, WHICH IMPACTED RUSSIAN COMPANIES – ALL THESE FACTORS TRIGGERED A SIGNIFICANT REDUCTION IN RUBLE EXCHANGE RATES. THE SANCTIONS AFFECTED MOST OF THE HOLDINGS OF THE ROSTEC CORPORATION, CURTAILING THE ACCESS OF OUR COMPANIES TO EXTERNAL MARKETS. NONETHELESS, IN 2015, OUR CORPORATION TOOK A NUMBER OF IMPORTANT STEPS WHICH WILL LAY A STRONG FOUNDATION FOR THE FUTURE, SO THAT WE CAN REALIZE OUR POTENTIAL AND INCREASE GROWTH RATES ACROSS OUR COMPANIES.

In 2015, Rostec updated its Development Strategy for the next 10 years, featuring ambitious revenue growth indicators – 17% per annum in ruble terms. It is clear that it is only such growth rates that will enable us to attain the levels of global industrial competitors. In this regard, the first step within the updated 2015 Strategy included work to consolidate holdings within industry clusters. The measures rolled out enabled us to improve management quality and cooperation between individual holdings.

I would like to note that within the last five years, the Corporation companies have seen a growth in investments in R&D and technological upgrading projects, which points to the consistent improvement of their innovation work. In terms of spending on research and development, Rostec is on par with high tech industrial sectors in the US and Europe. In 2015, the R&D projects were financed at the level of 11% of the consolidated revenues. A significant portion of the work was carried out under federal target programs and defense orders. So the main innovative activities across the Rostec Companies remain research and development in the interests of national security. Under the state programs, the Corporation companies completed the development of 68 basic and 52 critical technologies.

REVENUE GROWTH
RATES ARE IN LINE
WITH THE STATED
STRATEGY —

18%

BASED ON THE 2015
RESULTS

Annual revenue
growth rates of

17%



In 2015, the most significant measures and results in the innovation sector included the successful completion of state tests for innovative radio-electronic warfare systems. The medium-class Mi-38 Helicopter underwent certification tests, and the first stage of flight tests under the program to create the PD-14 engine was completed. The GTD-110 engine was dispatched for testing performed. In addition, production was launched of the new Russian cars Lada Vesta and Lada XRAY, which fully meet the current market requirements and are in high demand. Highly mobile automated systems for controls, navigation, landing and communications were created in order to enable airplane and helicopter flights from temporary sites. Also, the universal avionics system was developed for use by drones.

The creation of industrial clusters was a new approach for corporate governance. These clusters include aviation, electronics, general weaponry, ammunitions and special chemicals, automobile design, general machinery construction, bio cluster. The new organizational structure was also approved for Rostec. It was created based on the integrated program for organizational changes, seeking to improve performance. In line with the changes, the Industrial Directors Institute was set up in 2015. The job of the directors is to build up and develop industry specific competences split into industry clusters, enhance capitalization and asset value, enable growth of their investment attractiveness, tap markets and new lines of

business for the Corporation's holdings. Additionally, the Industrial Directors are also responsible for the performance of state defense orders and federal targeted programs. In the end, it is the Industrial Directors Institute that will become the "single point" for shareholder control by Rostec.

The revenue growth rates are in line with the stated strategy – 18% based on the 2015 results. In 2015, the adjusted EBITDA increased by 92% up to 253 billion rubles as compared to 2014. The high profitability figures clearly show the success of our work: the net profit margin stood at 8.7%, the EBITDA margin increased from 13.6% to 22.2%.

In line with the 2025 Strategy, the central office of Rostec will be responsible for setting goals, developing and rolling-out methods and standards for corporate governance. At the same time, the holdings will receive broad-based powers concerning the transferred companies and their responsibility for performance results will be increased. The holding companies are managed exclusively via the Board of Directors, which include independent directors who are specialists in their respective areas of work. This enables the Board of Directors of the holdings to act as fully-fledged governance bodies, possessing the competencies needed for decision-making. The management incentive system was improved by incorporating the system to manage target performance indicators.

The creation of industrial clusters was a new approach for corporate governance. These clusters include aviation, electronics, general weaponry, ammunitions and special chemicals, automobile design, general machinery construction, bio cluster.

The Corporation correlates its business goals with social values, accounting for social, environmental and management factors, ensuring sustainable development cross the sectors and regions in which the Rostec companies are active. The contribution of the Corporation companies to social and economic development across the areas of their presence means more than just extra income for the regional and local budgets. This also means the roll-out of a comprehensive range of social and charitable programs across education, culture, and the arts. Rostec also supports major events that are important for public life, while also supporting sports and competitions, supervising educational institutions and the training of personnel for Rostec companies, and taking part in projects focused on the spiritual development of Russians.

Naturally, duly qualified specialists should receive sufficiently high wages and have social guarantees. Based on the 2015 results, the growth in average wages based on the consolidated indicators amounted to 9%. Rostec offers a full range of social projects for employees, including the affordable housing program, good medical benefits, and children recreation opportunities. Following the completion of personnel re-structurization, employee working conditions will be on par with the practices in socially-oriented international companies. Naturally, all of these factors will enable us to improve working environment in our companies and boost productivity.

Rostec is the first Russian corporation to have utilized the full range of modern communications technologies. Meanwhile, our policy focused on information openness and transparency has enabled us to create a brand new image for our Corporation.

The Corporation has managed to attain significant success in brand positioning. Based on the evaluation of Switzerland's Assess consulting company, its value stands at 31.2 billion rubles. Its studies also showed that, within the global information field, the Corporation is associated with "innovations," "effectiveness," "prominence", and "reliability." The value of the brand has directly impacted capitalization, boosted Rostec's investment attractiveness and showed that the investments in the brand have already been paid back.

The 2015 results have reasserted the significance of the Corporation's priorities and the need to adopt the updated 2025 Development Strategy. The projects, measures and events included in the Annual Report by Rostec Corporation, are sure to enable sustainable development in the future. Continuously attaining growth, the Corporation has managed to create the conditions for the further progress of its teams, companies and Russian industry overall, while also contributing to positive changes across the country as a whole.

S. Chemezov
CEO OF ROSTEC STATE CORPORATION

1 *Review of ROSTEC State Corporation*

99

**BILLION RUBLES —
CONSOLIDATED
NET PROFITS**

OF ROSTEC STATE CORPORATION
IN 2015



1_1 Main Factual Information and Background

The Corporation was created in line with Federal Law No. 270-FZ dated November 23, 2007 "Concerning Rostec State Corporation to Promote the Development, Production and Export of High-Tech industrial Products" (Federal Law No. 270-FZ), being a legal entity, created in the Russian Federation and having the organizational form of a state corporation.

The former name of the Corporation is Russian Technologies State Corporation. The changes to the name were made in line with Federal Law No. 259-FZ dated July 21, 2014 "On the Introduction of Changes to the Federal Law 'On Russian Technologies State Corporation' and individual legal acts of the Russian Federation."

The Corporation's objective is to promote the development, production and export of high-tech industrial products by providing support across internal and external markets to Russian companies, being the developers and producers of high-tech industrial products.

THE FULL NAME OF THE CORPORATION IN RUSSIAN –
ГОСУДАРСТВЕННАЯ КОРПОРАЦИЯ ПО СОДЕЙСТВИЮ РАЗРАБОТКЕ, ПРОИЗВОДСТВУ И ЭКСПОРТУ ВЫСОКОТЕХНОЛОГИЧНОЙ ПРОМЫШЛЕННОЙ ПРОДУКЦИИ «РОСТЕХ»

ABBREVIATED NAME IN RUSSIAN –
ГОСУДАРСТВЕННАЯ КОРПОРАЦИЯ «РОСТЕХ»

THE FULL NAME OF THE CORPORATION IN ENGLISH –
STATE CORPORATION FOR THE PROMOTION OF THE DEVELOPMENT, PRODUCTION AND EXPORT OF HIGH-TECH INDUSTRIAL PRODUCTS ROSTEC.

ABBREVIATED NAME IN ENGLISH –
STATE CORPORATION ROSTEC.

INFORMATION ON STATE REGISTRATION:

State Registration Certificate: series 77, number 011483840, issued by the Department of the Federal Tax Service in Moscow on 3 December 2007; Primary State Registration Number (OGRN): 1077799030847, date of issue – December 3, 2007; INN/KPP: 7704274402/770401001

INFORMATION ON THE CORPORATION'S AUDITOR:

Name: RSM RUS Limited Liability Company;
OGRN: 1027700257540; INN/KPP: 7722020834/772901001.
4 Pudovkina Street, Moscow, 119285

CONTACT DETAILS:

Legal address of Corporation:
21/1 Gogolevsky Boulevard, Moscow, 119991
Actual address of the Corporation's office:
24 Usacheva Street, Moscow, 119048
Telephone number: (495) 287–25–25;
Fax: (495) 987–65–74, 987–65–73;
Website: www.rostec.ru



THE CORPORATION'S OBJECTIVE is to promote the development, production and export of high-tech industrial products by providing support to Russian companies across the internal and external markets, which are the developers and producers of high-tech industrial products, as well as any organization, in which the Corporation has, by having the majority stake in their authorized capital or based on the agreements between them, or otherwise, the power to influence the decisions taken by these Companies (hereinafter, the "Corporation companies"), by attracting investments to the organizations from various industry sectors, including the defense and industrial sectors, as well as participating in social and other socially significant projects for the benefit of the state and communities in line with Federal law No. 270-FZ, other federal laws and the Orders of the President of the Russian Federation.

THE MAIN FUNCTIONS AND POWERS OF THE CORPORATION are set forth in Federal Law No. 270-FZ, other federal laws and the Orders of the President of the Russian Federation (including Order No. 1052 of the President of the Russian Federation dated July 10, 2008 "Issues Concerning the State Corporation to Promote the Development, Production and Export of High-Tech Industrial Products "Russian Technologies" ("Order No. 1052 of the President of the Russian Federation"), Instructions of the President of the Russian Federation No. 46-rp dated March 4, 2014).

The Corporation includes
over
700
organizations

Background information about Rostec State Corporation

2007

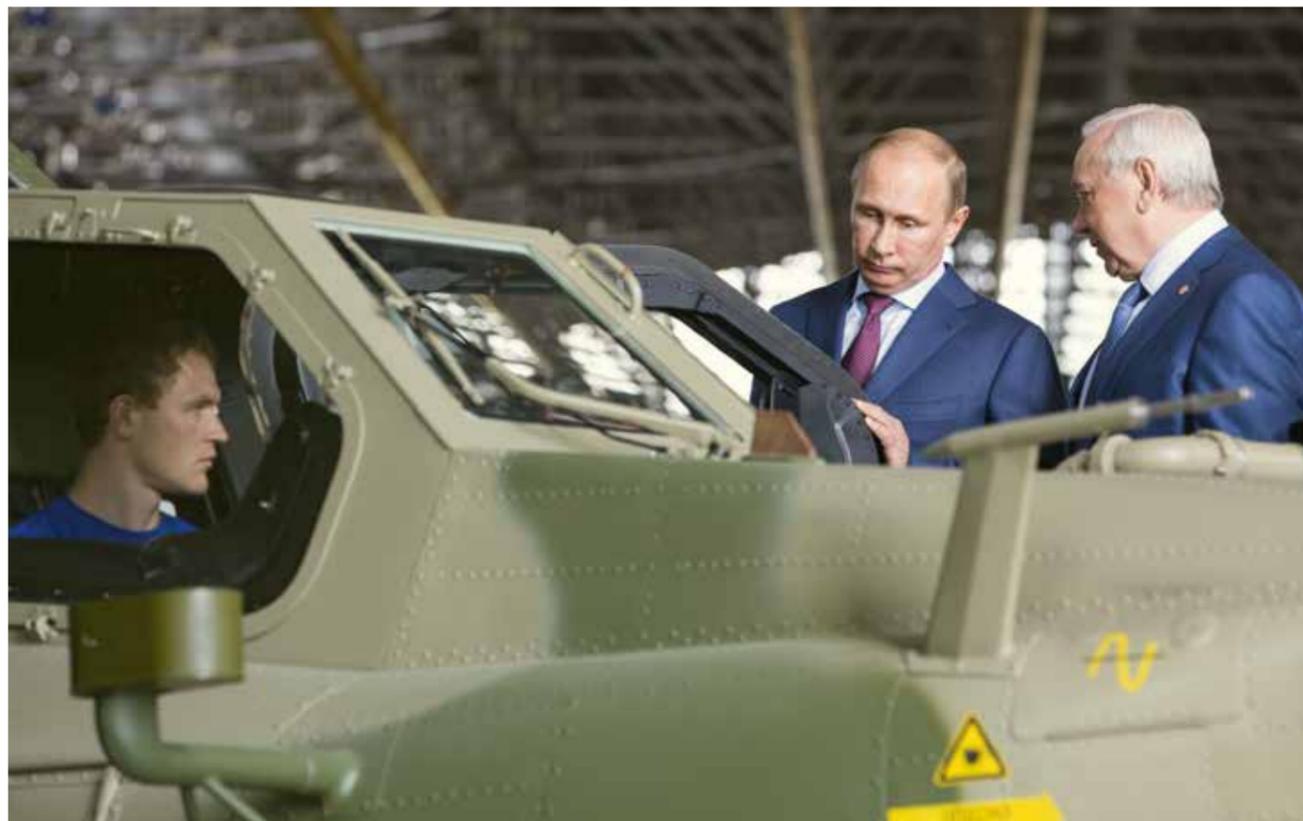
On November 23, 2007, V. Putin, President of the Russian Federation, signed Federal Law No. 270-FZ concerning the creation of the Corporation.

2008

The Russian Federation made an asset contribution to the Corporation in the form of 426 companies, 148 out of which were in pre-crisis or crisis conditions, 28 – at the bankruptcy stage, 17 – were not carrying out any economic activities, 27 – partially lost their assets or had a significant risk of losing them. The overall debts of these companies amounted to 630 billion rubles.

2009

The Corporation created 19 Holdings in the Defense Industrial Complex and 5 Holdings in the Civil Sectors. The Corporation carried out pre-crisis management measures in industries such as automobile construction and transportation. 48 representative offices in foreign states were set up, which were to promote Russian products across foreign markets.



2010

In order to develop, roll-out and coordinate the programs to retain the assets and enable financial recovery, RT-Capital LLC, a special-purpose company, was set up. The Corporation increased its share in the equity of KAMAZ PJSC to 49.9%. The Corporation is actively developing its international links, including an agreement with Pirelli on a joint company, and the stepping up of projects in Mongolia.

2011

The Supervisory Board of the Corporation approved the Corporation Strategy up to 2020 and the Innovative Development program for 2011–2020. The Corporation concluded the following significant investment deals: the purchase of a 20% equity stake in Novikombank JSC, the purchase of a 25%+1 stake in VSMPO-AVISMA Corporation, an increase up to 28.9% of the stake in AVTOVAZ OJSC.

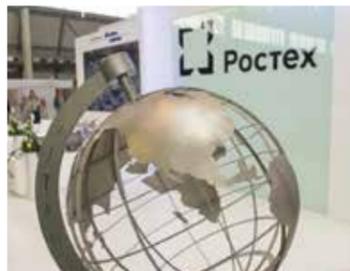
In 2009

19 HOLDINGS
IN THE DEFENSE
INDUSTRIAL
COMPLEX

5 HOLDINGS
IN THE CIVIL
SECTORS

48 REPRESENTATIVE
OFFICES
IN FOREIGN
STATES





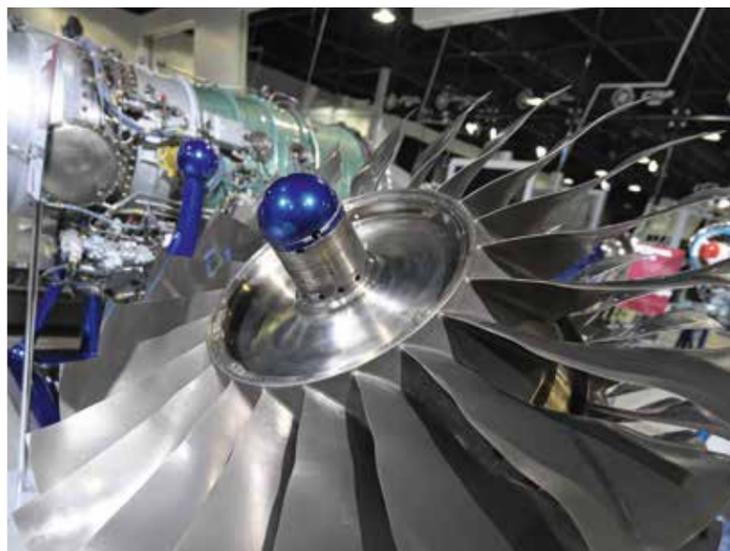
2012

2013



The Supervisory Board of the Corporation adopted a resolution concerning the optimization of the Corporation's structure and the reduction in the number of holdings down to 13. In December 2012, the announcement was made on the Corporation's rebranding campaign, including changes to the Corporation's corporate design and a presentation of the new logo and slogan "Development Partner."

The long-term development strategies were set out for most of the holding companies. A number of large-scale projects kicked off, including a rare earth metals extraction project and composite materials production project. The international projects portfolio was expanded and the product export footprint was enlarged.



In 2012

13 HOLDINGS
(FOLLOWING THE STREAMLINING OF THE CORPORATION'S STRUCTURE)



2014

2015

The name "Rostec State Corporation" was set out, finalized by Order of the President of the Russian Federation concerning the respective changes to Federal Law No. 270-FZ. The Corporation's structure included the following new major assets: The Concerns Avtomatika, VEGA, Sozvezdiye, and Sistemy Upravleniya. Modern corporate governance tools were rolled out across the Corporation Holdings, including the establishment of a new Board of Directors comprising independent directors.

The Corporation updated its 2025 Development, Strategy, rolled out the corporate reorganization program and updated the organizational structure, bringing together the holding companies within 6 industrial complexes (clusters). The industrial cluster will become a core component of the Corporation's structure.



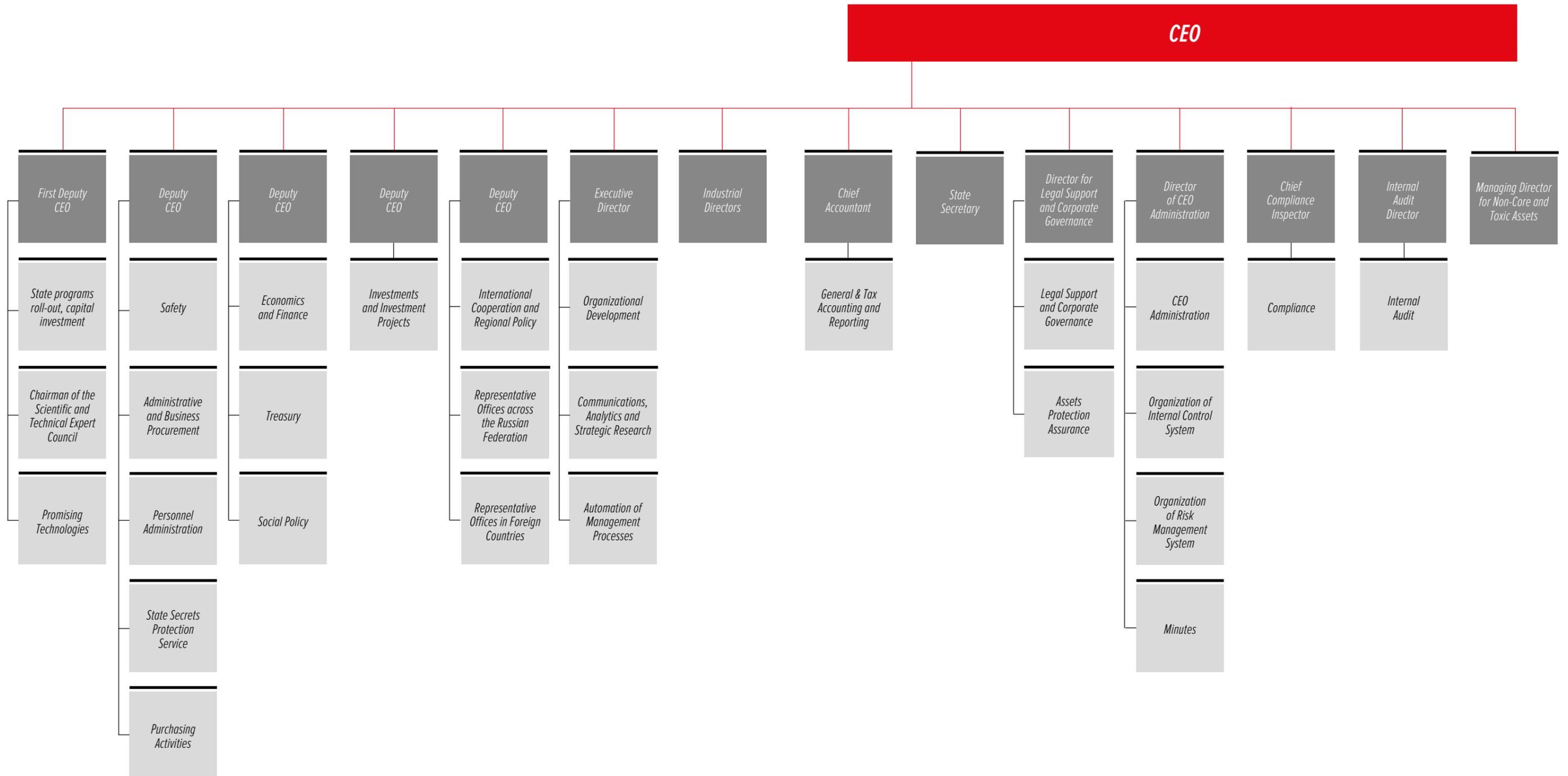
In 2015

6 INDUSTRIAL CLUSTERS

1.2 Structure of the Corporation

The organizational structure of the central office of the Corporation

(approved by Resolution of the Supervisory Board of the Corporation dated November 10, 2015 (Minutes No. 8), accounting for the changes introduced by Resolution of the Supervisory Board of the Corporation dated March 17, 2016 (Minutes No. 2).



The Corporation's Assets Management Structure

The Corporation currently includes 14 holding companies (integrated structures), split by industry (including aviation, munitions and special chemicals, general weaponry, and radio-electronic industries) across the defense and civil industrial sectors, as well as the organization of direct governance.

The Corporation includes a total of 700 organizations.

1.3 Composition of the Supervisory Board

In 2015, the Supervisory Board held 9 meetings (out of which 6 were absentee meetings).

Denis Valentinovich **MANTUROV**

*MINISTER FOR INDUSTRY AND TRADE OF THE RUSSIAN FEDERATION,
CHAIRMAN OF THE SUPERVISORY BOARD*



- **2003–2007** — CEO of Oboronprom.
- **2007–2008** — Deputy Minister for Industry and Energy of the Russian Federation.
- **2008–2012** — Deputy Minister for Industry and Trade of the Russian Federation.
- **2012 — to now** — Minister for Industry and Trade of the Russian Federation.

Anton Eduardovich **VAINO**

*DEPUTY DIRECTOR OF THE ADMINISTRATION
OF THE PRESIDENT OF THE RUSSIAN FEDERATION*



- **2007** — First Deputy Head of Protocol of the RF President.
- **2007–2008** — Deputy Director of the RF Government Administration.
- **From December 27, 2011** — Minister of the Russian Federation – Director of the RF Government Administration.
- **2012 — to now** — Deputy Director of the Administration of the RF President.

Alexander Vasilyevich **FOMIN**

*DIRECTOR OF THE FEDERAL SERVICE
FOR MILITARY AND TECHNICAL COOPERATION*



- **2001–2005** — Deputy Director of Department, Head of Department at Rosoboronexport.
- **2005–2007** — Deputy Director of the Federal Service for Military and Technical Cooperation.
- **2007–2012** — First Deputy Director of the Federal Service for Military and Technical Cooperation.
- **2012 — to now** — Director of the Federal Service for Military and Technical Cooperation.

The Supervisory Board is the supreme governing body of the Corporation, responsible for strategic development issues. By the orders of the President of the Russian Federation, the following persons were appointed Members of the Supervisory Board:

Yury Viktorovich **USHAKOV**

*AIDE TO THE PRESIDENT
OF THE RUSSIAN FEDERATION*



- **1998–1999** — Deputy of the RF Ministry for Foreign Affairs (supervised issues concerning UN cooperation, legal and humanitarian issues).
- **1998–2008** — RF Ambassador to the US and RF Permanent Observer with the Organization of American States in Washington, concurrently.
- **2008–2012** — Deputy Director of the RF Government Administration.
- **2012 — to now** — Aide to the RF President.

Honored worker of the RF diplomacy service, honored worker of the RF Ministry of Foreign Affairs, having the diplomatic rank of the Ambassador Extraordinary and Ambassador Plenipotentiary.

Yury Ivanovich **BORISOV**

*DEPUTY MINISTER OF DEFENSE
OF THE RUSSIAN FEDERATION*



- **1998–2004** — CEO of the Scientific and Technical Center "Module."
- **2004–2007** — Head of the Radioelectronics Industry and Management Systems Department of the Federal Agency for Industry.
- **2007–2008** — Deputy Head of the Federal Agency for Industry.
- **2008–2011** — Deputy Minister for Industry and Trade of the Russian Federation.
- **2011–2012** — First Deputy Chairman of the Military and Industrial Committee under the RF Government.
- **2012 — to now** — Deputy Minister of Defense of the Russian Federation.

Larisa Igorevna BRYCHEVA

*AIDE TO THE PRESIDENT OF THE RUSSIAN FEDERATION –
CHIEF OF THE STATE LEGAL SERVICE OF THE RF PRESIDENT*

- **1993–1999** — Director of the department of the RF President Administration, Director of the Operations Department of the Presidential Envoy in the Federal Assembly, Deputy Director of the Main State Legal Service of the RF President.
- **1999** — Director of the Main State Legal Department of the RF President.
- **2004** — Aide to the RF President and Chief of the State Legal Department of the RF President (reappointed to the same positions in 2012).
- **2006** — Member of the Council and Member of the Presidium of the Council under the RF President for the implementation of Priority National Projects and Demographic Policy (reappointed to the same positions in 2008).
- **2008** — Member of the Council and Member of the Presidium of the Council under the RF President for the Prevention of Corruption, Deputy Chairman of the Committee under the RF President for State Service Reforms and Development.

1st Class Active State Advisor of the Russian Federation, Honored Lawyer of the Russian Federation.

**Anton Germanovich SILUANOV**

*MINISTER OF FINANCE
OF THE RUSSIAN FEDERATION*

- **2005–2011** — Deputy Minister of Finance of the Russian Federation.
- **From September 2011** — Acting Minister of Finance of the Russian Federation.
- **December 2011 – to now** — Minister of Finance of the Russian Federation, Member of the Security Council of the Russian Federation.
- **January 2013 – to now** — Dean of the Finance and Economic Department of the Financial University under the RF Government.

**Igor Yevgenyevich LEVITIN**

*AIDE TO THE PRESIDENT
OF THE RUSSIAN FEDERATION*

- **2004–2012** — Minister of Transportation of the Russian Federation.
- **2012–2013** — Aide to the RF President.
- **September 2, 2013 – to now** — Aide to the RF President.

**Sergey Viktorovich CHEMEZOV**

*CEO OF ROSTEC STATE
CORPORATION*

- **1988–1996** — Deputy CEO of the Foreign Trade Association Sovintersport.
- **1996–1999** — Director of the Department of Foreign Economic Relations of the RF President Administration.
- **1999–2001** — CEO of Promexport.
- **2001–2007** — First Deputy CEO, CEO of Rosoboronexport.
- **2007 – to now** — CEO of Rostec State Corporation.



1_4 Members of the Management Board

In 2015, the Management Board held 97 meetings (out of which 56 were absentee meetings).

Sergey Viktorovich **CHEMEZOV**

CEO OF ROSTEC STATE CORPORATION



- 1988–1996 — Deputy CEO of the Foreign Trade Association Sovintersport.
- 1996–1999 — Director of the Department of Foreign Economic Relations of the RF President Administration.
- 1999–2001 — CEO of Promexport.
- 2001–2007 — First Deputy CEO, CEO of Rosoboronexport.
- 2007 — to now — CEO of Rostec State Corporation.

MEMBER OF THE BOARD OF DIRECTORS (SUPERVISORY BOARDS) OF MAJOR COMPANIES:

- VSMPO-AVISMA Corporation PJSC
- KAMAZ PJSC
- Rosoboronexport JSC
- Uralkaly PJSC
- Almaz-Antey VKO Concern JSC
- AVTOVAZ OJSC
- United Aviation Construction Corporation PJSC
- International Financial Club JSCB JSC
- Aeroflot – Russian Airlines PJSC
- Alliance Rostec AUTO B.V. JV
- Mongolrostsvetmet Russian-Mongolian Company with Limited Liability JV
- Erdenet Mining Corporation: Russian-Mongolian Company with Limited Liability JV
- United Rocket Space Corporation OJSC
- ROSCOSMOS State Corporation for Space Activities

The Management Board is the collegiate governing body of the Corporation responsible for making key management decisions which directly impact the implementation of the Corporation's strategic objectives. The Corporation's Management Board, approved by the Corporation's Supervisory Board, includes the following members:

Vladimir Vladimirovich **ARTYAKOV**

FIRST DEPUTY CEO OF ROSTEC STATE CORPORATION



- 2000–2006 — Deputy CEO of Rosoboronexport.
- 2005–2007 — Chairman of the Board of Directors of AVTOVAZ OJSC, President of the AVTOVAZ Group.
- August 2007 – May 2012 — Governor – Chairman of the Samara Regional Government.
- May 2012 – to now — First Deputy CEO of Rostec State Corporation.

Sergey Viktorovich **SKVORTSOV**

DEPUTY CEO OF ROSTEC STATE CORPORATION



- 2005–2013 — Main Partner of Troika Dialog, President of Troika Capital Partners.
- 2013–2014 — Managing Director of Rostec State Corporation for Investment.
- 2014 – to now — Deputy CEO of Rostec State Corporation.

Sergey Alexandrovich **KULIKOV**

MANAGING DIRECTOR OF ROSTEC STATE CORPORATION



- 2009–2013 — Director of the CEO Administration of Rostec State Corporation.
- 2013 – to now — Managing Director of Rostec State Corporation.
- 2014–2015 — CEO of RT-Business Development LLC.
- 2015 – to now — Industrial Director for the Rostec State Corporation Electronics Cluster.

Igor Nikolaevich ZAVYALOV

DEPUTY CEO OF ROSTEC STATE CORPORATION

- **1999–2002** — Deputy Chairman of Vneshekonombank, Member of the Board of Directors.
- **2002–2007** — Deputy Chairman of the Management Board of Vneshtorgbank.
- **2007 — to now** — Deputy CEO of Rostec State Corporation.

**Nikolay Anatolyevich VOLOBUEV**

DEPUTY CEO OF ROSTEC STATE CORPORATION

- **2004–2006** — Deputy Director of Federal Customs Service of the Russian Federation.
- **2006–2007** — Director of Special Assignments at Rosoboronexport FSUE.
- **2007 — to now** — Deputy CEO of Rostec State Corporation.

**Dmitry Evgenyevich SHUGAEV**

DEPUTY CEO OF ROSTEC STATE CORPORATION

- **2001–2008** — Aide to the First Deputy CEO, Director of the CEO Administration of Rosoboronexport FSUE.
- **2008–2009** — Director of the CEO Administration of Rostec State Corporation.
- **2009 — to now** — Deputy CEO of Rostec State Corporation.

**Yury Nikolaevich KOPTEV**

CHAIRMAN OF THE SCIENTIFIC AND TECHNICAL BOARD OF ROSTEC STATE CORPORATION

- **1992–2004** — CEO of Russian Space Agency, CEO of Russian Aviation and Space Agency.
- **2004–2008** — Director of Department of the Defense and Industry Complex of the RF Ministry for Industry and Energy.
- **2008–2009** — Director of the Rostec State Corporation Advisory Group.
- **2009 — to now** — Chairman of the Scientific and Technical Board of Rostec State Corporation.

**Alla Sergeevna LALETINA**

DIRECTOR FOR LEGAL SUPPORT AND CORPORATE GOVERNANCE AT ROSTEC STATE CORPORATION

- **2007–2010** — Director of the Corporate and Legal Department at SiburTyumenGaz (SIBUR–Holding OJSC).
- **2009–2013** — Deputy CEO for Corporate and Legal Issues with Tobolsk–Polymer (SIBUR–Holding OJSC).
- **2013–2015** — Director of Legal Department, Director of the Corporate and Legal Department at Rostec State Corporation.
- **October 2015 — to now** — Director for Legal Support and Corporate Governance at Rostec State Corporation.

**Natalya Vladimirovna BORISOVA**

CHIEF ACCOUNTANT OF ROSTEC STATE CORPORATION

- **2007 — to now** — Chief Accountant of Rostec State Corporation.

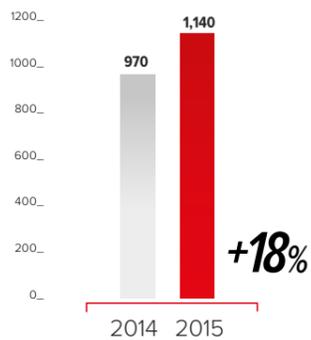


1.5 Key Performance Indicators for 2015

KPIs*

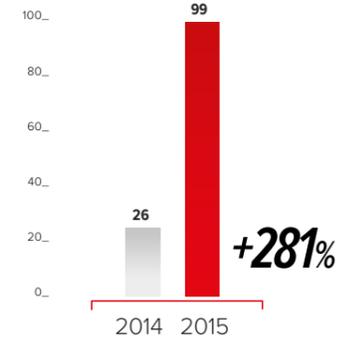
Consolidated revenue

/ in 2014–2015, billion rubles /



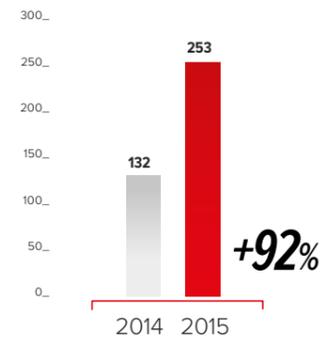
Consolidated net profit

/ in 2014–2015, billion rubles /



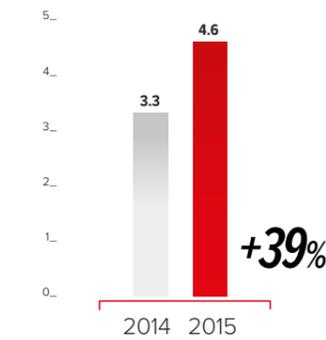
EBITDA

/ in 2014–2015, billion rubles /



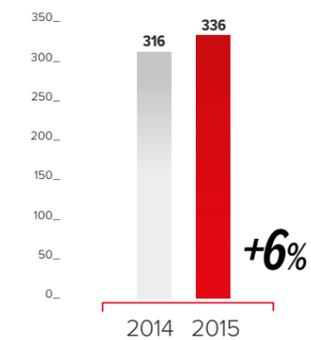
Military product export volumes

/ in 2014–2015, \$ billion /



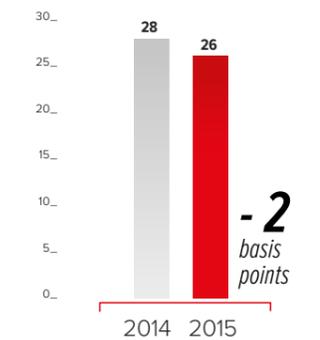
Non-military product production volumes

/ in 2014–2015, billion rubles /



Proportion of non-military products

/ in 2014–2015, % /



Consolidated revenue in 2015

1,140
BILLION RUBLES

Consolidated net profit in 2015

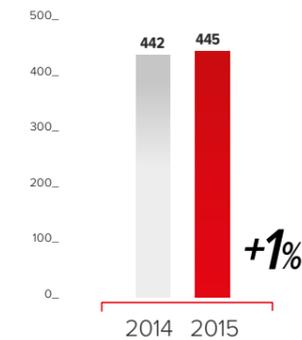
99
BILLION RUBLES

EBITDA in 2015

253
BILLION RUBLES

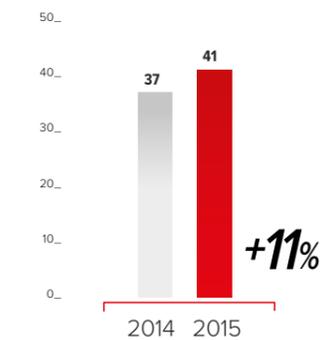
Overall number of employees for budgetary purposes

/ in 2014–2015, thousand persons /



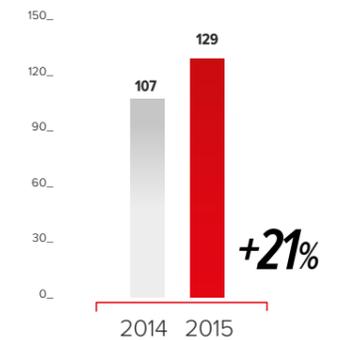
Average monthly wage

/ in 2014–2015, thousand rubles per month /



Aggregate investments

/ in 2014–2015, billion rubles /



Military product export volumes in 2015

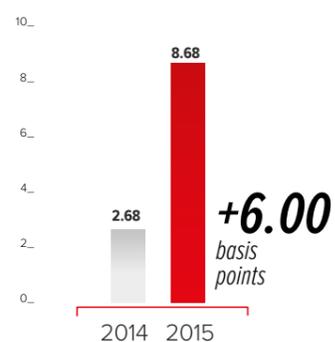
4.6
BILLION DOLLARS

* Consolidation within the scope of Corporate budgeting

Key Performance Indicators

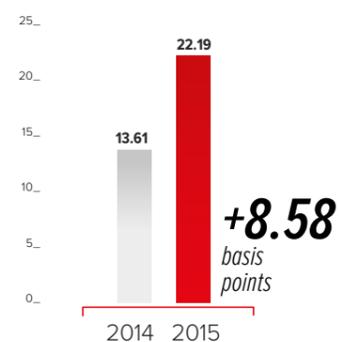
Net profit margin

/ in 2014–2015, % /



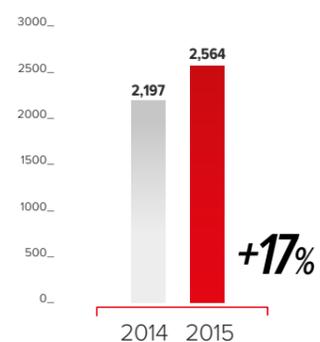
EBITDA margin

/ in 2014–2015, % /



Output per employee

/ in 2014–2015, thousand rubles per person /



Net profit margin in 2015

8.68%

EBITDA PROFITABILITY in 2015

22.19%

Output per employee in 2015

2,564

THOUSAND RUBLES

Key Indicators

	2014	2015	Dynamics
Consolidated revenue, billion rubles	970	1,140	+18%
Consolidated net profit, billion rubles	26	99	+281%
EBITDA, billion rubles	132	253	+92%
Military product export volumes, \$ billion	3.3	4.6	+39%
Non-military product production volume, billion rubles*	316	336	+6%
Proportion of non-military products, %	28	26	-2 basis points
Average monthly wage, thousand rubles per month	37	41	+11%
Overall number of employees for budgetary purposes, thousand persons	442	445	+1%
Aggregate investments, billion rubles**	107	129	+21%

* Based on overall (non-consolidated) indicators.

** Including funds from the federal target program.

Key Performance Indicators

	2014	2015	Dynamics
Net profit margin, %	2.68	8.68	+6.00 basis points
EBITDA margin, %	13.61	22.19	+8.58 basis points
Output per person, thousand rubles per person	2,197	2,564	+17%

1_6 Major Annual Events

January

Rostec created CERT (Computer Emergency Response Team), a special-purpose department in charge of monitoring and dealing with cyberthreats.

February



Concern Radio-Electronic Technologies (KRET) JSC presented samples of avionics systems for the MS-21 and SSJ-100 planes, which are to replace their foreign produced components.



Yota Devices (which belongs to RT-Business Development LLC, a subsidiary of Rostec) announced the conclusion of one of the largest ever deals to export Russian high tech consumer electronics equipment to China.



Unified Instrument Manufacturing Corporation (UIMC) JSC rolled out mass production of the Antey advanced communications system for the senior management of the RF Army.

Shvabe OJSC won two tenders to supply medical equipment to hospitals in Bangladesh.

An international consortium made up of RT-Global resources, Tatneft, VTB Capital and South Korea's SK Energy won the tender to build an oil refinery in Uganda.



March



Rostec presented a new brand "Technodinamika."

Russian Electronics JSC concluded a cooperation agreement with China's ZTE Corporation at the Mobile World Congress 2015 in Barcelona.

Rostec approved the corporate residency program.

RT-Global resources LLC JV was created jointly with the Mangazeya Group of Companies, engaged in gold mining across the Zabaikalsky Region.

The RF President issued an order concerning the transformation of Microgen NPO of the RF Ministry of Health into a Joint Stock Company with the subsequent transfer of shares to the Corporation.



April



KRET announced its readiness to provide the RF air defense troops with new highly effective Krasukha ground-based electronic warfare systems.

Rostec and the Federal Service for Ecological, Technological and Nuclear Supervision (Rostekhnadzor) concluded a cooperation agreement, with the aim to improve the level of industrial safety in hazardous production facilities owned by the Corporation companies.

CEO of ROSTEC State Corporation S. Chemezov announced the commencement of the corporate reorganization.

UIMC completed the first phase of deliveries of the new "Borisoglebsk-2" electronic warfare system to the radio warfare teams with motorized rifle brigades of the RF Armed Forces.

National Immunobiological Company JSC and Farmstandard OJSC signed a Memorandum of Cooperation.



Russian Helicopters JSC completed the transfer of a batch of Ka-226.80 light multipurpose helicopters to the RF Ministry of Defense.

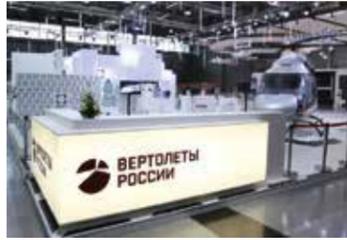
May



The ZALA AERO Group of Companies, which belong to The Concern Kalashnikov JSC, purchased AZ-SOM, specializing in the development and production of new generation tactical communication equipment.

Rostec and Worldskills Russia Union concluded a three-year cooperation agreement focused on joint work to train specialists for the high tech industries.

One of the subsidiaries of Rostec Corporation, the national information center LLC, subsidiary company of Rostec, became one of the first residents of the new Russian city Innopolis (Tatarstan Republic). In the presence of Sergey Chemezov, CEO of Rostec Corporation, the first stone was laid of the technical innovation center, which is to focus on key competences across the Corporation in IT.



Russian Helicopters JSC and China's AVIC Corporation signed a cooperation agreement to develop a high-potential heavy helicopter.

June

At the 51st Paris Air Show in Le Bourget Rostec presented its full range of new Russian aviation equipment, unique engine and air defense equipment.

Russian Helicopters announced that an agreement was signed with the Belarus Ministry of Defense for the delivery in 2016–2017 of 12 Mi-8MTB-5 helicopters.

At the forum Army-2015, Rostec presented its products manufactured by 14 holding companies.



The RF Government issued an order establishing National Immunobiological Company JSC as the sole supplier of vaccines for the National Immunization Calendar.

Based on the resolution of the Rostec State Corporation Supervisory Board, the new organizational structure of the Corporation was approved.

July



At Innoprom-2015 UIMC and T-Platforms presented the Tavolga-Centurion computer to be used in combination with secret information.

RT-Global resources LLC won the tender to develop the Sugodinsko-Ogodzhinskaya Coal Region in the Amur Region.



Sergey Chemezov, CEO of Rostec State Corporation and Member of the BRICS Business Council, took part in the 7th BRICS summit in UFA.

Rostec took part in the Innoprom-2015 International Industrial Forum, presenting a joint stand, which drew the most attention among the forum guests and participants.

August



Rostec arranged for the largest ever press tour in the exhibition's history for foreign industrial journalists at the Aviation and Space Salon MAX-2016.

Rostec carried out reforms of the incentive and reward system for CEOs of the Corporation companies.

September

Gipromtsvetmet, a company directly controlled by the Corporation, won the tender to develop fuel and energy sources and reevaluate the tungstens-molybdenum ores in the Tyrny-auzsky Field (Kabardino-Balkaria Republic).

The mass production of the Lada Vesta was launched.

October

The RF Government issued an order concerning the transfer to the Corporation as an asset contribution by the Russian Federation of the shares from additional issues of 75 joint stock companies which belong to the Corporation.

Rostec completed the first stage for the construction of cast iron production plant in Myanmar.



The Concern Kalashnikov delivered to the RF Ministry of Defense the first batch of Vikhr-1 anti-tank guided missiles.

November

Sergey Chemezov, Rostec CEO, had a meeting with Dmitry Medvedev, Prime Minister of the RF Government.

Sergey Chemezov, Rostec CEO, announced the signing by Rosoboronexport of the first export contract for the delivery of 24 Su-35 planes to China.

RT-Global resources LLC won the tender for the construction of the North-South gas pipeline in Pakistan with a length of over one thousand kilometers.



