

Public Joint Stock Company MOSTOTREST

**Unaudited Consolidated Interim Condensed
Financial Statements
for the six-month period ended 30 June 2016**

Contents

Auditors' Report on Review of Unaudited Consolidated Interim Condensed Financial Information	3
Unaudited Consolidated Interim Condensed Statement of Financial Position	5
Unaudited Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	6
Unaudited Consolidated Interim Condensed Statement of Changes in Equity	7
Unaudited Consolidated Interim Condensed Statement of Cash Flows	8
Notes to the Unaudited Consolidated Interim Condensed Financial Statements	9



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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors

PJSC Mostotrest

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC Mostotrest (the "Company") and its subsidiaries (the "Group") as at 30 June 2016, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity: PJSC Mostotrest

Registered by the Moscow Registration Chamber on 23.12.1992, Registration No. 14112.

Entered in the Unified State Register of Legal Entities on 13.03.2015 by the Moscow Inter-Regional Tax Inspectorate No.46 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027739167246, Certificate series 77 No. 015967554.

6-5, ulitsa Barklaya, Moscow, 121087

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.695.

Entered in the Unified State Register of Legal Entities on 13 August 2012 by the Moscow Inter-Regional Tax Inspectorate No.46 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125626, Certificate series 77 No. 009721432.

Member of the Self-regulated organization of auditors "Audit Chamber of Russia" (Assosiativ). The Principal Registration Number of the Entity in the State Register of Auditors and Audit Organizations: No.10301009804.



PJSC Mostotrest

Auditors' Report on Review of Consolidated Interim Condensed Financial Information

Page 2

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2016 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

A handwritten signature in blue ink, appearing to read 'L.V. Klimanova', written in a cursive style.

Klimanova L.V.

General Director

JSC "KPMG"

29 August 2016

Moscow, Russian Federation

PJSC MOSTOTREST
Unaudited Consolidated Interim Condensed Statement of Financial Position as at 30 June 2016

Mln RUB	Note	30 June 2016	31 December 2015
Assets			
Goodwill		1,272	1,272
Intangible assets		321	334
Property, plant and equipment	11	24,169	21,873
Trade and other receivables	13	285	247
Amounts due from customers on construction contracts	12	6,320	6,188
Investments in equity-accounted entities	14	17,056	18,548
Deferred tax assets		3,242	3,459
Other non-current assets		434	397
Non-current assets		53,099	52,318
Inventories		13,483	11,003
Current income tax assets		877	295
Trade and other receivables	13	10,902	5,307
Amounts due from customers on construction contracts	12	20,921	13,474
Prepayments		25,016	21,253
Cash and cash equivalents		3,965	30,936
Cash at special accounts	15	8,096	24,258
Other current assets		2,269	3,090
Assets classified as held for sale		236	188
Current assets		85,765	109,804
Total assets		138,864	162,122
Equity			
Share capital		136	136
Additional paid in capital		6,049	6,049
Reserves		275	232
Retained earnings		16,768	19,505
Equity attributable to owners of the Company		23,228	25,922
Non-controlling interests		1,152	1,182
Total equity		24,380	27,104
Liabilities			
Loans and borrowings	18	2,748	1,957
Trade and other payables		987	1,826
Deferred tax liabilities		456	411
Non-current liabilities		4,191	4,194
Loans and borrowings	18	45,784	39,706
Non-controlling interests		1,339	1,171
Trade and other payables		24,167	26,387
Amounts due to customers on construction contracts	12	38,594	62,656
Provisions		253	396
Current income tax liabilities		156	508
Current liabilities		110,293	130,824
Total liabilities		114,484	135,018
Total equity and liabilities		138,864	162,122

These unaudited consolidated interim condensed financial statements were approved by management on 29 August 2016 and were signed on its behalf by:

Y.N. Vlasov
 General Director



O.G. Tanana
 Deputy General Director for Economics and Finance



The unaudited consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the unaudited consolidated interim condensed financial statements set out on pages 9 to 22. 5

