MOSTOTREST

21 April 2016

# MOSTOTREST PUBLISHES 2015 RESULTS

PJSC Mostotrest (Mostotrest, the Company or, together with its consolidated subsidiaries, the Group) publishes its financial and operating results for 2015[a].

In 2015, despite a significant decline in industry financing and the general economic situation, Mostotrest further strengthened its position as a leading Group within the Russian infrastructure construction market and delivered healthy financial results. Group revenue and gross profit declined by only 5% and 7% respectively, while gross margin remained broadly in line with the previous year.

Negative market trends were partially offset by increases in government spending in the road repair and maintenance segment. In its turn, the Group's services segment, despite the deconsolidation of the road operator UTS, posted strong results with increases of 26% and 15% in revenue and gross profit, respectively.

## Key Operating Results

- **Market share increased to 13.9%[b] in 2015, compared to 13.4% in 2014**, which in a weaker market (-5 p.p.) was driven by stable in-house volumes[c];

- **Backlog[d] amounted to RUB298.2 billion***, with newly added contracts totaling RUB114.5 billion*[e]. At the same time, the year end backlog does not include the RUB25.7billion UTS backlog included in the Group 2014 year end backlog. At the beginning of 2016, the Group's backlog increased with two major contracts totaling RUB88.5 billion*[e].

## Key Financial Results

- **Revenue was RUB143.2 billion, down 5% year-on-year,** due to lower construction volumes and the deconsolidation of UTS results as of the second half of 2015.
- **Gross profit decreased by 7% to RUB19.2 billion, compared to RUB20.6 billion for 2014**. Gross margin remained virtually unchanged at 13.4%.
- **EBITDA[f] fell 14% year-on-year, to RUB13.2 billion**. EBITDA margin declined to 9.3% from 10.2% for 2014, due to an increase in provisions for doubtful accounts receivable in the reporting period, including those not related to construction itself.
- **Net profit amounted to RUB4.2 billion, a 30% decrease year-on-year**. Profit attributable to equity holders was RUB3.6 billion
- **The Group increased its capital expenditure for fixed and intangible assets by 7% to RUB6.5 billion compared to the previous year**.
- **Net cash (cash and cash equivalents [g] less debt) at the end of 2015 amounted to RUB13.6 billion**, driven by advances from customers.

**Mostotrest CEO Vladimir Vlasov comments on the results:**

“2015 was a challenging year for the infrastructure construction industry and the country as a whole, due to general economic instability, financial difficulties at many contractors and the banking crisis. Consequently, funding of federal construction projects was at a record low.

Given the challenging economic environment, the performance of the Mostotrest Group of Companies, both operationally and financially, deserves the highest praise. Overall, the Group’s backlog fell by only 15 per cent, even after excluding a substantial contract of UTS, the toll road operator, which for 50 per cent was sold to Vinci in the middle of 2015. The Group proved its resilience posting only a slight decrease in revenue (-5%), while maintaining gross margin at close to last year’s level. Nevertheless, the Company's performance did suffer from the turbulence in the banking sector which persisted during 2015. Additionally to increasing provisioning for doubtful receivables, as a result of the financial difficulties experienced by a number of subcontactors the Company also had to make a one-time provision relating to cash deposited at a bank that had its banking license terminated in 2015. This overall provisioning had a more significant impact on the EBITDA decline rather than that of gross profit.

In 2015, the government prioritized funding for road repair and maintenance. Consequently, Mostotrest-Service, a specialist Mostotrest subsidiary, significantly increased volumes and continued to invest in equipment. Given the government’s intention to maintain its focus on investment in the road repair and maintenance segment, we see a bright future for this type of operations.

With regard to the outlook for 2016, we expect it to be another challenging year for the industry. The impact of last year’s significantly reduced levels of construction activity and sharply reduced funding is already evident in 2016. Among its investment priorities the government has named road repair and maintenance, construction of the Kerch Bridge, and construction and reconstruction projects for the 2018 World Cup. The Company is actively involved in all three areas, which supports our optimism with regard to 2016 results.”

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a) The press-release has been prepared on the basis of the consolidated financial statements prepared in accordance with the IFRS as at and for the full year ended 31 December 2015 and 2014, as well as on the basis of the management accounts as at and for the same periods, as this set of financial statements in their entirety provide a comprehensive overview of the Group’s performance for full year ended 31 December 2015 and 2014.