Sergey Chemezov, Rostec CEO, announced the signing of an agreement with Iran concerning the delivery of S-300 surface-to-air missile system.

Based on the resolution of the Supervisory Board of Rostec State Corporation, the Holding Company was established (integrated structure) for multiple rocket launchers – Splav NPO JSC.

Federal Law No. 356-FL dated 28 November 2015 " Corporation for Assistance to Development, Production and Export of Advanced

Technology Industrial Product" and Article 3 of Federal Law On Amendments to Chapter 4 of the First Part of the Civil Code of the Russian Federation and the Repeal of Certain Provisions of Legal Acts of the Russian Federation (concerning the clarification of the definition of the Corporation companies and some other aspects of the Corporation's legal position).

December



The Supervisory Board of Rostec State Corporation approved the updated 2025 Development Strategy for the Corporation.

Sergey Chemezov, CEO of Rostec, presented to Vladimir Putin, RF President, a report on the preliminary results of the Corporation in 2015 and demonstrated the latest developments by the Corporation.



KRET sent to the RF Defense Ministry the first batch of Vitebsk electronic warfare systems, adapted for transport aviation.

An agreement was signed between Russia and India on cooperation in the field of helicopter production, stipulating that Rostec Corporation will arrange the production of no less than 200 units of Russia's Ka-226T helicopter and its modifications in India. This agreement was signed in the presence of Vladimir Putin, RF President, and India's Head of Government.

The RF Government issued an order concerning the transfer to the Corporation as an asset contribution by the Russian Federation of the shares from additional issues of 19 joint stock companies which belong to the Corporation.

AVTOVAZ JSC (belongs to the automobile construction complex of the Corporation) launched the mass production of the Lada XRAY in Togliatti.



2_ THE NEW STRATEGY OF ROSTEC STATE CORPORATION — THE PATH TO LEADERSHIP

РОСТЕХ

1,140

BILLION RUBLES —

THE CONSOLIDATED
REVENUE

OF ROSTEC STATE CORPORATION
IN 2015

2.1 New Strategy for Rostec: Assumptions, Objectives, Main Stages, Roll-out Mechanism

The mission of Rostec State Corporation: To improve living standards by rolling out high-tech "smart" products

In order to attain success in the high-tech industry, it is not enough to attain a particular level; we need to set up a continuous innovative system. It is not enough for us to be a national leader – we are seeking to act globally. A large portfolio of companies is not a strong advantage anymore, we need to roll-out a portfolio of "smart" products.

Thus, having completed in 2014 the work to collect and consolidate its isolated industrial assets, Rostec State Corporation has moved on to the active growth stage, requiring the updated version of the Development Strategy.

At the active growth stage, the objective of the Corporation will be to attain the scale of business enjoyed by its leading global competitors. Reaching such scales does not only mean staying competitive, but it also would maintain Russia's position as a leader on the global technology markets.

The Main Results of First Stage of Implementation of the Rostec State Corporation Development Strategy

THE 2020 STRATEGY (STRATEGY-2020), ADOPTED IN 2011, INVOLVED IN THE FIRST STAGE (2011–2014) THE FOCUS ON THE CORPORATION'S BUSINESS GROWTH AND THE SECOND STAGE (2015–2017) THE GROWTH OF REVENUES TO 14%.

IN 2011–2014, THE CORE MEASURES INCLUDED WITHIN THE 2020 STRATEGY WERE CARRIED OUT:

- The main stage to consolidate assets and set up major holding companies and infrastructure subsidiaries of the Corporation was completed. The management and corporate scope of responsibilities was defined.
- The non-core assets were identified and partially divested.
- The Corporation's Fund for Innovative and Investment Development was set up, and funds were provided.
- By the end of 2014, the equity sell-out was completed for over 92% of the FSUEs.
- The IFRS implementation project was kicked off.
- The development strategies and medium-term programs for most of the Corporation's holding companies were developed and approved.

17%

PER YEAR –
REVENUE
GROWTH

TO INCREASE THE PROPORTION
OF NON-MILITARY PRODUCTS
UP TO 50%

50%

TO INCREASE OPERATIONAL EFFICIENCY UP
TO THE LEVELS OF THE TOP 25% GLOBAL
COUNTERPARTS



2025 Strategy

Based on the resolution of the Corporation's Supervisory Board, in order to enable the transition to the active growth stage in the current conditions, an updated 2025 Development Strategy for Rostec State Corporation (Strategy-2025) was developed.

In order to identify the high-potential market segments, research was carried out across 288 product segments, combined in 12 market lines of business.

Key Trends in the Development of Technology Industries Factored in During the Development of the 2025 Strategy

DIGITALIZATION

Integrated efforts to roll-out digital technologies across all stages of product manufacturing, including technologies to process large-scale data caches.

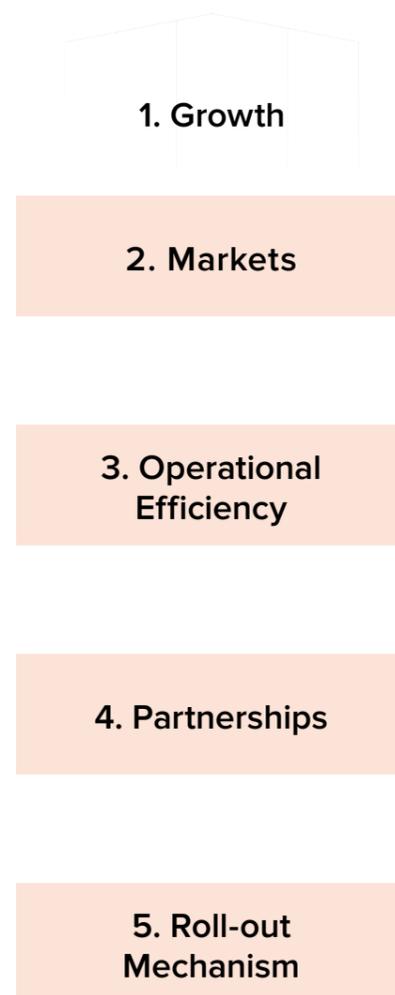
AUTOMATION

An increase in the automation level across production and control systems and minimization of the human factor in these processes.

NETWORK FOCUS

Efforts to link all system elements within the unified information environment in order to attain the overall objective.

5 Components of the 2025 Strategy



Objectives of the State Corporation Strategy: average annual 17% ruble-denominated growth rates enabling the Corporation to reach the scales of global players will be achieved by:

Focusing on "smart" non-military products across high-growth global markets, enabling high growth potential, as high growth may be attained by mere keeping up with the other players.

Improving operational efficiency free up internal resources for financing growth and improving product competitiveness. **Without improving operational efficiency, the Corporation's Strategy is not achievable.**

Establishing Partnerships and attracting "smart" capital¹ in order to obtain additional financing and accelerate improvements to operational efficiency and enter new markets.

The roll-out mechanism includes two components:

1. The staging of the Corporation's Strategy down to the strategies of the KhK² and OPU³ industry clusters and subsequently down to product strategies;
2. The roll-out of strategic initiatives under the supervision of the Project Management Office.

¹ The capital, which brings the relevant technology solutions and management competences.

² Holding Company.

³ Direct Management Organization.

Strategic Risks

KEY RISKS	DESCRIPTION	MEASURES TO MITIGATE THE OCCURRENCE OF RISKS AND THEIR NEGATIVE IMPACT
Changes in macro indicators	Deterioration of the financial and economic results of the Corporation due to unstable ruble rates, rising inflation, and low growth rates of Russia's and/or global GDP	<ul style="list-style-type: none"> • Grow exports by increasing product competitiveness while the ruble rate falls
Deficit of duly qualified personnel	Inability to complete the Corporation-wide transformation needed to delivery on the Strategy due to a lack of duly qualified personnel	<ul style="list-style-type: none"> • Continue to assess existing teams, retain new high-po talents and build up incentives systems to meet the ambitious goals set out by the Strategy
Assuring operating effectiveness	Inability to finance the investment program due to long-term and/or insufficient improvements to operating effectiveness	<ul style="list-style-type: none"> • Monitoring of the efforts to improve operating effectiveness by Corporate leadership
Sequestering of the Russian Federation's budget	Reduced demand for the military and civil products of the Corporation due to the budget sequestration of the RF	<ul style="list-style-type: none"> • Focus on global civil markets to reduce dependence on state orders • Improve operating effectiveness to mitigate the Corporation's dependence on budget financing due to investment program financing

Strategic Initiatives

The active growth by the Corporation to reach the level of global competitors will not be feasible without a business transformation carried out through seven key strategic initiatives. In addition to the key initiatives, ancillary initiatives will also be pursued.

KEY STRATEGIC INITIATIVES

1. Improvements to the investment appeal of assets and the search for strategic partners
2. Creation of an effective sales system
3. Development of our product portfolio and priority R&D projects
4. Creation of a world-class production system
5. Improvements to the management effectiveness of CapEx projects
6. Creation of an effective investment procedure and investment project pool
7. Creation of a mechanism to redistribute resources between clusters and holding companies

5 COMPONENTS OF
THE 2025 STRATEGY

7 STRATEGIC
INITIATIVES

The Mechanism and Expect Results of the 2025 Strategy

THE ROLL-OUT MECHANISM FOR THE 2025 STRATEGY IS BASED ON TWO KEY COMPONENTS:

- Strategic initiatives, covering all aspects of business. The roll-out of strategic initiatives will enable the business transformation required to implement the 2025 Strategy.
- The staging of the 2025 Strategy down to industry cluster strategies and individual support function strategies. In order to enable a successful roll-out of the 2025 Strategy, the development across the clusters and operations of individual offices need to be aligned with the strategic objectives and initiatives of the Corporation.

The Corporation will seek to attract strategic and financial investors both to roll-out projects at the level of individual assets, and in order to develop individual industry clusters.

Seeking to ensure favorable conditions for the establishment of partnerships, the following measures will be implemented:

- improvements to management transparency;
- assurance of financial stability.

RESULTS PLANNED FOR 2025

- To become one of the top-10 largest global industrial corporations in terms of revenues
- To increase the proportion of non-military products to more than 50% of total revenues
- To finance the investment program using equity and external investments
- To improve productivity up to the levels enjoyed by the 25% highest achieving global players

TO BECOME ONE OF THE TOP-10 LARGEST GLOBAL INDUSTRIAL CORPORATIONS IN TERMS OF REVENUES



TO FINANCE THE INVESTMENT PROGRAM USING EQUITY

TO IMPROVE PRODUCTIVITY UP TO THE LEVELS ENJOYED BY THE 25% HIGHEST ACHIEVING GLOBAL PLAYERS



2_2 Update and Roll-Out of the Strategy in 2015–2016

Interview with S. Chemezov, CEO of Rostec State Corporation

IN 2015, THE CORPORATION UPDATED ITS DEVELOPMENT STRATEGY. WHAT RESULTS DID IT BRING AT THE END OF THE REPORTING YEAR?

The first and foremost achievement is that we managed to approve the new Corporate Strategy, with the ambitious goal of attaining 17% revenue growth rates in rubles. The new Strategy anticipates competition "from the future" – we are not satisfied with trying to keep up with other players, but are seeking to stake our own place in the new technological sectors which are being formed right now. In the future, Rostec will become the core of the technological and consequently economic development of our country. By 2035, Rostec seeks to become a global player across high-tech markets, just like Samsung, Siemens and GE, and become a global leader in, at least, 2–3 segments. The main drivers for the Corporation's growth will include operational efficiency, the transfer of technology solutions between the military and non-military sectors, high-growth markets, effective marketing and promotion.

In 2015, the first step of the Strategy roll-out included the consolidation of holdings within industry clusters and the creation of the industrial director institute. The clusters became a platform for the resolution of cooperation issues between individual holdings. The strategic level of cooperation between holdings will be set forth in the strategies for particular clusters, which are being developed as part of the phased 2025 Strategy. At this level, we will be able to resolve strategic issues such as the elimination of copies in product portfolios and the roll-out of an integrated product range from the cluster.

"The strategic objective of Rostec is global leadership across high-tech global markets"

S. CHEMEZOV
CEO of the Corporation



WHAT MEASURES WILL BE IMPLEMENTED IN 2016 CONCERNING PRIORITY ASPECTS OF THE STRATEGY?

The work to roll-out the Strategy will be implemented in two areas. On the one hand, work will be undertaken to prepare detailed documents concerning the strategic objectives and tasks laid down in the new Strategy by phasing the Strategy across lower levels. On the other hand, work will be continued to improve the Corporation's product portfolio.

The roll-out of strategic initiatives will require the engagement of employees across all levels: from the top management of the Corporation and holding companies down to the companies' line managers and ordinary employees. The roll-out of strategic initiatives will enable the implementation of the best management practices in organizational development, corporate governance, economic and finance, risk management, capitalization growth, customer focused service, production and others.

An important areas of focus is the development and launch of the mass production of new products, primarily for high-growth markets such as electronics, information technology, automation, robotics, cyber security, innovative materials, and medical equipment.

Out of the segments the Corporation currently has a presence in, the priority markets will include medium and heavy trucks, military helicopters, avionics, electronic components systems, security systems, aircraft engines and military telecommunications. It is strategically important to strengthen leadership in our traditional segments where we have already done the scientific and technological groundwork.

ROSTEC PLANS TO BECOME A GLOBAL TECHNOLOGICAL LEADER. WHAT COMPETITIVE ADVANTAGES DOES YOUR COMPANY HAVE THAT ENABLES IT TO ADDRESS THIS ISSUE?

Historically, the Corporation has had a strong scientific, technological and production base, set up mainly for the development of military products. Currently we see that these technologies may be successfully refocused to the non-military segment: a number of products have been rolled out which are highly competitive on the global markets.

However, we are only at the beginning of this journey: **currently, the proportion of non-military products stands at about 26% of the Corporation's revenues, while the strategic goal of the Corporation is to increase its share to 50%**. In order to ensure the ongoing increase in revenues in non-military markets, the Corporation will need to address a number of issues. Primarily, this is setting up effective cooperation and meeting the needs of end customers, streamlining and improving the effectiveness of non-military product marketing, industrial design and after-sales service.

In addition to developing our own technologies, we are focused on cooperation and the creation of joint ventures with our technological partners, who have much to bring to the table. **The important task within the Strategy is to attract "smart" capital**, which will enable us to attain the missing competences and enter new markets.

In addition to technologies and the production base, the Corporation has had extensive experience in working with the public authorities both in Russia and abroad. This experience will enable us to effectively roll-out projects at the level and scale of the state.



Another driver of global competitiveness is the appealing export prices of our products, particularly in view of the fluctuations of the ruble exchange rate over the last year. At each stage, we seek to roll-out a plan to improve operational efficiency and cut costs. This will enable us to continue to offer our foreign partners appealing prices and free up funds to be reinvested in business development and the creation of new products.

WHAT ISSUES CONCERNING SUSTAINABLE DEVELOPMENT WILL BE PRIORITIZED?

The intensive growth and development of the Corporation anticipated in the new Strategy are closely linked to the development and diversification of the Russian economy and country overall. Primarily, the Strategy roll-out will enable us to significantly increase dividends flows for the Corporation. Undoubtedly, we will be able to address the issue concerning the development of high-tech production industries in our country. Meanwhile, the innovative products and services offered by the Corporation will enable us to make up the image of those industries in which they will be used, thus helping us to improve living standards for Russians. Entering the high-growth "smart" product markets, the Company will create high-tech jobs, while the open innovation model will boost infrastructure development for innovative businesses. We clearly see

that improving living standards and the environment is a long-term goal, opening up major opportunities to apply our competences. This line of business is linked with development of the "smart" environment and robotics: a new vision of the city landscape, social and personal transport, city environment management systems, office and home space. Our work is also focused on medicine and bio-technology. Today, we are capable of manufacturing modern medical equipment and medicines, enabling us to meet the demands of the Russian health care system. In addition, a number of countries have already started purchasing Russian medical products from us. We also have a number of unique developments in the field of intellectual prosthetics and exoskeletons, which are currently being promoted in the international markets.

The Corporation's development is closely linked with the utilization of the country's intellectual potential. Working in cooperation with leading higher educational institutions in the country, the Corporation has learned how to spot talent, improving the quality of education and prestige of the engineering and technical professions. In addition, we are working to develop the human potential at our Corporation. The high-quality training for our specialists will enable the Corporation to bring about the necessary improvements to productivity.

"The new Corporation Strategy was approved with really ambition goals – to attain 17% revenue growth rates in rubles."

S. CHEMEZOV
CEO of the Corporation



2.3 Target Business Model

Rostec State Corporation

STATE



CLUSTERS' PRODUCTS

- AVIATION
- WEAPONS
- AUTOMOBILES AND COMPONENTS
- IT AND AUTOMATION
- ELECTRONICS
- ROBOTICS EQUIPMENT
- MEDICAL EQUIPMENT
- PHARMACEUTICALS
- TELECOM
- MATERIALS
- INDUSTRIAL EQUIPMENT

SALES GEOGRAPHY

- RF
- ASIA
- EUROPE
- SOUTH AMERICA
- NORTH AMERICA
- AFRICA

PARTNERS



MAIN GOALS OF THE CLUSTERS

- Roll-out of the Corporation's Strategy
- Growth and Strengthening Positions on Target
- Capitalization of the Corporation's Assets Portfolio across Industrial Markets

CORPORATION MISSION

To improve living standards by rolling out high-tech "smart" products

SOCIETY

3_ *Corporate Governance*

2,564

THOUSAND
RUBLES — OUTPUT
PER EMPLOYEE

OF ROSTEC STATE CORPORATION
IN 2015

3_1 Corporate reorganization

In 2015, based on the resolution of the Supervisory Board of Rostec State Corporation, the new organizational structure of the Corporation was approved.

The resolution was approved as part of the integrated optimization program, seeking to improve efficiency in operations and to roll-out global best practices in corporate governance.

The optimization of the administrative and managerial personnel is a logical step in the transition to the 2025 Strategy.



THE OVERALL OPTIMIZATION GOAL IS TO REBUILD THE INTERNAL STRUCTURE OF THE CORPORATION. This optimization will enable us to achieve the following key changes:

1. Strengthening of shareholder control in the holding companies.
2. Reduction in personnel at the central office.
3. Transparency of the governance system.

The approved organizational system included two governance levels: immediate subordinates of the CEO and departments subordinate to him. The organizational structure is more advanced: the number of hierarchical levels was reduced, with the result that documents will be agreed on and reach the final recipient more quickly.

The competences, which have a strategical significance for the Corporation, were transferred to the central office, while a number of similar departments were brought together within a single management team. So the work concerning personnel training, development, assessment, recruitment and motivation, which was earlier divided across various departments, are now performed by a single organizational department. Some processes, such as administrative and business support, IT and the organization of exhibitions were fully transferred to specialized subsidiaries. The individual competences of the central office were expanded, such as supervision over the implementation of CapEx programs.

A staff cut at the central office is expected to bring about changes to the corporate culture: a reduction in bureaucracy and overlapping of functions. The streamlined organizational structure is expected to deliver a compact corporate center, with power correctly distributed across it to enable effective management decisions to be taken and fast-changing conditions to be reacted to.

"The new organizational structure will enable us to improve the efficiency of Corporate governance, boost personnel motivation, and apply the best market practices. The management decision adoption process will become transparent and clear, boosting the Corporation's competitiveness."

Sergey Chemezov
CEO OF ROSTEC STATE CORPORATION



The establishment of the Industrial Directors Institute is also expected to help coordinate the product strategies of individual holdings and identify the opportunities for synergies, in order to eliminate the possible duplication of production.

In line with the new organizational structure, **the Industrial Directors Institute was created in 2015** – a personnel management innovation, which requires the recruitment of additional highly qualified personnel.

The key objectives for the Industrial Directors:

- to create and develop industry competences for the respective industrial clusters;
- to increase capitalization and the value of assets, to boost dividend flows;
- to engage in strategic marketing, tap new markets and lines of business for the Corporation's holdings;
- to monitor the implementation of state defense orders and federal target programs.

The establishment of the Industrial Directors Institute is also expected to help coordinate the product strategies of individual holdings and identify the opportunities for synergies, in order to eliminate the possible duplication of production.

In addition to the organizational analysis, an assessment of the human resources was also carried out. The assessment covered all employees at the central office, including direct subordinates to the CEO.

This objective analysis will not only deliver insights into the actual competences of employees, but will also enable overlapping functions to be identified across individual subdivisions and help gather insights into the actual, rather than notional, organizational structure. The analysis of human resources covered all processes and functions at the central office.

CURRENT STRATEGIC OBJECTIVE – TO TURN HUMAN RESOURCES INTO THE CORPORATION'S CAPITAL.

The Corporation has rolled out clearly defined performance criteria and mechanisms to manage performance indicators. This integrated project, which includes a performance incentive system, quality business planning, managerial skills to provide feedback and talk with employees about their objectives. Since the efforts to fine-tune and roll-out the performance management system requires time, the optimization has been focused on an analysis of key processes. This will enable management processes to be simplified, making them more transparent.

The central office will be responsible for goal-setting, the development and roll-out of management methodologies and standards, while the holdings will obtain broad-based powers across the transferred companies, and a greater level of responsibility for performance results.



The Corporation has rolled out clearly defined performance criteria and mechanisms to manage performance indicators. This integrated project, which includes a performance incentive system, quality business planning, managerial skills to provide feedback and talk with employees about their objectives.

THE CORPORATION'S STRUCTURE WILL ADJUST IN LINE WITH MODERN STANDARDS RELATED TO BUILDING INDUSTRIAL COMPANIES.

Within the knowledge management system, the Corporation has researched the best practices of holdings and companies, seeking to scale these across the Corporation as a whole. For instance, the lean manufacturing technology at KAMAZ, the design center at the Technodinamika Holding company, the production system development program at The Concern Kalashnikov. These high-profile transformation projects have had a significant impact on the development of human resources in the Corporation.

In line with the 2025 Strategy, the personnel optimization in the holdings may be arranged on the basis of the Project Management Office, established at the central office. Seeking to deliver effective roll-outs, each block of strategic initiatives will be supervised by a responsible manager from the Corporate Center.

In 2015, the Corporation carried out the scheduled personnel optimization. Based on the measures taken, the additional costs for retraining and advanced training for certain freed-up employees are to be factored in. The optimization program seeks to deliver a reduction of expenses items such as transportation services, maintenance and servicing of office premises, consulting and services. Each holding will independently determine the scope of the reduction in administrative and management personnel depending on the current personnel number. The optimal proportion of management personnel for the industry stands at 5–10%.

The personnel reduction at the central office will not impact the execution of state defense orders and international military and technical cooperation projects with the full range of associated functions being duly redistributed. The reorganization matrix simultaneously accounts for the value of each individual employee and the usefulness of the entire department. In addition to the personnel recommendations, the plans include the establishment of service centers (for accounting and personnel administration services), a single treasury, and uniform standards for safety systems and audits.

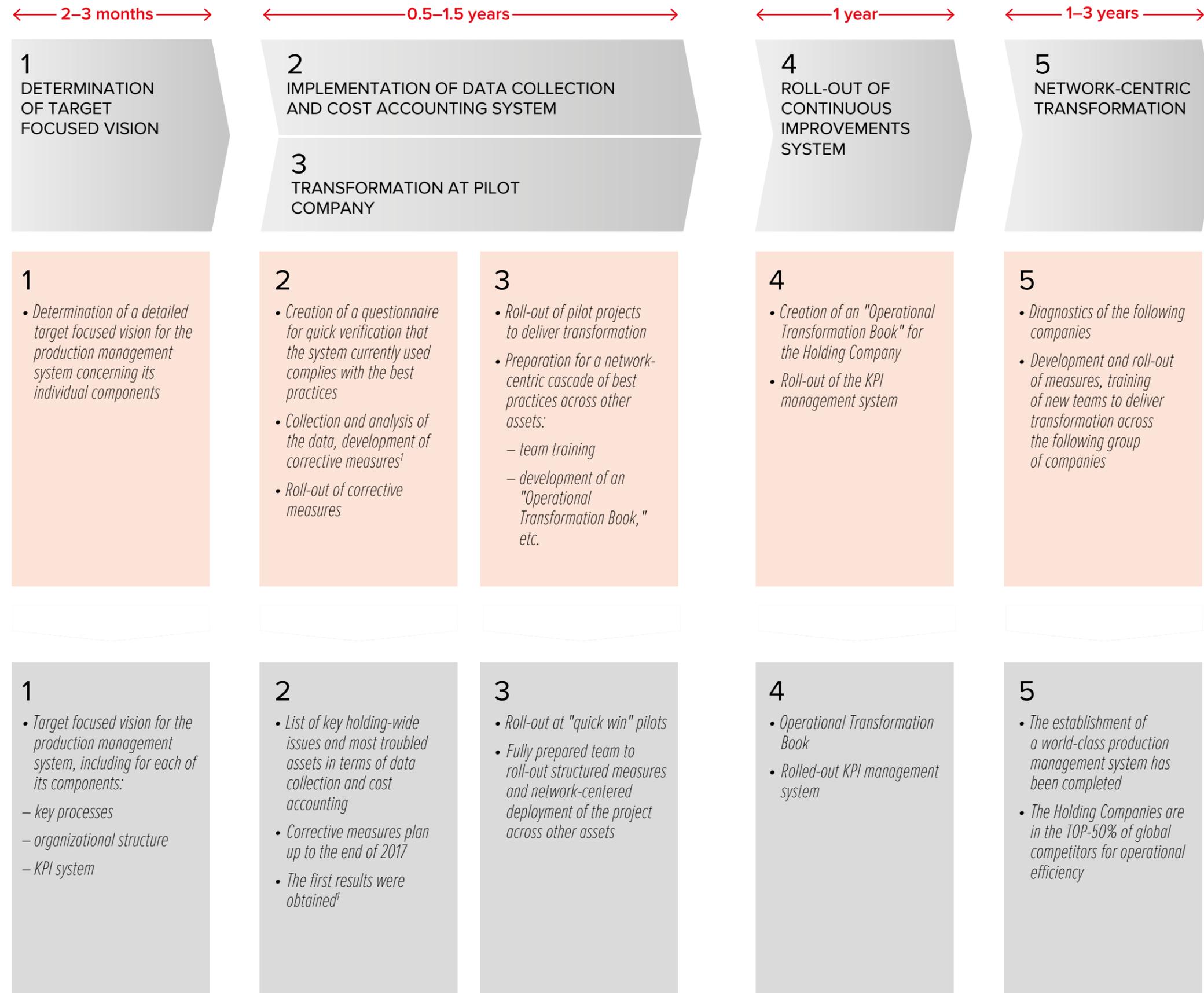


5–10%

optimal proportion of management personnel



The Process of Building a World-class Production System



The roll-out of the 2025 Strategy is not feasible without the establishment of a world-class production system. The creation of the world-class production management system includes the optimization of all processes, such as planning, logistics, purchasing, production and others, the creation of an effective organizational structure, the creation of an operational system for personnel motivation and flexible data collection and cost accounting systems. The process to set up a production system which meets global best practices is divided into a few stages.

¹ For instance, the core technical documents were collected and systematized.
Source: Analysis of strategic research areas chosen by Rostec State Corporation.

TASKS

RESULTS

3_2 KPI and Remuneration System

The incentive system at Rostec State Corporation is currently used to incentivize the attainment by the structural subdivisions and employees of the Corporation of the specified key performance indicators (KPIs), reflecting the tasks and functions of the structural subdivisions and employees and enabling the attainment of the strategic objectives of the Corporation, delivery of the functions assumed by the Corporation, exercise of the powers concerning the respective lines of business.

The analysis into the best practices showed the need to review and upgrade the existing incentive and remuneration system in 2015. In May 2015, the new incentive system was launched in the Central Office of the Corporation. In line with the Bonuses Regulations, the correlation was identified between the amount of bonuses and the category of personnel positions and a degree of impact on the attainment of the overall KPIs, assessment of the inter-functional interactions and execution discipline. In 2015, for the first time, within the dialogue on goals, the KPIs were identified for the direct reports of the General

Director. In 2016, the work was continued to improve the incentive system and set up the balanced KPIs system.

The new remuneration and incentive system for the holdings management provides the following conditions:

- the fixed salary for the management of holdings will be increased to average market levels in the industrial sector;
- the share of the salary within the overall remuneration structure was increased from 15–30% up to 50%;
- the remaining portion will be payable in the form of a target bonus based on the KPIs attained by the holding;
- in the event of the KPIs being significantly exceeded, additional remuneration will be payable up to 10% of the target bonus.

The analysis into the best practices showed the need to review and upgrade the existing incentive and remuneration system in 2015. In May 2015, the new incentive system was launched in the central office of the Corporation.

10%

of the target bonus

will be payable in the event of the KPIs being significantly exceeded



Accounting for the specifics of the holding activities, an individual bonus card was developed for each CEO, including a number of KPIs groups:

1. The "CEO Performance" group of indicators, including core financial and economic performance indicators, most significant for the Corporation and the holding; dividend flows to the Corporation, return on invested capital (ROIC), consolidated net profit margin, consolidated revenues from products sales, revenues from non-military products sales, etc.
2. The "Specific Holding KPIs" group of indicators, reflecting the effectiveness of the CEO in addressing the strategic objectives and significant projects of the holding.
3. The "CEO Performance Evaluation" group of indicators.

A NEW REMUNERATION SYSTEM FOR THE MANAGEMENT OF HOLDINGS HAS BEEN ADAPTED TO ACCOUNT FOR THE INDIVIDUAL BUSINESS GOALS OF EACH HOLDING.

The top-down instructive methods to set the unified financial KPIs for all holdings was replaced by a dialogue-based approach on the goals and new performance indicators for KPIs. When calculating remuneration payments, both short-term results and performance within the projects will be factored in, enabling a growth of the holding capitalization in the medium and long term.

The holdings will be provided with more leeway to set the remuneration levels for managers of their subsidiaries. The new system will provide for the transfer of the powers concerning the remuneration management for directors of subsidiaries from the Central Office to the holdings, in which case the Central Office will retain only the functions concerning methods support and budgetary controls.

The next stage within the system to develop the remuneration system for key holding managers and the Corporation's central office will include efforts to create a long-term reward program based on the attainment of medium-term KPIs, training in KPIs cascading and the development of a results-oriented culture.

4 *Review of Operational Activities*

4.6

**BILLION DOLLARS —
MILITARY PRODUCT
EXPORTS BY**

ROSTEC STATE CORPORATION
IN 2015



4_1 Industrial Clusters – The New Key Business Unit of the Corporation

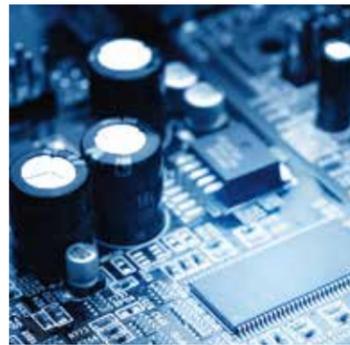


**AVIATION
CLUSTER**



A. Serdyukov

1. *Technodynamika JSC*
2. *Russian Helicopters JSC*
3. *United Engine Corporation JSC*
4. *Concern Radio-Electronic Technologies JSC*



**ELECTRONICS
CLUSTER**



S. Kulikov

1. *Russian Electronics JSC*
2. *Unified Instrument Manufacturing Corporation JSC*
3. *Shvabe JSC*
4. *Ruselectronics JSC*
5. *Concern Avtomatika JSC*
6. *RT-Business Development JSC*
7. *RT-INFORM LLC*



**CONVENTIONAL WEAPONS,
AMMUNITIONS AND SPECIAL
CHEMICALS CLUSTER**



S. Abramov

1. *Scientific-Production Concern Machine Engineering Technologies JSC*
2. *NPO High-Precision Systems JSC*
3. *The Concern Kalashnikov JSC*
4. *NPO Scientific-Production Association Splav JSC*
5. *TSNIITOCHMASH JSC*
6. *Izhevsk Mechanical Plant JSC*
7. *L.N. Koshkin KBAL OJSC*

The creation of industrial clusters is a new approach for corporate governance.

The Corporation created 6 industrial complexes (clusters): aviation, radio-electronics, general weaponry, ammunitions and special chemicals, automobile design, general machinery construction, bioclusters.



**AUTOMOBILE
CONSTRUCTION CLUSTER**



S. Skvortsov

1. *AVTOVAZ OJSC*
2. *KAMAZ PJSC*
3. *RT-Auto JSC*
4. *VO Technopromexport JSC*
5. *AVTOVAZTRANS JSC*
6. *Industrial holding Auto Components JSC*



**GENERAL MACHINERY
CONSTRUCTION CLUSTER**



R. Deniskin

1. *Stankoprom JSC*
2. *Aviatechpriemka JSC*
3. *RT-Chemcomposite JSC*



BIOCLUSTER



A. Nazarov

1. *National Immunobiological Company JSC*

Aviation cluster

The aviation cluster of Rostec State Corporation is the largest in terms of revenues.

It includes the following holding companies:
Russian Helicopters, United Engine Corporation, Technodynamika and Concern Radio-Electronic Technologies (KRET).

Interview with the Industrial Director of the Aviation Cluster, A. Serdyukov

WHAT ROLE DOES THE CLUSTER HAVE WITHIN THE CORPORATION?

The aviation cluster is essential both for the Corporation, as it delivers over half of the aggregate revenues, and for the country as a whole. The cluster's competences are focused on the development and production of engines, avionics, aviation equipment and helicopter equipment. So the cluster produces virtually the full range of products: from the heart of the airplane (engine) to its eyes (avionics).

WHAT ROLES DO COMPANIES BELONGING TO THE CLUSTER PLAY IN THE RESPECTIVE INDUSTRIES IN WHICH THEY ARE PRESENT?

The cluster's organizations are industry leaders and are the most well-organized companies in the aviation industry. They develop and manufacture modern examples of aviation equipment and its components; helicopter equipment, aviation engines for civil and military aviation, navigation and communications equipment, weaponry control systems, fuel-provision, hydraulics, electrical, anti-icing, evacuation, oxygen-provision, fire safety and other aviation systems, chassis, paratrooper equipment, equipment for servicing ground-based aviation equipment. In addition, the cluster's companies manufacture gas turbine units for ground-based use and radio-electronic support systems.



Electrical drive for chassis wheels

The system equipped with the electrical drive for chassis wheels is designed for regional and short-haul planes. They enable planes to taxi across the airport without the use of cruise engines, thus reducing fuel use by 4%, wear and tear of engines and the risk of engine damage due to the entry of foreign objects while taxiing. One of the key components of the system is an electrical engine, integrated within the main chassis support system.

THE CONSOLIDATED REVENUES OF
THE CLUSTERS IN 2015 AMOUNTED TO

528.3
BILLION RUBLES

THE CONSOLIDATED NET PROFITS OF
THE CLUSTERS IN 2015 AMOUNTED TO

34.6
BILLION RUBLES





The cluster's products are well recognized in the global markets. In particular, **the holding Russian Helicopters is one of the global leaders, with a 10% share of the helicopters market.**

WHAT IMPACT DO EXTERNAL ECONOMICAL FACTORS HAVE ON THE CLUSTERS? HOW WELL IS THE CLUSTER PREPARED FOR EXTERNAL CHALLENGES?

In spite of the complicated foreign policy situation, the cluster holdings managed to retain key links with foreign partners.

At the same time, due to the decrease in ruble exchange rates, the cluster products now have obtained additional advantages on the export markets.

International cooperation will continue to develop, which will enable the cluster to strengthen its position across the global markets.

A. SERDYUKOV

Industrial Director of the Aviation Cluster

And import substitution programs were rolled-out. A list of measures is being developed, enabling a transition to the production of Russian-based components, as there is the need to create and develop competences that are currently lacking.

WHAT STRATEGIC GOALS DOES THE CLUSTER PURSUE? IN WHAT WAYS DO YOU PLAN TO ACHIEVE THESE GOALS?

In line with the approved Corporation Strategy, the main strategic goals for the cluster include an increase in revenues, on average, by 14% in ruble terms by 2025, an increase in the share of non-military products, an increase in operational efficiency and entry into global markets.

HOW DO YOU PLAN TO ACHIEVE SUCH AMBITIOUS GOALS?

The increase in cluster revenues will be achieved primarily through high-potential cluster products for Russian-produced aircraft, such as the 556-100 and MS-21, as part of the drive towards import substitution.

Another major driver of the growth is the supply of components to foreign producers of airplanes, which will enable long-term growth and cluster sustainability. The primary goal in this area is to obtain international certificates for products and production processes. We see fantastic opportunities in connection with the latest developments on the military and non-military markets of India and China. **Along with our work to boost sales of aviation products, we will develop after-sales services and increase the share of services in our revenue flows.**

In addition to the aviation products, we also see significant potential in the development of ground-based gas turbine equipment and the roll-out of new innovative products, leveraging the cluster competences in the aviation industry in other machine engineering sectors.

IN WHAT WAYS DO YOU PLAN TO INCREASE THE OPERATIONAL EFFECTIVENESS OF THE CLUSTER?

Effectiveness In order to improve operational efficiency across the cluster companies, we will continue to roll-out lean production principles. Even today we can see impressive results in this regard across the cluster companies. In particular, this is evident at Saturn NPO, which produces aviation engines.

Besides our effort to roll-out lean production principles, we will also carry out technology audits and audits of production efficiency. These measures will enable us to identify the core areas which need to be improved in respect of all aspects of the cluster production system: the management of efficiency, workload, logistics, purchasing, quality, repairs, while also focusing on production and purchasing planning.

Based on the results of our audits, we will develop a set of measures to improve efficiency in the highest-priority areas across pilot companies. Then we will apply the best practices across all companies within the cluster.

DO THE CLUSTER COMPANIES WORK WITH ANY PARTNERS? ARE THERE ANY PLANS TO DEVELOP THIS IN ORDER TO RAISE ADDITIONAL FINANCING, OBTAIN THE REQUIRED COMPETENCES AND ACCESS NEW MARKETS?

The cluster companies successfully work with partners. For instance, PowerJet, a joint venture set UP by ODK and Safran, produces engines for THE SaM-146 and SSJ-100. Russian Gas Turbines, a company set up by ODK, General Electric and Inter RAO, produces turbines for the power generation industry. Russian Helicopters, AgustaWestland and Rosneft partner in the joint venture Helivert, which is engaged in the assembly of medium-size helicopters. Technodynamika Holding is developing with Curtis Wright a fire protection system for the MS-21. These are just some examples of collaborative efforts with our foreign partners. There is no question that international cooperation will continue to expand, enabling the cluster to strengthen its position, obtain new competences and tap the global market of aviation engines, equipment and avionics.

*In November 2015, **Anatoly Serdyukov** was appointed to the position of the Industrial Director of Rostec State Corporation, where he supervises the aviation industry. In 2007–2012, Anatoly Serdyukov headed the Supervisory Board of the Corporation. In 2001–2004, he headed the Federal Tax Service of the Russian Federation. In 2001–2012, he held the position of Defense Minister of the Russian Federation. In 2012–2015, he headed the Federal Research and Testing Center for Machine Engineering. Since December 2015, he has held the position of Member of the Board of Directors of United Engine Corporation, KRROT JSC and the Russian Helicopters holding. Since February 2016, he has held the position of Chairman of the Board of Directors of Technodynamika JSC.*

Profile for Holding Companies of the Aviation Cluster



Technodynamika JSC Holding

TECHNODYNAMIKA HOLDING SPECIALIZES IN THE DEVELOPMENT, PRODUCTION AND AFTER-SALE SERVICING FOR SYSTEMS AND EQUIPMENT FOR CIVIL AND MILITARY AIRPLANES AND HELICOPTERS, PRODUCING A RANGE OF PRODUCTS FOR THE SPACE AND OIL & GAS INDUSTRIES, TRANSPORTATION SECTOR AND OTHERS.

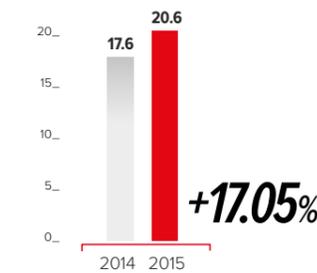
The holding supplies its products for Russian airliners, transportation airplanes and helicopters. The holding has a 75% share in the transportation aviation segment, a 63% share in the military aviation segment and a 17% share in the passenger aviation segment.

In 2015, the holding successfully completed the development and testing of the new products for the SSJ-100, MS-21, Ka-62, and Il-112 B.

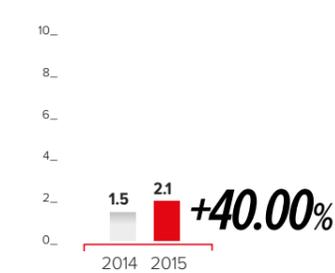


CEO
Maxim Vadimovich Kuzyuk

Consolidated Revenue, 2014–2015, billion rubles



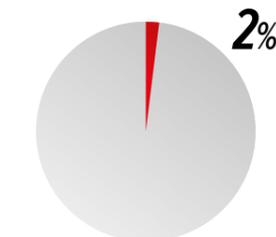
Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

20.6
BILLION RUBLES

Share in Revenues of Rostec State Corporation



Holding Net Profits in 2015 reached

2.1
BILLION RUBLES

Number of Employees

13,600 persons

Board of Directors*



Evgeny Mikhailovich Alexeev



Andrey Ivanovich Boginsky



Elena Alexandrovna Georgieva



Maxim Vadimovich Kuzyuk



Anatoly Eduardovich Serdyukov



Zhanna Nikolaevna Skorina



Alexey Innokentyevich Fedorov

* the management teams of companies included in the industrial clusters are specified as of December 31, 2015.



Russian Helicopters JSC Holding

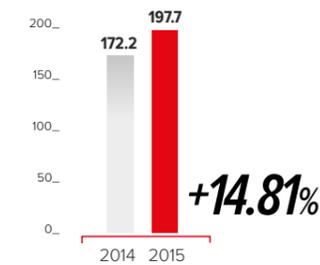
NUMBER ONE GLOBAL PRODUCER IN THE STRIKE, MEDIUM-HEAVY AND SUPER-HEAVY HELICOPTER SEGMENT.

The holding's share of the global civil and military helicopters market stands at 14%. The holding's products account for 35% of the global fleet of battle helicopters and 50% of medium-sized military transportation helicopters. Within the global non-military helicopters fleet, the holding's products account for 71% among the 20 t plus medium takeoff weight helicopters and 69% among the 7–20 t helicopters. The holding companies have developed unique technologies, which were used in the global best-sellers and best-achievers: Mi-8/17 – the world's most popular helicopter, Mi-26(T) – the helicopter with the highest lifting capacity, Ka-32A11VC – a multi-purpose helicopter with a coaxial bearing rotor system. In 2015, Russian Helicopters Holding supplied 212 helicopters to buyers. As of December 2015, the fixed-order portfolio included 494 helicopters.

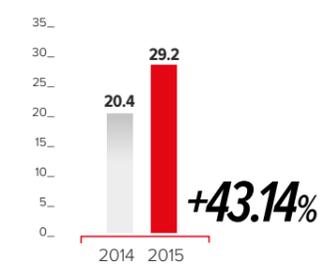


CEO
Alexander Alexandrovich Mikheev

Consolidated Revenue, 2014–2015, billion rubles



Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

197.7
BILLION RUBLES

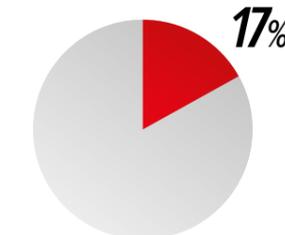
Holding Net Profits in 2015 reached

29.2
BILLION RUBLES

Number of Employees

41,800 persons

Share in Revenues of Rostec State Corporation



Board of Directors:



Vladimir Vladimirovich Artyakov



Andrey Ivanovich Boginsky



Alexander Alexandrovich Dynkin



Alla Sergeevna Laletina



Dmitry Yuryevich Lelikov



Alexander Alexandrovich Mikheev



Sergey Viktorovich Skvortsov



Anatoly Eduardovich Serdyukov



Alexey Innokentyevich Fedorov



United Engine Corporation JSC Holding

UNITED ENGINE CORPORATION JSC IS A LEADER IN RUSSIA'S ENGINE CONSTRUCTION INDUSTRY, OWNING OVER 85% OF THE INDUSTRY'S ASSETS.

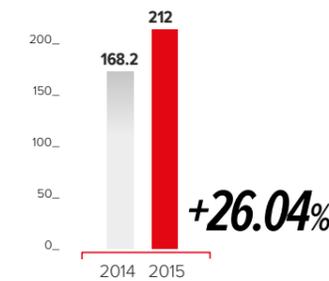


The holding manufactures high-demand engine models for space vessels, civil and military aviation, helicopters, engines for boats, turbine units for pumping oil and gas, and power units. The holding has launched high-potential developments such as the new-generation engine for the PD-14 civil aircraft, the NK-33 engine for the Soyuz launch vehicle, the SaM146 engine for the SSJ-100 and the engine for VK-2500PS helicopters.