Mln RUB	Note	Six-month period ended 30 June	
		2016	2015
Revenue	6	67,902	51,990
Cost of sales	7	(58,115)	(47,197)
Gross profit		9,787	4,793
Other income		254	199
Administrative expenses	8	(3,982)	(3,667)
Other expenses		(1,206)	(1,452)
Results from operating activities		4,853	(127)
Finance income	9	1,675	3,701
Finance costs	9	(3,758)	(2,923)
Net finance (costs)/income		(2,083)	778
Share of loss of equity accounted investees, net of income tax	14	(1,371)	(159)
Profit before income tax		1,399	492
Income tax expense	10	(923)	(388)
Profit for the period		476	104
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign currency translation differences – joint venture		-	23
Net change in fair value of available-for-sale financial assets, net of income tax		43	24
Other comprehensive income, net of income tax		43	47
Total comprehensive income for the period		519	151
Profit/(loss) attributable to:			
Owners of the parent Company		266	(150)
Non-controlling interests		210	254
Profit for the period		476	104
Total comprehensive income attributable to:			
Owners of the parent Company		309	(103)
Non-controlling interests		210	254
Total comprehensive income for the period		519	151
Earnings per share			
Basic and diluted earnings/(loss) per share (RUB)	17	0.94	(0.53)

Mln RUB	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Reserve for available-for-sale financial assets	Translation reserve	Retained earnings	Total		
Balance at 1 January 2015	136	6,049	73	95	17,955	24,308	705	25,013
Total comprehensive income								
Profit/(loss) for the period	-	-	-	-	(150)	(150)	254	104
Other comprehensive income								
Equity-accounted investees – share of other comprehensive income	-	-	-	23	-	23	-	23
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	24	-	-	24	-	24
Total other comprehensive income	-	-	24	-	-	24	-	47
Total comprehensive income for the period	-	-	24	23	(150)	(103)	254	151
Transactions with owners, recorded directly in equity								
Dividends to equity holders (Note 16)	-	-	-	-	(2,001)	(2,001)	(204)	(2,205)
Balance at 30 June 2015	136	6,049	97	118	15,804	22,204	755	22,959
Balance at 1 January 2016	136	6,049	137	95	19,505	25,922	1,182	27,104
Total comprehensive income								
Profit for the period	-	-	-	-	266	266	210	476
Other comprehensive income								
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	43	-	-	43	-	43
Total other comprehensive income	-	-	43	-	-	43	-	43
Total comprehensive income for the period	-	-	43	-	266	309	210	519
Transactions with owners, recorded directly in equity								
Dividends to equity holders (Note 16)	-	-	-	-	(3,003)	(3,003)	(240)	(3,243)
Balance at 30 June 2016	136	6,049	180	95	16,768	23,228	1,152	24,380