To make the information in the press-release user friendly special notes are used. The information based on management accounts is marked with {*}.

The detailed “basis of presentation” description can be found in the Appendix nr. 2 at the end of the press-release.

b) Calculated as the amount of work performed in-house (revenue net of other revenue and cost of services of third-party subcontractors) in 2015, divided by 2015 market volume (including road repair and maintenance), in accordance with the EMBS Report (an independent consultant providing, among others, information and research on developed and emerging markets).

c) In-house volumes are calculated as revenue net of cost of subcontractor services.

d) Backlog is not a measure defined by IFRS or RAS. The company's backlog represents its management's estimate of the contract value of its projects that remain to be completed as at a particular date, excluding VAT. Such value is calculated as the total contract value for each project that remains to be completed less the amounts already received under the contracts for such projects. The total contract value of a particular project represents the total amount that the relevant entity expects to receive under the contract for such project, assuming the contract is performed in accordance with its terms. A project is included in the backlog of a relevant entity when either a firm letter of commitment is executed by the customer or a letter is received confirming its bid has been successful. Backlog may not be indicative of the relevant entity's future operating results.

e) Excluding VAT.

f) EBITDA is defined as net profit from continuing operations net of income tax, net finance costs and depreciation. EBITDA is not defined by, or presented in accordance with IFRS. EBITDA has limitations as an analytical tool, and one should not consider it in isolation, or as a substitute for analysis of the Group's operating results as reported under IFRS.

g) Including bank deposits with maturities over 3 months and cash at special accounts.

# OPERATING AND FINANCIAL RESULTS

The table below presents the main operating and financial results of the Group for 2015 and 2014.

| *(RUB millions)* | GROUP | | | |
|---|---|---|---|---|
| | **2014** | **2015** | ***Change*** | |
| **Revenue** | **150,531** | **143,155** | -7,376 | -5% |
| Cost of sales | -129,981 | -123,959 | 6,022 | -5% |
| **Gross profit** | **20,550** | **19,196** | -1,354 | -7% |
| *Gross margin, %* | *13.7%* | *13.4%* | | -0.3% |
| Other income | 493 | 1,630 | 1,137 | n/a |
| Administrative expenses | -7,631 | -8,496 | -865 | 11% |
| Other expenses | -1,982 | -3,581 | -1,599 | 81% |
| **Profit from operating activities** | **11,430** | **8,749** | -2,681 | -23% |
| *Operating profit margin, %* | *7.6%* | *6.1%* | | -1.5% |
| Finance income | 1,062 | 4,699 | 3,637 | n/a |
| Finance costs, including: | -3,647 | -7,052 | -3,405 | 93% |
| Share of profit/(loss) of equity accounted investees | -166 | -125 | 41 | -25% |
| **Profit before income tax** | **8,679** | **6,271** | -2,408 | -28% |
| Profits tax expense | -2,607 | -2,039 | 568 | -22% |
| **Profit for the period** | **6,072** | **4,232** | -1,840 | -30% |
| *Profit margin, %* | *4.0%* | *3.0%* | | -1.0% |
| **EBITDA** | **15,371** | **13,244** | -2,127 | -14% |
| *EBITDA margin, %* | *10.2%* | *9.3%* | | -0.9% |

## *Backlog*[1]

Tenders for road and bridge construction projects held in 2015 totaled RUB386.3 billion[2], a 29% decrease year-on-year. 67%* of total tenders in absolute value terms were held through the Federal Road Agency (driven by the Kerch Bridge contract) and 28%* were via Moscow City.

Due to a significant reduction in the number of new projects, as well as deconsolidation of the UTS backlog, Mostotrest's backlog decreased by 15% year-on-year. Key contracts signed in 2015 included:

- Supplemental agreements to the framework contract for Western Moscow transport infrastructure development, specifically, development of the Skolkovo Innovation Center infrastructure (RUB17.7* billion[3])
- Construction of a segment of the Solntsevo - Butovo – Vidnoye route between Kiyevskoye and Kaluzhskoye avenues (RUB22.4* billion[3])
- Development of the Moscow Aviation Hub. Construction of a new runway (Runway 3) at the Sheremetyevo International Airport (RUB14.9* billion[3]).