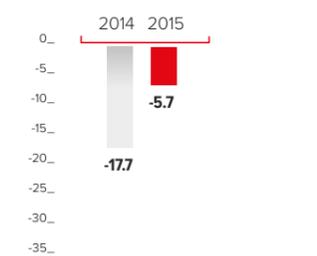


CEO
Alexander Viktorovich Artyukhov

Consolidated Revenue, 2014–2015, billion rubles



Consolidated Net Loss, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

212
BILLION RUBLES

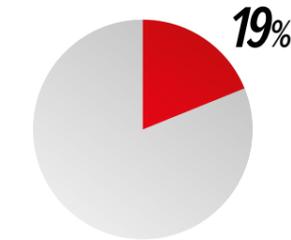
Holding Net Loss in 2015 reached

-5.7
BILLION RUBLES

Number of Employees

88,500 persons

Share in Revenues of Rostec State Corporation



Board of Directors:



Alexander Viktorovich Artyukhov



Vladimir Vladimirovich Artyukov



Andrey Ivanovich Boginsky



Dmitry Yuryevich Lelikov



Anatoly Eduardovich Serdyukov



Alexey Innokentyevich Fedorov



Kirill Valeryevich Fedorov



Concern Radio-Electronic Technologies JSC (KRET) Holding

THE HOLDING HOLDS A LEADING POSITION IN THE FIELDS OF RADIO-ELECTRONIC BATTLE SYSTEMS AND STATE IDENTIFICATION, AVIATION EQUIPMENT AND RADIO-ELECTRONIC EQUIPMENT, AS WELL AS MEASURING EQUIPMENT FOR VARIOUS USES.

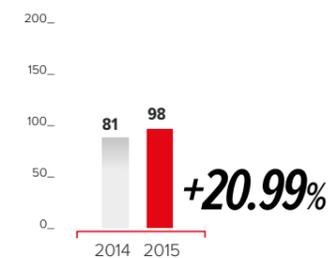
The development and production of nodes, systems and aviation electronics for military and civil aircraft accounts for over 70% of the revenues of KRET. KRET's products account for about 40% of the avionics market and aviation electronics for military aviation and about 60% of the military and transportation helicopters segment.

In 2015, KRET delivered to the RF Ministry of Defense Krasukha electronic warfare systems, Khibiny, Vitebsk and Rychag-AV aviation systems for group and individual defense, and Garmon mobile small-size radar systems.

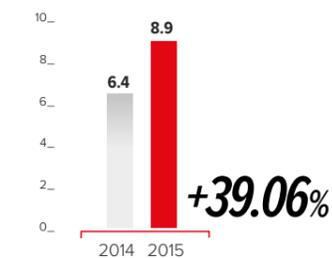


CEO
Nikolay Alexandrovich Kolesov

Consolidated Revenue, 2014–2015, billion rubles



Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

98
BILLION RUBLES

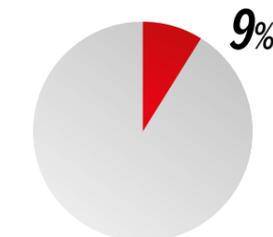
Holding Net Profits in 2015 reached

8.9
BILLION RUBLES

Number of Employees

50,700 persons

Share in Revenues of Rostec State Corporation



Board of Directors:



Alexey Alexandrovich Aleshin



Nikolay Alexandrovich Kolesov



Yury Nikolaevich Koptev



Alla Sergeevna Laletina



Anatoly Eduardovich Serdyukov



Sergey Vladimirovich Khokhlov



Yulia Dmitrievna Tsvetkova

Electronics cluster

The electronics cluster holds second place in the Corporation in terms of revenues. In accordance with the Corporation's classification, the following sectors, among others, are included in the radio-electronics industry: production of telecommunications equipment, electronics, data leak prevention systems, identification and access

control systems, cyber-space intrusion identification and prevention systems, OLEDs, biometric control systems, business analytics systems, automated vision and automated production processes management systems, quantum computing ciphering systems. The electronics cluster has extremely high potential for the transition from machinery to high-tech products.

THE CONSOLIDATED REVENUES
OF THE CLUSTER IN 2015 AMOUNTED TO

212.1
BILLION RUBLES

THE CONSOLIDATED NET PROFITS
OF THE CLUSTER IN 2015 AMOUNTED TO

21.3
BILLION RUBLES

Interview with the Industrial Director of the Electronics Cluster, S. Kulikov

WHAT IS THE ROLE OF THE INDUSTRIAL DIRECTOR?

One of the key goals is to ensure the cluster-wide roll-out of the updated strategy of the Corporation and to attain the strategic corporate objectives. In order to do that, among other things we need to increase capitalization of the asset portfolio, strengthen and grow the cluster's position across the target industry markets.

WHAT STRATEGIC GOALS DOES THE CLUSTER PURSUE? IN WHAT WAYS DO YOU PLAN TO ACHIEVE THESE GOALS?

The key focus within the cluster strategy is to reach the level of our globally leading competitors in terms of revenues. Within the next 10 years, we are set to attain average annual revenue growth rates in the electronic cluster of 21%. Such growth rates are feasible due to our focus on high-potential segments of the electronics market: new-generation telecommunications equipment, communications systems, IT infrastructure, medical equipment, optical devices. Meanwhile, **the share of non-military products will rise from 8% to 50% by 2025.** In addition, we will work to attain growth in operational efficiency – up to the level of the TOP-50% global competitors by 2020 and TOP-25% by 2025.



Non-Invasive Brain Computer Interface

The "Brain Computer" enables us to control electronics and mechatronic means through our thoughts. These technologies open up new opportunities in medicine for prosthetics and invalid rehabilitation, suffering from various motor deficiencies, as well as the development of Russian robotics as a whole.

WHAT MAKES YOU CERTAIN THAT SEVERAL-FOLD GROWTH RATES WILL BE ATTAINABLE IN THE NON-MILITARY PRODUCTS MARKETS?

The main thing we need to do to achieve the objectives is to streamline our product portfolio across the cluster companies. In particular, we will seek to expand our coverage and strengthen our position in the most high-potential non-military product markets, selected based on the Strategy-2025. We will streamline the cluster assets portfolio by divesting non-core assets. In addition, we will specifically drive growth in operational efficiency across all cluster companies by improving the personnel performance, upgrading technologies, reducing the share of indirect costs, increasing production capacities, streamlining capital costs, while also building up a modern system to manage the sales of non-military products and deliver strategic marketing initiatives. Naturally, in order to achieve these goals, we will search for strategic partners, who will be able to contribute the required competences and investments to the cluster.

YOU SAID THAT THE ELECTRONIC CLUSTER MANUFACTURES MODERN PRODUCTS, AND IS ON PAR WITH MAJOR GLOBAL COMPETITORS. WHAT ADVANTAGES DO YOU HAVE AS OF NOW?

Today, we lead, primarily, in the military and dual-use markets, such as automated special-purpose control systems, communications systems and equipment, telecommunications equipment for military forces, cipherng, optics and electronics systems for military use, and laser and heat-vision systems. Many of these products have a high potential in terms of adapting some of the most interesting solutions for non-military needs.

Today, we also have successful non-military products, and Shvabe JSC plays a key role in the medical equipment market, producing and exporting modern neo-natal equipment.

WHAT PARTNERSHIP AGREEMENTS WERE CONCLUDED IN 2015?

The Corporation and Sberbank co-founded the company AST GOZ to create a unified electronics platform with a focus on trading in respect of state defense orders. United Instrument Manufacturing Corporation will provide technical support. Russian Electronics concluded an agreement with China's ZTE, a leading supplier of telecommunications equipment and network solutions. We will work jointly in order to develop innovative technology: integrated solutions, based on GoTa technology, i.e. digital trunked products, "Smart City" solutions, the "Intellectual Transportation System" and the "Intellectual Antennae System."

United Instrument Manufacturing Corporation and Concern VKO Almaz-Antey entered into a partnership to develop on-board transponders and simulators. Shvabe-Nanotech and Tenzo-sensor concluded an agreement on intentions concerning joint developments, the testing and setting up of the production of multi-use optical mini-sticks at the companies of the Shvabe Holding.

WHAT IMPACT DO EXTERNAL ECONOMICAL FACTORS HAVE ON THE CLUSTERS? HOW WELL IS THE CLUSTER PREPARED FOR EXTERNAL CHALLENGES?

The slowdown in the markets in which the cluster

The slowdown in the traditional markets makes it necessary to tap new high-growth segments.

S. KULIKOV

Industrial Director of the Electronics Cluster

companies were traditionally leading requires us to tap new high-growth segments, which fully correlate with the objectives set forth by Rostec's Strategy. In particular, the cluster companies are set to launch in 2016 high-potential non-military telecommunications equipment and are developing non-military robotics, while also expanding their presence in the medical equipment market.

In terms of exchange rate risks, we are not strongly dependent on imported components. The cluster companies are gradually transitioning to Russia-produced components with product quality maintained. In addition, **in 2016 we plan to start up a large-scale program to improve operating efficiency, seeking to reduce production costs and boost the competitiveness of the cluster products.** Consequently, in spite of the falling ruble exchange rates, the holdings within the electronics clusters have a number of competitive advantages, including pricing, as compared to foreign competitors.

WHAT PROJECTS DID RUSSIAN ELECTRONICS COMPANIES DELIVER IN 2015?

United Instrument Manufacturing Corporation Holding rolled out major systemic projects to develop communications systems and IT-infrastructure. In addition, United Instrument Manufacturing Corporation and RT-Inform LLC began supplying telecommunications equipment to the Corporation companies.

Shvabe Holding developed a new modified model of the MIM-340 microscope, which enables 3D images of a live cell in real time to be displayed. It is a unique development. Its rays pose no risk to the cells, so it is possible to observe in real time, for instance, erythrocytes in the blood and their reactions to various external impacts from medicines and other products.

Shvabe is engaged in the creation of energy and laser-based optical space-based systems for the conversion of solar energy into laser radiation using an oxygen-iodine laser.

As part of the import substitution program, the holding is engaged in the production of optics quartz glass, having a high homogeneity and transparency within a broad spectral range.

In line with long-term contracts, Shvabe has worked to design, construct and maintain a full street lighting system with a full life cycle for the RF regions.

Russian Electronics Holding began to work on an inspection system, which is based on innovative technical solutions and well-tested technologies. This system will enable railway cars to be inspected, providing a wide range of capabilities for quality and high speed inspections of vehicles at high velocities. The Russian Borders Protection Agency and RF FTS will be the recipients of this system.

Avtomatika Holding is working on the technology to develop and produce mobile phones, including those based on the YotaPhone-2 smartphone. In addition, it is developing the technology to produce domestically displays based on OLED technology.

In 2015, the National Center of Informatization (NCI) reached a deal to purchase a 100% stake in Bars Group, which has extensive experience in developing IT systems for state companies. The synergistic efforts of the teams from NCI and Bars Group will enable the competences of NCI to be significantly expanded and full-cycle software production to be set up for a wide range of sectors, including ERP systems, cloud platforms and mobile applications.

In addition, the joint team of NCI will take part in designing the communications system for the upcoming 2018 World Cup as a single-point holder of these competences, acting on behalf of Rostec Corporation, which won the tender.

Sergey Kulikov has worked in Rostec State Corporation since 2008. In 2009–2013, he managed the CEO Administration. Since 2013, he has been the Managing Director of the Corporation. The scope of his responsibilities includes the Corporation's strategy, organizational development, IT, communications and analytics. Sergey Kulikov is the Chairman of the Boards of Directors of RT-Inform LLC, RT-Global Resources LLC, RT-Business Development LLC, as well as a Member of the Supervisory Board of the Industry Development Fund, a Member of the Management Board of the Russian Engineering Union, a Member of the Boards of Directors of Yota Holding, Yota Devices, and MegaFon.



Profile for Holding Companies of the Electronics Cluster



United Instrument Manufacturing Corporation (UIMC) JSC

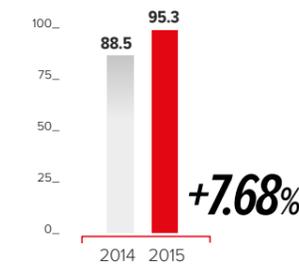
DEVELOPER AND MANUFACTURER OF PRODUCTS IN THE AREA OF COMMUNICATIONS SYSTEMS AND DEVICES, AUTOMATED CONTROLS SYSTEMS, RADIO-ELECTRONIC SECURITY AND ROBOTIC SYSTEMS.

The projects currently being implemented by UIMC include the development of a 6th-generation army communications system and modern on-board communications systems for aviation, the creation of a modern radar system for surveillance and monitoring for different purposes. One of the major projects currently underway at UIMC is the setting up of the mass production of new generation high-density electronics – compact 3D microsystems. Throughout 2014 the holding had a 60% share of the overall supplies of communications systems, automated controls systems and radio-electronic battle systems delivered to the Russian Army and other law enforcement agencies.

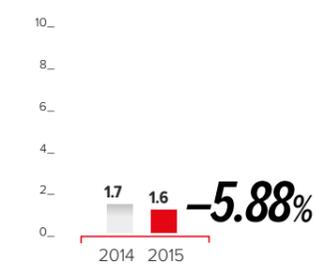


CEO
Alexander Sergeevich Yakunin

Consolidated Revenue, 2014–2015, billion rubles



Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

95.3
BILLION RUBLES

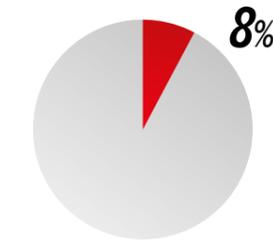
Holding Net Profits in 2015 reached

1.6
BILLION RUBLES

Number of Employees

41,500 persons

Share in Revenues of Rostec State Corporation



Board of Directors:



Andrey Ivanovich Boginsky



Andrey Ivanovich Borisov



Igor Ilyich Kozlov



Sergey Alexandrovich Kulikov



Alla Sergeevna Laletina



Kirill Valeryevich Fedorov



Alexander Sergeevich Yakunin



Russian Electronics JSC

PRODUCER OF ELECTRONIC EQUIPMENT, ELECTRONIC MATERIALS AND EQUIPMENT FOR THEIR PRODUCTION, MICROWAVE EQUIPMENT AND SEMI-CONDUCTOR DEVICES, COMMUNICATIONS SUB-SYSTEMS, COMPLEX AND TECHNICAL MEANS OF COMMUNICATION, AND AUTOMATED AND INFORMATION SYSTEMS.

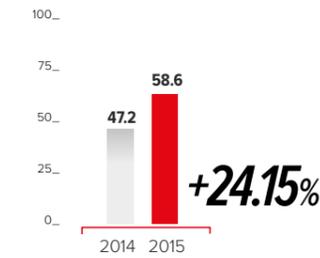


Russian Electronics is currently implementing Russia's only project for the full-cycle mass production of LED lamps. The holding company produces over 50% of the electronic components in Russia.

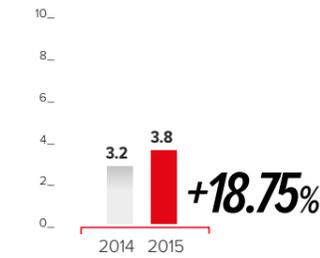


CEO
Andrey Vladimirovich Zverev

Consolidated Revenue, 2014–2015, billion rubles



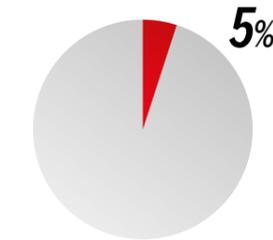
Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

58.6
BILLION RUBLES

Share in Revenues of Rostec State Corporation



Holding Net Profits in 2015 reached

3.8
BILLION RUBLES

Number of Employees

38,900 persons

Board of Directors:



Gleb Sergeevich Nikitin



Andrey Vladimirovich Zverev



Kirill Andreevich Gaidash



Zhanna Nikolaevna Skorina



Igor Ilyich Kozlov



Vladimir Zalmanovich Litvin



Shvabe JSC

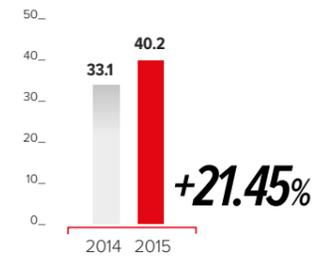
THE HOLDING COMPRISES DEVELOPERS AND MANUFACTURERS OF HIGH-TECH OPTICAL PRODUCTS.

The company developed the Geoton-L1 optical-electronic system for the Resource-P space satellite, the Aurora wide-span multi-spectrum optical-electronic system for the Aist-2D small spacecraft, mast, dwarf and road light signals, LED signs and lamps, as well as its new device Green Bar – a speed indicator for the railways. The estimated share of Shvabe Holding in the Russian market is 72%, and the estimated approximate aggregate share in the global market is 9%.

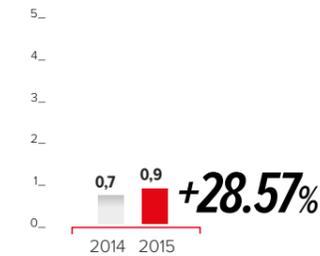


CEO
Alexey Pavlovich Patrikeev

Consolidated Revenue, 2014–2015, billion rubles



Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

40.2
BILLION RUBLES

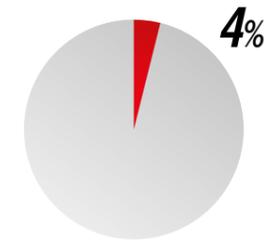
Holding Net Profits in 2015 reached

0.9
BILLION RUBLES

Number of Employees

18,400 persons

Share in Revenues of Rostec State Corporation



Board of Directors*



Ilya Iosifovich Klebanov



Alexey Pavlovich Patrikeev



Sergey Alexandrovich Kulikov



Yulia Dmitrievna Tsvetkova



Alexander Sergeevich Ruban



Anna Nikolaevna Sharipova



Igor Ilyich Kozlov

* the composition of the Board of Directors is specified as of April 12, 2016.



Concern Avtomatika JSC

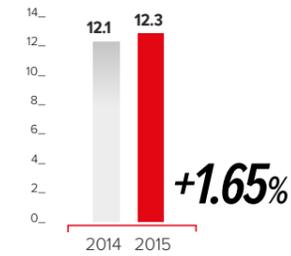
RUSSIA'S LARGEST COMPANY IN THE DEVELOPMENT AND PRODUCTION OF INFORMATION SECURITY EQUIPMENT.

Concern Avtomatika developed the telephone protection devices Buket and Priz, the Saphir-K GSM-standard special-purpose mobile connection terminal, the KORD K digital information encryption devices and the GAMMA-M subscription encryption devices for fax and documented information. The share of Avtomatika Concern in this segment is about 20%.

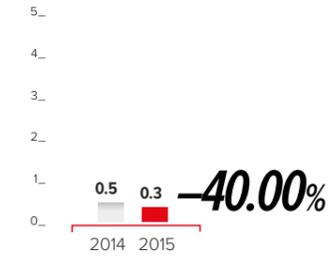


CEO
Sergey Anatolyevich Bukashkin

Consolidated Revenue, 2014–2015, billion rubles



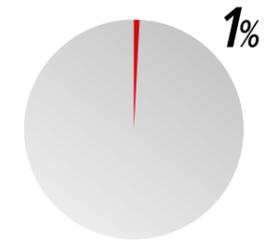
Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

12.3
BILLION RUBLES

Share in Revenues of Rostec State Corporation



Holding Net Profits in 2015 reached

0.3
BILLION RUBLES

Number of Employees

9,100 persons

Board of Directors:



Nikolay Anatolyevich Volobuev



Mikhail Ivanovich Kritenko



Igor Ilyich Kozlov



Alexander Vasilyevich Tsarenko



Sergey Vladimirovich Khokhlov



Andrey Alexandrovich Smotrisky

RT-Business Development JSC

THE FINANCIAL AND INDUSTRIAL GROUPS AND HOLDINGS MANAGEMENT COMPANY.

Currently, the assets of RT-Business Development include the shareholdings in Yota Holding Limited, Yota Devices, Aviakapital-servis LLC, The National Center of Informatization LLC, VSMPO-AVISMA Corporation PJSC, MegaFon PJSC. In 2015, the share capital of RT-Business Development LLC was increased by the contribution of 100% of the RT-Global Resources LLC shares.

CEO:

Andrey Vladimirovich Korobov

Board of Directors:

Sergey Alexandrovich Kulikov
Andrey Vladimirovich Korobov
Alla Sergeevna Laletina
Yekaterina Viktorovna Lapshina
Sergey Viktorovich Skvortsov
Kirill Valeryevich Fedorov
Dmitry Evgenyevich Shugaev

RT-INFORM LLC

ONE OF THE HIGH-PRIORITY AREAS OF BUSINESS FOR THE COMPANY IS THE DEVELOPMENT AND IMPLEMENTATION OF SOLUTIONS, MEETING THE SPECIFIC NEEDS AND BUSINESS OBJECTIVES OF THE PARTICULAR INDUSTRY.

The infrastructure company, acting as a single-point holder of the competences for the trade and procurement activities of the holding companies and Corporation companies in the information technology segment, information security systems and other equipment, the purchase, roll-out and support for software for management and production accounting, the provision of IT services. The company specializes in complex and multi-component projects for Russian companies and holdings.

CEO:

Kamil Kayumovich Gazizov

Board of Directors:

Sergey Gareginovich Aslanyan
Vasily Yuryevich Brovko
Kamil Kayumovich Gazizov
Sergey Alexandrovich Kulikov
Kirill Valeryevich Fedorov
Alexander Sergeevich Yakunin

Ruselectronics JSC

THE INFORMATION AND ANALYTICS CENTER WITHIN THE RUSSIAN RADIO-ELECTRONICS INDUSTRY, CHARGED WITH THE COORDINATION OF THE WORK OF THE INDUSTRY'S COMPANIES IN THE ECONOMICS, SCIENTIFIC AND TECHNICAL POLICY FIELDS AND INTERNATIONAL COOPERATION.

The company provides information and consultation support for Rostec, the RF Ministry of Industry and Trade and other agencies. One of the most important objectives of the Institute is to develop proposals for the integration of domestic radio-electronics into global economics, and identify ways for the further development of competitive radio-electronic devices.

ACTING CEO:

Alena Vladimirovna Fomina

Board of Directors:

Sergey Vladimirovich Khokhlov
Roman Vladimirovich Deniskin
Vasily Yuryevich Brovko
Kamil Kayumovich Gazizov
Alena Vladimirovna Fomina

Conventional weapons, ammunitions and special chemicals cluster

The conventional weapons, ammunitions and special chemicals cluster includes holding companies engaged in the development and

production of high-quality weapons and military equipment, which in certain parameters are superior to their global counterparts.

Interview with the Industrial Director of the Conventional Weapons, Ammunitions and Special Chemicals Cluster, S. Abramov

WHAT ROLE, IN YOUR OPINION, DOES ROSTEC PLAY IN THE DEVELOPMENT OF THE RF ECONOMY?

I am convinced that the Corporation is one of the key drivers for growth and development of our country. The unprecedented resolution, taken by the country's leaders in favor of a significant increase in financing to strength the country's defense capabilities, and, as a result, Rostec's work in this area points to the trust in us and that the strategic objectives, which we have set, are correct. This was acknowledged by the Corporation's leadership, the Government and the President. The major investments, provided by the state, need to be used in order to boost economic growth, which will in turn drive GDP growth in Russia, while also helping to develop intellectual potential, and build up new competences across various markets. This also helps to promote the image of our country, reflected in the products and services which we can offer both in Russia and abroad.



Light-Class Varan Mobile Robot

The Varan Mobile Robot was developed to find explosives, defuse or destroy them on site or deliver them to a special container in a safe location. Varan is capable of operating in conditions of radiation, chemical and biological contamination. The robot is controlled by an operator or can work completely independently in line with the pre-defined program.

To find out more, see page 158

THE CONSOLIDATED REVENUES
OF THE CLUSTER IN 2015 AMOUNTED TO

207.8
BILLION RUBLES

THE CONSOLIDATED NET PROFITS OF
THE CLUSTERS IN 2015 AMOUNTED TO

25.8
BILLION RUBLES



WHAT ROLE DOES THE CLUSTER HAVE WITHIN THE CORPORATION?

The conventional weapons, ammunitions and special cluster plays a key role in Rostec State Corporation. It was established based on assets with a military purpose.

The cluster produces a wide range of modern weaponry systems and ammunitions that are used in the Russian Army. **Virtually all of its companies have a strategic significance for the country's defense capabilities.**

The strategic objectives of the cluster are to grow revenues, increase the share of non-military products and improve operating efficiency.

S. ABRAMOV

Industrial Director of the Conventional Weapons, Ammunitions and Special Chemicals Cluster

The cluster's products are popular abroad and according to certain parameters are superior to their global counterparts.

The cluster truly plays a key role within Rostec's structure due to the fact that the defense industry is one of main lines of business. At the same time, **it accounts for about 1/5 of the Corporation's revenues and employs over 100,000 people across more than 70 cluster companies.**

A good example of our successful work is our resolution of the problems with a number of assets owned by Techmash Holding which were undergoing serious financial troubles in 2013–2014. The cluster holdings, which were virtually on the way to bankruptcy, now have adequate financial stability. We managed to turn them around primary through the effective work of the management teams across all levels; both in the holding companies and the Corporation.

WHAT ROLES DO COMPANIES BELONGING TO THE CLUSTER PLAY IN THE RESPECTIVE INDUSTRIES IN WHICH THEY ARE PRESENT?

The cluster companies develop and manufacture modern weaponries, which are on par or superior to their foreign counterparts in various areas, such as high-precision weaponry, rocket systems, reactive volley fire systems, fire arms, military clothing and accessories, drones and other types of modern weapons and military equipment.

At the same time, the cluster companies use their well-tested competences to manufacture non-military and dual use products, such as metal cutting machines, utilities equipment, radar facilities, explosives and initiating devices, used in production, medical equipment, components for oil and gas equipment, industrial engineering and others.

The military-purpose product line is constantly expanding and improving, and their performance characteristics and other quality indicators are improving. This helps us to get

a stronger hold on the global market – notwithstanding the foreign political issues. The development of non-military products drives collaboration with markets and state bodies, helping us to identify and activate those growth points that will bring success. The investment potential, achieved through state support under the federal target program, will help optimal solutions to be found to the goals related to the development of the civil sector.

WHAT IMPACT DO EXTERNAL ECONOMICAL FACTORS HAVE ON THE CLUSTERS? HOW WELL IS THE CLUSTER PREPARED FOR EXTERNAL CHALLENGES?

Today, the major source of concern and risk is the unfavorable ongoing economic problems and foreign political issues. We see liquidity problems in the financial sector. Virtually all significant risks faced by the Corporation are external, and we are working hard to mitigate and control any internal risks, leveraging our streamlined corporate management systems.

When we look at our military and technical cooperation with other countries, the key driver is always foreign political issues. We try to leverage them in order to open up new opportunities to grow.

WHAT STRATEGIC GOALS DOES THE CLUSTER PURSUE? IN WHAT WAYS DO YOU PLAN TO ACHIEVE THESE GOALS?

Both the Corporation overall, and our cluster in particular, have a range of ambitious goals. Fulfilling state orders and driving military and technical cooperation are at the fore, but developing the civil sector is also an important and ambitious goal for us. At the same time, the focus on non-military products is our response to one of the major challenges that we are going to face – the expected reduction in the State Weapons Program after 2020.

In line with the approved Corporation Strategy, the main strategic objectives for the cluster include an increase in revenues, on average, by 12% in ruble terms by 2025, an increase in the share of non-military products and improvements to operating efficiency.

We will boost revenue growth by driving sales of both existing products and totally new ones (via our high-potential developments) and increasing sales of non-military and dual-use products.

Improving operational efficiency is the main tool that we will use to improve the competitiveness of our products. Whenever we improve operating efficiency, we free up resources that we can use to help our cluster to grow.

An important line of business is to develop our personnel and in particular the creative potential that we have. It is genius ideas and inventions that bring leadership in the majority of weaponry and military equipment markets, when all enablers – structured and smoothly running processes in the defense industry – are in place.

HOW DO YOU PLAN TO ACHIEVE SUCH AMBITIOUS GOALS?

Many of our plants have attained excellent production standards, rolling out products that fully meet international standards. A great example of effective high-tech production is KEMZ, which is a part of High-Precision Systems Holding. This company has successfully delivered

state orders, while also developing non-military products. For instance, the company has set up production facilities for 4- and 5-coordinate machines.

WHICH OF THE HOLDINGS WILL SEEK TO CLAIM LEADERSHIP IN THE CLUSTER IN THE SHORT TERM?

High-Precision Systems Holding is the technological leader within the cluster. It is not only because the holding offers a line of products which enjoys high demand, but also due to the excellent work of the professional management team, whose competences enable it to set and attain ambitious goals. The focus is on the lines of business which open up its high development potential, while methodical and effective work is being done to address any issues that arise along the way. It should also be noted that the Techmash and Splav Holdings and in particular Kalashnikov Concern have a strong technological background and talented management teams, which enable them to make significant contributions to the cluster development.

IN WHAT WAYS DO YOU PLAN TO INCREASE THE OPERATIONAL EFFECTIVENESS OF THE CLUSTER?

The strategies of the Holding Company and Rostec overall pay special attention to efficiency: from an individual employee to the companies within the holding companies and the cluster overall. **We will leverage the strongest competences that we have when rolling out pilot projects and then cascade them across the other companies, seeking to instigate positive changes across the cluster.** This will help us deliver excellent results despite the tough economic and financial environments and international sanctions. In addition, we will work to create the conditions to recruit and develop talented managers in all our activities, whose work will be supported by the experience and in-depth insights of senior colleagues and industry experts.

DO THE CLUSTER COMPANIES WORK WITH ANY PARTNERS? ARE THERE ANY PLANS TO DEVELOP THIS IN ORDER TO RAISE ADDITIONAL FINANCING, OBTAIN THE REQUIRED COMPETENCES AND ACCESS NEW MARKETS?

In spite of the defense orientation that our cluster has and close cooperation with the Defense Ministry and other law enforcement agencies, attracting private partners and investors will become a feasible and effective tool to develop our business. **Kalashnikov Concern is a great example, as they managed to raise private investments and increase the share in their equity of private investors**

Sergey Borisovich Abramov has held the position of Industrial Director at Rostec State Corporation since October 2015. In 2007–2015, he led the Directorship of Railway Stations, while also acting as the Advisor to the President of Russian Railways OJSC. During his work with Russian Railways OJSC Sergey Abramov carried out a large-scale program to upgrade and renovate Russian railway stations. In 2006–2001 he held the position of Auditor of the RF Auditing Chamber. Sergey Abramov held the position of Finance Minister (2001–2003) and Chairman of the Government of the Chechen Republic (2004–2006).



to 49%. The model for private and public partnership enables this company to channel investments used to reform and upgrade a state-owned organization, but also market competencies and improved management quality. At the same time, the state has retained overall control over the company's activities. The professional insights and responsible approach by the investors have already delivered good results; in 2015 Kalashnikov earned 2.4 billion rubles in net profit and its revenues reached 8.2 billion rubles.

In spite of this success, the management team has set ambitious goals to increase sales volumes, in particular, by driving exports, strengthening its presence across the traditional markets and rolling out products across new ones.

We also seek to drive collaboration with other companies and we have a number of major international projects which are currently under development. One of the key goals for us is to test various forms of collaboration – investment, technological and financial partnerships – via a roll-out of pilot projects. An important line of business for us is not only the search for new partners, but also the development of existing relationships.

Profile of the holding companies of the convention weapons, ammunitions and special chemicals cluster.



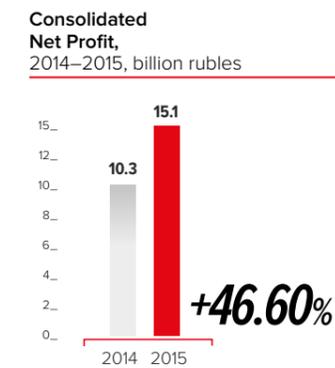
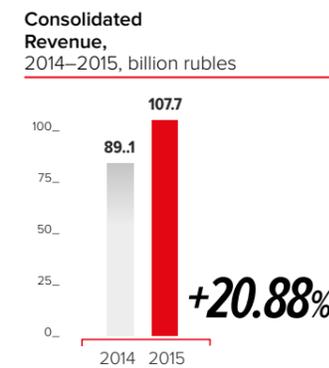
JSC NPO High-Precision Systems

THE HOLDING COMPRISES DEVELOPERS AND MANUFACTURERS OF HIGH-PRECISION WEAPONRY, INCLUDING SPARE PARTS AND COMPONENTS.

The products, manufactured by the cluster companies, have a leading position on the internal high-precision weaponry, operative and tactical market as well as tactical missile systems for ground troops, movable anti-aircraft missile and anti-tank missile systems.



CEO
Alexander Vladimirovich Denisov



Holding Consolidated Revenue in 2015 reached

107.7
BILLION RUBLES

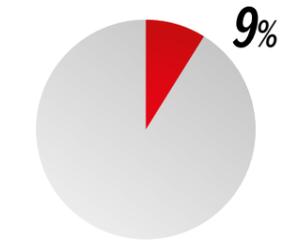
Holding Net Profits in 2015 reached

15.1
BILLION RUBLES

Number of Employees

27,300 persons

Share in Revenues of Rostec State Corporation



Board of Directors:



Sergey Borisovich **Abramov**



Natalya Vladimirovna **Borisova**



Alexander Vladimirovich **Denisov**



Oleg Nikolaevich **Yevtushenko**



Alexander Alexeevich **Kotenkov**



Alla Sergeevna **Laletina**



Igor Anatolyevich **Sheremet**



Scientific Production Concern Techmash JSC

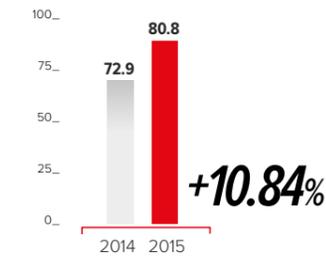
TECHMASH HOLDING COMPRISES DEVELOPERS AND MANUFACTURERS OF ARTILLERY AMMUNITIONS AND SPECIAL CHEMICALS.

The company specializes in the production of ammunitions for the strike group of the Ground Army and Russian Aerospace Forces, weaponry for the main battle systems of the Navy, as well as multi-purpose missile systems for space, anti-air and other weapons systems for nuclear deterrence and battle groups of a various nature. In addition, the company produces food, medical, agroindustrial, ecological, drying and trading equipment, as well as tools and other products.

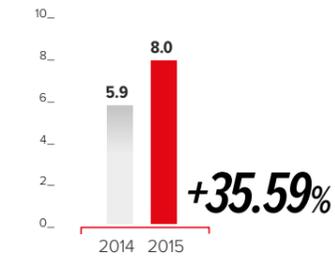


CEO
Sergey Nikolaevich Rusakov

Consolidated Revenue, 2014–2015, billion rubles



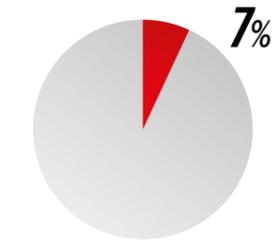
Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

80.8
BILLION RUBLES

Share in Revenues of Rostec State Corporation



Holding Net Profits in 2015 reached

8.0
BILLION RUBLES

Number of Employees

50,000 persons

Board of Directors:



Sergey Borisovich Abramov



Maria Anatolyevna Artamonova



Alexander Veniaminovich Kulikov



Sergey Nikolaevich Rusakov



Ivan Alexandrovich Skrylnik



Andrey Alexandrovich Smotrisky



Yulia Dmitrievna Tsvetkova



Concern Kalashnikov JSC

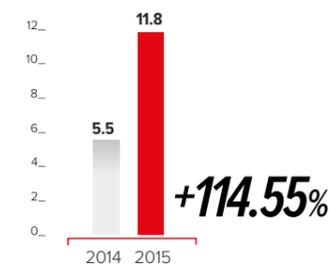
DEVELOPER AND PRODUCER OF AUTOMATED AND SNIPER WEAPONRY, GUIDED ARTILLERY PROJECTILES AND NON-MILITARY PRODUCTS.

Today, the Concern produces the fourth generation Kalashnikov rifles – AK-101, AK-102, AK-103, AK-104, AK-105. At the same time, the company is working to upgrade the most widely used weapon in the Russian Army – the AK-74 rifle. Another popular product made by the company is the Dragunov sniper rifle, which is believed to be the best weapon for army snipers. The special forces order rifles such as the SVDS, SV-98, SV-99, and SV-338, which fully meet their needs. Work is underway to develop new modified versions of sniper weapons. Domestically, Kalashnikov Concern produces 90% of the domestic automated weapons and 95% of the sniper strike weapons.

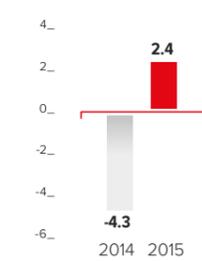


CEO
Alexey Yuryevich Krivoruchko

Consolidated Revenue, 2014–2015, billion rubles



Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

11.8
BILLION RUBLES

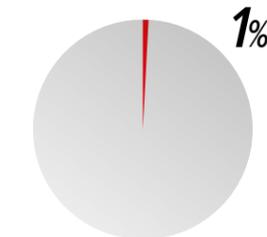
Holding Net Profits in 2015 reached

2.4
BILLION RUBLES

Number of Employees

11,700 persons

Share in Revenues of Rostec State Corporation



Board of Directors:



Andrey Removich Bokarev



Kirill Andreevich Gaidash



Roman Nikolaevich Guda



Alexey Yuryevich Krivoruchko



Alexander Veniaminovich Kulikov



Alla Sergeevna Laletina



Vladimir Zalmanovich Litvin



Boris Vladimirovich Masterenko



Alexander Yuryevich Nazarov

NPO Splav JSC

DEVELOPER OF THE REACTIVE GRAD, URAGAN AND SMERCH VOLLEY FIRE SYSTEMS

The company produces reactive weapons systems for placement on marine vessels against above-water shore targets, heavy fire-throwing systems, non-guided and corrected aviation missiles, artillery weapons systems, light-armor equipment and tanks, shells for various artillery and armored tank weapons, plastic shells, special reactive systems, which feature increased distance, precision and efficiency based on new physical principles, delivery means for anti-boat, anti-torpedo defense, delivery systems for remote mining engineering systems, special weapons systems.

CEO:

Vladimir Nikolaevich Lepin

Board of Directors:

Nikolay Alexandrovich Makarovets
Olga Vadimovna Ozerova
Vladimir Nikolaevich Tikhonov
Alexander Vyacheslavovich Savenkov
Alexander Viktorovich Rozhkov

TSNIITOCHMASH JSC

The company is engaged in the development and production of small arms, ammunitions, small arms simulators, battle outfit for personnel, weapons for airborne forces and BBT protection from high-precision weapons.

CEO:

Dmitry Yuryevich Semizorov

Board of Directors:

Alexander Yuryevich Nazarov
Vyacheslav Vladimirovich Burdin
Alexander Alexandrovich Zaburdyayev
Alexander Sergeevich Ruban
Dmitry Yuryevich Semizorov

Izhevsk Mechanical Plant JSC

THE COMPANY PRODUCES THE LEGENDARY MAKAROV GUN, YARYGINA GUN, AND BAIKAL ELECTRIC CARDIO-STIMULATORS

This is one of Russia's largest multi-disciplinary companies, engaged in production of civil and service weapons, packaging equipment, electrical tools, kitchen machine, oil & gas equipment, medical equipment, high-precision steel casting.

Kalashnikov Concern JSC

Konstantin Dmitrievich Busygin

Since September 2013

Board of Directors:

Maria Gennadyevna Akoeva
Alexander Alexandrovich Zaburdyayev
Antonina Vasilyevna Marsova
Alexander Yuryevich Nazarov
Yelena Nikolaevna Toropova

L.N. Koshkin KBAL OJSC

The company is involved in the creation of new modern technologies and special high-precision machines and equipment for plants which produce and dispose of shells for small arms, the production of machines and equipment for

general industrial usage, enabling technological operations to be automated across various industries, and the production of automated process equipment for various sectors of the food industry.

CEO:

Vadim Sergeevich Rashevsky

Board of Directors:

Alexander Isaevich Naydis
Vadim Sergeevich Rashevsky
Dmitry Yuryevich Semizorov
Alexander Anatolyevich Surkov
Igor Olegovich Sevastyanov
Marina Alexandrovna Belyanina
Svetlana Viktorovna Chuyko
Artur Viktorovich Karachurin
Artur Viktorovich Novikovan

Automobile construction cluster

The main assets of the Corporation in the automobile industry include AVTOVAZ OJSC and KAMAZ PJSC.

The Corporation has succeeded in attracting strategic investors to Russia's automobile construction industry.

Interview with the Industrial Director of the Automobile Construction Cluster, S. Skvortsov

WHAT ROLE DOES THE AUTOMOBILE CONSTRUCTION CLUSTER HAVE WITHIN THE CORPORATION?

The automobile construction cluster includes the two key players on Russia's automobile market – AVTOVAZ (with a 24.5% market share) and KAMAZ (with a 49.9% market share), which are the leaders in the domestic automobile production markets.

The share of the cluster's companies amounts to about 10% of the Corporation's revenues within the strategic planning scope. These companies provide jobs for over 85 thousand people.

WHAT IMPACT DO EXTERNAL ECONOMIC FACTORS HAVE ON THE WORK OF THE AUTOMOBILE CONSTRUCTION CLUSTER? HOW WELL IS THE AUTOMOBILE CONSTRUCTION CLUSTER PREPARED FOR EXTERNAL CHALLENGES?

Taking into account the current economic and foreign policy issues, coupled with the slowdown in the internal market, the increasing cost of borrowing and increase in the prices of imported components, we see major opportunities for the cluster to increase exports.

KAMAZ on autopilot

Work is being done on the KAMAZ-5350 model in three areas: SmartPilot, AirPilot and RoboPilot. The first one includes the development of "smart" aides for the truck which assist the driver: they can activate the brakes in a hazardous situation and perform adaptive cruise control. The second one is AirPilot, which includes the development of remotely-controlled trucks. The third system, RoboPilot, is designed to enable the truck to drive with no driver in the cabin or drive in auto-pilot mode.

The mass-produced KAMAZ-5350 features the components needed to test various automated driving modes: radars, lidar, video-cameras, communications systems, on-board computers, and a mobile remote control system.



THE CONSOLIDATED REVENUES OF
THE CLUSTER IN 2015 AMOUNTED TO

103.1

BILLION RUBLES

THE CONSOLIDATED NET LOSS OF
THE CLUSTER IN 2015 AMOUNTED TO

-13.8

BILLION RUBLES





We see great opportunities for the automobile construction cluster to increase exports.

We are currently looking for partners to tap export markets, while we are also seeking to improve product quality and production efficiency, improve the level of service and develop a service network.

WHAT STRATEGIC OBJECTIVES DOES THE AUTOMOBILE CONSTRUCTION CLUSTER HAVE?

In line with the approved Corporation Strategy, the main strategic objectives for the cluster include an increase in revenues, on average, by 17.1% in ruble terms by 2025 and improvements to operating efficiency.

HOW DO YOU PLAN TO ACHIEVE SUCH AMBITIOUS GOALS?

The main drivers for the complex to attain the revenues targets will include a rejuvenation of the product line and, undoubtedly, development of our export capabilities.

The transition to automated equipment is a major global trend in the automobile construction industry in the short term. We have already started to prepare the groundwork which will enable us to lead in the future, including a large-scale project to develop a self-driving KAMAZ.

IN WHAT WAYS DO YOU PLAN TO INCREASE OPERATIONAL EFFICIENCY OF THE AUTOMOBILE CONSTRUCTION CLUSTER?

Measures to improve operational efficiency will be simultaneously taken across several lines of business: sales efficiency, reduction in costs and production efficiency.

In addition, we will pay a lot of attention to developing the after-sale service system, as the level of such services is a key decision-making driver for consumers.

ARE THE COMPANIES WITHIN THE AUTOMOBILE CONSTRUCTION CLUSTER INVOLVED IN ANY PARTNERSHIPS? ARE THERE ANY PLANS TO DEVELOP THEM IN ORDER TO RAISE ADDITIONAL FINANCING, OBTAIN THE REQUIRED COMPETENCES AND ACCESS NEW MARKETS?

Even today the automobile construction cluster can boast the greatest success in the area of setting up strategic partnerships with leading global players. **The AVTOVAZ-Renault-Nissan and KAMAZ-Daimler alliances enable the transfer of technology, investments and competences, which leads to the further development of the companies.** We will develop and expand such collaboration.

The cooperation with Renault-Nissan helped us to rejuvenate AVTOVAZ, enabling us to produce the completely new Russian automobiles Lada Vesta, and Lada XRAY.

*Since 2014, **Sergey Skvortsov** is Deputy CEO of Rostec State Corporation, while he earlier held the position of the Corporation's Managing Director for Investment. The scope of his competences includes the management of processes to purchase and sell assets, and cooperation with strategic investors and financial institutions, including concerning issues concerning financing for investment projects delivered by the Corporation. From 1998 till 2013, Sergey Skvortsov worked at Troyka Dialog Investment Company. Since 2006, he is Member of the Board of Directors of KAMAZ. Since June 2008, he is a Member of the Board of Directors of AVTOVAZ.*

Profile of the Holding Companies
of the Automobile Construction Cluster



AVTOVAZ OJSC

LARGEST AUTOMOBILE MANUFACTURER IN RUSSIA.



AVTOVAZ has full-cycle production capacities and manufactures cars under four brands – LADA, Renault, Nissan and Datsun. In 2015, the Concern launched two new models – the sedan Lada Vesta and crossover Lada XRAY. In 2015, AVTOVAZ had a share of market of 18.6%. Alliance Rostec Auto B.V. is the main shareholder of AVTOVAZ. It was set up by Rostec State Corporation and Renault-Nissan Alliance.