Mln RUB	Six-month period ended 30 June	
	2016	2015
Cash flows from operating activities		
Profit for the period	476	104
<i>Adjustments for:</i>		
Depreciation and amortisation	2,765	2,214
Share of loss of equity accounted investees, net of income tax	1,371	159
Non-controlling interests	167	(201)
Loss on disposal of property, plant and equipment	3	67
Net finance costs/(income)	1,919	(647)
Change in assets and liabilities held for sale	-	(620)
Income tax expense	923	388
Other non-cash items	36	-
	7,660	1,464
<i>Change in:</i>		
Inventories	(2,429)	(1,703)
Trade and other receivables	(5,599)	(4,424)
Cash at special accounts (Note 15)	16,162	-
Amounts due from customers on construction contracts	(7,529)	(1,580)
Prepayments	(3,763)	(5,333)
Provisions	(143)	329
Trade and other payables	(6,174)	(8,372)
Amounts due to customers on construction contracts	(24,062)	(23,644)
Cash flows used in operations before income taxes paid	(25,877)	(43,263)
Income tax paid	(1,605)	(2,756)
Net cash used in operating activities	(27,482)	(46,019)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	61	68
Acquisition of property, plant and equipment	(2,369)	(1,658)
Acquisition of intangible assets	(66)	(74)
Withdrawal of bank deposits	-	4,805
Loans given to other organisations	(2,523)	(992)
Repayment of the loans given to other organisations	3,813	200
Interest received	1,253	3,406
Dividends received	22	34
Net cash from investing activities	191	5,789
Cash flows from financing activities		
Proceeds from loans and borrowings	22,077	39,588
Repayment of loans and borrowings	(16,506)	(43,989)
Payment of finance lease liabilities	(1,518)	(1,326)
Interest paid	(3,492)	(2,836)
Dividends paid to equity holders of the Company (Note 16)	(1)	(2,001)
Dividends paid to non-controlling interests	(240)	(321)
Net cash from/(used in) financing activities	320	(10,885)
Net decrease in cash and cash equivalents	(26,971)	(51,115)
Cash and cash equivalents at 1 January, excluding cash at special accounts	30,936	52,067
Cash and cash equivalents at 30 June, excluding cash at special accounts	3,965	952

1 Reporting entity

(a) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The unaudited consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(b) Organisation and operations

PJSC MOSTOTREST (the "Company") and its subsidiaries (the "Group") comprise Russian public and joint stock companies, limited liability companies as defined in the Civil Code of the Russian Federation and a company located in Cyprus. The Company was established as a state-owned enterprise in 1930. The Company was privatised as an open joint stock company in December 1992.

The Company's registered office is 6 Barklaya str., bld. 5, Moscow, 121087, Russian Federation.

The Group's principal activity is the construction of transport infrastructure assets, including railway, highway and city bridges, overpasses, interchanges, and other engineering structures as well as providing road and bridge maintenance, repair and toll-based operation services. The Group's major customers are government agencies and other public bodies. The Group primarily operates in the European part of the Russian Federation.

The Company's shares are traded under MTT symbol on Moscow Interbank Currency Exchange (MICEX) stock exchange in Russia. At 30 June 2016 Moody's Investors Service assigned for the first-time a non-investment grade Ba3 corporate family rating to MOSTOTREST with the stable outlook.

2 Basis of preparation

(a) Statement of compliance with IAS 34 “Interim Financial Reporting”

These unaudited consolidated interim condensed financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2015 that are available on the Company’s website at www.mostotrest.ru. These unaudited consolidated interim condensed financial statements do not include all the information required for consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(b) Use of estimates and judgments

The preparation of unaudited consolidated interim condensed financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these unaudited consolidated interim condensed financial statements, the significant judgments made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Note 19 - Measurement of fair values.

3 Significant accounting policies

(a) New standards and interpretations

The accounting policies applied by the Group in these unaudited consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2015, except that the Group has adopted those new and amended standards and interpretations that are mandatory for financial annual periods beginning on 1 January 2016.

Standarts	Effective for annual period beginning on or after
IAS 1 (Amended) «Presentation of Financial Statements»	1 January 2016
IAS 16 (Amended) «Property, Plant and Equipment»	1 January 2016
IAS 19 (Amended) «Employee Benefits»	1 January 2016
IAS 27 (Amended) «Separate Financial Statements»	1 January 2016
IAS 28 (Amended) «Investments in Associates and Joint Ventures»	1 January 2016
IAS 34 (Amended) «Interim Financial Reporting»	1 January 2016
IAS 38 (Amended) «Intangible Assets»	1 January 2016
IAS 41 (Amended) «Agriculture»	1 January 2016
IFRS 5 (Amended) «Non-current Assets Held for Sale and Discontinued Operations»	1 January 2016
IFRS 7 (Amended) «Financial Instruments: Disclosures»	1 January 2016
IFRS 10 (Amended) «Consolidated Financial Statements»	1 January 2016
IFRS 11 (Amended) «Joint Arrangements»	1 January 2016
IFRS 12 (Amended) «Disclosure of Interests in Other Entities»	1 January 2016
IFRS 14 (Amended) «Regulatory Deferral Accounts»	1 January 2016

The amended standards and interpretations did not have significant effect on the Group's unaudited consolidated interim condensed financial statements.