The data presented below outlines the backlog of the Group as at 31 December 2015 and 2014.

### *Backlog, by Project Type**

*mln RUB (without VAT)*

| | 31/12/2014 | 31/12/2015 | Change | |
|---|---|---|---|---|
| - bridges and highways | 331,354 | 254,109 | -77,245 | -23% |
| - airfields and airports | 18,203 | 41,520 | 23,317 | n/a |
| - other infrastructure facilities | 2,479 | 2,597 | 118 | 5% |
| **Total** | **352,036** | **298,226** | **-53,810** | **-15%** |

### *Backlog, by Segment**

*mln RUB (without VAT)*

| | 31/12/2014 | 31/12/2015 | Change | |
|---|---|---|---|---|
| Construction | 295,585 | 266,999 | -28,011 | -9% |
| Service | 56,451 | 31,227 | -25,223 | -45% |
| **Total** | **352,036** | **298,226** | **-53,810** | **-15%** |

Backlog breakdown by customer, geography and the Company's role in the project (general contractor or sub-contractor) is provided in Appendix 1.

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1 Backlog is not a measure defined by IFRS or RAS. The company's backlog represents management's estimate of the contract value of its projects that remain to be completed as at a particular date, excluding VAT. Such value is calculated as the total contract value for each project that remains to be completed less the amounts already received under the contracts for such projects. The total contract value of a particular project represents the total amount that the relevant entity expects to receive under the contract for such project, assuming the contract is performed in accordance with its terms. A project is included in the backlog of a relevant entity when either a firm letter of commitment is executed by the customer or a letter is received confirming its bid has been successful. Backlog may not be indicative of the relevant entity's future operating results.

2 Including VAT. Customers: Avtodor, the Federal Roads Agency, Moscow City Construction Department. Company estimates based on information available on the official Russian Federation publicprocurement information website http://zakupki.gov.ru.

3 Contract value. Excluding VAT.

## *Revenue*[4]

The bulk of the Group's revenue is income derived from construction, road maintenance and operation services, and sale of construction materials.

In the reporting period, the Group's revenue decreased by 5% compared to the same period last year, due to lower construction and road repair volumes, including deconsolidation of the road operator UTS.  Just under half (39%) of the RUB 7.4bn drop in reported revenue relates to the deconsolidation of UTS.

Volumes reduced in some key projects, including construction of a section of M-11 “Moscow–St. Petersburg” Highway between Businovskaya Interchange and Festivalnaya Streeet and Vyshny Volochek Bypass and others, as such projects reached the final stage of construction. This decrease was partly offset by an increase in volumes in other key projects such as construction of the sixth segment (km 334 – km 543) of the M-11 “Moscow - St. Petersburg Highway”.

In-house volumes[5] remained broadly static, while subcontracted volumes[6] decreased by 8%. The share of subcontracted volumes[7] decreased by two percentage points year-on-year, to 42%.

The table below outlines the Group's revenue by type of construction project and services for 2015 and 2014.

*mln RUB*

| | 2014 | 2015 | Change | |
|---|---|---|---|---|
| **Revenue from contracts for construction of:** | | | | |
| - bridges and highways | 131,747 | 115,585 | (16,162) | -12% |
| - airfields and airports | 5,152 | 9,946 | 4,794 | 93% |
| - other facilities | 1,998 | 4,130 | 2,132 | n/a |
| **Total revenue from construction contracts** | **138,897** | **129,661** | **(9,236)** | **-7%** |
| Revenue from maintenance and repair of roads | 10,674 | 12,992 | 2,318 | 22% |
| Other revenue | 960 | 502 | (458) | -48% |
| **Total revenue** | **150,531** | **143,155** | **(7,376)** | **-5%** |

### *Road and Bridge Construction*

Revenue from construction of roads and bridges decreased by 12% or RUB16.2 billion, to RUB115.6 billion (2014: RUB131.7 billion), due to a decrease in construction and assembly volumes.

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[4] The Group recognizes revenue from long-term construction contracts according to the percentage-of-completion method or only to the extent of recoverable costs incurred when the outcome of a construction contract cannot be estimated reliably. If the revenue under the construction contract is recognized to the extent of recoverable costs incurred, the accumulated profit under this contract is recognized as of the completion date of the facility.