PRESIDENT:
Bo Inge Andersson (to April 3, 2016)



Board of Directors:



Carlos Ghosn



Jeremie Papin



Vladimir Vladimirovich Artyakov



Bo Inge Andersson



Sergey Yuryevich Zaytsev



Igor Nikolaevich Zavyalov



Trevor Mann



Jean-Christophe Kugler



Sergey Viktorovich Chemezov



Joseph Peter



Thierry Bollore



Sergey Anatolevich Kogogin



KAMAZ PJSC

KAMAZ IS RUSSIA'S LARGEST MANUFACTURER OF TRUCKS.



It comprises over 150 companies located across Russia, the CIS and other countries, including 12 major automobile production plants. It has its own assembly plants in Vietnam, Iran, India, Kazakhstan and Pakistan. The company has a 33% share in the Russian trucks market. KAMAZ has sustained absolute leadership in the heavy-weight truck class across the markets of Kazakhstan, Azerbaijan, Turkmenistan and a number of other countries. The share of Rostec in the share capital of KAMAZ is 49.9%.



CEO:
Sergey Anatolevich Kogogin



Board of Directors:



Mikhail Yakovlevich Broitman



Gerald Jank



Vladimir Alexandrovich Dmitriev



Alexander Anatolyevich Vasilyev



Sergey Viktorovich Skvortsov



Sergey Anatolevich Kogogin



Wolfram Schmid



Sergey Viktorovich Chemezov



Ruben Karlenovich Vardanyan



Igor Nikolaevich Zavyalov



Ildar Shafkatovich Khalikov

RT-Auto JSC

RT-Auto Holding works in three main areas: cars and automobile components, trucks and power units. The main objective of the holding is to modernize its companies, develop and manufacture new competitive products which meet the highest standards and requirements.

CEO:

Sergey Anatolevich **Kogogin**

Board of Directors:

Not elected

VO Technopromexport JSC

The company delivers "turnkey" projects, the renovation and upgrade of energy, oil & gas, petrochemical and chemical facilities. Since its foundation, Technopromexport has rolled out over 500 projects in the energy industry across 50 countries.

Acting CEO:

Sergey Anatolyevich **Topor-Gilka**

Board of Directors:

*Vladimir Yevgenyevich **Avetisyan**
Igor Yuryevich **Alexeenkov**
Sergey Gennadievich **Vasin**
Yevgeny Lennorovich **Giner**
Sergey Anatolyevich **Topor-Gilka***

AVTOVAZTRANS JSC

MAJOR TRANSPORTATION COMPANY.

Its main lines of business are cargo shipments by automobile and railway, and repairs and maintenance of automobile and rail transport.

CEO:

Alexander Vyacheslavovich **Polyakov**

Board of Directors:

*Alexander Anatolyevich **Lepetunov**
Alexander Vyacheslavovich **Polyakov**
Tatyana Nikolaevna **Skorik**
Yelena Nikolaevna **Khudyakova**
Sergey Alexandrovich **Chesnyak***

Industrial Holding Auto Components JSC

The company comprises 15 plants, producing automobile components for major Russian automobile producers, including for foreign companies which localized their production facilities in Russia.

CEO:

Vasily Petrovich **Lapotko**

Board of Directors:

Not elected

General machinery construction cluster

The cluster include companies engaged in the production of chemical fiber, composite materials, specialty and green chemicals, metal processing machinery, and also engineering companies.

THE CONSOLIDATED REVENUES OF
THE CLUSTER IN 2015 AMOUNTED TO

11.1
BILLION RUBLES

THE CONSOLIDATED NET LOSS OF
THE CLUSTER IN 2015 AMOUNTED TO

-1.0
BILLION RUBLES

Interview with the Industrial Director of the General Machinery Production Cluster, R. Deniskin

WHAT ROLE DOES THE CLUSTER HAVE WITHIN THE CORPORATION?

The general machinery production cluster supplies unique materials and technologies to other clusters of the Corporation. Its products are used across all the clusters. In addition, the cluster supplies its products to a large number of industrial-sector companies in Russia. So we ensure competitive advantages both for the Corporation's products and the Russian economy as a whole.

WHAT ROLES DO COMPANIES BELONGING TO THE CLUSTER PLAY IN THE RESPECTIVE INDUSTRIES IN WHICH THEY ARE PRESENT?

The cluster companies have competences in the production of unique chemical fiber, composite materials and associated products, specialty and green chemicals, modern metal processing machinery, while also providing engineering services. Certain materials manufactured by the cluster, have significantly higher resistance parameters as compared to steel and other traditionally used construction materials. There is only a handful of companies capable of producing such materials.

The cluster has brought together a great of number of truly talented specialists, which enables us to independently develop unique technologies, which are at the fore of modern developmental trends.



Composite aviation tail components for MS-21 airplanes

The key technologies, enabling us to ensure the high competitiveness of the MS-21 airplane according to technical and economic parameters, are technologies used to produce fin box details from polymer and composite materials. Their unique feature is the greatly automated process. The weight of the composite parts in the airplane structure is 30–40% of the total weight.

To find out more, go to page 161



We ensure competitive advantages both for the Corporation's products and the Russian economy as a whole.

R. DENISKIN

Industrial Director of the General Machinery Production Cluster

WHAT IMPACT DO EXTERNAL ECONOMICAL FACTORS HAVE ON THE CLUSTERS? HOW WELL IS THE CLUSTER PREPARED FOR EXTERNAL CHALLENGES?

The last year clearly showed that the cluster is **sufficiently resilient**, enabling it work effectively in spite of the negative factors in the economy.

WHAT STRATEGIC GOALS DOES THE CLUSTER PURSUE? IN WHAT WAYS DO YOU PLAN TO ACHIEVE THESE GOALS?

In line with the approved Corporation Strategy, the main strategic objectives for the cluster include an increase in revenues, on average, by 30% in ruble terms by 2025, a decrease of debt exposure and improvements to operating efficiency.

HOW DO YOU PLAN TO ACHIEVE SUCH AMBITIOUS GOALS?

In order to achieve our ambitious growth objectives, we will seek to drive the cluster expansion across global markets. At the same time, the cluster will seek to enter high-growth markets in the field of composite materials and fiber, traditional and green chemicals. In addition, we see significant synergistic potential in cooperation with other clusters of the Corporation and the use of the currently manufactured products across related markets.

IN WHAT WAYS DO YOU PLAN TO INCREASE THE OPERATIONAL EFFECTIVENESS OF THE CLUSTER?

In order to enable maximum operational efficiency in the cluster's operations, **we need to perform systematic work in four areas; to increase efficiency across the production processes, sales, administrative and management personnel, and investment project management.**

1. In order to improve efficiency across production process, we need primarily to perform a technological audit and audits into production efficiency. Based on the audits results, we will seek to identify those industries which require improvements. Subsequently, we will develop a set of measures, seeking to improve efficiency across the most important areas. By 2025, we are planning to set up a highly effective production system, which will be on par in terms of key indicators with our global counterparts.

2. The improvements in sales operations will help us to transition to a new market-focused sales system.

3. The improvements to administrative and management personnel efficiency will be enabled by outsourcing a number of support functions, reducing the number of management levels, as well as creating a one-point service center.

4. The improvements to project management efficiency will be attained by a clear, regulated and transparent system for project management in line with the milestones.

These measures, carried out by an effective management team, will enable us to improve and maintain operating efficiency, coupled with strong cluster growth.

DO THE CLUSTER COMPANIES WORK WITH ANY PARTNERS? ARE THERE ANY PLANS TO DEVELOP THIS IN ORDER TO RAISE ADDITIONAL FINANCING, OBTAIN THE REQUIRED COMPETENCES AND ACCESS NEW MARKETS?

The full name of our cluster is "General Machinery Production and New Lines." We will actively engage partners and "smart" capital, who will provide not only financing, but also technological and management competences. We will work together with our partners in order to deliver competitive offers both across the markets where we are currently present and high-potential markets.

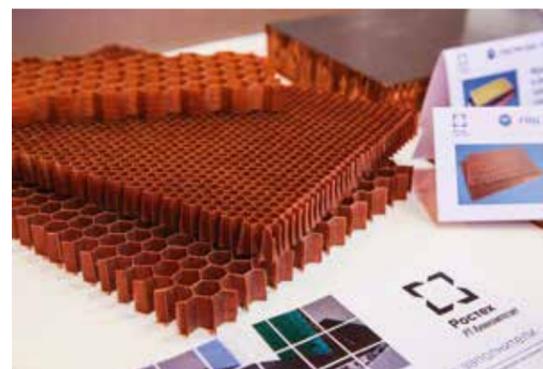
Roman Deniskin is the head of Rostec's strategy department. In 2002–2009, Roman Deniskin headed Severstal-Resource OJSC. Previously, he worked at McKinsey, providing consultations to metallurgic and mining companies in Russia, the US, and the UK, and was a partner of The Boston Consulting Group. Currently he chairs the Board of Directors of Stankoprom JSC and is a Member of the Board of Directors of RT-Chemcomposite JSC.

Profile for Holding Companies of the General Machinery Cluster

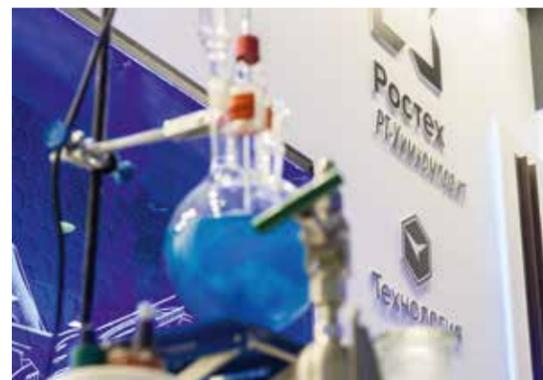
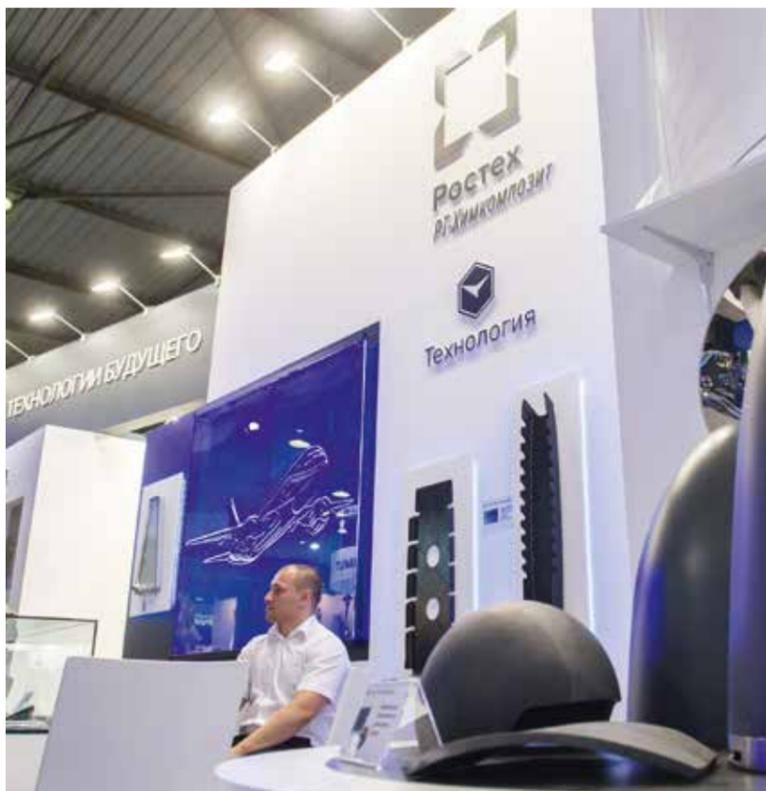


RT-Chemcomposite JSC Holding

THE HOLDING IS THE LEADER IN RUSSIA IN TERMS OF THE PRODUCTION OF PRODUCTS FROM POLYMER COMPOSITES.

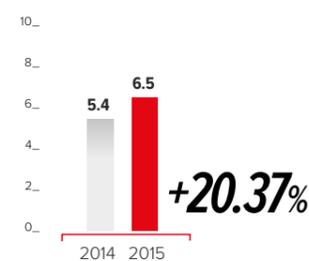


One of the key objectives is to set up a full-cycle production system for products from polymer composites: from raw materials to finished products. The major market segments for structures from composite materials are the defense industry, transportation, construction and energy industry. The major markets for the chemical business are construction, agriculture, industrial chemicals, general machinery, household chemicals and medicine. By 2020, RT-Chemcomposite JSC plans to expand its presence across the global markets in composite structures up to 8% and in composite materials up to 5%.

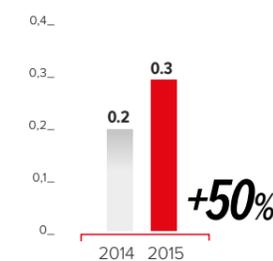


CEO:
Kirill Yulyevich Shubsky

Consolidated Revenue, 2014–2015, billion rubles



Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

6.5
BILLION RUBLES

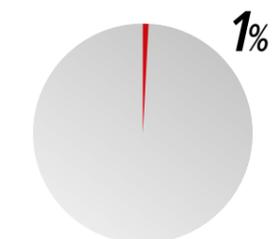
Holding Net Profits in 2015 reached

0.2
BILLION RUBLES

Number of Employees

4,600 persons

Share in Revenues of Rostec State Corporation



Board of Directors:



Elena Alexandrovna Georgieva



Roman Vladimirovich Deniskin



Alexey Alexeevich Kuzmitsky



Alexander Veniaminovich Kulikov



Andrey Alexandrovich Smotrisky



Larisa Viktorovna Chursova



Kirill Yulyevich Shubsky

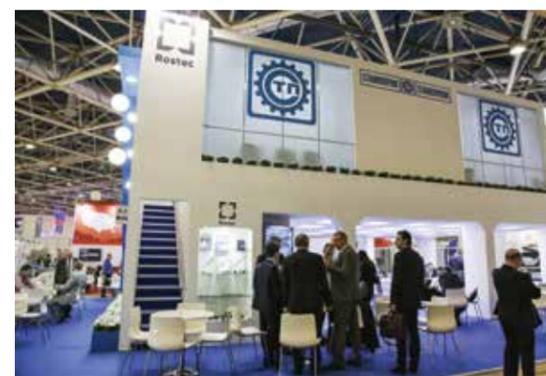
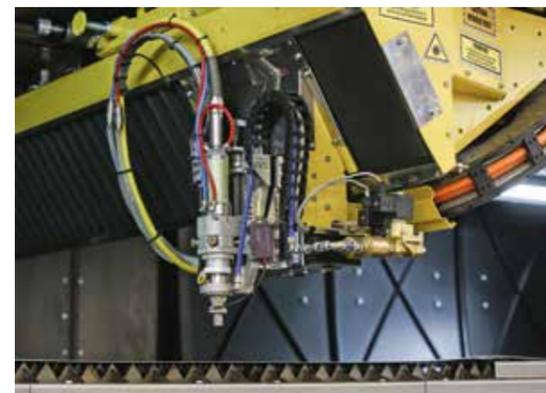


Stankoprom JSC

IN LINE WITH THE INITIATIVE OF THE RF MINISTRY OF INDUSTRY AND TRADE AND ROSTEC, STANKOPROM JSC UNITES STATE PRODUCTION, SCIENTIFIC, INSTRUMENT PRODUCTION AND COMMERCIAL COMPANIES IN THE AREA OF MACHINERY PRODUCTION, LOCATED ACROSS 8 RUSSIAN REGIONS.

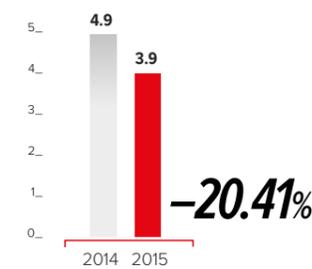


Stankoprom JSC will be a systemic integration driver, revamping the companies across the strategic industrial segments. The holding is rolling out projects to set up new high-tech production facilities, with an aggregate investment of 15 billion rubles. Rostec's share in the share capital of the holding is 65.2%.

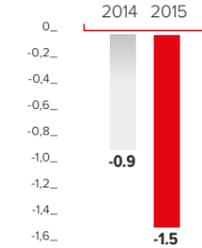


CEO:
Dmitry Evgenyevich Kosov

Consolidated Revenue, 2014–2015, billion rubles



Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenue in 2015 reached

3.9
BILLION RUBLES

Holding Net Loss in 2015 reached

-1.5
BILLION RUBLES

Number of Employees

4,000 persons

Board of Directors:



Vasily Anatolyevich Akimov



Roman Vladimirovich Deniskin



Dmitry Evgenyevich Kosov



Alexey Alexandrovich Mikheev



Ivan Alexandrovich Skrylnik



Andrey Alexandrovich Smotritsky



Anna Nikolaevna Sharipova

Aviatechpriemka JSC

The main activities of the company: quality control and acceptance of products used to manufacture aviation, space, defense equipment and dual-use products; quality control of military, dual-use and non-military products manufactured by the Corporation companies; quality control of materials supplied to the rocket and space industry (based on an agreement with Russian Space Agency)



CEO:

*Sergey Vladimirovich **Burmatov***

Board of Directors:

*Vladimir Zalmanovich **Litvin**
Sergey Igorevich **Makarov**
Alexey Innokentyevich **Fedorov**
Oleg Dmitrievich **Chernov**
Grigory Iosifovich **Elkin***



Biocluster

The Corporation's biocluster includes the holding company National Immunobiological Company.



Holding Company National Immunobiological Company (NIC) JSC

NIC HOLDING DEVELOPS AND PRODUCES VERY IMPORTANT MEDICINES AND MEDICAL PRODUCTS.

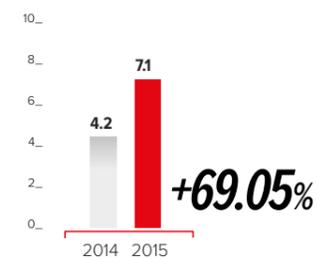


The holding comprises production companies such as NPO Microgen FSUE, FORT LLC, Sintez OJSC, Metallist JSC. The holding's strategy, in particular, envisages the production by 2020 of 100% of the national demand for vaccines within the NCPV (National Calendar for Preventive Vaccines), as well as plasma factors in real terms, up to 80% of the anti-tuberculosis medicines and 20% of the products against HIV and Hepatitis B and C at the holding companies. The product portfolio of the holding includes 300 medicines.

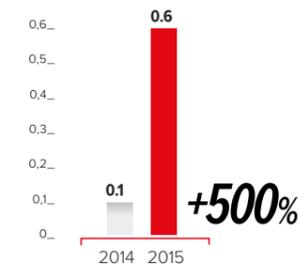


CEO:
Nikolay Sergeevich Semenov

Consolidated Revenue, 2014–2015, billion rubles



Consolidated Net Profit, 2014–2015, billion rubles



Holding Consolidated Revenues in 2015 reached

7.1
BILLION RUBLES

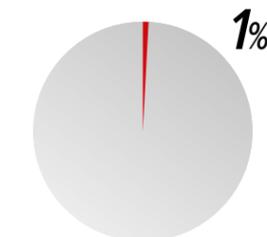
Holding Net Profits in 2015 reached

0.6
BILLION RUBLES

Number of Employees

600 persons

Share in Revenues of Rostec State Corporation



Board of Directors:



Alexander Leonidovich **Gintzburg**



Vitaly Lvovich **Mashchitsky**



Alexander Yuryevich **Nazarov**



Nelli Borisovna **Naygovzina**



Nikolay Sergeevich **Semenov**



Zhanna Nikolaevna **Skorina**



Yulia Dmitrievna **Tsvetkova**



Sergey Anatolyevich **Tsyb**



Tatyana Vladimirovna **Yakovleva**

The key directly controlled companies of the Corporation

1. Rosoboronexport JSC

CEO:
Anatoly Petrovich Isaikin

MAIN LINES OF BUSINESS:

- Russia's only state intermediary for the export/import of a full range of finished goods, technologies and services for military and dual-use.

2. Center for Aviation Medicine OJSC

CEO:
Yekaterina Vladimirovna Lokhova

MAIN LINES OF BUSINESS:

- inpatient examinations and treatment, provision of medical aid at home;
- examinations to verify and register sick leave;
- performance of medical flight examinations;
- performance of preliminary regular medical checks of employees whose work involve professional hazards;
- performance of preventive medical examinations, health-based training with certification, provision and issue of personal medical record logs.

3. Central Hospital for Flight and Testing Personnel Examinations JSC

CEO:
Vadim Petrovich Kulichenko

MAIN LINES OF BUSINESS:

- performance of inpatient and outpatient medical flight examinations for flight personnel in order to ensure flight safety;
- performance of preventive intercommission treatment for medical personnel in order to increase flight age limits;
- provision of medical services to Moscow Region residents.



4. Neftegazavtomatika JSC

CEO:
Konstantin Vladislavovich Stanislavchik

MAIN LINES OF BUSINESS:

- promotion of high-potential innovative technologies and equipment, machinery and materials produced by the Corporation companies for the fuel and energy complex and the coordination of this work.

5. Zelenaya Roshcha Health and Spa Center JSC

CEO:
Zaurbek Khasanbekovich Dzheliev

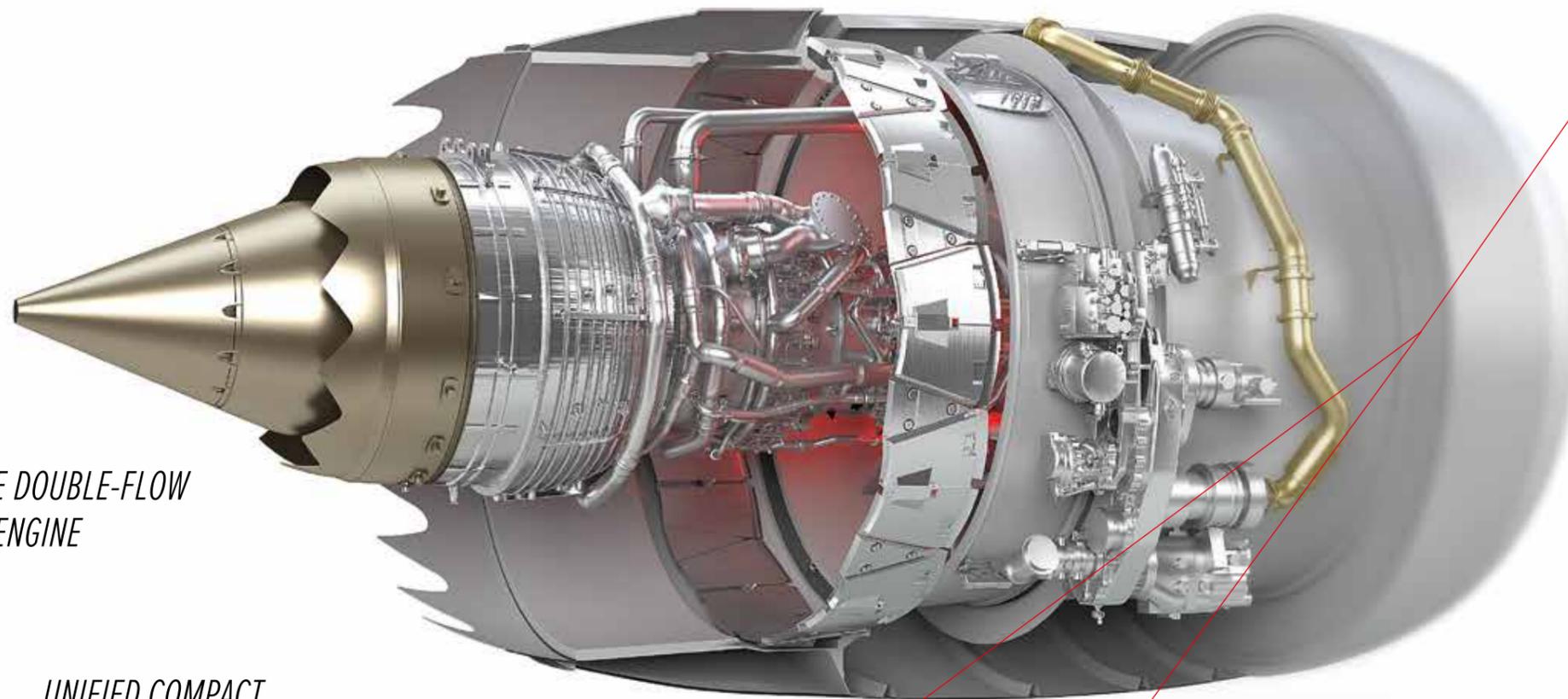
MAIN LINES OF BUSINESS:

- health center and spa services;
- medical services;
- provision of excursion services, cultural and entertainment activities, sports and treatment services.



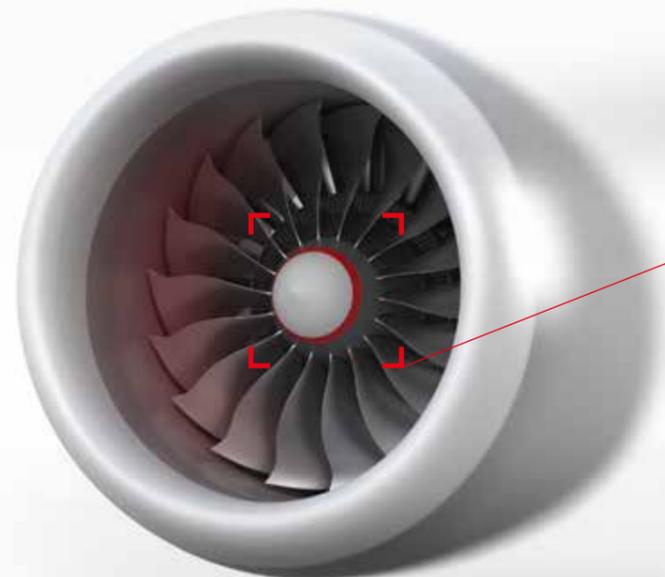
4_2 Review of the cluster's key innovative products

4_2_1 Aviation Cluster



TURBO-REACTIVE DOUBLE-FLOW DOUBLE-SHAFT ENGINE

UNIFIED COMPACT GAS GENERATOR



TURBO VENTILATION (GEARLESS VENTILATOR DRIVE)

THRUST IN TAKEOFF MODE UP TO

14 t/s

TAKEOFF THRUST UP TO

137 kN

VENTILATOR DIAMETER

1,900 mm

1. Engine DP-14

Holding Company: **UEC**

Profile

Turbo-reactive double-flow double-shaft new generation engine, developed for short and medium haul airplanes. The main feature of the PD-14 is the use of a unified compact gas generator, creating a whole new class of aviation engines and industrial gas turbine units.

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LIFECYCLE OF SPACE SUIT
5 years

NUMBER OF SPACE WALKS
20

2. Orlan-MKS Space Suit

Holding Company:
Technodinamika

Profile

The main feature of the new modification of the Orlan-MKS Space Suit is the automated thermal regulation system, enabling astronauts to avoid wasting time on temperature control. In case of pressure loss due to any damage to the external cover, the space suit is equipped with a system enabling the required pressure within the space suit to be sustained. The replacement of the rubber cover with polyethylene enabled the lifecycle of the space suits to be increased from four to five years and the number of open-space walks from 15 to 20.



3. Electrical drive for chassis wheels

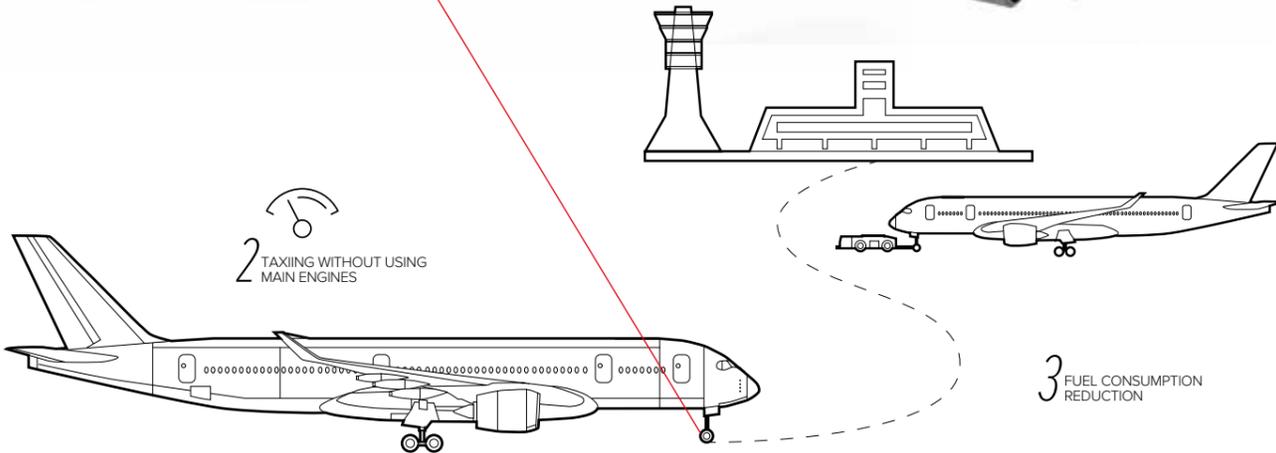
Holding Company: **Technodinamika**

Profile

The system equipped with the electrical drive for chassis wheels is designed for regional and short-haul planes. They enable planes to taxi across the airport without the use of cruise engines, thus reducing fuel use by 4%, wear and tear of engines and the risk of engine damage due to the entry of foreign objects while taxiing. One of the key components of the system is an electrical engine, integrated within the main chassis support system.



1 ELECTRIC DRIVE, INTEGRATED WITHIN THE CHASSIS



2 TAXIING WITHOUT USING MAIN ENGINES

3 FUEL CONSUMPTION REDUCTION

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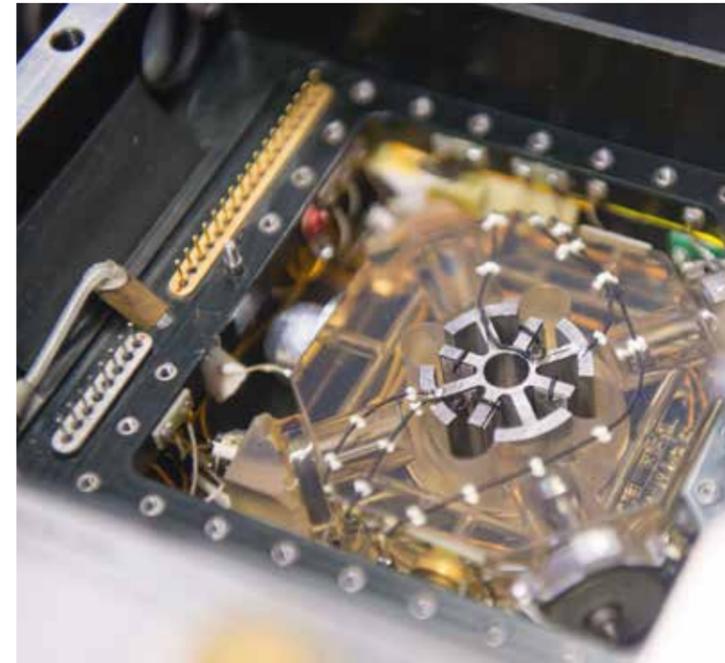


4. BINS-SP-2 (BINS-SP-2M) Navigation System

Holding Company: **KRET**

Profile

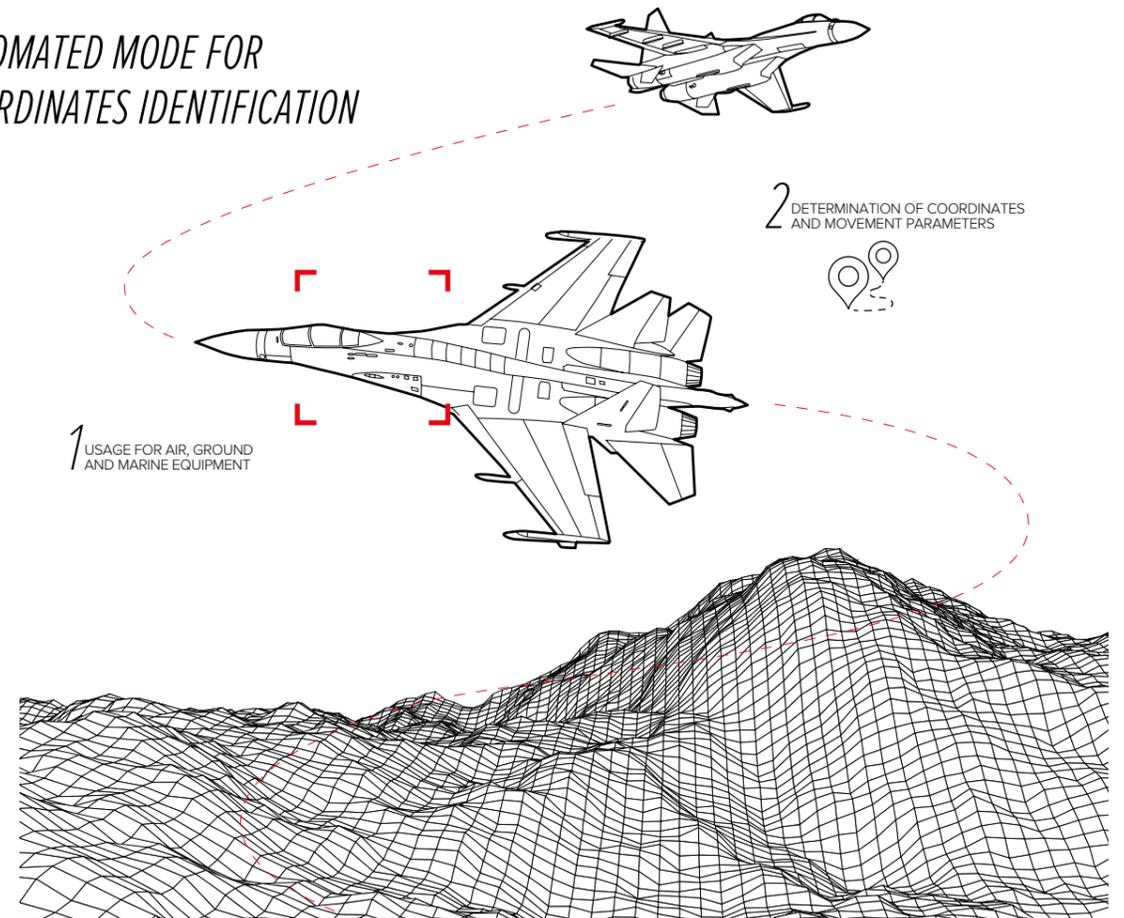
The BINS-SP-2 and BINS-SP-2M non-platform inertia navigation systems are designed to be used for the identification, complex processing and provision of navigation, piloting and satellite information.



AUTOMATED MODE FOR COORDINATES IDENTIFICATION

1 USAGE FOR AIR, GROUND AND MARINE EQUIPMENT

2 DETERMINATION OF COORDINATES AND MOVEMENT PARAMETERS



5. 110M Gas Turbine

Holding Company: **UEC**

Profile

The one-shaft gas turbine for electrical generators within the gas turbine power and high capacity steam gas units (from 110 to 495 MW and higher). The 110M turbines have a number of advantages, including high fuel consumption efficiency, their ability to be used with various fuel types, easy installation and a reduction in costs to construct and operate power facilities.

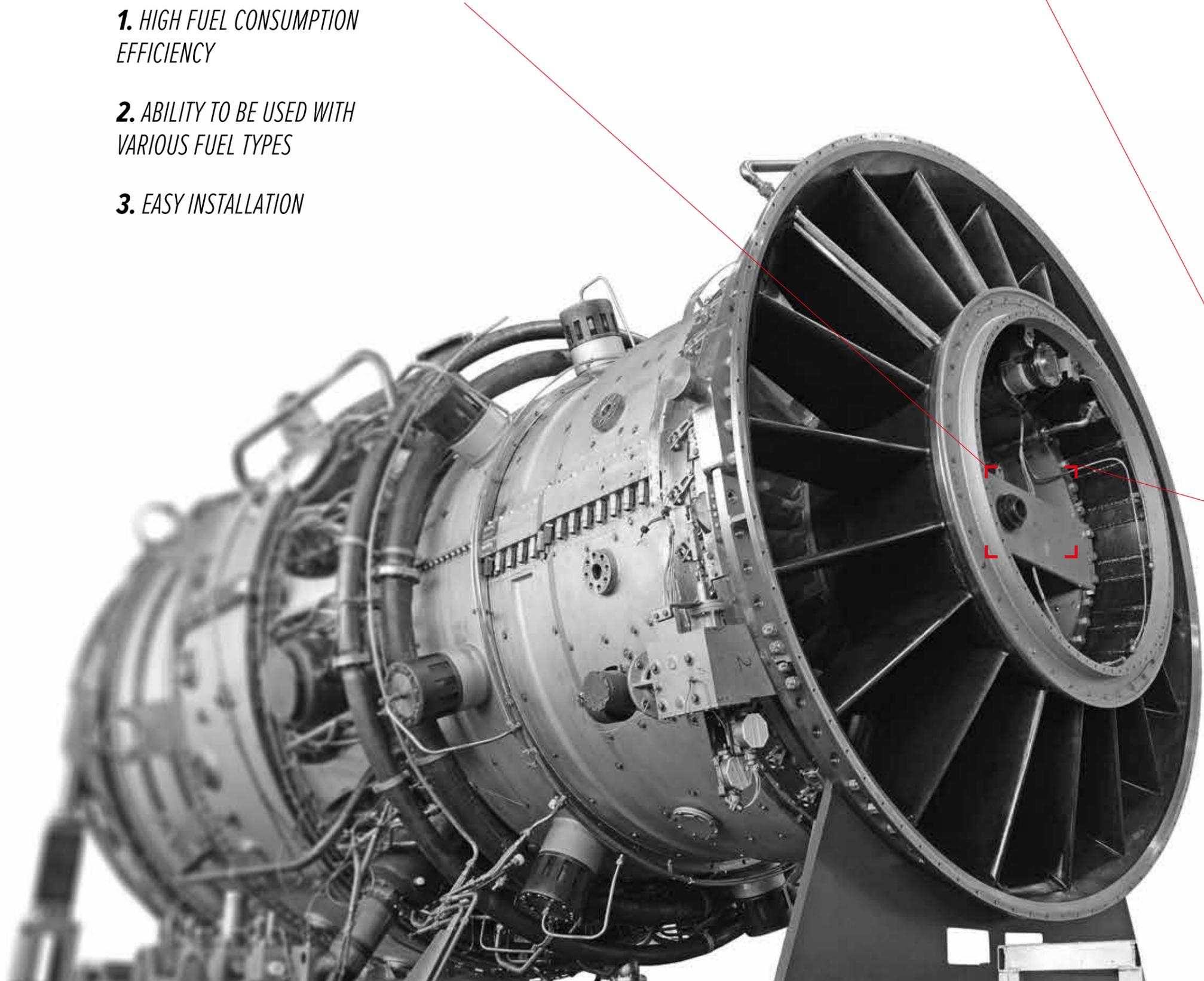
1. HIGH FUEL CONSUMPTION EFFICIENCY

2. ABILITY TO BE USED WITH VARIOUS FUEL TYPES

3. EASY INSTALLATION

Specifications

Power at output shaft, MW	114.5
Electrical power, MW	110
Heat power, Gcal/hr	136.9
Dimensions (L x B x H), m	7.12 x 3.68 x 4.25
Weight (at tare), t	58



Power at output shaft

114.5 MW

Electrical power

110 MW

Heat power

136.9 Gcal/hr

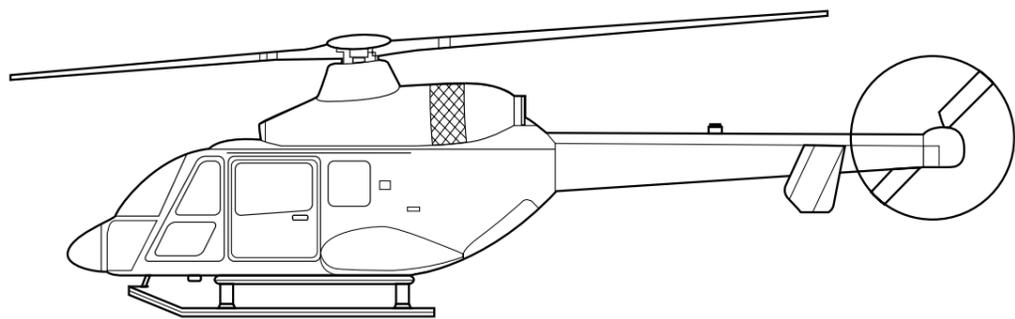


6. Ansat Light Multi-Purpose Helicopter

Holding Company: **Russian Helicopters**

Profile

Ansat helicopter was developed based on the classical single-rotor scheme with a steering rotor. Ansat has a full-metal fuselage, composite materials in non-power components and fiberglass blades. The hingeless hub of the bearing rotor enables high maneuverability and a significant reduction in operating costs. The helicopter is equipped with PW 207K turbo-shaft engines with a capacity of 630 h.p. from Pratt & Whitney Canada, with electronic digital engine controls system (FADEC), enabling takeoff to continue with a failed engine.



FLIGHT RANGE of up to
510 km

TAKEOFF WEIGHT of up to
3,600 kg

BEARING ROTOR DIAMETER of up to
11.5 m

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Specifications

Passenger capacity	8
Bearing rotor diameter, m	11.5
Fuselage length, m	11.1
Maximum range with the main tanks, km	510
Maximum takeoff weight, kg	3,600

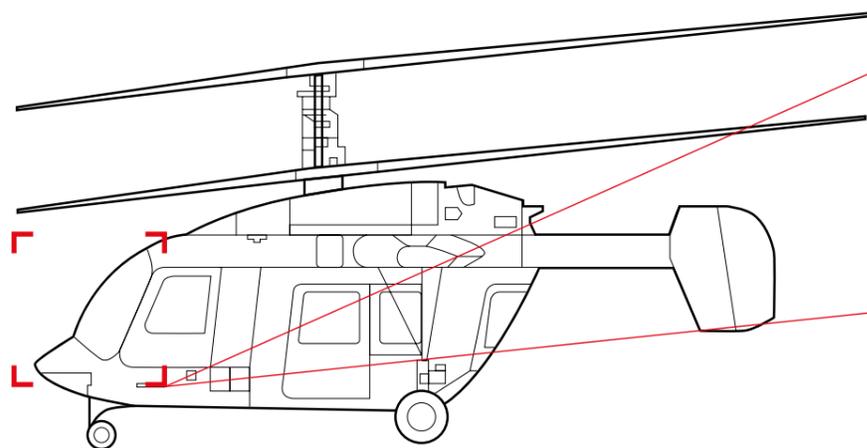


7. Ka-226T Light Multi-Purpose Helicopter

Holding Company: **Russian Helicopters**

Profile

The improved flight and technical parameters of the Ka-226T, its environmental friendliness, cost effectiveness, modern set of avionics and additional solutions for flight safety make this helicopter one of the best in class. The Ka-226T helicopter is equipped with two Arrius 2G1 engines from Turbomeca and an electronic digital controls system. The capacity of the power unit of 580 h.p. enable takeoff or safe landing with one failed engine.



Specifications

Passenger capacity	7
Bearing rotor diameter, m	13.24
Fuselage length, m	8.1
Maximum flight range with main tanks, km	470
Maximum takeoff weight, kg	3,600



FLIGHT RANGE of up to
470 km

LENGTH
8.1 m

TAKEOFF WEIGHT of up to
3,600 kg

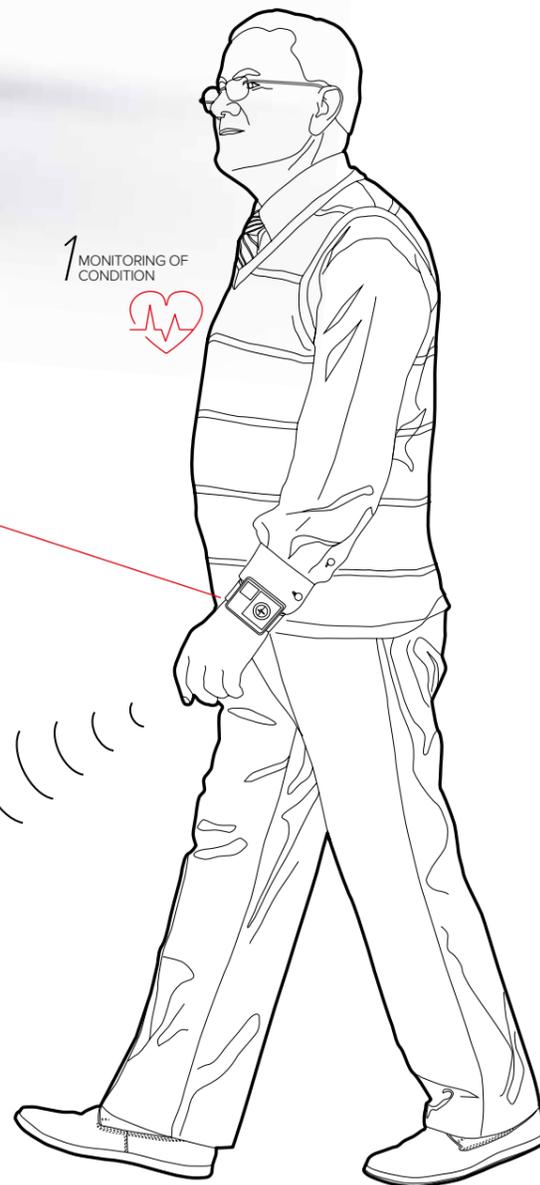
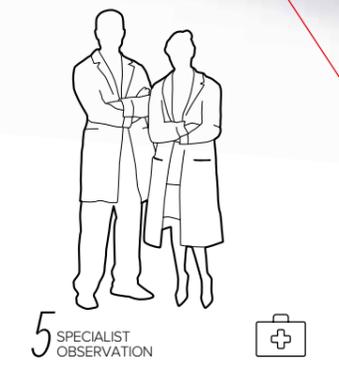


8. Opeka-04 wearable mobile system

Holding Company: **KRET**

Profile

The Opeka-04 system is designed for self-diagnostics in real time or operational monitoring of cardio parameters and other physical conditions. The biometric data and analytics reports obtained are automatically sent via Bluetooth or GPRS channels to the cloud-based server and can be accessed by medical personnel or attending physician, as well as the patient himself, providing interpretative information as to the results in the form of a health "plane" on a smartphone. The device can dispatch messages to relatives, guardians, medical personnel as to changes in the state of health, enabling an emergency request to be sent out for medical aid.