New accounting pronouncements

A number of new standards, amendments to standards and interpretations were not yet effective for the six-months ended 30 June 2016, and have not been applied in these unaudited consolidated interim condensed financial statements.

Standarts	Effective for annual period beginning on or after
IFRS 16 «Leases»	1 January 2019
IFRS 15 «Revenue from Contracts with Customers»	1 January 2018
IFRS 9 «Financial Instruments»	1 January 2018
IAS 7 (Amended) «Statement of Cash Flows»	1 January 2017
IAS 12 (Amended) «Recognition of Deferred Tax Assets for Unrealised Losses»	1 January 2017
IFRS 2 (Amended) «Share-based Payment»	1 January 2018

The adoption of the pronouncement listed above is not expected to have a significant impact on the Group's consolidated financial statements in future periods except IFRS 15 "Revenue from Contracts with Customers" that will be effective for annual periods beginning on or after 1 January 2018. The new standard was issued in May 2014. IFRS 15 specifies how and when an entity will recognize revenue as well as requires to provide users of financial statements with more informative relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group recognises that the new standard introduces many changes to the accounting for revenue and potentially may have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the preparation for the standard adoption. The Group does not intend to adopt this standard early.

4 Seasonality

The Group's construction and overhaul of highways is, to some extent, affected by seasonality. During the period from November to April each year construction of these projects in some regions of Russia is significantly impacted by snow cover and low temperatures, reducing the speed of construction or stopping construction completely. Most of the works on these projects are performed in May to October each year and, therefore, revenue from these projects is recognised towards the second half of the year. Further, as customers for these projects are typically invoiced in arrears, cash flows from these projects also tend to be collected towards the second half of the year.

5 Operating segments

Under the current structure, the Group's business is divided into Construction and Services segments. The companies included in both segments operate in the Russian Federation. Other segments include the company registered and operating in Cyprus. The bulk of revenue of the Construction segment is earned by PJSC MOSTOTREST and Transstroymehanzatsiya LLC, and the bulk of revenue of the Service segment is earned by JSC Mostotrest-Service.

The financial information for the segments is prepared in accordance with the same accounting standards as those used to prepare the Group's consolidated financial statements under IFRS. Financial information presented to the Group's CEO is derived from the internal management reports. The Group's CEO reviews operating performance of the segments on at least a quarterly basis and allocates resources on this basis.