4_2_2 Electronics Cluster

1. Non-Invasive Brain Computer Interface

Holding Company: **OBORONPROM CORPORATION**

Profile

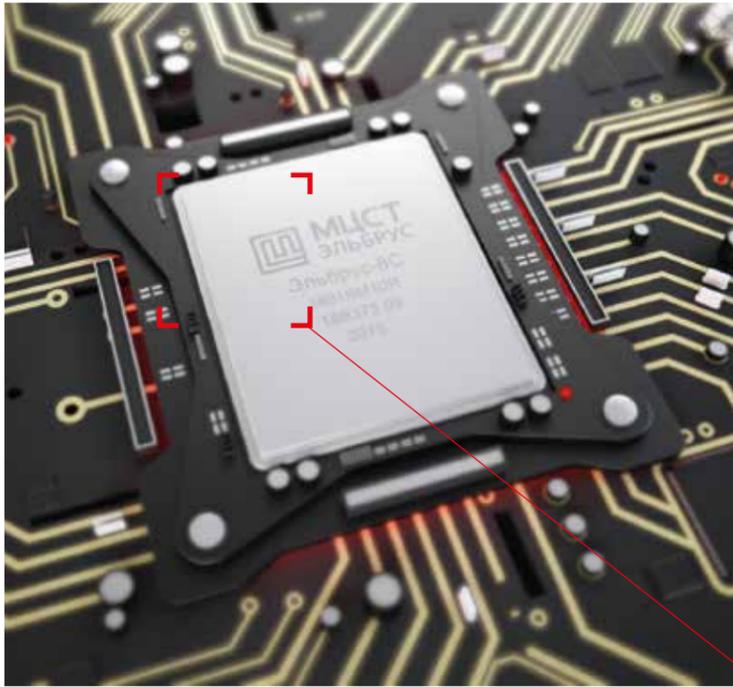
The "Brain Computer" enables us to control electronics and mechatronic means through our thoughts. These technologies open up new opportunities in medicine for prosthetics and the rehabilitation of invalids suffering from various motor deficiencies, as well as the development of Russian robotics as a whole.



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360°



2. Elbrus-8S Processor

Holding Company: **OBORONPROM CORPORATION**

Profile

The main feature of the Elbrus domestically produced processes is the principle of evident operating parallelism used within the architecture. The Elbrus-8S 8-core chip has the clock rate of 1.3 Hz and power of 250 Gflops. The Elbrus-8S microprocessor is planned to be used to set up the mass production of servers, working stations and other computer equipment.



8 cores

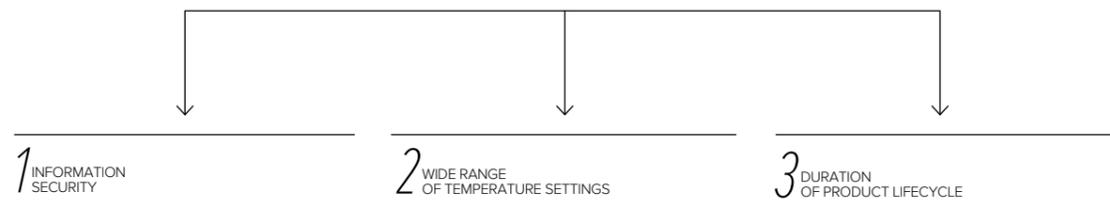
COMPUTER POWER

250 Gflops

CLOCK RATE

1.3 Hz

ELEVATED REQUIREMENTS FOR THE FOLLOWING ASPECTS



3. Tavolga Centurion computer for processing confidential information

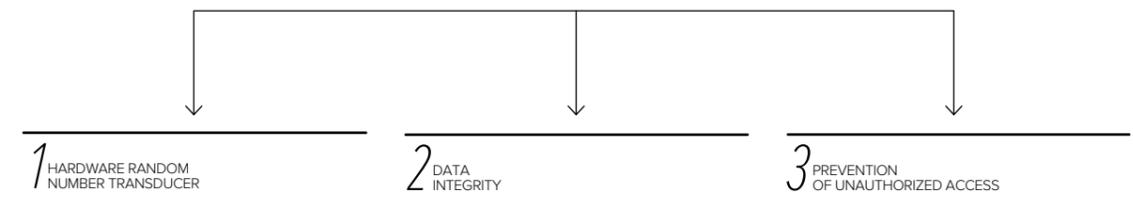
Holding Company: **OBORONPROM CORPORATION**

Profile

Tavolga is one of the first monoblocs in which circuit engineering and mechanical solutions have been developed in Russia. The Centurion model is designed for use by civilian customers who need a complete solution enabling a high level of information security. Centurion includes a hardware random number transducer used to generate access codes, user passwords and other service information.



CENTURION-EN TRUSTED DOWNLOAD MODULE



4. Mini PC Raydget

Holding Company: **OBORONPROM CORPORATION**



Profile

The Raydget portable computer may be used as an office or home computer. Raydget is fully based on Russian circuit engineering solutions and equipped with a 5th generation Inter Core processor with inbuilt graphics drive. The consumer product range includes three modifications: SlimBox, CoolBox and PowerBox. The unit, equipped with a metal body, weighs 200 grams and has dimensions on par with a smartphone – 125 x 74 x 12 mm.

PORTABLE COMPUTER



WEIGHT OF BLOCK
200 g



5. Chirok Air Cushion Drone

Holding Company: **OBORONPROM CORPORATION**

Profile

The unique feature of this drone is that it has an air cushion chassis, which enables the machine to take off with no takeoff platform and no need for a convenient takeoff site. The membrane of the air cushion is produced from an innovative materials developed by Russian specialists. The wing span of the Chirok drone is 10 m, the maximum takeoff weight – up to 700 kg, and the payload weight limit – 300 kg. The device is capable of flying at a height of up to 6,000 m and it has a flight range of up to 2,500 km.

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FLIGHT RANGE – up to

2,500 km

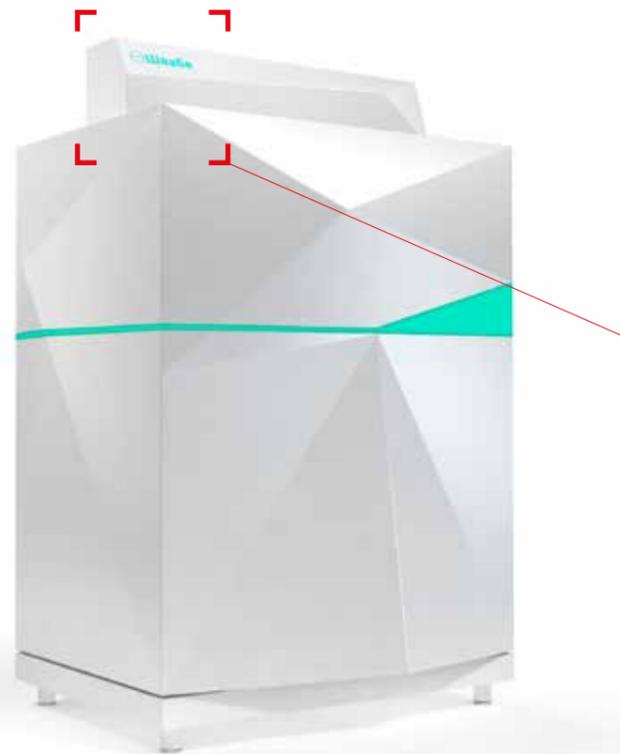
FLIGHT HEIGHT – up to

6,000 km

PAYLOAD

300 kg





6. MIM laser microscope with long-stroke precision coordinate object table

Holding Company: **Shvabe**

Profile

The MIM laser microscope with a long-stroke precision coordinate object table is a high-capacity tool used in a wide range of research applications in electronics, materials science and optical production due to the combination of nanometric position precision with its high (up to 400 mm) stroke length and high rigidity. The microscope is designed to observe large (up to 300 x 300 mm) objects and enables anisotropic areas of a micro-structure with a size of less than 100 nm to be optically visualized.



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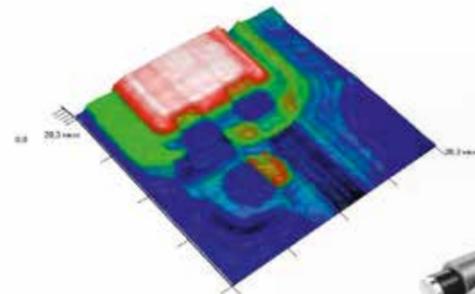
Specifications

Scope of observation, mkm	7–150
Vertical resolution, nm	0.1
XY plane resolution, nm	100–10
Footage speed, shot/sec	3

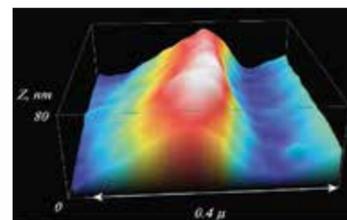
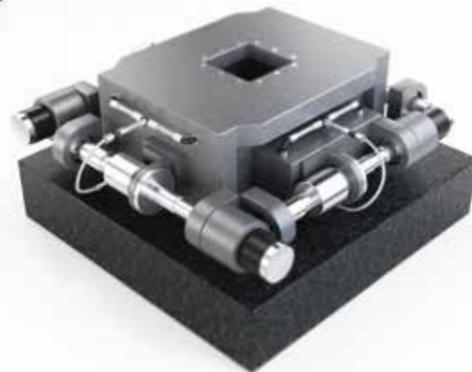
1 LASER MICROSCOPE

2 LONG-STROKE PRECISION COORDINATE OBJECT TABLE

3 PROTRUDING LATERAL RESOLUTION: 100-10 NM



STROKE LENGTH
400 mm



7. Medical Laser

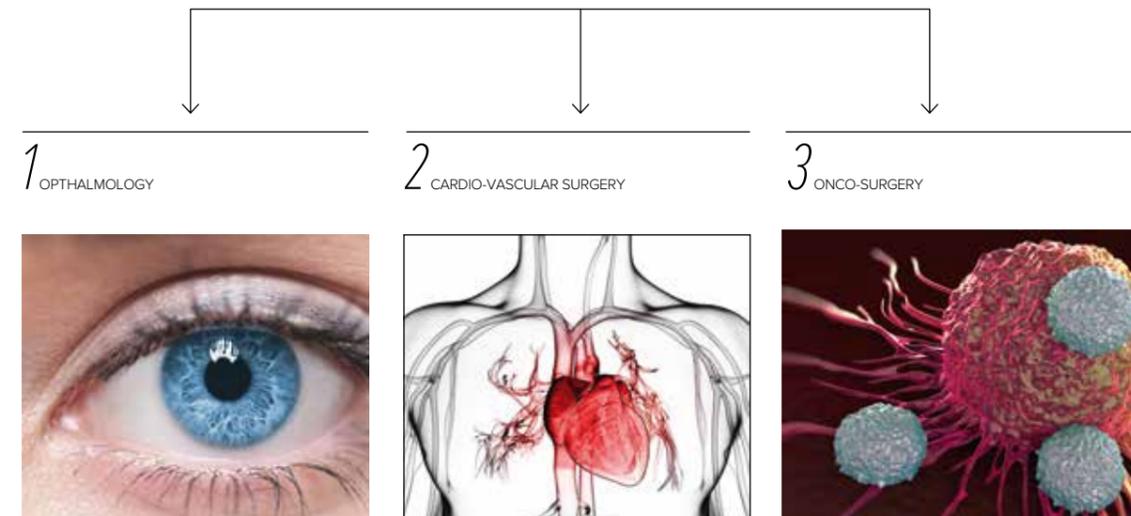
Holding Company: **Shvabe**

Profile

This laser enables precision surgical operations in ophthalmology to be performed and can be used for cardio-oncology treatment. The multi-component laser circuit enables the device to function across a wide spectral range. The device has the capability of continuous radiation (2.05 mkm) and impulse-periodical radiation of 3–6 mkm with the focus on the most significant wavelengths. This enables deep cuts in soft tissue to be made, avoiding any negative effects, and various coagulation procedures to be performed to treat degenerative pathologies of the eye retina, including to prevent acute complications as a result of vision loss.



Precision surgery



8. Biogenic robotic biological prosthetics

Holding Company: **OBORONPROM CORPORATION**

Profile

During the development of biological prosthetics, we utilized the latest developments in the fields of computer technology, materials science, robotic equipment, neurophysiology, neuro-psychology and neuro-rehabilitation. The biological prosthetics enable prosthesis to be controlled by signals from the brain. The invention uses the mechanism for adaptive digital processing of electric signals from the brain and non-invasive method of operation. Its know-how are dry electrodes built into the helmet-like interface that register the person's intentions with a high degree of precision and without any direct contact with brain.

Specifications

Module weight, kg	1,62
Turning angle, degrees	135
Patient weight, kg	up to 125
Automated operating time	18

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9. Hemostasis analyzer

Holding Company: **Shvabe**

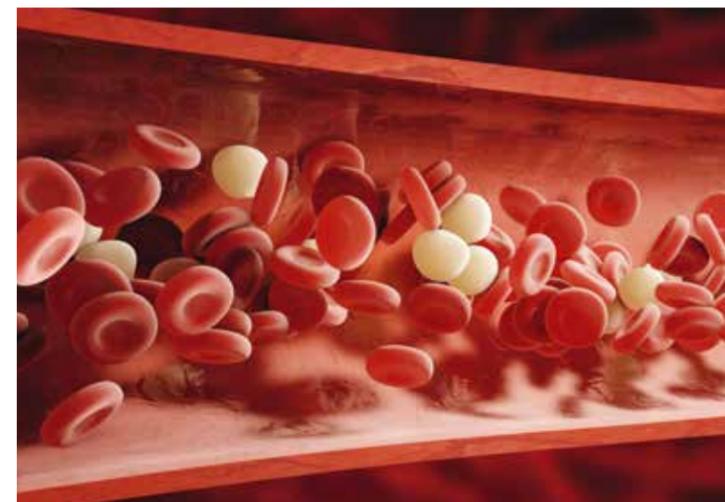
Profile

This is Russia's first automated hemostasis analyzer (a biological system in a person's body, enabling the liquid state of blood to be retained, and bleeding to be stopped in case of vein wall damage and dissolution of clots), with an aggregometer function to determine the leukocyte concentration in the blood. The device will make the hemostasis analysis process faster and more precise as compared to the semi-automatic hardware which is currently used.



*FAST AND PRECISE
HEMOSTASIS
ANALYSIS*

1 HEMOSTASIS ANALYSIS



2 AGGREGOMETER FUNCTION TO DETERMINE THE LEUKOCYTE CONCENTRATION IN THE BLOOD



10. Three-chamber Vegaritm Cardio-Simulator

Holding Company: **OBORONPROM CORPORATION**

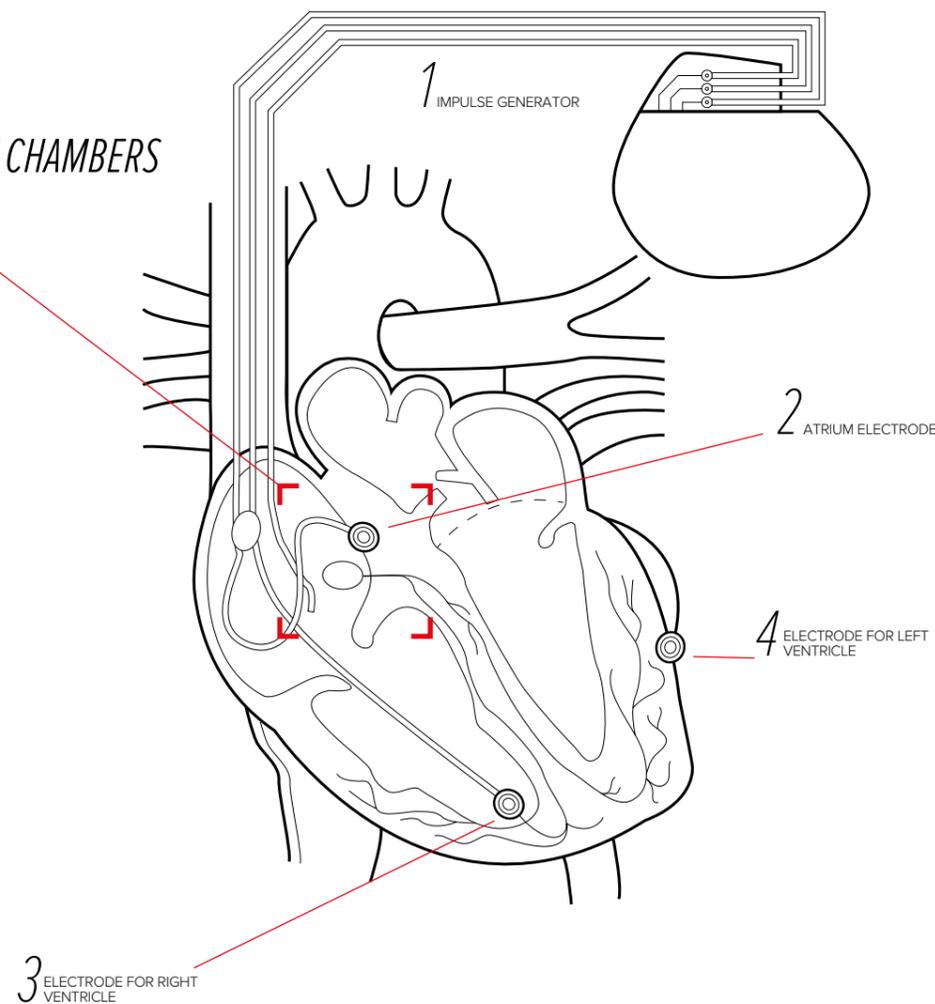
Profile

Vegaritm Cardio-Simulator is capable of simultaneously stimulating the three heart chambers: the atrium, right and left ventricles (using three electrodes), enabling physiological blood flows through the heart. It can also operate in 1-, 2- and 3-chamber stimulation modes. The materials used to produce cardio-stimulators are biologically inert.

Biologically inert materials



STIMULATION OF THREE HEART CHAMBERS



11. BiliFlex fiber-optical photo-therapy system

Holding Company: **Shvabe**

Profile

The BiliFlex system enables newborns with hepatitis to be treated both in hospital and at home. It brings about a fast reduction in bilirubin, which newborns afflicted by hepatitis have.



FAST REDUCTION IN BILIRUBIN WHICH NEWBORNS AFFLICTED BY HEPATITIS HAVE



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12. "Hemoblast" hemoblast incubator

Holding Company: **OBORONPROM CORPORATION**

Profile

The hemoblast incubator is used to store polymer containers with hemoblast concentrate. These devices are used by medical institutions which during treatment require replacement transfusion therapy for a deficit in hemoblast, and operations which generally result in massive acute blood loss. The hemoblast incubators are equipped with a microprocessor controls system, which enables the internal temperature within the chamber to be maintained within a set range with a deviation limit of no more than 0.1°C. The device also has self-testing and self-diagnostics functions and protection against unauthorized access.

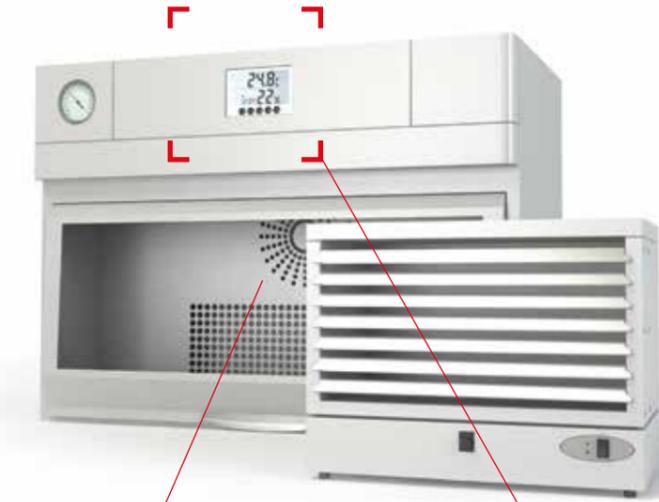
Specifications

Chamber volume, l	up to 190
Number of included hemoblast mixers	1
Intranet port	Yes

MICROPROCESSOR CONTROL SYSTEM

MAINTENANCE OF TEMPERATURE WITH A DEVIATION LIMIT OF UP TO

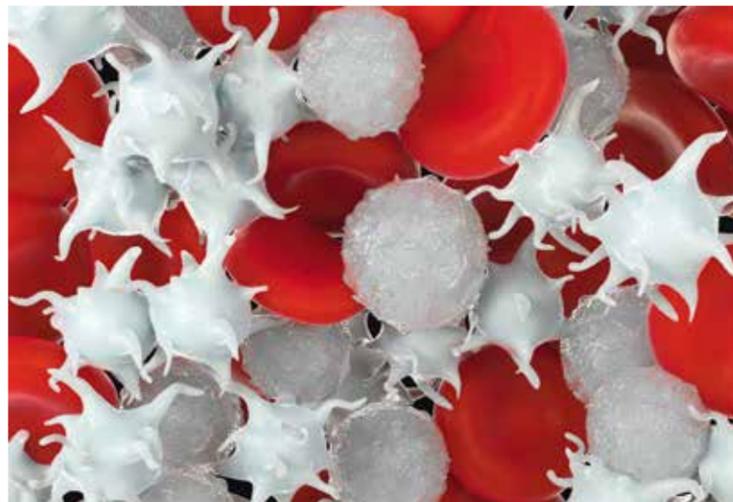
0.1°



1 AIR-TIGHT CHAMBER

2 PLATFORM WITH RECIPROCATING MOVEMENT FUNCTION

3 THERMOSTAT MODE RECORDING

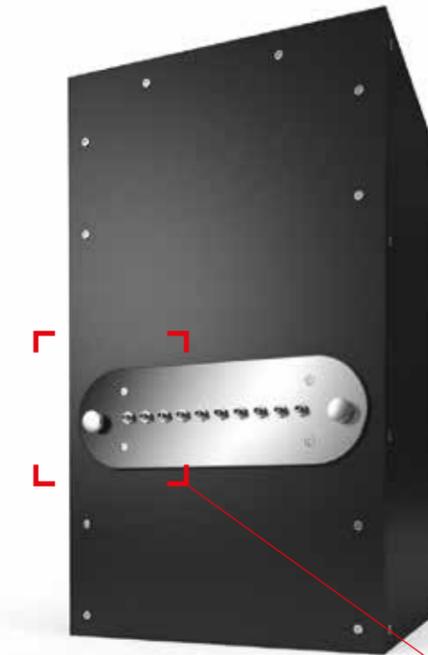


13. "Reader" portable clinical diagnostics system

Holding Company: **OBORONPROM CORPORATION**

Profile

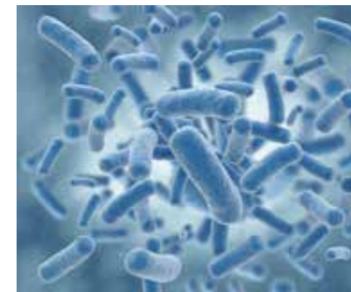
The Reader portable clinical and diagnostics system is used to perform the express identification of pathogenic micro-organisms and test them for antibiotic resistance in order to make on-the-spot decisions concerning effective therapies for infectious diseases. These devices are designed to be used in clinical microbiological diagnostics laboratories and treatment and preventive institutions, medical and obstetric centers, veterinary hospitals and other health care institutions.



1 EXPRESS IDENTIFICATION OF PATHOGENIC MICROORGANISMS

2 TESTING FOR THEIR ANTIBIOTIC RESISTANCE

3 USE IN CLINICAL MICROBIOLOGICAL DIAGNOSTICS LABORATORIES



4_2_3 Automobile Production Cluster

Autopilot mode

Naberezhny Chelny



Kazan

1,058 km

Nizhny Novgorod



Naberezhny Chelny – Moscow Route



MOSCOW

1. KAMAZ on autopilot

Holding Company: **KAMAZ**

Profile

All the major global truck producers are researching into similar developments, which reflects the expected strong growth of this segment in the future. The safe automated control system will enable, for the most part, the problem of road traffic accidents and road deaths to be addressed. The mass production of the trucks is scheduled to kick off in two years. These driverless trucks are expected to become commonly used in 2025–2027.

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3 lines of development:

SmartPilot AirPilot RoboPilot

2. LADA Vesta

Holding Company: **AVTOVAZ**

Profile

The LADA Vesta was designed based on the new Lada crossover/sedan platform developed as part of the Renault-Nissan Alliance. The LADA Vesta is equipped with a domestically produced engine from AVTOVAZ, with a 1.6 l (106 h.p.) engine and a mechanical gearbox from Renault. The original level for the automobile localization is 71%.



Specifications

Length / Width / Height, mm	4,410 / 1,764 / 1,497
Combined fuel consumption, l/100 km	6.9
Engine	1.6 l, 106 h.p.
Curb weight, kg	1,230...1,270



3. LADA XRAY

Holding Company: **AVTOVAZ**

Profile

The LADA XRAY crossover is equipped with an engine from Renault-Nissan and a mechanical 5-speed gearbox. The initial level of localization for the automobile is 50%. The mass production of the model is performed on the Renault-Nissan V0 platform.



Specifications

Length / Width / Height, mm	4,165 / 1,764 / 1,570
Combined fuel consumption, l/100 km	6.8–7.2
Engine	1.6–1.8 l, 106–122 h.p.
Curb weight, kg	1,190...1,250



4_2_4 Weaponry Cluster

1. Break-up/de-miner robot

Holding Company: **High-Precision Systems**

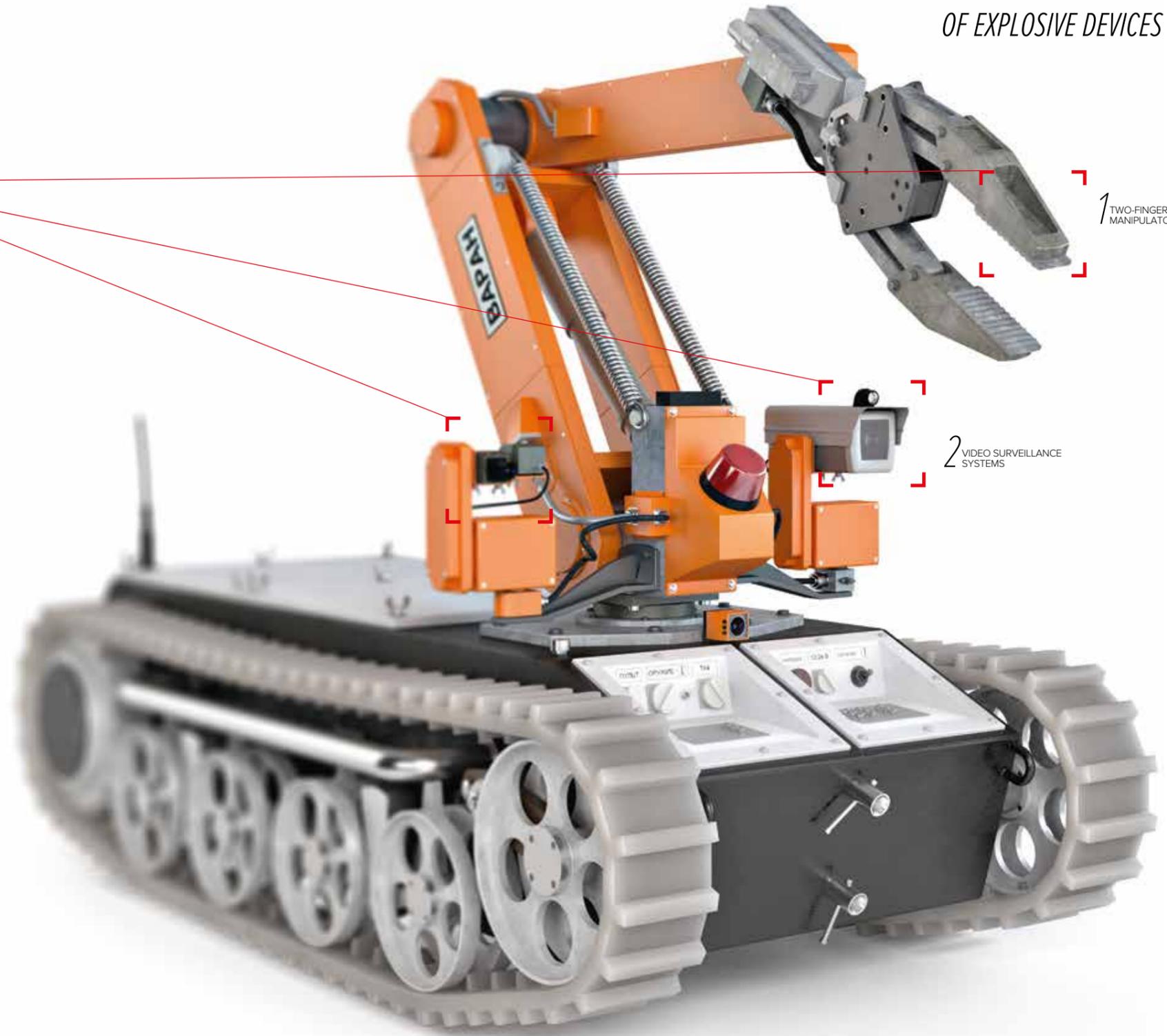
Profile

The Varan Mobile Robot was developed to find explosives, defuse or destroy them on site or deliver them to a special container in a safe location. Varan can operate in conditions of radiation, chemical and biological contamination. The robot is controlled by an operator or can work completely independently in line with the pre-defined program.

DEACTIVATION OF EXPLOSIVE DEVICES

1 TWO-FINGER MANIPULATOR

2 VIDEO SURVEILLANCE SYSTEMS



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4_2_5 General Machinery Production Cluster



1. Composite aviation tail components for MS-21 airplanes

Holding Company:
Chemcomposite

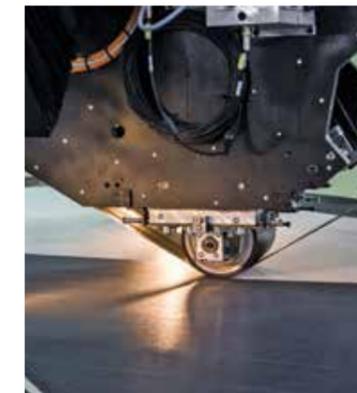
Profile

The key technologies, enabling us to ensure the high competitiveness of the MS-21 airplane according to technical and economic parameters, are technologies used to produce fin box details from polymer and composite materials. Their unique feature is the greatly automated process. The weight of the composite parts in the airplane structure is 30–40% of the total weight.

WEIGHT OF COMPOSITE MATERIALS OF UP TO

40%

NEW GENERATION TECHNOLOGIES



4_2_6 Biocluster



1. Sovigripp Vaccine

Holding Company: **NIC**

Profile

The Sovigripp flue prevention (inactivation) vaccine for patients up to 18 years is produced in the form of a solution to be used for the intra-muscular intake of a dose of up to 0.5 ml (1 dose) in one-time use vials or syringes, with a needle and protection cap. It contains 5 mkg of hemagglutinin of the strains A/H1N1 and A/H3N2 and 11 mkg of strain B. The composition of the antigen of the strains is modified annually in line with recommendations from the WHO and the Commission for Flu Vaccines and Diagnostics Strains of the RF Healthcare Ministry. The vaccine is produced by Microgen. The vaccine is produced either with the preserver thiomersal (merthiolate), or without it.



2. Ultrix Vaccine

Holding Company: **NIC**



Profile

The latest generation Ultrix anti-flu vaccine is an unactivated split vaccine containing virus-like particles, presenting the surface antigens of the flu virus. The composition of the strain meets WHO recommendations – it contains 15 mkg of flu virus hemagglutinin for each strain (A/H1M, A/H3N2, B), 45 mkg in total. The composition of the antigen of the strains is modified annually in line with recommendations from the WHO and the Commission for Flu Vaccines and Diagnostics Strains of the RF Healthcare Ministry. The vaccine is produced by the company FORT within the full technological cycle. The vaccine is approved for children from the age of 6.

3. AKDS Vaccine

Holding Company: **NIC**



Profile

The AKDS vaccine is designed to protect children from whooping cough, diphtherias and tetanus. It is produced in the form of suspension for intra-muscular intake. One preventive dose (0.5 ml) contains 15 flocculate units (Lf) of diphtheritic antitoxin, 5 linking units (EC) of tetanus antitoxin, 10 billion whooping cough microbial cells, no more than 0.55 mg of hydroxide aluminum and no more than 50 mkg of formaldehyde. The preserver used is merthiolate (42.5–57.5 mkg). It is approved for vaccinating children from the age of 3 years 11 months 29 days. The vaccine is produced by Microgen.



4.3 Rostec in the Global Context

4.3.1 External Environment for the Corporation's Activities

The 2025-Strategy identified the following sectors as high-potential for Rostec's expansion worldwide: medical equipment, bio-technology, power and resource conservation equipment, telecommunications equipment, IT, electronics, newly developed materials, robotics, automated ERP systems, new-generation telecommunications networks, cyber-security, organic LEDs (OLED).

The Corporation's activities are diversified across various industries and regions of presence. Consequently, any changes to the market conditions and regional factors have an impact on its performance results.

In 2015, the economies of the US and the Eurozone continued to grow by 2.4% and 1.5% respectively, however the overall global economy slowed down by 0.3 percentage points to 3.1%. The Russian economic

Corporation in ruble terms grew by 15% from 185 billion rubles to 211 billion rubles, while the ruble devaluation resulted in a reduction of dollar-denominated revenues by 27% from 4.8 billion USD in 2014 to 3.5 billion USD in 2015. The key difference between the Russian and global markets is the increasing share of state orders. Military and special-purpose products make up 40–45% of the total microelectronics market. The main segment both in the global and Russian markets is integrated circuits. The share of integrated circuits in the Russian microelectronics market is over 80%.

In 2015, helicopter production reduced by 9% in real terms. Product deliveries at Russian Helicopters JSC also fell by 22%, down to 212 units in 2015, at the same time increasing its revenues by 29.5% up to 220 billion rubles.

Overall in 2015, 90 million new automobiles were sold. However, China has continued to hold the leading position in terms of sales volumes since 2009.

In 2015, the Russian trucks and cars market shrank by 35.7% in real terms. Sales at AVTOVAZ and KAMAZ also fell by 30.5% and 32.5% respectively. The drop in the trucks market is due to its relative saturation and the drop in road transport cargo volumes (within the above specified period, this drop amounted to 5.9% in real terms). The overall economic decline and drop in purchasing power resulted in a significant reduction of car sales, with 1.3 million units sold.

In the global weaponry markets, within the last 5 years Russia and the US have sustained their leading positions.

The 2015 defense budget demonstrated the highest growth versus 2014, and Russia had the highest military expenses compared to GDP among all major countries, including nuclear ones, with spending reaching 4.2% of GDP.

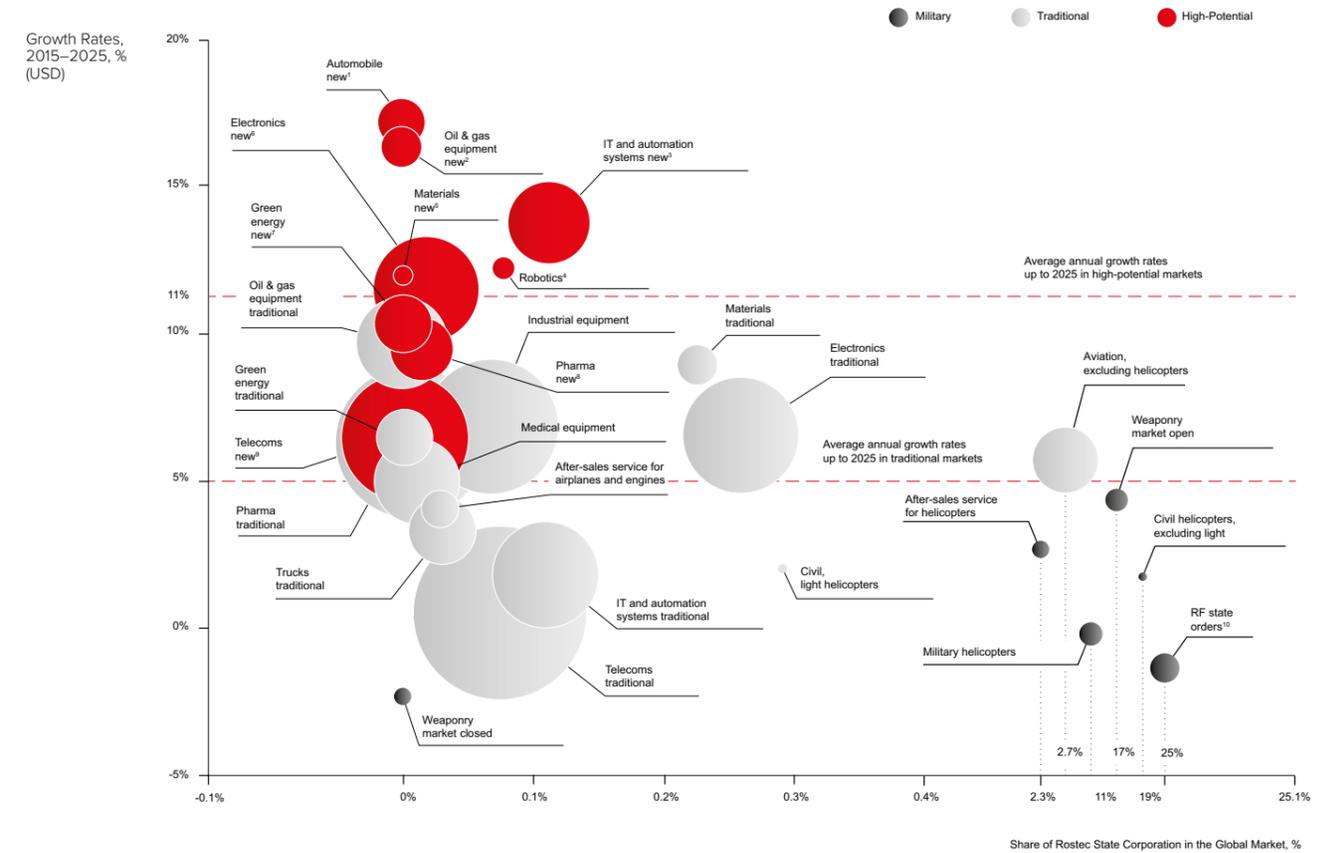
The machinery construction sector is very sensitive to the market fluctuations and changes in the investment climate. In spite of the fact that machinery production has low unit volumes, these products account for a major share of investments and are one of the essential products for imports substitution. Despite the unfavorable investment dynamics, the production of metal-working equipment in Russia grew in 2015 by 5.3% as compared to 2014. In addition, the production of metal-cutting machinery, which is localized, grew by 20% up to 1,900 units, while

recovery has faced certain constraints, such as the record low prices of commodities and the unfavorable financial environment. In 2015, exports and imports into Russia also fell by 31.8% and 37% respectively from 2014.

In 2015, the global microelectronics market expanded from 337 billion USD to 366 billion USD. Within the same period, revenues from the electronic cluster of Rostec State



Traditional and New Markets¹ for Rostec State Corporation



the production of CNC equipment grew by 56%, mainly driven by a roll-out of the special program to support the machinery production industry.

Chemical production in Russia is growing, boosted by an increase of exports due to the ruble devaluation, as well as a reduction of imports for certain types of products following a decrease in internal demand. There was also growth in the production of various types of polymers, raw rubber, and synthetic fiber. However, despite the overall growth in the chemical industry, there was a reduction

in the production of certain types of chemical products, for instance, artificial fiber and threads, resulting from the drop in the demand for domestic products in the Russian market.

The Russian medical products market, including surgery equipment and orthopedic products, grew by almost 20% as compared to 2014. This largely resulted from the growth in prices of the respective products because of the ruble devaluation and dependence on the imports of raw materials and components.

¹ Electric and hybrid cars, automation systems.
² Drilling measurements, electrical submersible pumps, underwater equipment, tertiary oil production, hydraulic fracturing, shale gas extraction equipment, analytics software.
³ Computerized Process Control Systems; process control systems for enterprises, intellectual management systems, cyber-security, "smart" networks, neuro-technology.
⁴ Civil drones, military drones, industrial robotics, commercial servicing robotics, personal servicing robotics, military robotics, excluding drones.
⁵ Optical-fiber materials, membrane separation technologies, additive technologies.
⁶ Smartphones, tablets, optoelectronics, LED, OLED.
⁷ Power elements (fuel elements), wind power, solar power.
⁸ Oncology, diabetes, vaccines, immune-depressants.
⁹ Broad-band internet connection, civil technical and commercial services, satellites and satellite services, technical and commercial services for new-generation networks, telecoms software.
¹⁰ High probability of an increase in defense costs, driven by the Syria operations and growing foreign policy concerns.

4_3_2 Participation of Rostec State Corporation in military and technical cooperation, state defense orders, federal target programs

In line with the Strategy-2025, despite the focus on "smart" markets, Rostec State Corporation will continue to prioritize the fulfillment of state defense orders and military and technical cooperation agreements.

Successful cooperation between the RF Ministry of Defense, Rosoboronexport JSC and Rostec State Corporation are of critical importance for all parties.

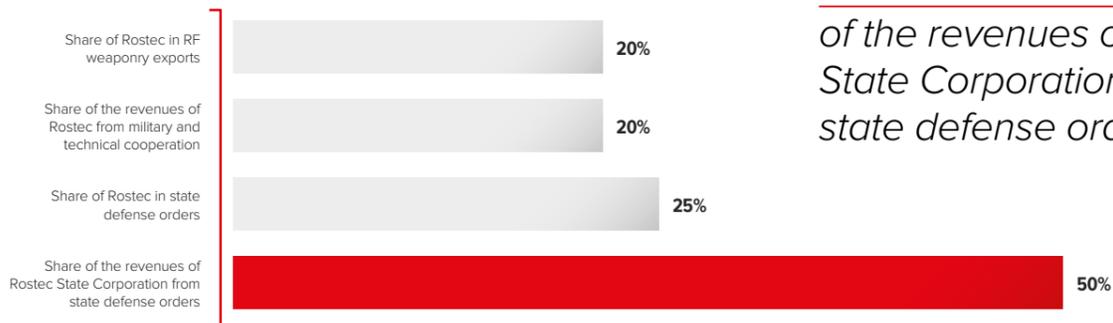
Military and Technical Cooperation

In 2015, the involvement by the Corporation the military and technical cooperation between Russia and foreign partners was performed in complicated foreign policy and economic conditions, caused by a continue global economic crisis, expansion of the anti-Russian sanctions, imposed by the US, the Eurozone and a number of foreign countries, tense and fast-changing military and political conditions in the Middle East and Northern Africa, as well as activation of competition across weaponry markets. In these conditions, the initiators of the economic sanctions and their allies directly pressurized our partners in military and technical cooperation, blocked our settlements systems, carried out aggressive information countermeasures in order to destroy our close foreign trade links.

In this environment, the Corporation mainly focused on the following lines of business:

- support for exporters of military products;
- search for new partners, expansion of military-usage products (MUP) deliveries and strengthening its position in new markets;
- improvements to the competitiveness of military products for export;
- improvements to the quality of weaponries, military and special equipment (WMSE);
- improvements to the MUP after-sales service system, including establishment within foreign state the servicing state to maintain and repair WMSE;
- establishment of joint companies to develop and produce WMSE;
- development and roll-out of measures associated with the import substitution of components produced in the West used
- to manufacture military products for export;
- roll-out of measures to counteract the international sanctions and restrictions imposed both against the Corporation overall, as well as its individual companies (Kalashnikov Concern JSC, KRET JSC, Sozvezdie Concern (UIMC), Construction Bureau for Equipment Design named after Academician A.G. Shipunov NPO, High-Precision Systems, Techmash NPK, Splav NPO, Russian Helicopters, United Engine Corporation, Russian Electronics, Technodinamika, Rosoboronexport and others), as well as their subsidiaries.