Financial measure / Segment		Construction		Services		Other segments		Eliminations and other		Consolidated Group	
Mln RUB	Six-month period ended 30 June	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue		63,073	47,705	4,996	5,460	-	-	(167)	(1,175)	67,902	51,990
-external revenue		63,058	47,045	4,815	5,129	-	-	29	(184)	67,902	51,990
-intersegment revenue		15	660	181	331	-	-	(196)	(991)	-	-
Cost of sales		(54,568)	(44,509)	(3,688)	(3,772)	-	-	141	1,084	(58,115)	(47,197)
Gross profit		8,505	3,196	1,308	1,688	-	-	(26)	(91)	9,787	4,793
Operating profit		4,136	(714)	745	1,278	(2)	(3)	(26)	(688)	4,853	(127)
Profit before income tax		2,379	488	668	1,352	(1,623)	(341)	(25)	(1,007)	1,399	492
Income tax expense		(784)	(147)	(148)	(305)	4	(74)	5	138	(923)	(388)
Segment result		1,595	341	520	1,047	(1,619)	(415)	(20)	(869)	476	104
Depreciation and amortisation		2,255	1,851	510	363	-	-	-	-	2,765	2,214
Share in profit/(loss) of associated companies, net of income tax		213	61	-	-	(1,584)	(220)	-	-	(1,371)	(159)
Dividends and non-controlling interests, recognised as finance cost		(167)	201	-	-	-	-	-	-	(167)	201
Capital expenditures		4,728	1,795	489	221	-	-	-	-	5,217	2,016
As at 30 June/ 31 December											
Mln RUB		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Non-current assets		47,485	40,971	4,123	4,168	4,123	5,157	(2,632)	2,022	53,099	52,318
Current assets		85,890	119,621	3,259	2,730	5	7	(3,625)	(12,742)	85,529	109,616
Assets classified as held for sale		236	188	-	-	-	-	-	-	236	188
Total assets		133,611	160,780	7,382	6,898	4,128	5,164	(6,257)	(10,720)	138,864	162,122
Non-current liabilities		4,825	3,176	936	1,021	-	-	(1,570)	(3)	4,191	4,194
Current liabilities		105,373	133,186	3,572	2,892	3,730	3,498	(2,382)	(8,752)	110,293	130,824
Total liabilities		110,198	136,362	4,508	3,913	3,730	3,498	(3,952)	(8,755)	114,484	135,018
Non-controlling interests		-	-	5	-	-	-	1,147	1,182	1,152	1,182

Major customers

During the six-month period ended 30 June 2016 revenue from two customers individually exceeded 10% of the Group's total revenue. Revenue from one of the customers accounted for RUB 23,444 million (35% of the Group's total revenue) and is included in the construction and services segments. The second customer contributed RUB 17,216 million (25% of the Group's total revenue) and this revenue is included in the construction segment.

During the six-month period ended 30 June 2015 revenue from three customers individually exceeded 10% of the Group's total revenue. Revenue from one of the customers accounted for RUB 24,629 million (47% of the Group's total revenue) and is included in the construction and services segments. The second customer contributed RUB 9,917 million (19% of the Group's total revenue) and this revenue is included in the construction segment.

6 Revenue

Mln RUB	Six-month period ended 30 June	
	2016	2015
Revenue from contracts for construction of:		
bridges and highways	50,725	42,572
airfields and airports	7,275	3,059
other facilities	4,263	600
Total revenue from construction contracts	62,263	46,231
Revenue from maintenance and repair of roads	4,815	5,129
Other revenue	824	630
Total revenue	67,902	51,990

Below is the information on the geographical allocation of revenues from construction contracts. This allocation is made based on the geographical location of construction sites:

Mln RUB	Six month period ended 30 June	
	2016	2015
Central Federal District	36,442	25,664
Northwestern Federal District	17,632	13,628
Southern Federal District	4,784	3,721
Volga Federal District	1,337	2,093
Far Eastern Federal District	1,649	1,125
Siberian Federal District	419	-
Total revenue from construction contracts	62,263	46,231

As at 30 June 2016 revenue from construction contracts for the total amount of RUB 62,850 million (at 30 June 2015: RUB 61,947 million) was pledged as a security on outstanding bank loans (Note 18) and under guarantees issued to customers by banks on behalf of the Group. Revenue in the amount of RUB 12,086 million (at 30 June 2015: RUB 24,170 million) on one of the construction contracts was pledged as a security concurrently on a number of agreements with banks.

7 Cost of sales

Mln RUB	Six month period ended 30 June	
	2016	2015
Services of subcontractors	23,362	20,559
Materials	13,825	8,189
Personnel expenses	9,277	8,219
Depreciation and amortisation	2,588	2,057
Machinery, equipment, transport, and labor services received	2,286	1,501
Design works	995	1,653
Insurance	571	734
Rent expense	265	216
Services of principal contractors	216	66
Other	4,730	4,003
	58,115	47,197