Overall in 2015, the Corporation companies – in spite of the ongoing economic sanctions – did not only manage to maintain the MUP export volumes at the level of 2014, but also exceeded some of the parameters for them.



50%

of the revenues of Rostec State Corporation are from state defense orders

Share of the industrial sectors in the aggregate sales of military goods:

INDUSTRIAL SECTOR	SHARE, %
Aviation industry	64.9
General weaponry industry	23.8
Ammunitions and special chemicals industry	8.7
Radio-electronics industry	2.4
General machinery production industry	0.2

Overall in 2015, the Corporation companies – in spite of the ongoing economic sanctions – did not only manage to maintain the MUP export volumes at the level of 2014, but also exceeded some of the parameters for them.

Rosoboronexport, which is part of the Corporation, supplied military goods worth 12.7 billion USD (with the target being 12.1 billion USD). The Corporation's share of the aggregate military goods exports of Rosoboronexport amounted to 47.4% (in 2014 – 48.7%). The amount of funds received in 2015 as payment under export operations carried out by Rosoboronexport amounted to 13.8 billion USD (in 2014 – 11.2 billion USD). The orders portfolio of Rosoboronexport grew to 49.5 billion USD.

There was an increase as compared to 2014 in the export of military goods at the companies belong to the holdings Russian Electronics (by 267%), Avtomatika Concern (by

142%), Shvabe (by 117%), United Instrument Manufacturing Corporation (by 36.3%), United Engine Corporation (by 33.8%), Russian Helicopters (by 12.5%).

At the same time, there was a reduction in military product exports by holdings such as High-Precision Systems, Techmash, Technodinamika, KRET, Kalashnikov Concern.

Overall, the Corporation companies supplied military goods to foreign customers (both via Rosoboronexport and independently) worth 6.53 billion USD (in 2014 – 7.10 billion USD). At the same time, under the agreements of the Commission with Rosoboronexport, military goods were supplied worth more than 6.02 billion USD (in 2014 – 6.4 USD), and under direct contracts with military and technical cooperation entities that are part of the Corporation, military goods were supplied worth over 0.51 billion USD (in 2014 – 0.67 USD).



The share of military and technical cooperation entities in the total exports of the Corporation was 7.8%. The orders portfolio of the Corporation companies exceeded 21.4 billion USD.

The actions by Western banks to block payments resulted in the funds received in 2015 in the form of payment for these deliveries falling by 13% from 2014, down to 6.0 billion USD.

The receipts of currency-denominated funds enabled the Corporation companies to upgrade the production technologies to a sufficient degree, increase the quality of scientific and research and development work, while also sustaining stability in the social sphere.

Exports of military goods to the BRICS countries totaled 2.4 billion USD (in 2014 – 1.8 billion USD).

Throughout 2015, the Corporation took an active role in improving the laws and regulations in the field of military and technical cooperation, while also monitoring the performance of the contractual obligations concerning military product exports to foreign customers and taking measures to promote high-tech products to external markets.

The above results for military and technical cooperation clearly show that the products manufactured by the companies and organizations of the Corporation are highly competitive. At the same time, the stable portfolio of orders, extensive military product export footprint, and high level of professionalism of the employees of the Corporation companies and organizations have enabled us to confidently maintain our position in the global market for weaponry and military equipment.

State Defense Orders

In 2015, 298 of the Corporation companies were engaged in delivering the State Defense Orders, out of which 165 organizations worked under the contracts with state customers and 133 organizations – under the cooperation agreements. Overall in 2015, the Corporation companies fulfilled about 10 thousand contracts, 1.4 thousand of which were direct contracts with state customers, the rest being cooperative supplies.

State contracts were concluded in line with the approved state defense order objectives for 2015, including weekly monitoring of the conclusion of contracts. Most of the contracts between the Corporation companies and state customers were concluded prior May 1, 2015.

Monitoring of the performance of the state defense orders was carried out using the reporting documents from the Corporation companies, and also based on the operative monitoring of the work to develop and produce the most essential WMSE units (weapons, military and special equipment).

Any issues which arose in relation to the fulfillment of the state defense orders were reviewed by the Management Board of the Corporation.

Throughout the year, the Corporation carried out organizational and corporate measures to elevate the role and scope of responsibility of the management companies

of the Corporation holding companies when delivering state defense orders.

Overall, the Corporation companies managed to deliver all the state defense orders in 2015, while the work performed increased by 32% from 2014.

In 2015, the aviation cluster companies managed to produce the highest volumes of products (work, services) related to state defense orders (41% of the overall volume).

In delivering the state defense orders in 2015, the Corporation successfully collaborated with the federal executive bodies, state customers and integrated structures – leading companies responsible for delivering state defense orders: Almaz-Antey PVO Concern, Tactical Missiles Corporation, MIT Corporation, United Aviation Construction Corporation, United Shipbuilding Corporation, Uralvagonzavod NPK.

Federal Target Programs (FTP)

In 2015, the Corporation companies took measures to implement key FTPs, aimed at developing the military-industrial complex of the Russian Federation, including the following:

- "Development of the Military-Industrial Complex of the Russian Federation in 2011–2020";
- "Development of Civil Aviation Equipment in Russia in 2002–2010 and up to 2015";
- "Development of Industry and Maintenance of its Competitiveness";
- "Development, Reconstruction and Setting up of Production Facilities for Strategic, Deficit and Import Substitution Materials and Low-Tonnage Chemicals for Weaponry, Military and Special Equipment in 2009–2011 and up to 2015";
- "Maintenance, Development and Application of GLONASS System in 2012–2020";
- "Development of Electronics Components Radio-Electronics in 2008-2015";
- "Development of the Pharmaceuticals and Medical Industry of the Russian Federation up to 2020 and Beyond."

In 2015, the Corporation companies continued to implement measures related to the FTP "Development of the Military-Industrial Complex of the Russian Federation in 2011–2020" ("FTP-1").

As part of the roll-out of FTP-1 measures in 2015, the Corporation concluded contracts on the provision of subsidies under 57 investments projects, financed with an asset contribution from the Russian Federation to the Corporation totaling about 16 billion rubles.

Overall in 2015, under FTP-1, the Corporation companies commissioned 12 CapEx facilities across 9 regions.

Last year, work was continued to restructure the ammunitions industry via the roll-out of fifteen ongoing projects.

Under the state program of the Russian Federation "Development of Industry and Maintenance of Competitiveness," approved by Order No. 328 of the RF Government dated April 15, 2014, nine integrated



Volumes of Concluded Contracts by Industry

INDUSTRY	VOLUME, BILLION RUBLES
Aviation industry	43.9
Conventional weapons, ammunitions and special chemicals cluster	10.5
Radio-electronics cluster	52.5
General machinery production industry	0.9

projects were kicked off to set up the production of import substitution components and materials for weaponry, military and special equipment, selected by the Inter-Departmental Commission for the Selection and Monitoring of Roll-Out of Integrated Projects, established under the auspices of the RF Ministry for Industry and Trade.

Financing for the integrated projects via the subsidy in the form of the asset contribution from the Russian Federation to the Corporation in 2015 totaled over 2 billion rubles.

In order to enable effective cooperation upon the roll-out of the integrated projects, Order No. 163 of the Corporation dated August 12, 2015 approved the Regulations for the Setup of Production of Import Substitution Components for Devices and Materials for Weaponry, Military and Special Equipment.

The supervision of the targeted use of the funds, granted to the Corporation in the form of the asset contribution from the Russian Federation for the roll-out of the above specified measures, was performed in line with the Regulations for the Centralized Administrative Supervision of Target Financing in Rostec State Corporation, approved by Order No. 139 of the Corporation dated July 16, 2015.

In 2015, the Corporation arranged the drafting of proposals concerning investment projects for technological re-equipment and upgrading of production facilities in order to include them in the state program for the development of the military-industrial complex. The proposals were drafted with the holding companies (integrated structures) of the Corporation and sent to the RF Ministry of Industry and Trade.

4_3_3 Key International Projects in 2015



As a result of the active marketing efforts, the representative offices of Rostec in foreign countries have developed a large number of projects which are currently being implemented. The following projects may be identified as the key ones in 2015.



Hungary

In December 2015, nine auto dealerships opened in Hungary, marketing Lada automobiles (Lada Kalina, Lada Granta, Lada Vesta and Niva).

Iran

On November 5, 2015, Russian Helicopters JSC and the Iran Aviation Industries Organization signed the following documents:

- a road map for the retrofitting of the aviation repair plant in Iran and its authorization as a center for the maintenance and overhaul of the Mi-17 civilian helicopter;
- a contract concerning the general terms for technical assistance in retrofitting the aircraft repair plant in Iran and its authorization as a center for overhaul of the Mi-17 helicopter, the TVZ-117/VK-2500 engines and AI 98 ancillary power unit;

The total number of Russian helicopters of various types used in China exceeded

400 units



- a contract concerning the general terms of the delivery of spare parts, tools, and documents, relating to the maintenance and repair of Mi-17 helicopters.

On November 23, 2015, Technopromexport VO OJSC and the Holding Company for Electricity Generation at Iran's thermal plants signed a contractual agreement for the construction of a thermal power plant, having a capacity of up to 200,000 cubic meters per day and a total cost of 4.8 billion USD.

India

On August 25, 2015, Rosoboronexport JSC, Russian Helicopters JSC and Reliance Defense Limited signed a Memorandum of understanding concerning the production of 200 Ka-226T helicopters and possible modified models, as well as the establishment of the after-sales service system.

On December 24, 2015, Russia and India signed an inter-governmental agreement concerning the establishment of a production plant for Ka-226T helicopters together with HAL Corporation.

Bangladesh

In 2015, Russian Helicopters JSC delivered 5 Mi-17Sh military transportation helicopters to the Ministry of Defense of Bangladesh.

Saudi Arabia

Based on the results of Medica-2015 in Düsseldorf, Shvabe JSC signed a one-year contract on cooperation with representatives of Saudi Arabia for the delivery of neo-natal equipment.



China

Contracts were concluded for the delivery in 2016–2017 of the Ka-32A11VS (10 units) and Mi-171 (2 units) civilian helicopters. The total number of Russian helicopters of various types used in China exceeded 400 units.

An agreement on cooperation between Russian Electronics JSC and China's ZTE Corporation was concluded on the roll-out of projects to establish "Smart City" integrated systems across Russian regional centers, featuring a total investment of about 200 billion USD.

Two agreements on cooperation with China's OED Group Limited and LD.com were signed on the joint development and production in China of electronic-ink displays, as well as the expansion of the distribution channels of YotaPhone in the Chinese market.

On December 17, 2015, Beijing hosted the signing of an agreement on strategic cooperation with two of largest China's state corporations – China North Industries Corporation and China South Industries Group Corporation.

The above specified agreements were the final ones within the system with the largest military and industrial corporations of the country, which the Corporation had built in China over the last several years. Seven agreements on strategic cooperation, as well as over 20 agreements and memorandums were concluded by the Corporation Holdings (out of which, 11 were signed in 2015).

VSMPO-AVISMA Corporation and AVIC Aircraft Company Ltd, Xi'an Branch (PRC) signed a long-term supply agreement for titanium semi-finished products, manufactured by VSMPO-AVISMA, up to December 2019.

Pakistan

In October 2015, Russia and Pakistan signed in Islamabad an inter-governmental agreement on the construction of the "North-South" gas pipeline.

Singapore

A cooperation agreement was signed between SIBER Holding and ST Electronics, which belongs to Singapore Technologies, and which is Singapore's leader in electronics and information and communications technologies.

Myanmar

The first phase to commission the metallurgic plant was completed. This plant operates with the use of the innovative ROMELT Russian technology. The construction work is being done under the contract concluded by Myanmar Economic Corporation and VO Tyazhpromexport.

France

Technodynamika Holding and Microturbo (subsidiary of Safran Holding) signed a cooperation agreement on the production of the Saphir 15 ancillary power unit for civil use at the MAX-2015 aviation salon.

On September 23, 2015, an agreement was signed between KRET JSC and Sagem Defense Securite Company on the preparation for production localization, maintenance and repair of Sagem gyro-stabilized optical-electronics systems for use in Russia's aviation industry.

Cuba

In 2015, a supply agreement was concluded for two Mi-8/17 helicopters modified for passengers and VIPs for use by the Republic's Government.

Uganda

A consortium, comprising RT-Global Resources LLC, VTB-Capital and Tatneft, won the tender for the construction of Uganda's first oil refinery. A corresponding agreement is expected to be signed with the Uganda's Government in the near future.

UAE

KAMAZ PJSC delivered (via its regional distributor KAMAZ International Trading FZE) about 200 units in 2015. In the first half of 2016, KAMAZ PJSC plans to deliver 30 units to the UAE.

Egypt

AVTOVAZ, working in a conjunction with Al Amal Co., set up the production of Lada Granta cars. In 2016, the plant is set to sell about 6,000 cars in Egypt.

Peru

In 2015, work was completed under the supply agreement for 24 Mi-171Sh helicopters. The offset project was continued to establish the Center for Maintenance and Repair of Russian helicopters.

Uruguay

The marketing campaign to promote the KAMAZ PJSC products in 2015 in the Uruguay market led to the signing in February 2016 of a supply agreement for 22 units of special fire fighting equipment on the basis of the KAMAZ truck.

Italy

On October 22, 2015, at the 4th Eurasian Forum in Verona, Rosneft, Pirelli S.p.A. and Synthos S.A. signed a feasibility study on the construction of a plant for the production of synthetic rubber in Nakhodka as part of the petrochemical cluster in Far East Petrochemical Company (FEPCO). The signed documents confirm the completion of the stage to develop the preliminary technical and economic feasibility study for the synthetic rubber production plant in Nakhodka, including the selection of the technological configuration in line with the production requirements, market research, and estimate of required investment and operating costs.

In furtherance of the basic terms set forth in the agreement on strategic cooperation between Russian Helicopters JSC, Rosneft Oil Company OJSC and AgustaWestland S.p.A. concerning the project to set up the production in the Russian Federation of AW189 helicopters, on July 16, 2015 in Milan the parties signed an agreement on the terms of the participation in the joint venture, setting forth the procedure for Rosneft Oil Company OJSC becoming a shareholder of HeliVert CJSC, as well as the schedule for the signing of the set of mandatory agreements between the parties (no later than June 1, 2016). Overall the parties have carried out joint operations in line with the agreed schedule. Prior to the end of Q1 2016, the parties plan to hold consultations in order to clarify the project stage completion schedule (including the schedule for the commissioning of the AW189 assembly plant at HeliVert CJSC).

Zimbabwe

Rostec, acting as part of a consortium with Vi Holding Investment and the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), in line with the principles of private and public cooperation, are delivering an integrated mining project at the platinum group metals field in Darwendale (Zimbabwe).

Germany

In October 2015, KRET JSC signed an addendum to the agreement with Rohde & Schwarz concerning the localization of the production of measuring and control equipment at NNPO named after M.V. Frunze OJSC, seeking to significantly expand the frequency range for produced devices, while also meeting the requirements of potential customers for additional options.

Austria

As part of the roll-out of the cooperation agreement between Frekventis and UIMC concerning the localization of production facilities in the Russian Federation of voice communications and data transmission systems and multi-functional non-blockable commutation systems for the transmission of packet data and radio-communications, in 2015 Russia decided in favor of setting up the full-cycle production of the above specified systems.



4_3_4 Participation in Exhibitions



In 2015, Rostec State Corporation was the organizer of 11 international exhibitions of military products.

EXHIBITION NAME	DATE AND VENUE
10th AERO INDIA 2015 International Aerospace Exhibition	February 18, 2015 – February 22, 2015 Bangalore, India
XII IDEX-2015 International Defense Exhibition	February 22, 2015 – February 26, 2015 Abu Dhabi, UAE
LIMA 2015 International Maritime & Aerospace Exhibition	March 17, 2015 – March 21, 2015 Langkawi, Malaysia
LAAD-2015 International Latin American Defense & Security Exhibition	April 14, 2015 – April 17, 2015 Rio de Janeiro, Brazil
IDEF-2015 International Defense Industry Fair	May 5, 2015 – May 8, 2015 Istanbul, Turkey
SITDEF PERU'2015 International Salon for Defense Technology	May 14, 2015 – May 17, 2015 Lima, Peru
Paris Air Show 2015 International Aviation and Space Salon	June 15, 2015 – June 21, 2015 Paris, France
DEFENSE & SECURITY 2015 International Asian Exhibition and Conference for Defense and Security	November 2, 2015 – November 5, 2015 Bangkok, Thailand
Dubai Airshow-2015 International Aviation and Space Exhibition	November 8, 2015 – November 12, 2015 Dubai, UAE
Milipol-2015 Worldwide Exhibition for Internal State Security	November 17, 2015 – November 20, 2015 Paris, France
Gulf Defense & Aerospace-2015 International Exhibition and Conference for Weaponry and Military Equipment	December 8, 2015 – December 10, 2015 Al Kuwait, Kuwait



In 2015, the Corporation took part in the following significant international exhibition projects to promote non-military products:

- IWA 2015 International Exhibition for Hunting and Sports Weapons (March 6–9, Nuremberg, Germany);
- International Exhibition and Conference "Law Enforcement, Security and Tactical Decision-Making Enforce Tac 2015" (March 4–5, Nuremberg, Germany);
- Second Russian-Chinese EXPO (October 12–16, Harbin, China);
- FIHAV 2015 International Trade Fair (November 2–7, Havana, Cuba).

In addition, in 2015 the Corporation took part in exhibitions held in Russia, participating in 16 exhibition projects.

The Corporation set up display stands at the Russian exhibitions with an overall area of 9,800 square meters.

9,800

SQUARE METERS

IS THE OVERALL AREA OF THE CORPORATION'S EXPOSITIONS AT THE RUSSIAN EXHIBITIONS

4_4 Informatization for Management and Production Processes

In order to enable the Corporation to attain its strategic goals, its business processes need to meet the full scope of modern requirements, including seamless integration, while IT services should be continuously accessible for employees and sufficiently protected against unauthorized use of any confidential data.

In line with the global best practices, in 2014, the Corporation already changed its approach to the application of IT technologies, outsourcing some of the functions relating to IT to RT-Inform LLC, its infrastructure subsidiary. In 2015, work continued to further outsource IT services.



SERVICE 360°

In 2015, Rostec State Corporation launched an ambitious project called Service 360°. This project made its possible within a short period of time – within 3 months – to upgrade the IT infrastructure of the Corporation's central office and attain a fundamentally new level of development of its IT functions. Currently, this project is one of the major IT initiatives in the Russian state sector. RT-Inform LLC – an integration company within the Corporation – took charge of the project.

The scope and quality of the IT services provided within Service 360° were improved at each stage of the project roll-out. The project kicked off in August 2015. **As early as October 2015, the IT infrastructure of the central office underwent an upgrade:**

- all IT services were transferred to the new infrastructure using the secure data processing center;
- server capacities for use by the information systems were increased;
- modern information security equipment was upgraded and rolled-out, significantly reducing risks in this area;
- the list of IT services provided was significantly expanded; Data processing center, Wi-Fi, print management, "thin client" access;
- IT monitoring system, conference-call system and many other services were rolled out.

The end users saw the following changes to Service 360°:

- a remote working place service could carry out operations within a single-point interface;
- an integrated communications space was created, enabled the transmission of voice, text and video;
- safe operations with information;
- the new services include guest Wi-Fi, copy centers and common printing centers, newly equipped meeting rooms with modern multimedia equipment, upgraded applications for office work, a unified communications service;
- a broad-based array of systems was rolled out, ensuring information safety, including protection against spam emails, anti-virus protection, protection against hacker attacks, trade secret integrity and others;
- users were provided access to working documents from any device (including any mobile device), using any operating system;
- improvements were made to the overall maturity levels of the IT processes in the company.

The Service 360° project will bring about a significant synergistic effect from duplication across the Corporation's holdings. The unified information space set up in line with modern principles and on the basis of the latest technologies, will strengthen cooperation between the subsidiaries and the head office, improving speed and accuracy of information exchange and communication across the Corporation.

As part of the Service 360° project, unprecedented information protection was provided by the prevention of any leaks in confidential information, the monitoring, analysis and management of risks relating to information security. In addition, in order to prevent and mitigate the IT security incidents at the Corporation companies, the Center for Detection, Prevention and Mitigation of Computer Attacks was set up in 2015.



In 2015, RT-Inform created a sustainable foundation for subsequent growth and net profits were positive. In 2015, the company's revenues amounted to 1.9 billion rubles, which significantly exceeds revenues from the last few years.

IT ASSETS AUDIT

RT-Inform LLC carried out an audit into the IT assets of the holding companies and organizations of the Corporation in order to plan the subsequent transition to service-oriented IT services, enabling IT costs to be more effectively monitored. The results of the IT audit will be used as the foundation of the informatization programs, which the holding companies need to develop in 2016 in order to reduce the costs of information and communications technologies via standardization and unification, coupled with

simultaneous improvements in the quality of the IT services provided. The roll-out of the above specified approach will be enabled by the establishment of service centers in the holding companies, the subsequent expansion of intra-corporate services, the transfer of the companies' IT infrastructure to the data processing center of Rostec State Corporation.

Within 2015, RT-Inform created a sustainable foundation for the subsequent development and a positive indicator for net profits. In 2015, the company's revenues amounted to 1.9 billion rubles, which is nearly seven times higher (627%) than the 2014 revenues.

1.9 BILLION RUBLES

RT-Inform revenues in 2015



At the same time, the output per employee at RT-Inform LLC is in line with the leaders in the Russian IT market.

INFORMATION AND ANALYTICS SYSTEM (IAS)

The Information and Analytics System (IAS) is one of the major developments of the Corporation. The IAS is an attested protected system, which enables users to collect, store and analyze the figures from accounting, statistics and management reporting. This system should combine the information flows from all the companies and holdings of the Corporation, which will eventually enable significant improvements in their efficiency.

In 2014, the trial operation of IAS commenced. In 2015, the components and functions of the system were expanded,

In 2014, the trial operation of IAS commenced. In 2015, the components and functions of the system were expanded, while the number of connected companies increased from 213 to 376 and the number of connected users doubled.

while the number of connected companies increased from 213 up to 376 and the number of connected users increased 2 times. No less than 65% of the reporting forms are accessible, while the information security issues were addressed at the systematic level and the unified Call Center was established to support the IAS operations. no less than 65% of the reporting forms are accessible, while information security was addressed at the systematic level and a unified call center was established to support the IAS operations.

In Q4 2015, the Board of the Corporation approved the IAS Development Program. The functional capabilities of IAS 2.0 open up new opportunities for monitoring and analytics within the Corporation. **IAS 2.0 will deliver to**

the management teams comprehensive information on the markets, products, and the financial and operating indicators of their competitors:

- online monitoring of KPIs;
- assessment of the overall efficiency of the companies and holdings versus a group of comparable companies (both Russian and foreign);
- monitoring the efficiency of business process to enable their subsequent adjustment;
- streamlining of the processes to draft reports across various levels within the Corporation, holdings and companies;
- provision of access to detailed information on all products (cards with a detailed description of all end products of the Corporation) and the cooperation of the companies which produce them;
- provision of access to regularly updated information on counterpart products from competing producers;
- regular updates of forecasted macro indicators, determined based on market consensus;
- streamlining of information flows in the Corporation, including, among other things, via multi-time data entry (for instance, when providing reports to the Ministries and Agencies);
- ability to monitor FTP delivery;
- integration with the information systems of the Ministries and Agencies, including the inter-departmental electronic exchange system;
- data transfer from the Corporation to the holding companies and from the holding companies to the Corporation;
- collation, calculation and analysis of the market data;
- maintenance of company directories, based on the inclusion within a group of persons and the scope of responsibility of respective departments.

IAS 2.0 may become one of the examples of import substitution in the Russian IT industry – by 2017 499 Rostec companies and 15 holdings will be connected to the IAS. Additionally, the RF Ministry of Industry and Trade, federal executive bodies, companies and organizations outside of Rostec may join the project.



STATE INFORMATION SYSTEM FOR INDUSTRY (SISI)

Rostec is taking part in the project to develop the State Information System for Industry (SISI), which is to be used by the RF Ministry of Industry and Trade. Sergey Parfenov, Deputy CEO of the Industrial Development Fund was appointed Chief Designer for SISI.

Key achievements:

- The specialists at Rostec State Corporation performed operational adjustment of the SISI architectural solutions.
- The specialists at Rostec State Corporation developed the Sections for the SISI Development Concept for 2016–2018.
- Integration services were developed to enable data exchange between Rostec Corporation and the SISI.

In 2016, the central data exchange is scheduled to be rolled-out between Rostec State Corporation and the SISI, using the IAS via the developed integration services.

The National Center of Informatization and the FIFA 2018 World Cup

THE DEVELOPMENT CONCEPT FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY FOR THE 2018 FIFA WORLD CUP

Since November 2015, the National Center for Informatization LLC has been working on the development of a systemic project to create and operate communications and information technologies as part of the preparation for the FIFA 2018 World Cup and FIFA 2017 Confederation Cup, which will be held in the Russian Federation.

The systemic project will see the creation of systems for transmitting the matches from 12 stadiums, including 4K-format transmissions, the provision of fixed, trunking, mobile and satellite communications services, the creation of information systems, the provision of IT security services across more than 400 sites.

In March 2016, the project development was successfully completed.

376

companies

were connected to the IAS in 2015, while the number of connected users **doubled**

4_5 Treasury

Rostec State Corporation established a modern centralized finance management system on the basis of the Unified Corporate Treasury of the Corporation and its companies (UCT). In order to implement the Strategy-2025 concerning finance management, the Treasury will develop and roll-out the following key strategic initiatives.

The development of the Unified Corporate Treasury including the following activities:

- improvements to the efficiency of processes to manage the Corporation's liquidity;
- optimized distribution of resources within the Corporation, including the creation and
- development of the intra-group financing system on at RT-Finance LLC;
- roll-out of effective mechanisms to invest temporarily free funds;

- streamlining of the processes to manage working capital;
- roll-out of the system to manage financial risks at the level of the Corporation organizations and practical application of the tools to manage financial risks.

The Treasury has continued its work to streamline cooperation with servicing banks. The unification and introduction of the single preferential service rates for the Corporation organizations by several banks enabled bank service costs of the Corporation's organizations and loan interest rates agreed by the Treasury to be cut. In order to avoid any losses as a result of possible insolvency, a list of criteria was developed to select the most reliable banks authorized for partnership with Rostec State Corporation and its organizations.

The Corporation manages a continuous process to enable the advance planning of receipts and disbursements, helping increase the effectiveness of cash usage, yields from investments and also improve payment discipline.

Rostec developed its intra-group financing system on the basis on RT-Finance LLC, a special-purpose organization established in 2015. The intra-group financing system functions using cash management tools, which means the consolidation of temporarily free cash funds of the Corporation's companies within the pool leader to enable their subsequent placement on the financial market or to finance the Corporation's companies that need a replenishment of working capital.

The Corporation arranged a continuous process to enable the advance planning of receipts and disbursements, helping to increase cash use efficiency, investment yields and improving payment discipline.

IN 2015, THE CORPORATION CARRIED OUT MAJOR WORKS FOR THE UCT

- *The legal basis of the UCT has been created*
- *The main business processes of the UCT were rolled out in the ongoing operations of the Corporation's companies*
- *The project was launched to establish an intra-group financing system*
- *The main components of the automated UCT system were commissioned for experimental industrial operations*
- *The decision was made to establish a financial management system within the holding companies and directly controlled organizations in line with the principles, functions and tasks of the UCT being created*



The intra-group financing system will accomplish the following:

- streamline the cost structure of the Corporation's companies relating to servicing their debt portfolio;
- yield additional revenue upon cash placements in bank accounts due to the effect from the amount of placed funds.

The works completed by the Corporation and the Corporation's companies have already fulfilled the following objectives:

- avoid any cash losses due to risks in the banking system's functioning;
- reduce the aggregate credit portfolio of the Group;
- increase income from the placement of temporarily free cash funds of the Corporation and the Corporation's companies. Thanks to effective cash utilization planning, income from the placement of just the Corporation's own capital exceeds the respective indicator for the previous year by 2.8 billion rubles;

- establish a system to control the targeted use of cash funds, primarily target budget funds;
- identify, assess and minimize financial risks for the Corporation and the Corporation's companies. The efforts to mitigate currency risks associated with the Corporation's loans prevented an increase in the currency amount of the loans (in the ruble equivalent) of almost 11 billion rubles.

The further stages of the project to create the Unified Centralized Treasury will redistribute funds between holdings, thus channeling financing to top-priority state projects and measure and monitor delivery on payment calendars and budgets of the Corporation's companies at the corporate-wide level.

2.8 BILLION RUBLES

Increase in income from the placement of own funds

4_6 Brand and communications



Three years after its launch, the Rostec Corporation brand made the top 15 most valuable Russian brands along with such large companies as Rosneft and Rostelecom. According to the assessment conducted by the Swiss consulting company Assessa, the brand is valued at RUB 31.2 bln.

The corporation created a new system for trademark (service mark) rights control. In 2015, the corporation completed the registration of seven trademarks across 30 ICGS classes in the Russian Federation. In addition, the State Corporation initiated requests for the international registration of the trademarks to provide exclusive rights for them in 26 foreign countries (according to the Madrid international trademark registration system and within the framework of national procedures).

The transparency policies adopted by the Corporation's management in 2012 allowed them to create an entirely new image of the company.

Three years after its launch, the Rostec Corporation brand made the top 15 most valuable Russian brands along with such large companies as Rosneft and Rostelecom. According to the assessment from Swiss consulting company Assessa, the Corporation's brand is valued at RUB 31.2 bln.

The methods used by Assessa experts who performed the brand assessment are based on determining the current value of company branded business money flows taking into account brand power defined by the company's market positions in one or another branch of the economy, as well as the imputed interest (payment) rate for the

31.2 bln rub.
is the estimated
new brand's
value

brand's use (after tax). The following key variables are used in the final assessment: the discount rate applicable to the brand is 13.51%, the assessed tax rate — 20%, and the earning period — 13 years.

In addition to financial estimates, the specialists also conducted a detailed linguistic analysis of Rostec brand perception by people from different language groups. The results of the study show that in the world information field the company is associated with such words as "innovation," "productivity," "awareness," and "reliability." According to expert opinion, this confirms high potential for the Rostec brand's further growth in value.

Rostec has spent around RUB 45 mln in rebranding efforts, and the costs of its promotion over three years amounts to at least RUB 300 mln. Thus, in just three years the new brand achieved a value indicator that is almost 700 times in excess over its creation costs. The high brand value has a direct influence on capitalization, increases the investment attractiveness of the Corporation, and bears witness to the fact that Rostec investments in the brand have already been returned. Rostec's brand value is an indicator that determines the correctness of the strategic course it is governed by. The new brand evaluation of RUB 31.2 just a few years after its creation accentuates that the Corporation meets all the market's current requirements, as well as demonstrates the Corporation's development potential.

After Rostec in 2013–2015, new brands were also introduced for key holding companies of the Corporation: KRET, Kalashnikov, Shvabe and Technodinamika.

According to the results of 2015, there was significant growth of in the scope of the Corporation and its holding companies' media exposure. In 2015, there were 278,011 publications documented with a total IFI (information

favored index) of 1,462,691.93 points. Compared to 2014, the increase of publications totaled 21.3%, and its aggregate media index increased by 57.9%.

In the media exposure rating, Rostec State Corporation holds a leading position helped in part by the wide exposure of the Corporation in the information field and the existence of large, widely-followed newsbreaks.

Rostec holding companies demonstrated significant growth in the number of publications and the media index. Technodinamika (previously known as Aircraft Equipment) succeeded in maintaining its positions in the rating among other holding companies despite its rebranding.

By warrant of the Corporation's CEO No. 113 dated May 25, 2015 the Corporate External Communications Procedure was put into practice. This led to the regulatory entrenchment of the rules and standards of the Corporation, HC and P&T communication activity.

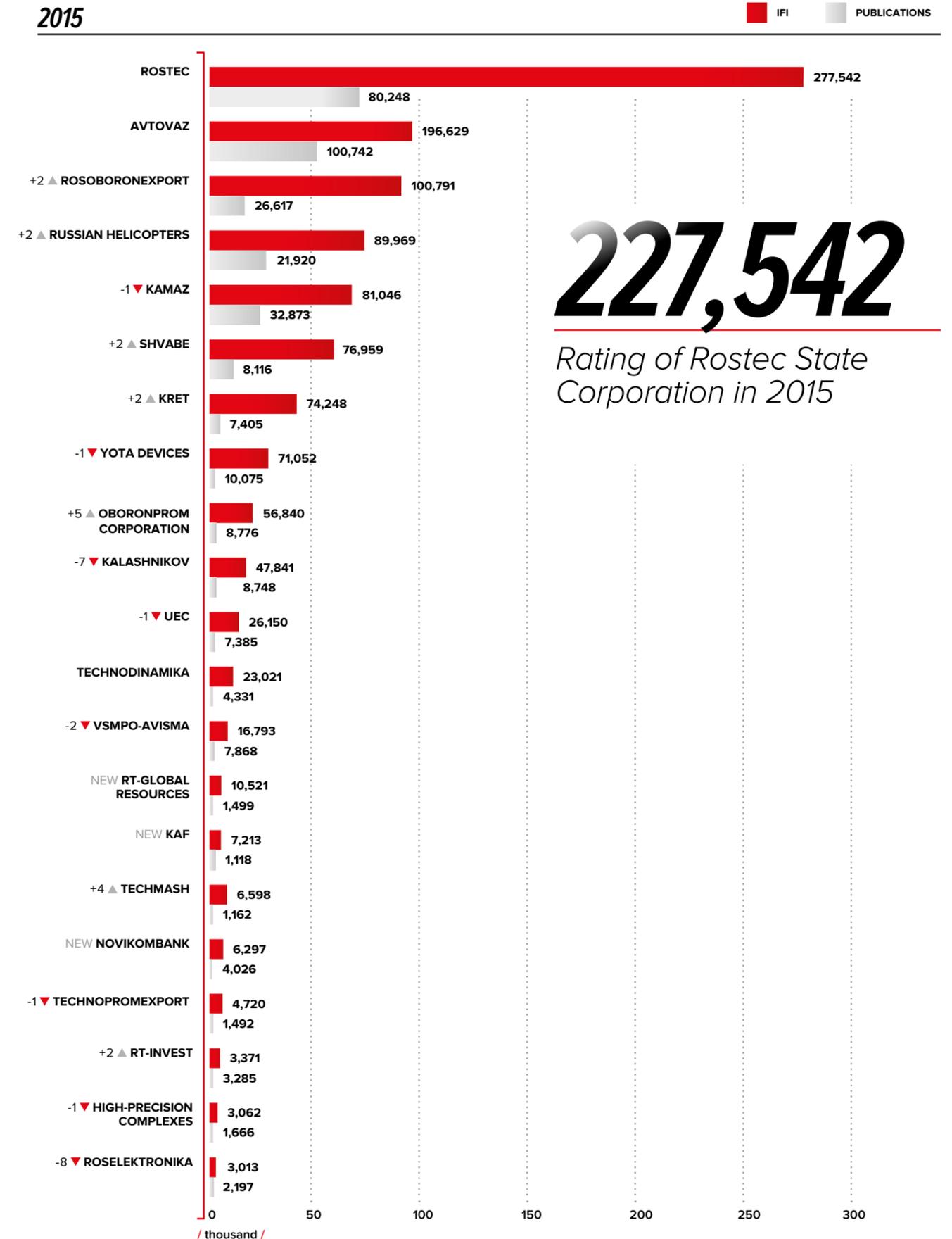
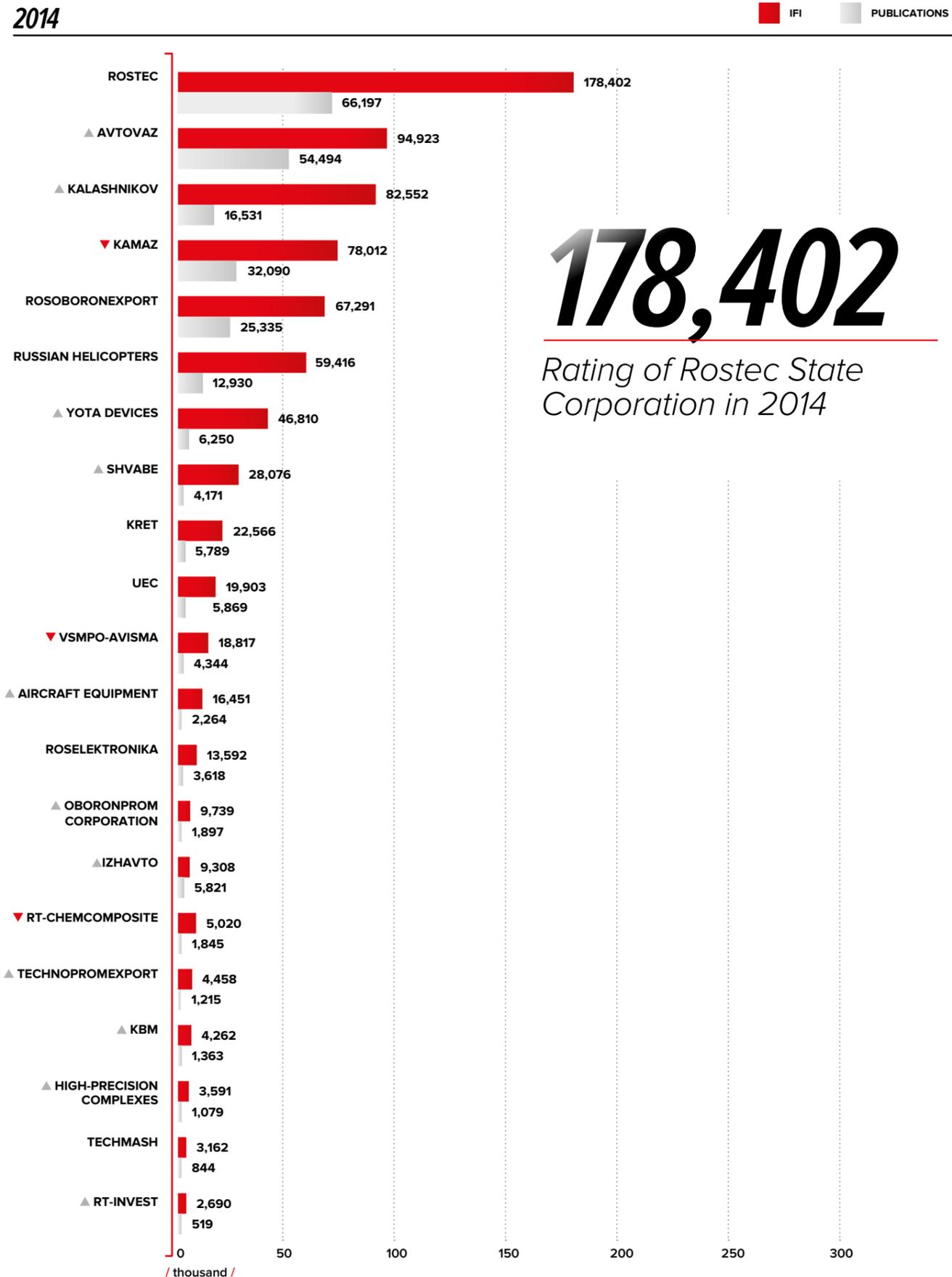
As a result of the procedure's implementation and the introduction of a system of control over the execution of operations and the KPI system, the index of holding companies based on the number of positive publications has grown by 200% in the main role (in 2014 – 58,723 publications, in 2015 – 121,086 publications), and the IFI index across the Corporation's holding companies has grown by 57%.

Despite a critical agenda and western sanctions, the Corporation successfully developed its information processes. In 2015, the perception of Rostec as a national manufacturer was strengthened thanks to its import substitution policy and the introduction of a range of unique proprietary Rostec inventions. In 2015, the Corporation was still perceived as an innovative hi-tech company.

Rostec's brand value is an indicator that determines the correctness of the strategic course it is governed by.



Rating of the State Corporation's ventures



Commonly used words in the context of Rostec:



In addition, sanctions were very much still an issue in 2015. However, it is worth noting that the semantic context has not led to a negative perception of the Corporation's image, but on the contrary helped it strengthen Rostec State Corporation's positions with the image of a reliable partner that carries out a variety of international projects with foreign companies.

204,369.17

Rostec media index in 2015

According to the media index of the Medialogics analytic system, Rostec dominates among other Russian State Corporations.

2015

OBJECT	MEDIA INDEX
Rostec	204,369.17
Rosatom	167,515.84
Deposit Insurance Agency	166,982.65
Roskosmos	71,852.64
UAC	69,266.01
VEB	68,405.13
Housing and Utility Infrastructure reform promotion fund	62,711.31
USC	32,438.94
ROSNANO	22,147.33

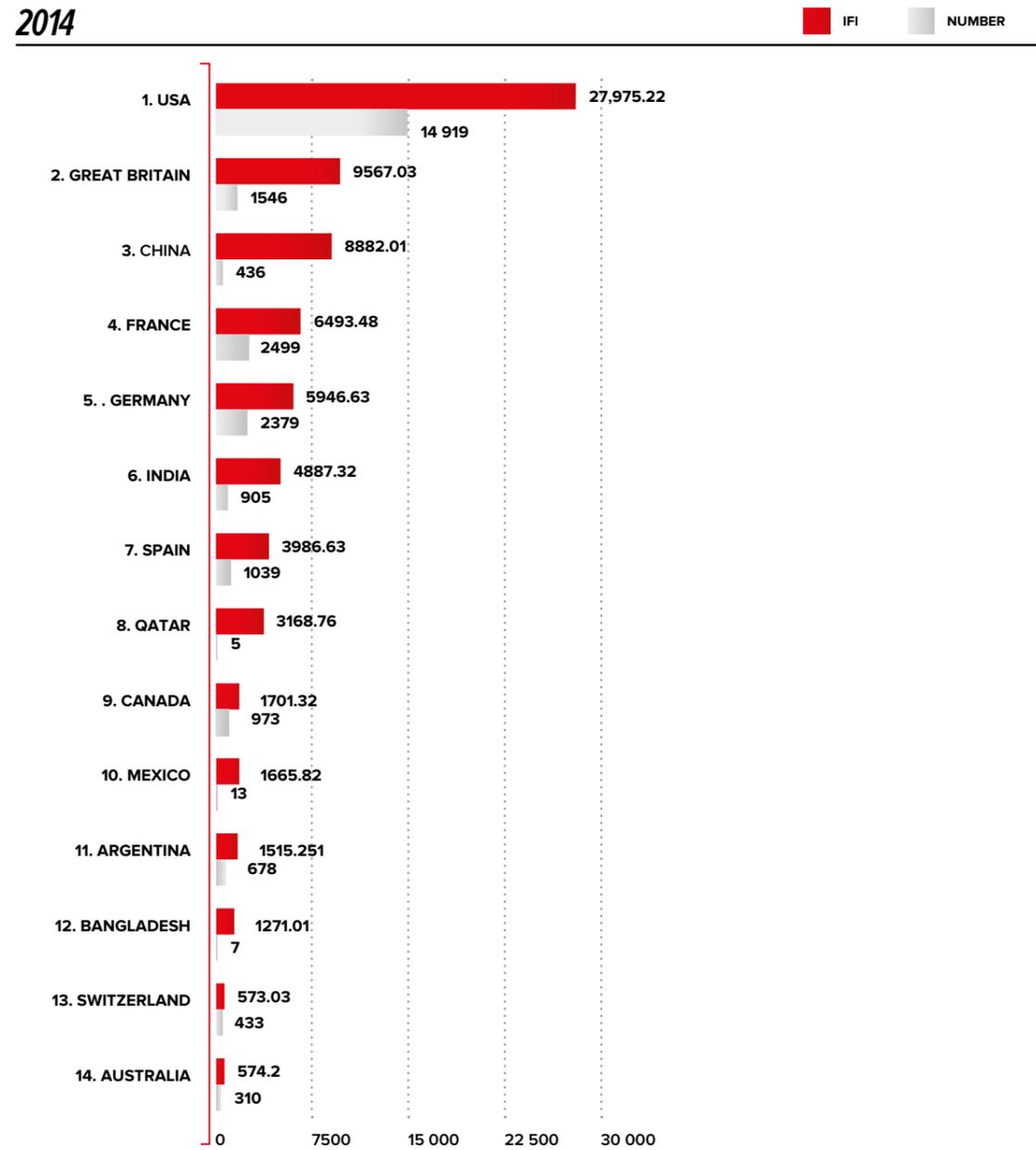
Based on global GOOGLE searches, Rostec is also ahead of such international leaders as Airbus, Thales and Honeywell.



The Corporation has significant influence in the formation of the international informational agenda.