8 Administrative expenses

Mln RUB	Six month period ended 30 June	
	2016	2015
Personnel expenses	2,660	2,314
Services provided by third parties	408	476
Depreciation and amortisation	177	157
Rent expense	137	122
Materials	114	90
Insurance	102	77
Taxes other than income tax	97	91
Social expenses	70	125
Business trip expenses	63	36
Other administrative expenses	154	179
	3,982	3,667

9 Finance income and costs recognized in profit or loss for the period

Mln RUB	Six month period ended 30 June	
	2016	2015
Recognised in profit or loss:		
Interest income on bank deposits	898	3,048
Interest income on loans given	774	452
Non-controlling interests	-	201
Foreign exchange gain	3	-
Total finance income	1,675	3,701
Interest expense on borrowings	(3,131)	(2,538)
Interest expense on finance leases	(399)	(306)
Non-controlling interests	(167)	-
Foreign exchange loss	-	(70)
Effect of discounting financial assets and liabilities	(61)	(9)
Finance costs	(3,758)	(2,923)
Net finance (costs)/income recognised in profit or loss	(2,083)	778

10 Income tax

Increase in income tax expense in comparison to prior period is due to significant increase in operating profit. At the same time other items, which affect computation of effective income tax rate, remained approximately at the same level. Therefore effective income tax rate decreased in comparison to prior period.

11 Property, plant and equipment

During the six-month period ended 30 June 2016 the Group acquired property, plant and equipment for a total amount of RUB 5,149 million (six-month period ended 30 June 2015: RUB 2,016 million).

Property, plant and equipment with a carrying amount of RUB 64 million were disposed of by the Group during the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: RUB 135 million) resulting in a loss on disposal of RUB 3 million (six-month period ended 30 June 2015: loss of RUB 67 million), which is included in 'other expense' in the unaudited consolidated interim condensed statement of profit or loss and other comprehensive income.

12 Construction contracts in progress

Mln RUB	30 June 2016	31 December 2015
Progress billings	386,580	387,221
Unbilled revenue	11,104	7,439
Contract revenue accumulated to the period end	397,684	394,660
Contract costs incurred accumulated to the period end	(351,714)	(343,326)
Net profit recognised	45,970	51,334
Including:		
Recognised profit	48,401	54,479
Recognised loss	(2,431)	(3,145)
Contract revenue accumulated to the period end	397,684	394,660
Progress payments and advances received	(409,037)	(437,654)
Net payables to customers	(11,353)	(42,994)
Due from customers	27,241	19,662
Due to customers	(38,594)	(62,656)
	(11,353)	(42,994)
Non-current retentions	6,320	6,188
Current retentions	2,850	1,805
	9,170	7,993

13 Trade and other receivables

Mln RUB	30 June 2016	31 December 2015
Trade receivables	4,030	2,530
Value added tax	4,606	928
Security deposits for participation in tenders	1,186	222
Taxes other than income tax	61	6
Other receivables	1,304	1,868
	11,187	5,554
Non-current	285	247
Current	10,902	5,307
	11,187	5,554

14 Investments in equity-accounted entities

The decrease in the carrying amount of equity-accounted investees as at 30 June 2016 is due to the loss of concession company for the six-month period ended 30 June 2016 as its main project has not yet achieved its full capacity.

15 Cash at special accounts

Cash at special accounts in the amount of RUB 8,096 million (31 December 2015: RUB 24,258 million) represents cash received from customers, the state entities, for specific financing of certain construction projects as part of treasury or bank supervision over certain public construction contracts. The use of these funds is regulated by Resolutions of the Government of the Russian Federation #70 dated 04.02.2016, #963 dated 20.09.2014, #1563 dated 27.12.2014, and the Order of the Ministry of Finance of the Russian Federation #213n dated 25.12.2015, which set out purposes, procedures and terms the Group should comply with in order to use the funds.

16 Dividends

Dividends in the amount of RUB 3,003 million (RUB 10.64 per share) for the year ended 31 December 2015 were declared on 29 June 2016 (six-month period ended 30 June 2015: RUB 2,001 million (RUB 7.09 per share)). As at 30 June 2016 these dividends were unpaid.