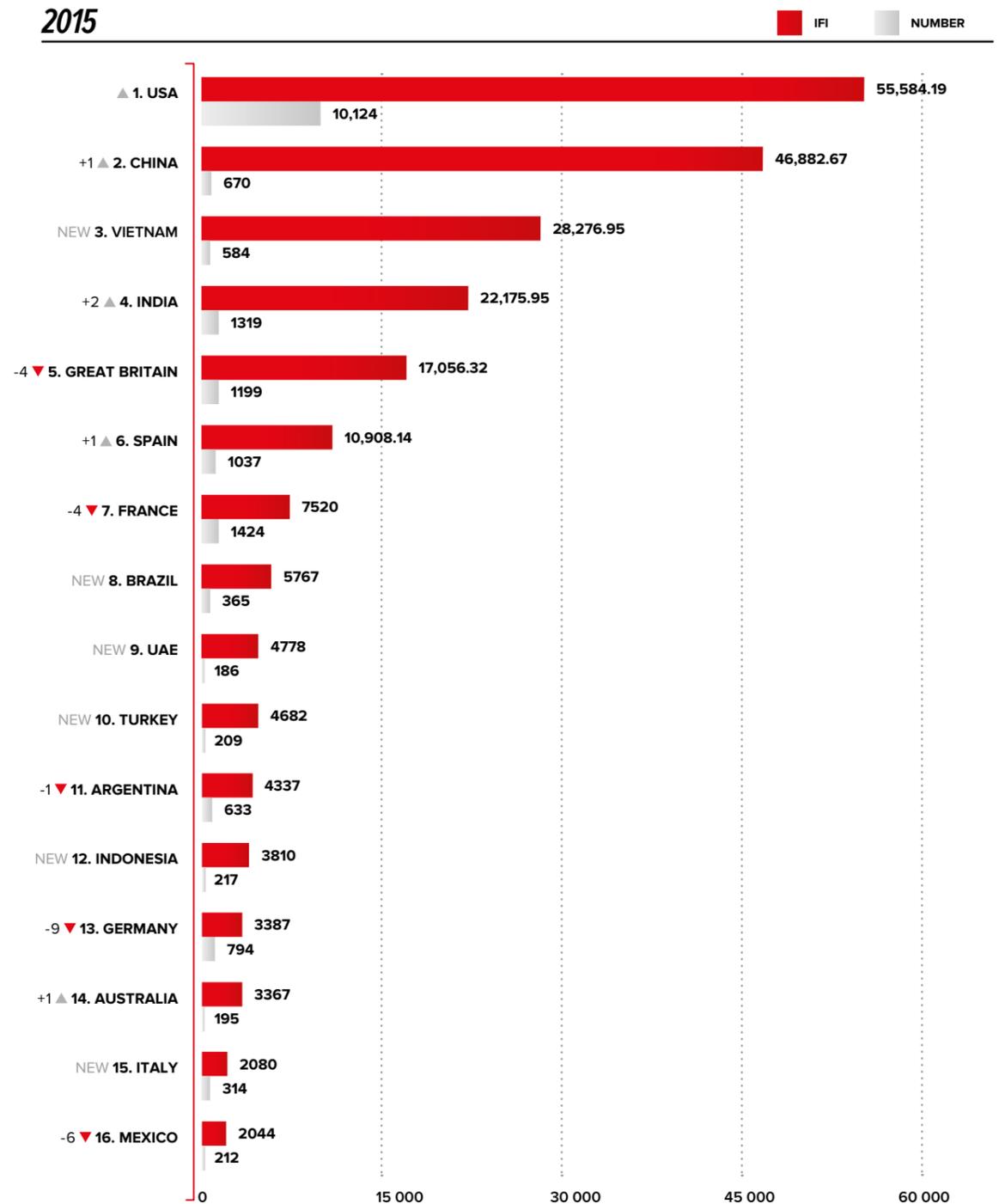
In 2015, the main achievement in international PR for Russian industry was a drastically improved foreign media presence. When comparing the indexes of Rostec and its holding companies' media exposure in the foreign press, the tendency to expand geography and changes in the quality of sources becomes evident. It is characteristic that the expansion of geographic segmentation is relevant to key areas in the expansion of the share of exports.

Growth dynamics



55,584.19

Rostec information favored index (IFI) in the US press



In 2015, the Corporation succeeded in achieving a twofold increase of its audience thanks to qualitative content and a large number of different news and official website promotions: by the end of the year its visitors number totaled 4,000,000.

Visit depth grew from 2.6 pages in 2014 to 2.95 in 2015. In addition, compared with the website's previous stay time of 3:20, in 2015, it was shortened by 10 seconds.

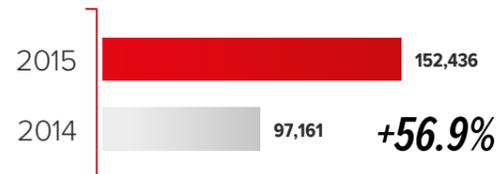
In addition, the Corporation's social media pages have a large following that exceeded 450 thousand subscribers in 2015.

INDEX	2014	2015
Number of website visitors	2,063,485	4,000,876
Number of unique visitors	1,344,658	2,722,235



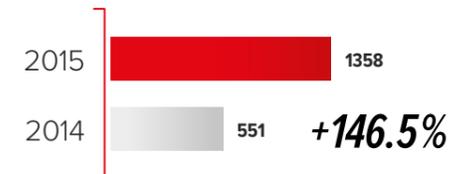
Facebook

/ in 2014–2015, subscribers /



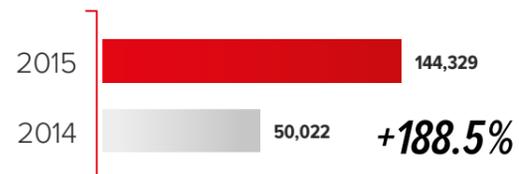
Twitter in English

/ in 2014–2015, subscribers /



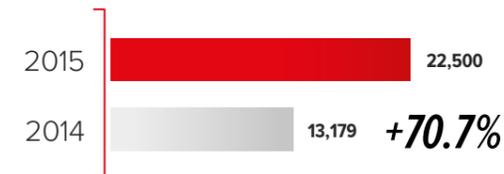
Facebook in English

/ in 2014–2015, subscribers /



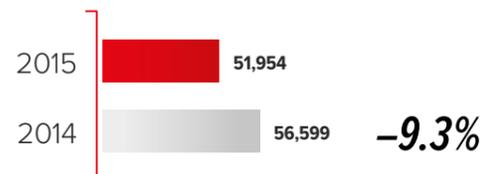
Instagram

/ in 2014–2015, subscribers /



Vkontakte

/ in 2014–2015, subscribers /



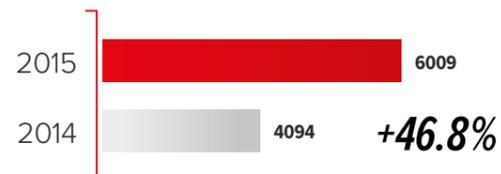
Google+

/ in 2014–2015, subscribers /



Twitter

/ in 2014–2015, subscribers /



The Corporation can be characterized in 2015 by retaining its own and increasing its holding companies' media exposure, and therefore maintaining a high level of transparency.

+146.5%

Increase of TWITTER subscribers in 2015

5 Investment activity

129

BLN RUB —
THE TOTAL
VOLUME OF

ROSTEC STATE CORPORATION
INVESTMENTS IN 2015

5 Investment activity

Investment policy as part of Strategy-2025

The implementation of Strategy-2025 aims for a considerable increase in the investment program for growth on the old markets and the entrance into new ones. Aggressive growth requires extensive investments and a high grade of products on global markets. It is expected that the Corporation's investment program will amount to RUB 4.3 trn in 2016–2025.

Investments planned for 2016–2025 are divided into two main components:

- investments to maintain production volume;
- and investments to provide target earnings growth, calculated using the "capital investments-amortization/earnings growth over a period" ratio with values taken as an average from analogue companies.

OUR STRATEGIC AIM IS FINANCING INVESTMENT PROGRAMS AT OUR OWN EXPENSE.

Subject to the implementation of increased operating efficiency initiatives, the volume of available funds for investments will grow by RUB 2.6 trn, which will allow the Corporation to fulfill its investment program without resorting to grants. To keep its procedures transparent, the Corporation will also use a mechanism to redistribute its internal resources towards fast-growing segments.

The growth of the investment program and decrease of federal budget opportunities may be compensated by involving investors in the joint stock capital of our ventures and holding companies.

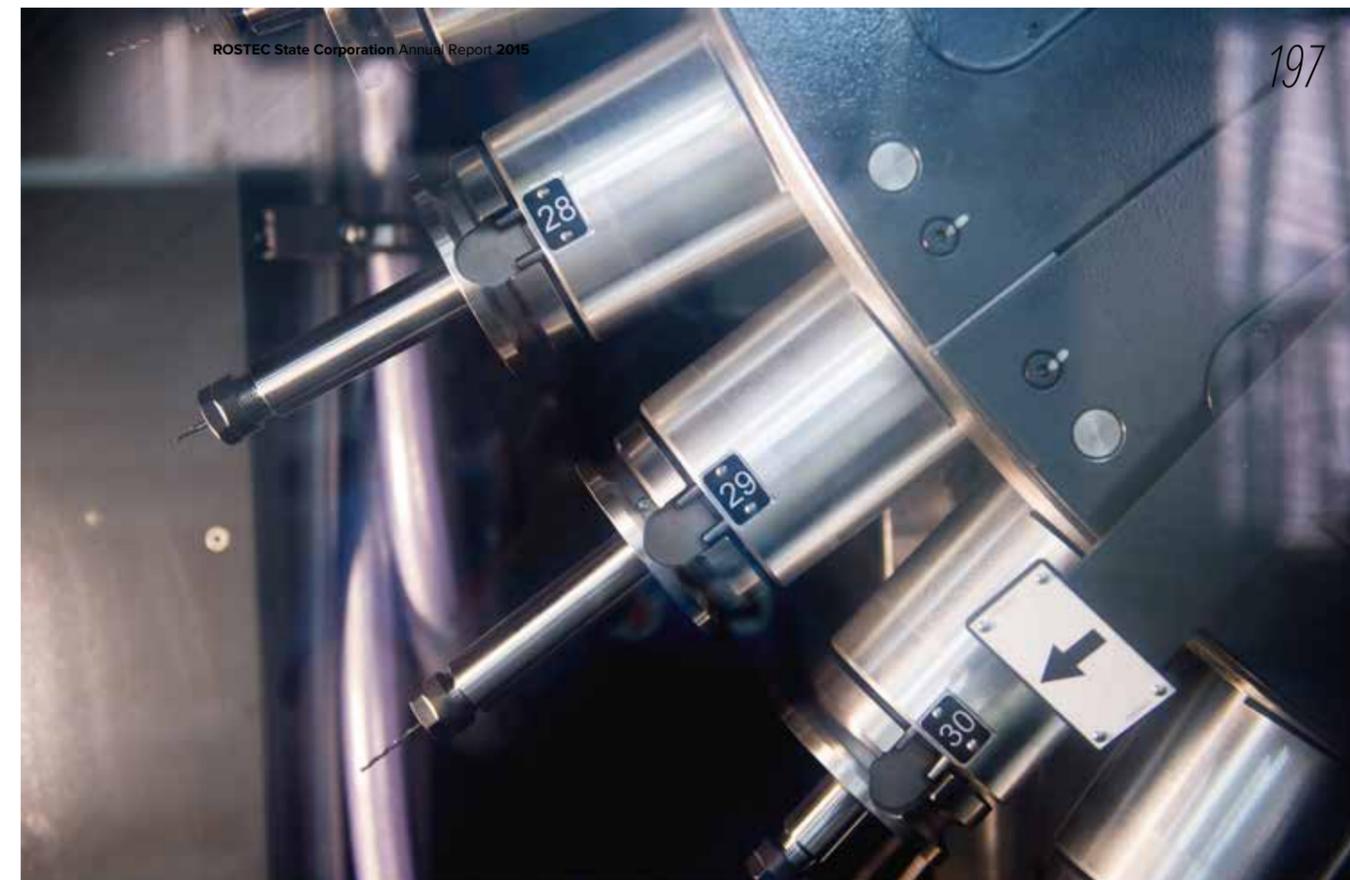
In the near future the Corporation will have the ability to attract investors at the level of separate assets.

On the two-four year horizon, it is possible to include strategic investors at the level of holding companies or clusters.

On the four-six year horizon, it is possible to involve financial and strategic investors at any level of the Corporation.

Investment volume planned in 2016–2025, RUB bln.

	CAPEX/ earnings gain, %	Development investment	Maintenance investment	Earnings gain
Aeronautical industry	128%	1,048	511	1,213
Electronics	156%	1,504	490	1,276
Weapons	81%	171	118	358
Automotive industry	76%	208	117	426
General machinery	72%	70	36	146
State Corporation	120%	3,086	1,343	3,682



Special investment vehicle

The Corporation's cost centers are capitalized subsidiary holding companies. In this target model, the RT-Business Development LLC subsidiary company has been separated in the Rostec structure and endowed with the functions of a specialized investment company. It operates on market principles, specializing in project management for the Corporation, and forms specialized business alliances in each branch of its presence.

3,086 BLN RUB

Volume of development investments planned
by Rostec Corporation in 2016–2015

Investment projects

Rostec State Corporation's entrance into the raw materials and infrastructure project segment in 2015 is a new stage in the implementation of Strategy-2025 and a new door to gain the expertise needed to enter the global market of raw materials.

KEY CHARACTERISTICS	FACTORS OF INVESTMENT APPEAL
<p>Petroleum processing plant -construction in Uganda</p> <ul style="list-style-type: none"> The first petroleum processing plant in Uganda with a capacity of 60 thousand barrels per day (over 3 mln tons annually) Project participants: The consortium of investors headed by RT-Global Resources LLC (winner of the PPP building tender, February 2015) – 60%; the Government of Uganda – 40% The project will be carried out in two stages: 1st (30 thousand barrels/day) – 2021, 2-nd (extension to 60 thousand barrel/day) – 2026 the project total cost is USD 4.7 bln 	<ul style="list-style-type: none"> High refining margin thanks to raw material prices with a discount on market and premium petroleum product prices on the main market outlets Oil supplies guaranteed on behalf of the crude oil output Consortium (Total, SPOOS, Tullow Oil); the PPP resource base is already in the works (20–50 km from PPP) Crude oil demand growth in the main markets of East Africa
<p>Karachi-Lahore gas pipeline in Pakistan</p> <ul style="list-style-type: none"> 1,100 km extension with cumulative flow of 12.3 bln cub. m of gas per year Re-gasified LNG from sea terminals at the South of country will be delivered to industrial consumers in the North The project is implemented on the base of an intergovernmental agreement between the Russian Federation and Pakistan; RT-Global Resources is nominated as the project developer on behalf of the Russian Federation The project as per flowchart (3001) "building – ownership – operation – delivery" for a term of 25 years The estimated project cost is USD 2.5 bln Orders for the manufacture of machinery equipment: the most advanced Rostec Corporation gas compressors and gas transmission turbines will be used as part of the project 	<ul style="list-style-type: none"> Return on investment from the gas pumping tariff ("take-or-pay" in USD) The government of Pakistan guarantees project financing and payment of the tariff This project is of strategic importance for the Government of Pakistan, as a lack of electric power restricts economic growth in the country
<p>Integrated development of the Tomtor rare earth element and niobium deposit in Yakutia</p> <ul style="list-style-type: none"> Project participants: IST Group (75% - 1 share), RT-Global Resources LLC (25% + 1 share) Start of production – 2018 (from monazite concentrates) entry into the target volume zone of production of monazite concentrates – in 2019, start of extraction at the Tomtor deposit – in 2020–2021 Deposits of a world class level: it boasts reserves of more than 3 mln tons of ore and 82 thousand tons of monazite concentrate Target production volume is 15 thousand tons of shared oxides of rare earth elements and 8 thousand tons of niobium oxide The total required volume of capitalized expenses is USD 332 mln 	<ul style="list-style-type: none"> The concentration of the rare earth element ore tenor is one of the highest in the world at more than 9.53%, and niobium stands at 4.7 % Growth of demand in rare earth elements as a result of growth in green energy battery production Possible creation of an alternative world supplier Full cycle of rare earth metal production all carried out in Russia, from raw material extraction to the output of final production, without which the hi-tech sector would simply cease to exist
<p>Integrated development of the Udokan copper deposit in Zabaikalye Krai</p> <ul style="list-style-type: none"> A project share option of 25% belongs to RT-Global Resources LLC The anchor investor is UK Metalloinvest LLC Commencement of construction – 2019, start of extraction – 2021 Project capital expenses – USD 4.8 bln Life of mine – 40 years 	<ul style="list-style-type: none"> The second largest copper deposit in the world in terms of reserves The third largest copper deposit in the world in terms of copper ore tenor Low capital capacity and operational costs BAM connects Udokan to the main transport hubs, and the erection of ETL is included in the investment program of FSKES PJSC Geographic proximity for export in China, Japan and South Korea The supervisory board of Vnesheconombank approved the bank's contribution to the funding of the pre-project phase by contributing RUB 11.4 bln to the capital
<p>Integrated development of the coal field in Amur oblast</p> <ul style="list-style-type: none"> Production license was received August 2015 Project participants: RT-Global Resources LLC – 50%, private partners – 50% The largest coal field in the Russian Far East with reserves of 1.5 bln tons, project extraction volume is 30 mln tons of coal per year Date of production startup – 2019, reaching project capacity – 2025 The provisional budget of the project is USD 3.6 bln, with government support of USD 2.5 bln Creation of 8,000 working places for the residents of Zabaikalye Krai 	<ul style="list-style-type: none"> Lower expenses compared to Russian and international manufacturers: lower stripping ratio on the short leg of delivery Creation of a united logistical chain from a modern mining and concentration complex to its own coal sea terminal with the possible transshipment of the product to the high-marginal markets of APR countries Easy logistics: Less than 2,000 km to the sea ports of the Far East Access to the railway infrastructure of BAM and Trans-Siberian Railway High quality of the coal extracted

KEY CHARACTERISTICS	FACTORS OF INVESTMENT APPEAL
<p>Construction of the sea coal terminal in Primorsky Territory (Port Vera)</p> <ul style="list-style-type: none"> Project participants: RT-Global resources LLC (25% - 1 share), private partners (75% + 1 share) Total area of the terminal construction plot is 184 ha Maximum capacity of the I and II phase is 10 and 20 mln tons respectively Commissioning of the first phase – in 2018; commissioning of the second phase – in 2019 Project capacity reached – 2020 The project budget is USD 664 mln, with government support of USD 370 mln 	<ul style="list-style-type: none"> No specialized capacity for coal transshipment Independent producers in the Far East have no means of entry into the market Growth of the volume of transshipment to APR countries Preliminary agreements on coal transshipment have been concluded Agreements on cooperation with Chinese energy, engineering and building corporations offering project financing Proximity to APR markets – 1,500 km to sea ports in China, South Korea, Japan compared to more than 6,500 km from Australia
<p>The copper and molybdenum mining and processing enterprise in Mongolia (Erdenet enterprise)</p> <ul style="list-style-type: none"> The Russian and Mongolian government agreement was ratified in 2015 49% of the enterprise belongs to Rostec, and 51% to the Government of Mongolia The enterprise's productive assets: mining pit open works, enriching factory, motor carrier, repair and engineering works, explosives plant, geological exploration crew, tailings storage ponds, as well as auxiliary and social infrastructure Ore extraction is more than 29 mln tons per year 	<ul style="list-style-type: none"> It is among the world leaders of copper concentrate output at more than 500 thousand tons per year The copper ore tenor is 0.5% An integrated cost and productivity optimization program is being planned for the enterprise. The implementation of the anti-recessionary plan had an immediate positive effect as early as in Q4 2015
<p>Engineering and analytic center</p> <ul style="list-style-type: none"> To provide mining industry, non-ferrous metallurgy and metallurgy of rare and rare earth metals by the best science and engineering services in 2015 specialized research institutes competencies were united (Glinvetmet JSC, Giprocvetmet JSC, VIAGEM JSC and FGUP GIGHS) with holding JV, with RIVS Group and Rosengineering JSC, that resulted in formation a new powerful player in perimeter of Rostec State Corporation in the field of EPCM services which being able to perform works within the frame of corporate projects of RT-Business Development LLC, as well as to act as contractor for external partners 	<ul style="list-style-type: none"> Increase of the share of presence in the scientific and production sector, and the buildup of competencies in ore mining project services The management system was optimized in 2015, and there was a change in managerial personnel. This has made it possible to secure growth in the following indexes: <ul style="list-style-type: none"> Total revenue: +47% Gross profit: +99% Net profit: +118% Net asset value: +50%
<p>Rosengineering JSC</p> <ul style="list-style-type: none"> Our expansion to the market of large infrastructure projects Competencies in the design and development of the industrial infrastructure for an ore mining branch with provisions for the shipment of feed coal In December 2015, the transaction for the acquisition of 25% +1 share was finalized The volume of desired investments in the live projects of the Corporation exceeds USD 8 bln. We assume that the contractual framework volume that may be redistributed for Rosengineering is RUB 80 bln Current and future contracts: <ul style="list-style-type: none"> Port Vera terminal project development (RUB 1.2 bln). Prospects – building and construction works totaling RUB 37 bln Baikal Mining Company participation in the tender with a bid of RUB 2.7 bln 	<ul style="list-style-type: none"> The synergetic effect of greenfield projects in the ore mining industry Rostec contributes to the penetration of new markets, and expands and strengthens industry positions At this time, Rosengineering JSC's contracted earnings amount to RUB 15 bln, and expected EBITDA marginality is 10% of earnings (about RUB 15 bln) The target volume of the holding company's contract base through 2019 is up to RUB 80 bln. About 50% of earnings are expected to be from construction projects for civil works, the defense industry and other unique sites
<p>YoTa Devices</p> <ul style="list-style-type: none"> Rostec corporation's share is 25.1% Russian developer team Two generations of smart phone have been created A smart phone with cryptographic protection has been created In 2015, an electronic textbook was introduced for educational institutions 	<ul style="list-style-type: none"> The 3rd generation YotaPhone is being prepared for production Priority markets are Russia and China Distribution in B2C, B2B and B2G formats About 100 thousand devices were sold in 2015
<p>Portfolio investments</p> <ul style="list-style-type: none"> VSMPO AVISMA Corporation PJSC (25% + 1 share) (25% + 1 share) AeroFlot PJSC (1.51%) Megaphone PJSC (1.27%)¹ 	<ul style="list-style-type: none"> Regular dividend payout Capitalization growth

¹ Effective ownership ratio through 100% participation in Yota Holding Limited (BVI), which holds 50% in the capital of Garsdale.

73

PRIORITY
GUIDELINES

FOR THE SCIENTIFIC AND TECHNICAL
ACTIVITIES OF THE CORPORATION
HAVE BEEN DEFINED THROUGH 2025

6_ *Scientific activities and innovations*



6 Scientific activities and innovations

Scientific and technical development program

For the past five years we have observed the positive dynamics of R&D and technological upgrade project investment indicators, which is evidence of the permanent growth of innovative activities within the Corporation's companies that implement EAD. On February 17, 2015, the Directorate approved the Forecast of developments in the science, engineering and technology sectors of Rostec Corporation through 2025 and later, developed by the Science & Technology Council (Forecast 2025)

Forecast 2025 was taken as the basis of Rostec State Corporation's updated strategy, and contains scientifically substantiated perceptions of reasonable areas in the long-term scientific and technical activity of Rostec, which can provide new knowledge, advance scientific and technological progress, and offer technical solutions that give the Corporation advantages in domestic and foreign hi-tech product markets.

Implementation of the innovation development program

For the past five years we have observed the positive dynamics of R&D and technological upgrade project investment indicators, which is evidence of the permanent growth of innovative activities within the Corporation's companies that implement EAD. According to share of research and development expenses in terms of the Corporation's earnings, it does not break the mold from companies in the American and European hi-tech industry branches.

In 2015, significant attention was paid to commercializing the advanced developments of the Corporation's companies' as part of small and medium innovative businesses on the grounds of the wide use of open innovation mechanisms and the implementation of pilot projects to build up a corporate innovation infrastructure in holding companies. The cooperation between the Corporation's companies and universities with scientific organizations when carrying out R&D has greatly improved.

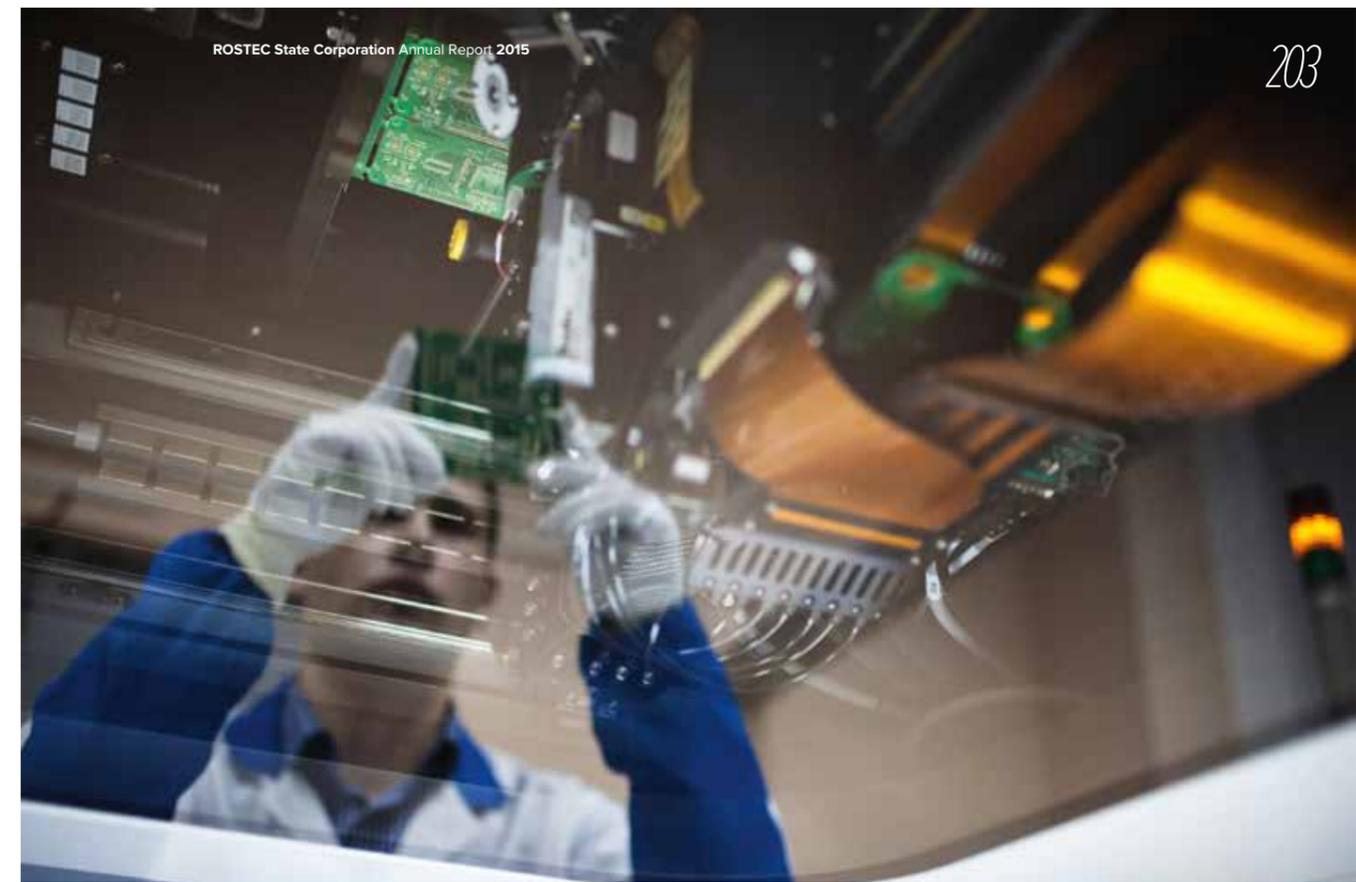
The essential part of R&D projects was performed within the framework of the Federal Target Programs and Defense Order, which means that the main content of the Corporation's companies' innovative activity still remains in the performance of research and development tasks for state needs. In 2015, the Corporation's companies completed the development of 68 base and 52 critical processes as part of state programs.

650

key industrial
and base
processes

Forecast 2025 determines the following:

- 73 priority areas of the Corporation's scientific and technical activity through 2025 that have an essential potential to create, produce and implement competitive innovation products in domestic and world markets
- 254 of the most important innovation products of the Corporation as part of selected priority scientific and technical activity areas
- about 650 key industrial base and critical processes for their further development



In 2015, financial expenses for technological upgrade projects have increased by 6.6% compared to the previous year. The portion of the company's own funds going to technological upgrade projects has decreased by 31.4%.

The results of R&D program measure performance have been essentially different depending on the branch. The maximum innovation activity was registered in the aviation complex and the conventional weapons, munitions and special chemistry cluster.

Information on the number of R&D projects in 2015

Number of ongoing R&D projects, including:	1,228
• by government order	858
• initiative	370
Number of R&D projects completed by new processes and product development, including:	406
• by government order	279
• independent	127
Number of ongoing technological upgrade projects	278
Number of completed technological upgrade projects	72
Number of innovation technologies introduced into production	135
Number of innovation products brought to market	228

The most significant events and results in the innovation sector

- State testing of the innovative RAE aircraft system and shipborne radio intelligence system have been successfully completed
- Certification tests of the Mi-38 medium-class helicopter have been conducted
- The first phase of flight tests in the PD-14 engine building program have been conducted
- The GTD-110 engine has been shipped out to conduct tests
- Ground and flight certification tests of the Be-200EC amphibious aircraft with upgraded component flight parts and navigation equipment have been successfully completed
- An airborne avionics universal system has been developed for drones of both airplane and helicopter configurations
- High mobility automated air traffic control, navigation, landing and communication systems to service airplanes and helicopter have been created at temporary fields
- ROSH competitive refrigeration has been created using energy efficient and environmentally friendly technologies

International cooperation

In 2015, the Corporation's companies' earnings from innovative product export was RUB 110.4 bln, which is an increase of RUB 30 bln compared to 2014.

For the purpose of transferring foreign technologies to Russia, the Corporation made arrangements to acquire hi-tech foreign assets and implement joint projects with leading world technology companies in the Russian Federation.

To improve the manufacturing processes of domestic rotorwing machines the Corporation acquired modern and advanced equipment, as well as technology and software from the leading producers of industry technologies in Germany (DMG, PORTATEC, Dilg, Blum, Carl Zeiss), Japan (Yamazaki Mazak, Amada), Switzerland (STUDER), the USA (API) and France.

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The model of open innovation

The Corporation's companies' are very focused on the implementation of the open innovation model and the creation of innovation infrastructure elements. As part of the open innovation "window," there is an enormous number of projects made possible by the efforts of small innovative businesses, which includes taking into account the experience of the First Open Competition of civil innovation projects from Russian defense industry complex companies, which was held from 2012–2014.

As part of the open innovation model, the development of the Corporation's pilot project continues through the formation of the Defense Industry Civil Technologies venture fund, which totals RUB 1 bln. The fund has been created in association with the Corporation in partnership with the Russian Venture Company and Ramenskoe Instrument Engineering Design Bureau affiliated with KRET JSC, and it is an investment tool for defense industry company technologies and projects to enter the market. In its period of operation the fund approved eight projects, and there was one "entry."

In 2015, on the basis of Plekhanov REU corporate departments and PFUR, the Rostec State Corporation Open Innovation Center was created, with the mission to assist companies, regions, institutions and other stakeholding organizations in matters of open innovations and the implementation and development of its separate elements.



In 2015, there were persistent efforts on the development of a management system for intellectual property rights and its involvement in economic turnover. For this purpose, the Corporation created the Non-material Assets Control Committee attached to the Corporation Directorate.

Key EAD performance indicators

Compared to the previous year, there is growth in the value of the key indicators of the Innovation Development Program's efficiency: 30 of 35 of the indicators have been performed in accordance with the plan.

Intellectual property rights management

In 2015, there were persistent efforts on the development of the management system for intellectual property rights (IPR) and its involvement in economic turnover. For this purpose, the Corporation created the Non-material Assets Control Committee attached to the Corporation Directorate.

Over the last years we observed the growth of Corporation companies' applications for the acquisition of inventions, useful models and production prototypes patents, which is evidence of a growth in R&D expenditures. Meanwhile, the

number of patents they receive is growing insignificantly, which may indicate an insufficient level of the technical solutions patented and/or the quality of the applications submitted, as well as a tightening of state R&D customer policies on the entrenchment of IPR rights for the Russian Federation. When compared to the number of patents, the number of registered know-hows grows with the priority rates stipulated by the specifics of the Corporation companies.

Rostec audits the Corporation and its companies existing IPR rights for the purpose of their recording, recognition and application. In the short run, the implementation of these measures will make it possible to start the full management process of these assets for their economic benefit. In addition, work on the transfer to the Corporation of IPR rights created by orders of the Ministry of Industry and Trade and the Ministry of Defense of the Russian Federation. There are also plans for the legal defense of these assets against illegal use both in Russia and in foreign countries. Finally, when using these assets in the production of commodities and rendering services or entering into contracts on the entitlement of third parties, their capitalization and commercialization must be provided.

In the Corporation they form a non-material asset unified database, which constitutes a resource for making required managerial decisions. The direct filling of the base will be carried out by the companies/asset holders. The rights holders will control the non-material assets in accordance with the standards developed and approved by Rostec State Corporation.

Increase of industrial energy efficiency and environmental friendliness

In 2015, measures on increasing energy efficiency were based on the results of energy inspections and the energy-saving programs of separate organizations. The percent of Corporation companies with energy performance certificates and energy inspection acts is more than 80%. As part of their improved industrial environmental friendliness, in 2015 they carried out measures for the reconstruction of particularly harmful production facilities the cleaning of other facilities, the creation of protective perimeters, and the continuous monitoring of environmental conditions in places of manufacture aided by regional environmental services.

The Corporation companies play an essential scientific and technical part in the manufacture of equipment that helps to highly efficiently recycle and discard industrial and household wastes, purify industrial and domestic sewage and gaseous discharge, and recover disturbed and degraded soils and lands. In some cases the technologies developed are implemented in the form of pilot or semi-industrial plants, which makes it possible to organize their large-scale serial production within a reasonably short time.

The percent of Corporation companies with energy performance certificates and energy inspection acts is more than 80%.



Creation of the Unified Thesis Board

For the integration of scientific and human resources in the interest of training scientific personnel on economic topics in the field of military and technical cooperation and high-tech, the People's Friendship University of Russia, Rostec State Corporation company and CRI Elektronika JSC entered into an agreement to establish the Unified Thesis Board.

The need to create the Thesis Board is defined by the requirements of the innovation economy's development, the creation of a national technological base of science-based production of military, civil and dual purpose items competitive in domestic and international market; existing demand for the professional staffing of numerous Corporation companies that are scientific research and development design institutions with scientists; the high efficiency of the multi-year cooperation of MGIMO University of The Ministry of Foreign Affairs of the Russian Federation with Rostec State Corporation company and Rosoboronexport JSC under the joint program "Management in the field of MTC and high-tech," which has entirely solved the problem of initial-level expert and specialist recruitment in Rostec State Corporation and Rosoboronexport JSC; the existing scientific resources of Rostec State Corporation: among Corporation employees, 34 people have Candidate of Science degrees and 9 employees have Doctor of Science degrees.

By Order of the Ministry of Education and Science of the Russian Federation dated December 14, 2015 No. 1560/nk, the Unified Thesis Board D999.058.03 was created to hear theses defenses for the procurement

of science degrees of candidate and doctor of science in the following disciplines: 08.00.05 – Economics and management of the national economy – innovation management, management, economics.

The following Doctors of Science make up the Unified Thesis Board: S. V. Chemezov, V. V. Artyakov, Yu. N. Koptev, V. P. Kutachov, N. I. Turko, P. G. Filippov, on behalf of CRI Elektronika – A. V. Fomina, B. N. Avdonin, A. M. Batkovskiy. All members of the Thesis Board are famous scientists in their specified branches of knowledge.

Professor, Doctor of Economics, Director of the PFUR Institute of applied technical and economic research and examination, Head of the Applied Economics Department A. A. Chursin was appointed as the Chairman of the Thesis Board. The Deputy chairmen of the Thesis Board are Yu. N. Koptev, chairman of the Corporation's Science & Technology Council, and A. V. Fomina, Director of CRI Elektronika.

The organizations/participants of the Agreement on the creation of the Thesis Board guarantee the provision of the required conditions for its work, and allocates the funds required for to process and defend theses. The abilities of the Thesis Board to effectively use its scientific resources not only for the certification of high-qualified scientific and educational personnel, but also as experts of the scientific community.

Currently, a list has been formed of the Corporation's employees/candidates for PFUR postgraduate study and a list of enrollment aspirants to defend theses.

7 *Sustainable
development*

445
THOUSAND
PEOPLE

OVERALL NUMBER
OF EMPLOYEES
FOR BUDGETARY
PURPOSES



7.1 Personnel policy

Our highly-qualified team is one of the most important conditions in pursuing the strategic objective of Rostec Corporation to get on the path of long-term growth and take the lead among global industry corporations.

Rostec's range of activity and industrial presence allow it to espouse a flexible personnel policy in such a manner as to expeditiously optimize its personnel staff. In addition, depending on an employee's wishes, they can take a different job in a different plant of the Corporation if they are unsatisfied with their current position.

The Corporation staffs around 445,000 people. Considering the industrial specifics, the majority of employees are men. Nevertheless, in fields where women are working, they are provided with equal opportunities for professional growth. Rostec strictly observes the Labor Code of the Russian Federation and grants its workers a competitive level of payment for labor, social security, and opportunities for professional training and growth.

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As concerns the administrative and management personnel optimization currently being conducted, the Corporation pays its employees compensations as stipulated by law, and also renders assistance in their further employment. We must also note that layoffs of engineers at production sites (craftsmen, workshop chiefs, technologists) are not planned.

Rostec maintains its trajectory to improve working conditions; the Corporation offers a full spectrum of social projects for its employees, including an affordable housing program, solid bundled health packages, and recreation options for employee children. Following the completion of personnel re-structurization, employee working conditions will be on par with the practices in socially-oriented international companies.

Training programs and interaction with universities and colleges

Thanks to the Corporation's education program, conditions for the sustainable development of personnel resources are created, which helps management personnel quality conform to current requirements and international standards in the company's innovation activity management.

The primary tasks for the Corporation's companies on providing personnel resources that may have solutions that result in sustained industrial growth and an increase in innovation activity, include:

- the provision of advance personnel training for innovation technologies based on the latest scientific and technical achievements;
- development of the base departments in companies of the industrial defense sector and scientific laboratories in institutions of vocational education;
- development of corporate training, creation of a continuous additional vocational education system for managers, researchers, specialists and working personnel that complies to current requirements and takes into account perspectives of engineering and technology development;
- the creation of an incentive system for personnel inflow and retention in the industrial defense sector, including young people working in production, industry science and high technologies.

165

innovation projects

were implemented in cooperation with universities in 2015



Rostec cooperates with 312 supporting universities that entered into agreements with the Corporation's companies for the target training of specialists, the development of cooperation as part of scientific and technology, and the performance of joint research, design and technology works. The number of the holding companies' and Corporation companies' base departments in universities is 294.

There have been 165 innovation projects implemented in cooperation with universities in 2015. The volume of research, design and technology works financing as part of these projects was RUB 2.8 bln.

One of the most important conditions for the successful implementation of EAD is the permanent raising of the qualification level of the Corporation and its companies personnel responsible for innovative development. In 2015, 758 employees of the Corporation companies passed training in this sector. The volume of financing for personnel advanced training measures in the innovation sector was RUB 183 mln.

In 2015, 159 employees of the Corporation's companies passed a refresher course regarding innovative management in the corporate departments of Plekhanov REU and PFUR. This course includes the MVA module "Specialized management disciplines: management of publicly owned company innovation development."

In addition, separate education programs conducted as part of the innovation sessions inside the Corporation are aimed to form a modern innovative mentality in Rostec innovation team employees. Two innovation sessions were held in 2015, in Obninsk and Kazan.

As one of the Corporation's leading holding companies, Technodinamika JSC became one of initiators of the MFTI High School of System Engineering (MFTI HSSE) foundation. The School provides training under a Master's Applicable System Engineering program. The goal of this program is the training of technical top and medium management for companies of the Russian Federation's strategic industries (aviation, machinery, electronics, defense industry, mining industry). Impressive results for the first 18 graduates of MFTI HSSE in 2015 have already been generated by successfully implemented projects in Rostec enterprises and in the growth of their career, in particular: to the level of chief designer (1 employee), deputy chief designer (4 employees), operational director (1 employee), project managers (2 employees). This Master's program for Russians working in system engineering helps make up for the shortage of highly-qualified specialists and increases the competitiveness of Russian hi-tech production on the world market.

Thanks to the Corporation's education program, conditions for the sustainable development of personnel resources are created, which helps management personnel quality conform to current requirements and international standards in the company's innovation activity management.



WorldSkills profession championships

Aiming to increase its employees vocational training level, Rostec State Corporation company cooperates with the WorldSkills movement. In 2015, the Corporation and WorldSkills Russia entered into a cooperation agreement that focuses primarily on collaborative work on the training of specialists for hi-tech industries. Rostec Corporation acts as a general partner of the WorldSkills Russia movement under a three-year agreement.

The document provides for comprehensive cooperation in the following areas:

- increase of the popularity and prestige of working professions;
- integration of production practices in education processes;
- implementation of standard requirements for the training level and contributing to the development of professional standards according to activities required in the industrial defense sector in the Corporation's enterprises.

In addition, the parties agreed to found the first-ever Russian center training specialists for hi-tech industries.

In 2015, young employees of the Corporation's companies took part in the WorldSkills championship of working professions in hi-tech industries in Yekaterinburg. The number of championship participants was double what it had been in 2014. Twenty-one of the Corporation's companies filed requests to take part in the championship. The largest teams were sent forward by Russian Helicopters, United Engine Corporation, Roselektronika and Shvabe. The workers of Technodinamika, High-Precision Complexes, and Techmash holding companies also took part.

The Corporation's employees competed in 6 of 11 competences. The Rostec team won in the team medal competition. Based on the results of last year's WorldSkills championships, the Corporation made the decision to form a united Rostec State Corporation team starting in 2016. Thanks to WorldSkills, the Corporation received the opportunity to develop the personnel resources of its employees in a manner consistent with the level of international standards.

Program of working with key employees TOP-100

The Corporation has developed a TOP-100 program of working with the key employees. This program is designed for employees who occupy key positions in the Corporation's perimeter: the first two levels are below the CEO, CEOs and key holding company employees. The decisions made by the employees in these positions have an essential influence on the development strategy, financial results, image and Rostec State Corporation's position in the world markets.

In 2015, TOP-100 program participants were assessed. The first conference for program participants was held in the format of a two-day outdoor event. Aside from the Corporation's top managers, external experts and consultants were invited to the conference as well.

Cooperation with WorldSkills

THE CORPORATION'S OBJECTIVES	BENEFITS OF TAKING PART IN WORLDSKILLS
Promotion of working professions	<ul style="list-style-type: none"> • Improve working professions prestige • Improve employee motivation and labor quality
Involve new personnel	<ul style="list-style-type: none"> • Attract the top professionals • Solution for professional deficiencies and the issue of personnel aging • Position the company as an attractive employer
Development of key competencies	<ul style="list-style-type: none"> • Professional employee development to the international level • Total improvement of production efficiency

7.2 Social responsibility

Interactions between interested parties

The Corporation correlates its business goals with public interests, taking into account social, environmental and administrative factors that provide sustainable development in the market sectors and regions Rostec Companies operate.

The Corporation completely shares the concept of social responsibility formulated by the Russian Union of Industrialists and Entrepreneurs in the Social Chart of Russian Businesses.

In an effort to expand its geography, Rostec carries out continuous, complex interactions with all interested parties, first and foremost with public and local authorities.

Achieving the strategic objectives of the Corporation seems impossible without social harmony and meeting the requirements of social and environmental acceptability.