17 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share at 30 June 2016 was based on the earnings (six-month period ended 30 June 2015: loss) attributable to the ordinary shareholders of RUB 266 million (six-month period ended 30 June 2015 loss attributable to the ordinary shareholders of RUB 150 million), and a weighted-average number of outstanding ordinary shares in the amount of 282,215,500 (2015: 282,215,500), calculated as shown below. The Company does not have dilutive potential ordinary shares.

	Six month period ended 30 June	
	2016	2015
Issued shares at 1 January and 30 June	<u>282,215,500</u>	<u>282,215,500</u>
Weighted-average number of shares for the period ended 30 June	<u>282,215,500</u>	<u>282,215,500</u>
Profit/(loss) attributed to shareholders (mln RUB)	<u>266</u>	<u>(150)</u>
Basic and diluted earnings/(loss) per share (RUB)	<u>0.94</u>	<u>(0.53)</u>

18 Loans and borrowings

Mln RUB	Currency	Carrying amount	Year of maturity
Balance at 1 January 2016		41,663	
<i>New issues</i>			
Secured bank loans	RUB	4,973	2016-2017
Unsecured bank loans	RUB	17,104	2016
Finance lease liabilities	RUB	2,778	2016-2018
<i>Repayments, including interest</i>			
Secured bank loans	RUB	(6,203)	2016
Unsecured bank loans	RUB	(13,398)	2016
Finance lease liabilities	RUB	(1,915)	2016
<i>Other changes</i>			
Interest accrued on unsecured bank loans		1,890	
Interest accrued on secured bank loans		1,241	
Interest accrued on finance lease liabilities		399	
Balance at 30 June 2016		48,532	

Mln RUB	30 June 2016	31 December 2015
<i>Current liabilities</i>		
Secured bank loans	15,071	15,060
Unsecured bank loans	27,998	22,402
Finance lease liabilities	2,715	2,244
	<u>45,784</u>	<u>39,706</u>
<i>Non-current liabilities</i>		
Finance lease liabilities	2,748	1,957
Total loans and borrowings	48,532	41,663

As at 30 June 2016 the outstanding bank loans for the total amount of RUB 15,071 million (at 31 December 2015: RUB 14,963 million) were secured by revenue from construction contracts (Note 6). Finance lease liabilities are secured by the leased assets.

The bank loans are attracted in RUB under fixed interest rates. The weighted-average effective interest rates at the reporting dates were as follows:

	30 June 2016	31 December 2015
Bank loans	15.2%	16.2%
Finance lease liabilities	15.6%	16.1%

Liquidity Risk

As at 30 June 2016 the Group's total current liabilities exceeded total current assets by RUB 24,5 billion. Subsequent to the reporting period the Group started replacing short-term bank loans with long-term bonds and issued two series of bonds for total amount of RUB 10 billion with a maturity in 10 years (refer to Note 23). In addition, the Group maintains credit lines with a number of major Russian banks to meet requirements for short-term financing of working capital. The undrawn credit facilities at 30 June 2016 amounted to RUB 11.6 billion. Subsequent to the reporting period the Group concluded additional loan agreements with banks for a total amount of RUB 12 billion with availability of funds till July 2018. Furthermore, the amount of undrawn credit facilities increased by RUB 9 billion due to the repayment of the older loans. Management believes that current agreements with banks and established business practice on the financial market are sufficient to maintain appropriate liquidity for the Group in the foreseeable future.

19 Measurement of fair values

The fair values of financial assets and liabilities as at the reporting dates were not significantly different from their carrying amounts. The basis for determining fair values is disclosed in Note 2. Inputs for the valuation of the available-for-sale financial assets are primarily based on the observable market data (hierarchy level 1).