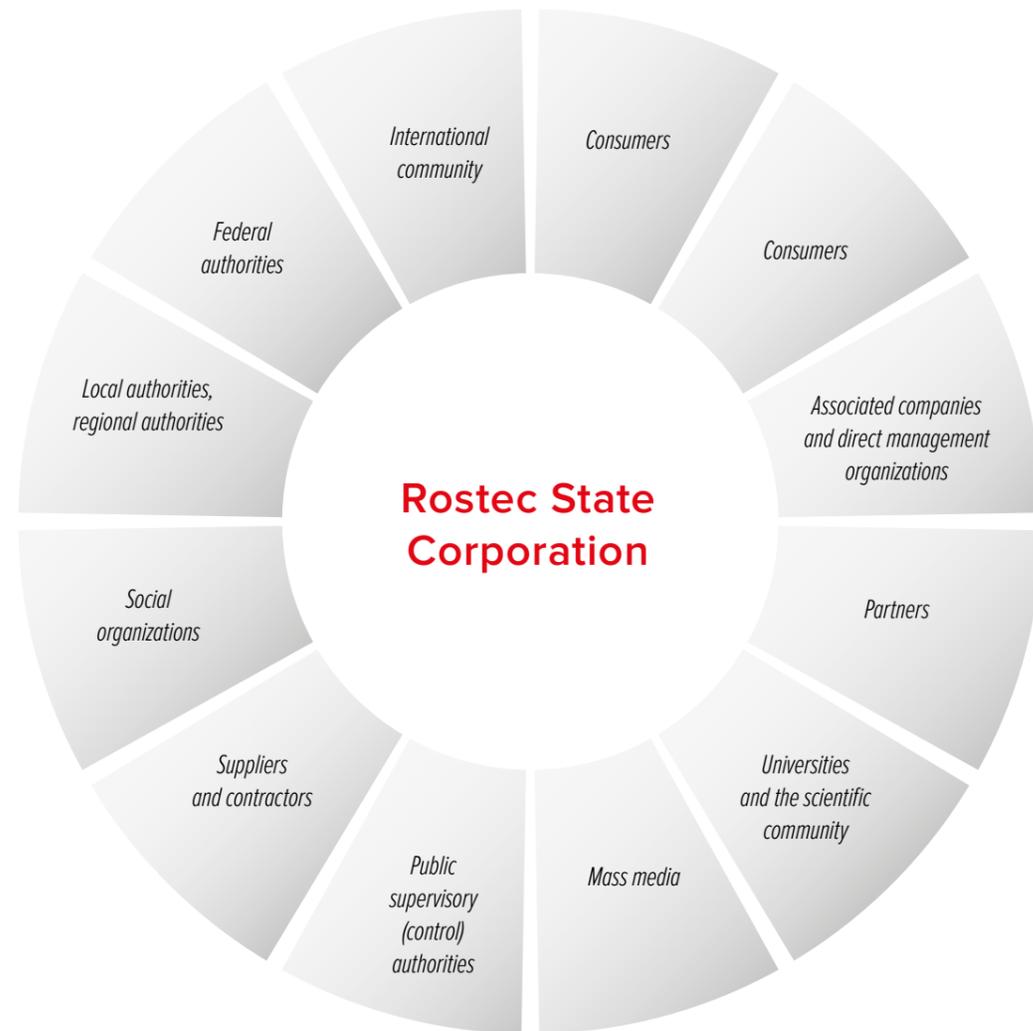
The Corporation's contribution to the social and economic development of its geographic presence is more than just partaking in the formation of regional and local budgets' income base, but also the full gamut of social and charitable programs.

The system of mutual relations we have with every interested party group has and will have an essential influence on the Corporation's business, therefore a consideration of their interests when planning in different horizons and carrying out of routine activities is a key factor in sustainable development. An analysis of the key events, main financial and production results, and the results of the Corporation's activity in sustainable development visually proves that social capital is one of the most beneficial sources of business stability.

Achieving the strategic objectives of the Corporation seems impossible without social harmony and meeting the requirements of social and environmental acceptability.



The main groups of the Corporation's interested parties



Social programs

As part of the Corporation's social policy development and that of its companies, a series of social programs aimed at the attraction and retention of high-qualified specialists has been rolled out (including defense industry complex enterprises, where personnel turnover and competence transfers to the younger generation are of critical importance), as well as to improve employee living standards and support labor veterans and the youth.

In addition, emphasis is placed on the development of systemic, long-term programs covering such significant areas of employee social welfare as solutions to housing issues, medicinal services, sanatorium-and-spa treatments, support in difficult life circumstances, employee health and life insurance, non-governmental (additional) pension provision, youth policy, and financial support for veterans.

The Provision on social policy and labor contracts to provide 10% of post-financial year net profit to social programs is applicable in all of the Corporation's companies. For the most efficient use of funds allocated by the Corporation's companies for social policies, the Corporation sets budget guidelines, implements unified principles, has successfully created the operating infrastructure of affiliated companies that aim to increase the quality and standards of social packages for the Corporation and employees, and companies of the Corporation Insurance Broker LLC, RT-Insurance, SPF The First Industrial Alliance JSC, RT-Medicine JSC.

Funding both social expenses made in accordance with the Labor Code of the Russian Federation and on the initiative of the employer has been growing annually. Based on the results of 2015, **about RUB 7 bln** were earmarked for social expenses at the discretion of the employer.

To generate an additional source for the Corporation's companies' and the Corporation's social programs funding, improve the efficiency of the Corporation's companies' social expenses management, and fund measures as part of the integrated medicine system's creation and development, **in 2015, the Corporation created the Social Fund of Rostec State Corporation** to be filled using funds from the sale of the Corporation's incidental assets, medicine and the social appointment and distribution of the Corporation's net profit. Based on the results of 2015 there are plans to send about **RUB 500 mln to the Fund**.

The Fund resources to be sent to the Corporation, holding companies and the Corporation's companies are to be used to develop social programs, improve employee medical service quality, and be used as reserves to execute long-term social obligations towards employees.

In 2015, SPF The First Industrial Alliance JSC, the base fund of the Corporation that implements pension programs on behalf of Corporation employees and its companies successfully went public. The Fund's reorganization made

In addition, emphasis is placed on the development of systemic, long-term programs covering such significant areas of employee social welfare as solutions to housing issues, medicinal services, sanatorium-and-spa treatments, support in difficult life circumstances, employee health and life insurance, non-governmental (additional) pension provision, youth policy, and financial support for veterans.

it possible to improve pension borrowing management efficiency, and to diversify the line of pension products.

In 2015, it was also initiated, and completed in 2016, that the Fund enter into the system of pension accrual guarantees, which significantly increases the Fund's reliability for its participants and investors and helps implement the approved Strategy more successfully as part of the corporate pension system with a focus on retailing.

In 2015, the main guidelines of the corporate pension system were defined. The most significant of them are the incorporation of SPFs included in the Corporation's management contour on the base of SPF The First Industrial Alliance JSC, and the increase of pension resource management efficiency.

In 2015, as part of the formation of the united medicine system, the RT-Medicine JSC Corporation competence center developed project plans for the financial stability of the Corporation's medical and social assets, the strengthening of the Corporation's companies' medical aid quality control, and also prepared proposals on the implementation of investment projects to create the Industrial Medicine Center to render medical services to enterprises located in Moscow and Moscow oblast.

The Corporation's social policy activity in 2015 received praise from the government.

Thus, based on the results of the all-Russian competition in 2015 by the Ministry of Industry and Trade of the Russian Federation (their participants were more than 450 companies in the defense industry complex) for the title of "highest social efficiency" in their sector, HC (IS) of Russian Helicopters JSC Corporation was the winner for "Integrated structure of the defense industry complex with high social and economy efficiency."

In 2015, the holding company's enterprise Kazan Helicopter Plant OJSC was awarded second place for "Russian company with high social efficiency," and in the all-Russian competition for the "development of personnel resources in a production company."

Based on the results of the "Russian company with high social efficiency" competition's regional round, Kaliningrad Amber Factory JSC Corporation enterprise became the leader by number of awards in 2015. The enterprise was recognized as the winner "For the creation and development of jobs," and took places "For the development of social partnerships" and "For partaking in the solution of territories, social problems and the development of corporate charity."

500 MLN RUB

was sent to the social fund by Rostec Corporation in 2015

Housing program for Corporation employees

In 2015, the Rostec State Corporation Housing Program was approved, which aimed to attract and retain qualified specialists, employees for which the Corporation incurs a personnel deficit, as well as young specialists who graduated universities and secondary-level (special) education institutions that are core for the Corporation.

In accordance with the Program, corporate support of the Corporation and its companies' employees is carried out in three areas:

- compensation or subsidy of interest or initial real estate loan payment;
- compensation or subsidy of rental and utility payments;
- administrative, methodological and financial support of housing associations among the Corporation's companies' employees in the defense industry complex.

The Corporation's Housing Program is implemented as part of such significant programs as "Housing for the Russian family" and the Russian state program "Providing citizens of the Russian Federation with affordable housing and public utility services."

The program optimizes of interest rates for employees and introduces more attractive terms for them compared to standard market offers. Participants of the real estate loan program are bank partners of the Corporation (including JSCB Novikombank JSC, a Corporation affiliated bank that develops mortgage credit lending) as well as bank partners of the Housing Mortgage Credit Lending Agency, which the Corporation has entered into agreements with.

Work on the implementation of the Corporation Housing Program performed as part of such significant programs as "Housing for the Russian family" and the Russian Federation state program "Providing citizens of the Russian Federation with affordable housing and public utility services."

Participants in the Housing Program are selected by the Corporation and the Corporation's companies' from said company's employees on the basis of professional and social factors as well as work record.

In 2015, the Corporation rendered methodological and organizational support for holding companies and direct management organizations as part of the Housing Program.

Thanks to the Corporation's systematic efforts, housing programs are implemented in all of the Corporation's key companies, support for the standards of corporate housing improvement is being improved, and the efficiency of social expenses is improved in this area.

In 2015, the Corporation's companies spent a total of RUB 1 bln as part of the Housing Program.

The Corporation's social fund, an additional source of funding for the Corporation and its companies' Housing Program as well as for creation of reserve for the long-term social obligations of employees as part of the Program.



Support for socially significant events

Rostec renders charitable assistance and sponsors events related to education, culture and art, and supports large-scale events significant for the country's cultural and public life.

Rostec also supports Russian sports and socially significant competitions, educational institutions and personnel training for the Corporation's companies, and is also an active contributor to projects involving the intellectual development of Russia.



Rostec renders charitable assistance and sponsors events related to education, culture and art, and supports large-scale events significant for the country's cultural and public life.

Perinatal center development program

Rostec is a participant in the Perinatal center development program along with the Ministry of Health of the Russian Federation, the Federal Compulsory Medical Insurance Fund and federal member state authorities.

The program has plans to establish hi-tech health-care institutions in Russian regions to render affordable and qualitative medical aid for mothers and children (including early nursing periods). The Program will help facilitate a considerable decrease in infant and mother mortality rates, and increase the survival rate for children who have low and extremely low body mass during the early stages of pregnancy.

The Program is funded with financial resources from the Federal Compulsory Medical Insurance Fund and federal member states. The total scope of finance is RUB 38.01 bln, including RUB 29.23 bln of the Fund's own resources.

By order of the President of the Russian Federation (dated April 3, 2014 No. 46-rp) Rostec has been classified as a building owner, and the Corporation manages the general coordination of construction operations and infrastructure provisions. The commissioning of the facilities is expected by the end of 2016.

Upon the completion of these operations, Rostec shall transfer these facilities and their equipment to the ownership of the Russian Federation's member states so they can be utilized by medical providers. Before the construction is completed, the member states must provide training for the medical personnel of the perinatal centers.

ROSTEC BUILDS AND EQUIPS PERINATAL CENTERS IN 15 MEMBER STATES OF THE RUSSIAN FEDERATION

- 6 republics: Bashkortostan, Buryatia, Dagestan, Ingushetia, Karelia and Sakha (Yakutia).
- 9 oblasts: Archangelsk, Bryansk, Leningrad, Orenburg, Penza, Pskov, Smolensk, Tambov and Ulianovsk

1 BLN RUB

was used to implement the Housing Program by Rostec State Corporation in 2015

119

gold medals

at the Special Olympics



Spasskaya Tower festival

In 2015, in partnership with the Corporation, the Spasskaya Tower VIII International military musical festival was held. From September 5 to 13, 2015 the best military folk and pop creative teams and divisions of safe conduct for the head of states from Russia and other countries demonstrated their skills on Red Square in Moscow.

The daily viewing audience of the fest exceeded 7 thousand people within Red Square alone, and in total the fest was seen by more than 50 thousand people (more than 100 mln people including Internet and TV audiences).

The Rostec international festival of fireworks

Rostec was responsible for the first-ever Russian International festival of fireworks. As a part of the Techmash holding company, the Science and Research Institute of Applicable Chemistry (NIIPH) provided technical support for the event.

Attendees at the pyrotechnic/musical show that was held August 21 and 22, 2015 on Sparrow Hills in Moscow included leading specialists on pyrotechnics from European, Asian, Latin American countries and Russia. At the same site, participants combined modern pyrotechnic charge manufacture technologies with light and design spectacles to show spectators a mind-blowing show set to the musical accompaniment of international artists.

The daily viewing audience of the event exceeded 200 thousand people, and in total the fest was seen by more than 3 mln people (including Internet and TV audiences).

Special Olympics

Rostec supported the Russian team in an international sporting event for special persons, the Special Olympics, in LA.

248 athletes and coaches from 25 regions of Russia participated in summer Special Olympics 2015. The athletes participated in 24 types of sports: track and field, swimming, judo, powerlifting, handball, volleyball, football, basketball, modern rhythmic and artistic gymnastics, badminton and others. The Russian team won 119 gold, 50 silver and 42 bronze medals. As regards the results of the Special Olympics, the Russian team won 26 gold medals and took first place by a landslide, beating the USA, Canada and 5 teams from China.

More than a total of 7 thousand athletes from 165 countries, 30 thousand volunteers, 3 thousand coaches and more than half a million spectators and supporters took part in the World Summer Games.



School Olympics for engineering professions

In association with the Russian Engineering Union, Rostec is a participant in the School Olympics for engineering professions titled "Stars: Talent in Defense and Safety," which is the largest-scale Olympics among Russian students. In the 2014–2015 academic year, apart from a considerable increase in the number of participants in key disciplines (in mathematics and physics, by 8.5 and 4.5 thousand students respectively), 6 universities/co-organizers joined the Olympics, and the number of sites where the Olympics are held is on the rise. Partaking in the Olympics encourages the interest of school children in scientific and research activity, and helps increase the inflow of talented students to regional universities.



ZK digital Olympics

With support from Rostec Corporation in 2015, the ZK international student digital Olympics on scientific, technical and natural disciplines was held. The intellectual competition was held digitally in 3 rounds and covered a student audience of thousands from all over Russia and abroad. The federal grand prize pool totaled RUB 3 mln.

ZK Olympics is the sole Olympics that gives students the opportunity to create their own individual education path. The event revealed the top Russian students studying applied mathematics and information technologies, engineering disciplines and applied economics. The winners of the final round earned the opportunity to land a job in one of Russia's leading companies.

Engineers of the Future forum

The Corporation is co-organizer for the Engineers of the Future International Youth Industry Forum. In 2015, the forum took place from July 19 to 26 in Chelyabinsk oblast. Engineers of the Future is recognized as a unique platform for the exchange of professional experience between Russian and foreign young scientists and industrial company specialists. In five years more than 5,000 young specialists, scientists, graduate and undergraduate students from more than 40 countries have taken part in the event.

Information Technologies in the Defense Industry conference

From May 26 through 29, 2015, in the city of Innopolis (Republic of Tatarstan), the 4th annual Information Technologies in the Defense Industry conference took place, organized by Rostec Corporation, the Government of the Republic of Tatarstan and the Defense Industry Committee of the Russian Federation.

The goal of the event was to elaborate a systematic approach to the implementation of automation strategies in the creation and continuous improvement of management systems in the defense industry.

The conference participants were defense industry IT directors, executive governmental agencies, CEOs of the largest defense industry holding companies, key figures in the IT market, startups and representatives of the IT business media, as well as IT managers of different companies.

During the event more than 1,500 specialists from all over Russia visited the conference, more than 50 meetings between company representatives were held and around 20 agreements were signed.

The ZK Olympics is the only Olympic games that gives students the opportunity to set up their own individual education path. The event revealed the top Russian students studying applied mathematics and information technologies, engineering disciplines and applied economics. The winners of the final round earned the opportunity to land a job in one of Russia's leading companies.

3 mln rub —

the prize pool
of ZK Olympics

In the Family Circle national program

The In the Family Circle national program was created in 2004 after the blessing of His Holiness Alexis II Patriarch of Moscow and All Russia with the participation of public authority representatives. S. Chemezov is the co-chairman of the program supervisory board.

The program contributes to building healthy families in Russia, creates a positive image of a full, large family, and works to popularize ideas of chastity, loyalty and love in marriage, the joys of fatherhood and motherhood, the cares of parents, childrearing in the spirit of patriotism and love of one's country.

One of the most note-worthy events in 2015 was the In the Family Circle IX International Film Festival, which was held with support from Rostec Corporation in July in Kaliningrad. More than 30 films from 16 countries were shown as part of the festival.

more than
3,000
people

participated in the Russian Corporate Games in 2015

Russian Corporate Games



The Corporation actively holds events on the promotion of healthy lifestyles and physical activity. Rostec annually sponsors the amateur Rostec – Russian Corporate Games. In 2015, more than 3,000 people participated in the Corporate Games. The Summer Games were first conducted in Crimea. A record number of athletes joined the Games: about 1,200 people from 56 companies all over Russia.

The competitions included 22 different sports. More than 60 sets of medals were offered up for the competitors.

The Rostec 2015 Supercup football tournament

The Rostec 2015 Super Bowl football tournament was the culmination of the Corporation's year in sports. The competitions were held in the popular "8x8" format for the first time. The strongest teams of the leading Corporation holding companies participated in the tournament, which revealed the winner only after a full month. The RT-Chemcomposite holding company took home the gold. The Corporation's central office team took third place. The Superbowl was organized according to the highest standards, which was duly noted by the heads of participating companies.

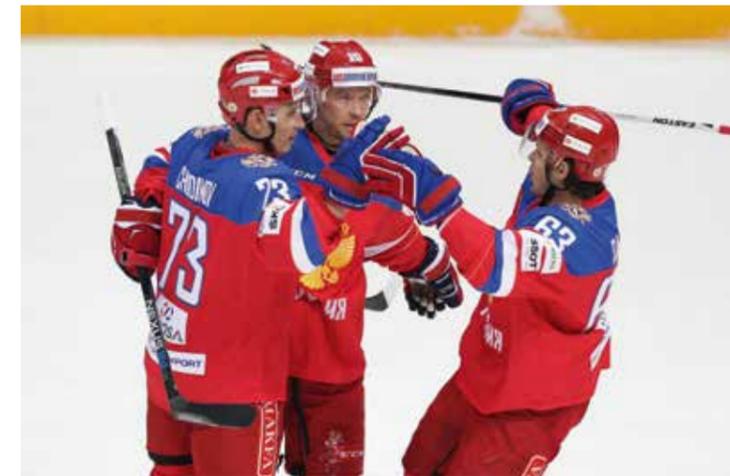


Bicycle racing

Over the previous years, bicycle racing has enjoyed a lot of development in Russia thanks largely to the all-Russian bicycle racing development project and the success of the domestic Katyusha bicycle team. Rostec is a gold sponsor of the Katyusha bicycle team and contributes greatly to the development of bicycle racing in the country.

Katyusha is the first Russian street team that is licensed by the Pro Tour major bicycle league (since the 2010 World Tour). During its existence the domestic bicycle team went six full seasons in the major league and won 152 times with a total of 281 placing victories.

The team's management continues to develop the Russian segment, which will have a positive effect on the results of both young and experienced Russian athletes in the very near future.



Hockey

For many years the Russian Ice Hockey Federation and Rostec have enjoyed strong relations that are reflected in their support of the main and junior national hockey teams.

Thus, in May 2015 the Russian team proved its status as a world hockey leader after playing in the World Championship final. In autumn of this year there was a re-branding of the Russian Ice Hockey Federation that debuted a new corporate style, and there were also presentations of the "Red Machine" and "Russian Hockey" brands. Support from the Corporation to provide for the RIHF's material and technical base, host children's and teenage tournaments and train the Russian national team was greatly beneficial for the Russian hockey team's success.

The Russian team is one of the most beloved sports teams in the country: the average match attendance in 2015 on the domestic leg of the Euro-tour – the Channel One Bowl – exceeded 12 thousand spectators.

The Corporation also cooperates with the Moscow Ice Hockey Federation: the IX Children's Ice Hockey Tournament in the memory of Alexander Ragulin was held with Rostec's support. Fifty capital teams took part in the tournament, and 10 teams competed in each age division. Teams from the Olympic Reserve Sports School were among the participants.

Freestyle

The Corporation was an authorized sponsor of the Russian leg of the aerial skiing World Cup, which took place in Moscow in February 2015. Yotaphone 2, the newest smartphones on the market, were handed out to the competition's winners as gifts. The competition went off without a hitch and received praise from both athletes and representatives of the International Federation, specialists, journalists and fans.

CSCA football club

In 2015 Russian Helicopters, a Rostec holding company, resumed cooperation with the CSCA football club. The agreement on support for the club was signed in April. The President of the CSCA FC Evgeny Giner emphasized the importance of a partnership, as support on behalf of the largest representatives of the Russian industrial sector is currently of the utmost importance for Russian teams. Industry and sports have serious areas of common interest, such as how to strengthen the image of Russia as a modern empire thriving in sports, the economy and the hi-tech industry.

Dynamo volleyball club

Rostec and FSUE Rosoboronexport were partners of the Dynamo woman's volleyball club. In 2015, at the XXV Volleyball Championships in Russia, among 11 teams of the women's super league, the Russian champion title was won by the Dynamo woman's volleyball club for the fourth time in history. The team's management is dedicated to strengthening and popularizing this sport among young people, which the future of Russian volleyball is closely connected to.

The 360° international festival of films on science and technology

Rostec was a partner for one of the most important educational projects of Polytechnic Museum, the 360° international festival of films on science and technologies, which will be remembered fondly as a significant event related to film documentation.

The festival's goal is to show the most topical documentaries related to science, technology and new ideas about the world and society. The festival's mission is to appeal to the widest audience with science and incite an interest in popular science lectures and literature.

7.3 Internal audit and risk management

Internal Audit

In 2015, in fulfillment of the order of the President of the Russian Federation dated December 27, 2014 No. Pr-3013, the Corporation created an internal audit division by transforming the Audit Department of the Corporation's companies.

The director of the internal audit department is accountable to the CEO.

In 2015, the Corporation Directorate approved its Policy on internal audits, which was developed taking into account COSO requirements and the standards of the Institute of Internal Auditors, according to which the Corporation manages a centralized internal audit function, including the formation of internal audit departments in the head offices of holding companies (HC) that are functionally accountable for the audit of the committees of directors.

The following processes are carried out centrally at the Corporation's level:

- design of the internal audit development strategy;
- development and improvement of the internal audit methodology, monitoring legislation and internal audit standard changes;
- development and updating of typical obligations for internal auditors;
- determination of efficiency indexes for internal auditors;
- regular internal training and seminars for internal auditors;
- selection of software for the automation of internal audits according to established procedure.

13 audits and 57 revisions of the Corporation's financial and economic activity were conducted in 2015. According to the audit results, the Corporation exercises control over the elimination of identified deficiencies and violations, the development and implementation of financial recovery and bankruptcy prevention procedures, and also the improvement of the Corporation's companies' operating efficiency.

In 2015, by Order of the President of the Russian Federation dated December 27, 2014 No. Pr-3013, the Corporation created an internal audit division by transforming the Audit Department of the Corporation's companies'.

THE MAIN TASKS OF THE CORPORATION'S INTERNAL AUDIT:

- *Creation of the internal audit system*
- *Evaluation of the internal control system's efficiency, risk management and corporate management*
- *Granting guarantees for the main customers of internal audit services to improve their confidence that the threats the Corporation faces are eliminated properly*
- *Audits and revisions of the Corporation's companies' financial and economy activities*
- *Consulting and assistance for Corporation employees to develop and monitor the procedures and measures of the internal control system, risk management and corporate management improvement*



Risk management system

The formation of a general risk management system for the uncovering, analysis and minimization of risks capable of having an impact on the Corporation's strategic objectives.

The Corporation is focused on the permanent improvement of its risk management system in accordance with the Corporation's scale of activity.

The main goals of the risk management system are:

- provide a reasonable guarantee to achieve the Corporation's goals defined by the Development Strategy;
- efficient and successful use of resources;
- authenticity of accounting (financial) and management reporting;
- adherence to applicable norms and regulations.

Risk management system for the implementation of the following tasks:

- restriction of the number of unexpected events capable of exerting a negative influence on the Corporation's strategic goals;
- timely detection of risks, their analysis, assessment, monitoring and taking measures to address or minimize them;
- improvement of resources use and distribution efficiency;
- integration of risk management into the Corporation's business processes;
- contribution of each Corporation employee in the risk management process;
- implementation of the risk management system in holding companies, their affiliated entities, and organizations of direct administration.

The key elements for these tasks are the following:

- risks analysis and evaluation;
- development and implementation of a risk management program of measures (prevention, leveling, reduction of consequences, etc.);
- monitoring the process and its results.

In the creation of their risk management system the Corporation follows the risk management requirements of Russian and international standards, as well as the risk management system experience of global companies.

The corporation addresses the issues of risk management in the Corporation HC head offices and the Corporation's direct management companies. The Corporation's risk management authority is vested in the Corporation CEO's office.

The formation of a general risk management system for the uncovering, analysis and minimization of risks capable of having an impact on the Corporation's strategic objectives, and taking measures to minimize them. The Corporation is focused on the permanent improvement of its risk management system in accordance with the Corporation's scale of activity.

Preferable risk is defined and approved by the Corporation Directorate. The CEO's office is responsible to develop and revise the preferable risk level definition's methodology. The CEO's office also develops risk classifiers, keeps the risk register and maps out the Corporation's risks.

The internal audit department submits reports on the evaluation results of the risk management system's efficiency to the Corporation Directorate for approval on a regular basis.

Financial risk management

The Corporation's united corporate treasury (UCT) implements the financial risk management system of the Corporation and the Corporation's companies.

During the UCT's formation, a methodological and regulative base was created for the management of different types of financial risks, including loan, currency and interest risks when the Corporation temporarily allocates surplus funds.

In 2015, the Corporation's financial risk management accomplished the following:

- Regulations were developed and implemented on financial risk management, as well as standard legislative acts that regulate financial risk management in the companies of Rostec State Corporation.
- Instruments are used to control the risks that the Corporation takes when granting loans and guarantees, both at the stage of making decisions to grant the loan or guarantee and in the relevant contract's validity period.
- Limits for the amount of funds allocated by Rostec corporation and the Corporation's companies to credit institutions have been approved.

In the creation of their risk management system the Corporation follows the risk management requirements of Russian and international standards, as well as the risk management system experience of global companies.

Participants in the risk management process and their functions

KEY RISKS	PROFILE
Directorate	<ul style="list-style-type: none"> • approves the Risk Management System Policy; • approves The Corporation's preferred risk.
CEO	<ul style="list-style-type: none"> • responsible for efficient risk management; • assign tasks to the first deputy (deputies) of the CEO, executive director and heads of the Corporation's business units; defines how they should be solved; • define the Corporation's goals in the Development Strategy; • approves the Corporation's risk register and risk chart; • approves risk management reports and takes relevant measures; • approves the Corporation's legislative and regulatory acts and other documents related to risk management being developed in addition to the Policy.
The Corporation's business units (risk owners)	<ul style="list-style-type: none"> • implement this Policy and grant control over its provision to the accountable business unit; • timely detect and evaluate risks appropriate to their business processes; • develop and form mechanisms to minimize the relevant risks reflected in the respective regulative acts of the Corporation; • monitors specific risks; • implements the project plan on risk management within its competence; • define its subordinate employees need for risk management training.
Risk-coordinators of business units (risk owners)	<ul style="list-style-type: none"> • coordinate the risk identification process of the respective business unit; • coordinates the processes of the respective business unit's risk evaluation; • consolidates information on the respective business unit's risks; • keeps passports and registers of the respective business unit's risks; • sends passports and registers of risks to the CEO's office.
CEO Administration	<ul style="list-style-type: none"> • general coordination of risk management processes; • develops and improves methodological documents for the risk management process; • contributes to the organization of training for employees of the Corporation and its holding companies regarding risk management; • methodological and consulting support for the Corporation's employees on issues of risk management; • analyzes the Corporation's risk portfolio and draw up proposals for a response strategy and how to redistribute resources to effectively manage risk; • develops and creates summary reports of risks (register of risks, chart of risks, etc.) to be submitted for the Directorate's approval; • makes decisions about the depth and degree of the risk management system's automation; • monitors risk management processes run by the Corporation's business units according to the procedure established by the holding companies and P&T in part related to essential risks; • informs the Directorate about risk management efficiency and considerable deviations from the regulated risk management processes.
Internal audit department	<ul style="list-style-type: none"> • monitors and evaluates risk management system efficiency.



7_4 Anti-corruption

The Corporation's corruption management efforts are carried out on the basis of Federal Laws, Orders of the President, Resolutions of the Government of Russia, and the regulatory legal acts of the Ministry of Labor of Russia.

The main anti-corruption efforts were focused on the implementation of the **Corporation's corruption management plan for 2015** (hereinafter, the "Plan"), developed as part of the National Corruption management plan in 2014–2015 approved by Order of the President of the Russian Federation dated April 11, 2015 No. 226.

Reports on the success of planned measures in the Corporation are regularly submitted to the Administration of the President of the Russian Federation, the Central Office of the Government of the Russian Federation, and the Ministry of Labor of the Russian Federation.

THE MAIN ELEMENTS OF THE PLAN:

- The operation and functioning of the Commission on compliance with the requirements of the Corporation's employees' professional behavior, and provisions for the regulation of conflicts of interests (hereinafter, the "Commission") is stable.
- Measures for the formation of a negative attitude towards corruption on behalf of Corporation employees when it involves various institutions of civil society and public unions are being implemented with statutory objectives involving participation in the management of corruption.
- Several employees were brought to disciplinary responsibility after agency checks on the Corporation's employees' non-compliance with restrictions or the non-fulfillment of their obligations to prevent and regulate conflict of interests.

The Corporation offers methodological support to holding companies, integrated structures, and companies of direct management to adhere to anti-corruption legislation. As part of these efforts, the Corporation's companies appointed officials and departments directly responsible for corruption management.

When carrying out these measures, efficient coordination with law enforcement and other state authorities was organized supported regarding issues of corruption management in the Corporation and its companies.

IN 2015, A SERIES OF MEASURES ON COMPLIANCE WITH RESTRICTIONS, PROHIBITIONS AND THE PERFORMANCE OF OBLIGATIONS SPECIFIED BY THE FEDERAL ANTI-CORRUPTION LEGISLATION WERE COMPLETED:

- Information on the Corporation's employees and their families members' income and property position in 2014 has been collected and evaluated.
- A List of the Corporation's posts has been compiled, where if changes are made prohibitions stipulated in cl. 1–4 and 7–11 of part 4 of article 349 of the Code of Labor of the Russian Federation become effective.
- The Procedure for employer notification has been approved regarding any addresses aimed to persuade a Corporation employee to commit a corruption crime.
- The List of the Corporation's posts has been confirmed, where if changes are made prohibitions are put in place on opening and holding accounts in foreign banks located outside the Russian Federation.
- The Provision on measures to regulate conflicts of interest in the Corporation has been approved.
- The List of the Corporation's posts has been confirmed, where if changes are made information on income and property is published on the official website of the Corporation.
- The Procedure has been approved for when the Corporation's employees report receiving a gift associated with their official position, the gift's delivery and evaluation, the sale and remittance of money earned from its sale.
- Corruption management information has been placed in a timely manner on the official website.

When carrying out these measures, efficient coordination with law enforcement and other state authorities was organized supported regarding issues of corruption management in the Corporation and its companies.



ANTI-CORRUPTION INITIATIVES OF ROSTEC STATE CORPORATION

- *Code of Ethics and professional behavior of Rostec State Corporation employees.*
- *The List of the Corporation's posts has been updated, where appointed citizens or the Corporation's replacement employees are obligated to submit earnings and property information, where replacement may be connected with corruption risks.*
- *The Provision on the conduction of expertise on legal acts from an anti-corruption perspective and the relevant methodological recommendations has been developed.*
- *The List of corruption factors has been prepared that may contribute to corruption exposure when applying the Corporation's legal acts.*
- *The Unified Provision on purchases that consolidate the Corporation and its companies purchasing system has been confirmed.*

8_ *Report on The Corporation's property use*

38

REAL ESTATE
PROPERTIES

ARE IN OWNERSHIP
OF THE CORPORATION



8_1 Land plots and real estate

In accordance with Resolution of the Government of the Russian Federation dated November 21, 2008 No. 873 and Directives of the Government of the Russian Federation dated December 30, 2009 No. 2131-r and dated April 21, 2011 No. 682-r, land lots and real estate properties, including those involving construction in progress, were transferred to the Corporation as a contribution to its asset.

In 2015, the Corporation additionally registered the ownership of 9 properties involving construction in progress and 8 real estate properties located at the address: 48 Mira St., Gelendzhik, Krasnodar Krai.

Thus, as of December 31, 2015 the Corporation's property includes 8 land lots and 38 real estate properties.

Real estate properties in ownership of the Corporation are used to accommodate the Corporation's employees in Moscow, St. Petersburg and Krasnodar, as well as rented out on appropriate grounds.

The earnings of renting out the property received as an asset contribution to the Russian Federation are earmarked to achieve the main goals and objectives of the Corporation's activity.

8_2 Shareholding management

In 2015, as part of Order of the President of the Russian Federation dated July 10, 2008 No. 1052 and Directive of the Government of the Russian Federation dated November 21, 2008 No. 873, shares of 10 joint-stock companies were transferred to the ownership of the Corporation.

In accordance with Order of the President of the Russian Federation dated January 14, 2014 No. 20 and Directive of the Government of the Russian Federation dated April 21, 2014 No. 365, shares of 70 joint-stock companies were transferred to the ownership of the Corporation in 2015.

In accordance with Order of President of the Russian Federation dated November 24, 2014 No. 734, shares of Kurgan Joint-Stock Company of Medical Products and Drugs JSC are delivered to the Corporation's ownership as an asset contribution to the Russian Federation.

In accordance with Directive of the Government of the Russian Federation dated October 23, 2015 No. 2150-r, the Corporation received the ability to exercise shareholder rights on behalf of the Russian Federation in respect to 66 joint stock companies; in accordance with Directive of the Government of the Russian Federation dated December 30, 2015 No. 2771-r, in respect to 14 joint-stock companies.

As of December 31, 2015, stocks (shares) of 356 business entities that the Corporation received as an asset contribution to the Russian Federation and acquired on other grounds have been recorded on the Corporation's balance.

In connection with the Corporation's measures on the implementation of the reformation program, in part the formation of the Corporation's holding companies in the defense industry and civil industry in accordance with Order of the President of the Russian Federation dated July 10, 2008 No. 1052 and Directive of the Government of the Russian Federation dated November 21, 2008 No. 873, shares of 73 joint-stock companies have been vested to the registered capital of 10 holding companies in exchange for the holding companies allocating shares to the Corporation.

In accordance with the legislation of the Russian Federation, the Corporation is entitled to receive dividends from companies that issue stocks (shares) in the Corporation's ownership. Upon the Corporation supervisory board's decision, the Corporation's earnings from dividends and a part of Federal State Unitary Enterprise profit are subject to be earmarked for the Corporation's activity in accordance with Federal Law No. 270-FZ.

Troubled asset management

By early 2015, there were 101 troubled enterprises, 24 of which were under direct management and 77 affiliated with holding companies in the Corporation's contour. In 2015, the approach to incidental and troubled asset management was changed radically. Thanks to a series of strategic solutions — changes in the organizing structure, strengthening of holding company committees of directors by industrial directors, formation of Relevant Competences Centers at RT-Project Technologies JSC — the organization of this activity moved up to a qualitatively new level.

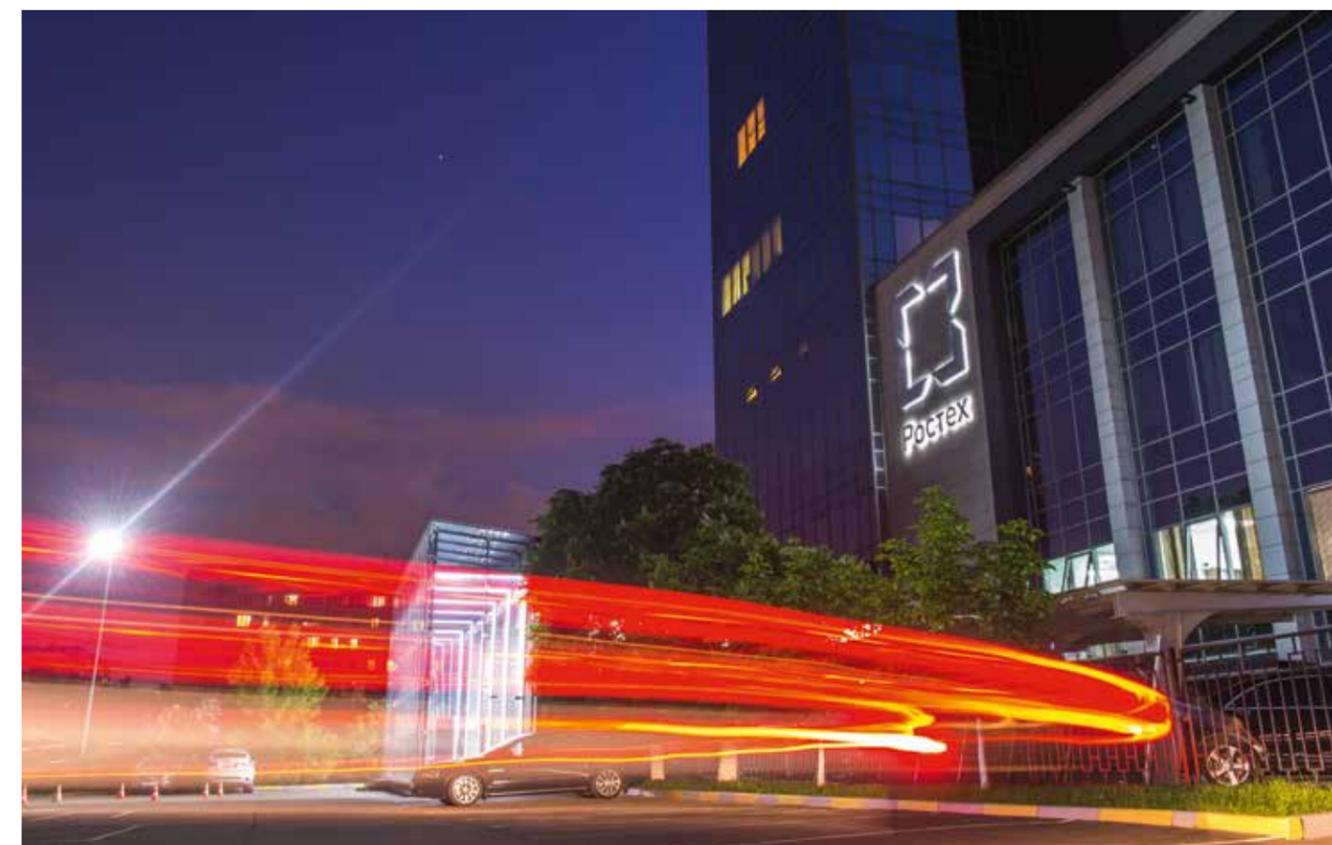
As part of the Corporation's new organizing structure at RT-Project Technologies JSC, a Center of management, expert and service competences for working with incidental and troubled assets has been established. This allowed the Corporation to eliminate the performance of double or unusual functions.

RT-Project Technologies JSC analyzed the troubled enterprises and made the decision to change its approaches towards them to improve financially and the appeal of investment in the Corporation's holding companies. Thanks to changes in the troubled assets working model, positive results were achieved: 5 enterprises of the defense industry were excluded from the register of troubled assets, and more than 10 enterprises successfully implemented programs for financial improvement.

All measures are first and foremost designed to improve the financial result of working with incidental assets both for the entire Corporation and its holding companies, including improvements not only to the incidental asset management model but also to the procedures and approaches to the consolidation of funds from the sale of incidental assets.

In addition, a part of the shares of incidental companies have been transferred to RT-Project Technologies JSC to be managed by a trust. In these companies they specialize in increasing the efficiency of such asset management, including asset analysis, development of corporate procedures, execution of property rights, management of the Corporation's dividend payments, as well as measures to improve the Corporation's financial condition and capitalization.

At the level of holding companies they decentralize incidental asset management, but the centralized approach to incidental asset management is retained by RT-Project Technologies JSC as well as through the implementation of systemic projects in the holding companies. As part of decentralization there are plans to delegate authority on recognizing assets as incidental, determining and implementing the optimal model for their further disposal by holding company committees of directors, and on reserving control over decisions regarding their effectiveness for the corporate center.



9_ Drawing up the consolidated financial statements



9 Drawing up the Corporation's consolidated financial statements

The Corporation's consolidated financial statements shall be drawn up on the basis of Federal Law dated November 23, 2007. No. 270-FZ "On the State Corporation for the promotion, development, manufacture and export of the hi-tech industry products of Rostec."

The authenticity of the Corporation's consolidated financial statements for 2015 has been proven by a positive auditor's conclusion issued by RSM Rus' LLC audit company, which was selected upon the results of competitive procedures conducted in accordance with Federal Law dated April 5, 2013 No. 44-FZ "On the contractual system for the procurement of goods, works and services for governmental and municipal needs."

According to Order of the President of the Russian Federation "On asset contributions to the Russian Federation to the State Corporation for the promotion of the development, manufacture and export of the hi-tech industry products of Rostec" dated March 17, 2015 No. 139, shares of the joint-stock company created as the result of FSUE RMA Microgen's transformation are subject to be transferred to the Corporation as an asset contribution to the Russian Federation. Thus, this company was included in the Corporation Group in 2015.

A number of parent organizations of the Corporation's holding companies and entities in the Corporation Group draw up consolidated IFRS financial statements as part of its group:

- Roselektronika JSC;
- Radioelectronics Technologies Concern JSC;
- Shvabe JSC
- OPC Oboronprom JSC
- Russian Helicopters JSC
- United Engine Corporation JSC
- United Instrument Manufacturing Corporation JSC
- VSMPO-AVISMA Corporation PJSC
- KAMAZ PJSC
- Molotovichin Plants PJSC
- AVTOVAZ JSC
- JSCB Novicombank JSC
- Russian Financial Corporation JSC
- YOTA Holding Ltd;
- RT-Global Resources LLC
- ERDENET ENTERPRISE LLC
- Mongolrostsvetmet LLC

To create the Corporation's consolidated financial statements, the Uniform Principles of the accounting policy that establish the unified approach to the creation of consolidated IFRS financial statements are used by the holding companies that draw up these statements as part of their parent organization's management contour.

The Corporation's consolidated financial statements provide the following:

- the generation of information on its financial condition to make strategic, managerial
- and economic decisions;
- prompt response in case of the detection of inefficiently functioning assets;
- possible timely optimization of the Corporation Group's assets and liabilities structure, including but not limited to the improvement of supplies, capital, level of receivables and payables management system;
- the analysis of the Corporation Group's activity in the generation of forecast indicators, including based on the principle of comparability to previous accounting period data;
- carrying-out of the complex analysis of the Group's financial and operating activities as a whole, as well as from the perspective of holding companies and the organization of direct management considering the special aspects stipulated by their economic activity specific characteristics;
- evaluation of the management system efficiency of the Corporation's companies.

The main indicators of the Corporation's consolidated financial statements

item No.	Index name	Relative growth (slump) of the index over 2015, %
1	Assets, including:	13.78
1.1.	Permanent assets	7.56
1.2.	Intangible assets	7.00
1.3.	Holdings	18.44
2	Liabilities	11.24
3	Retained earnings	112.28
4	Government grants	37.96
5	Capital accrued for the Corporation Group	21.73
6	Earnings	21.37
7	Cost of sales	1.71
8	Total income received by the Corporation Group	220.47

Variations of the main indexes of the Corporation's consolidated financial statements from the perspective of holding companies (integrated structures) and the largest direct management companies

Name of the holding company (integrated structure)	Assets relative growth of the index over 2015, %	Liabilities relative growth of the index over 2015, %	Earnings relative growth (slump) of the index over 2015, %
Russian Helicopters JSC	32.44	-29.70	26.74
KREG JSC	3.52	-6.67	22.58
JSC SPC Mechanical Engineering	18.37	-6.12	4.23
JSC NPO High-Precision Systems	2.71	-14.15	24.04
ODK JSC	20.47	-6.13	25.95
OPC JSC	7.92	2.31	11.11
Rosoboronexport JSC	15.52	45.45	50.00
Russian Electronics JSC	21.05	13.33	25.00
Shvabe JSC	4.71	2.63	33.33

Disclaimer

Some statements in this annual report of Rostec State Corporation are statements containing a prognosis of future events. Such statements contain terms pointing at an event's future character, including but not limited to words like "considers," "evaluates," "expects," "supposes," "plans," "can," "intends," "will," "must," their negatives forms, implicitly similar phrases as well as discussions of strategy, plans, objectives, tasks, and future events or the Corporation's intentions.

Statements intended as forecasts may include the following information without limitation:

- the assessment of the Corporation's future operational and financial results as well as the prognosis of the relative factors having an effect on the current value of future money flows;
- the Corporation plans of building and upgrading industrial facilities, as well as planned capital investment.
- the Corporation's product demand behavior
- and plans for the development of new products as well as plans related to pricing;
- plans for the improvement of corporate management practice;
- the Corporation's future industry position
- and prognoses for the development of market segments the Corporation works in;
- possible regulative changes and the assessment of the effect of a certain law or regulation's effect on the Corporation's activity;
- other plans and prognoses of the Corporation in respect of events that have not yet happened.

Said statements that contain prognoses related to future events are subject to the effects of risk and factors of uncertainty, as well as other factors that may result in the actual results eventually not corresponding to the stated.

Rostec State Corporation therefore does not recommend that readers unreasonably rely on any information in this annual report with respect to future events. The Corporation assumes no obligation to publicly revise these prognoses, neither in an attempt to reflect the events or circumstances taking place after the publication of this annual report, nor aiming to point out an unexpected event, aside from what is needed in accordance with legal requirements.