20 Contingencies

(a) Litigation

The Group is currently engaged in litigation against one of its subcontractors to recover the advances previously given to the subcontractor. The total amount of the advances given to this subcontractor unsettled as at 30 June 2016 amounted to RUB 2,857 million. These advances are fully secured by financial guarantees of a bank, which is rated BB+ by Standard & Poors. At the same time the subcontractor in its claim against the Group is seeking to increase the contract price and recover the debt in the amount of RUB 6,519 million. The management believes that the Group will succeed in recovering these advances through either settlement by the subcontractor or execution of the bank guarantees. The management assesses the risk of cash outflow related to this litigation as not higher than average. Therefore, no provision for doubtful accounts in respect of these advances given as well as for litigation losses has been recorded in these unaudited consolidated interim condensed financial statements.

As at 30 June 2016 and 31 December 2015 the Group was not engaged in other litigations, the outcome of which might have material effect on these unaudited consolidated interim condensed financial statements.

(b) Taxation contingencies

As at the period end, it is possible, but not probable, that a cash outflow will occur in connection with a tax contingency in the amount of RUB 3.5 billion that arose at equity-accounted investee due to contradictory interpretation of the Russian law on concession agreements. No provision was recorded in respect of this tax contingency in the equity-accounted investee's financial statements due to the fact that the occurrence of this contingency is not estimated to be probable, and consequently, it was not recognised as part of the share of profit or loss of equity-accounted investees for the period.

21 Incorporation of a new subsidiary

On 8 February 2016 JSC Mostotrest-Service (MTTS), one of the subsidiaries of the Group specialising in provision of roads and infrastructures assets comprehensive maintenance and repair services, incorporated a subsidiary Autobahn-Mostotrest-Service LLC (AMTTS) in cooperation with Russian-German joint venture Autobahn LLC (Autobahn). The new company AMTTS will be operating in the repair and overhaul of roads segment. Participation in the new company will enable the partners to expand their regional footprint, significantly increase in-house production volumes, optimize project execution and procurement costs and improve operating efficiency by sharing production capacity of the participants.

MTTS and Autobahn have 55% and 45% equity interests in the share capital of the new company, respectively.

22 Related party transactions

(a) Control relationships

During the six-month period ended 30 June 2016 there were no changes in the MOSTOTREST shareholders' structure.

(i) Management remuneration

During the six-month period ended 30 June 2016 key management received remuneration in the amount of RUB 795 million (six-month period ended 30 June 2015: RUB 794 million) included in personnel costs.

(b) Transactions with other related parties

During the reporting period there were no significant transactions with related parties except for rendering of services to equity-accounted investees for total amount of RUB 847 million, rendering of services to other related parties for total amount of RUB 128 million, accrual of interest on previously provided loans to related parties for total amount of RUB 736 million, and changes in the net settlement balances with the related parties for total amount of RUB 511 million. The nature of operations does not differ from the operations with related parties for 2015, which are disclosed in detail in the Note 31 to the consolidated financial statements of the Group for the year ended 31 December 2015.

23 Events subsequent to the reporting date

Bonds issue

In July and August 2016 the Group issued two series of bonds with a nominal value of RUB 5 Billion each and a coupon rate of 11.50% and 11.15% per annum, respectively. Bonds mature in 10 years from the date of issuance and the bondholders have 3-year and 5-year put options.

New Significant Construction Contracts

Transstroymekhanizatsiya (TSM), a MOSTOTREST subsidiary, has won public tender for the right to enter in a long-term investment agreement for the construction, maintenance, repair, overhaul and toll-based operation of the km 58 – km 97 and km 97 – km 149 (Stages 1 and 2) of the Moscow – Saint Petersburg Highway. Total cost of construction under the agreement will be RUB 74.5 billion (including VAT), and the construction completion date is scheduled to be 1 November 2018. The project involves a RUB 7.5 billion (including VAT) investment by the contractor. Total payments for maintenance, repair and overhaul at the operation stage will be RUB 15.4 billion. The investment agreement will be effective till 2038, with a subsequent renewal option in conformity with the terms of the agreement.