[5] In-house volumes are calculated as revenue net of cost of subcontractor services

[6] Subcontracted volumes equal cost of subcontractor services in the Group's total cost of sales.

[7] The share of subcontracted volumes is calculated as the ratio of cost of subcontractor services to revenue.

The decline in construction volumes was primarily due to a number of key projects entering into the final stage of construction in 2015, including:

- Construction of the M-11 “Moscow - St. Petersburg” Highway between the Businovskaya Interchange and Festivalnaya Street;
- Construction of the M-11 “Moscow - St. Petersburg” Highway km 258 – km 334 segment (Vyshny Volochek Bypass);
- Reconstruction of the Businovskaya Interchange in Moscow.

as well delays to the start of active construction on some major sites, including:

- Construction of the fourth segment (km 58 - km 684) of the M-11 “Moscow - St. Petersburg” Highway.

*Airfield and Airport Construction*

Revenue from construction of airfields and airports increased by 93% or RUB4.8 billion, to RUB9.9 billion (2014: RUB5.2 billion), driven by the launch in 2015 of the Rostov-on-Don Yuzhny Airport reconstruction and development project.

*Other Infrastructure*[8]

Revenue from construction of other infrastructure increased twofold or by RUB2.1 billion, to RUB4.1 billion (2014: RUB2.0 billion), driven mainly by construction of an office center in St. Petersburg and reimbursement of costs associated with construction of an oil pipeline for the Komsomolsk Refinery.

*Road Repair, Maintenance and Operation Services*

Revenue from road repair, maintenance and operation increased by 22% or RUB2.3 billion, to RUB13.0 billion (2014: RUB10.7 billion), due to increase in repairs programmes on segments of the following highways:

- M-3 “Ukraine” (Moscow – Ukraine);
- M-4 “Don” (Moscow – Novorossiysk).

[8] Includes construction of railway and hydro infrastructure, as well as other non-core infrastructure, including construction of buildings, sports and culture facilities, metro lines, pedestrian overpasses, etc.

### *Cost of Sales*

The Group's cost of sales in the reporting period declined by 5% or RUB6.0 billion, to RUB124.0 billion (2014: RUB130.0 billion). Cost of sales related to in-house volumes[9] remained broadly static, while cost of sales related to subcontracted volumes[10] decreased by 8%.

The following table outlines the structure of the Group's cost of sales for 2015 and 2014.

*mln RUB*

| | 2014 | 2015 | Change | |
|---|---|---|---|---|
| Services of subcontractors | 65,717 | 60,144 | (5,573) | -8% |
| Materials | 26,642 | 21,554 | (5,088) | -19% |
| Personnel expenses | 18,190 | 17,651 | (539) | -3% |
| Depreciation and amortisation | 3,800 | 4,354 | 554 | 15% |
| Machinery, equipment, transport, and labor services provided by third parties | 4,667 | 4,174 | (493) | -11% |
| Design and technology expenses | 2,136 | 5,060 | 2,924 | n/a |
| Rental expenses | 592 | 599 | 7 | 1% |
| Services of principal contractors | 233 | 331 | 98 | 42% |
| Insurance | 1,345 | 1,346 | 1 | 0% |
| Other | 6,659 | 8,746 | 2,087 | 31% |
| **Total cost of sales** | **129,981** | **123,959** | **(6,022)** | **-5%** |

Cost of sales related to subcontracted volumes declined by 8% or RUB5.6 billion, from RUB65.7 billion in 2014 to RUB60.1 billion in the reporting period. This was due to a decrease in revenue from subcontracted volumes at some large projects such as construction of a section of M-11 "Moscow – St. Petersburg" Highway between Businovskaya Interchange and Festivalnaya Streeet and Vyshny Volochek Bypass.

The reduction in cost of materials by 19% or RUB5.1 billion, from RUB26.6 billion in 2014 to RUB21.6 billion in the reporting period was due to a 4*% decrease in weighted average prices of materials[11], and a reduction in the level of material-intensive work.

The increase in design and technology costs by 2.4x or RUB2.9 billion, from RUB2.1 billion in 2014 to RUB5.1 billion in the reporting period was mainly due to the reclassification of project documentation development costs reflected in subcontractor services costs. Without taking this into account, the increase in design and technology costs was not material.

[9] Cost of in-house volumes is calculated as the Group's total cost of sales less cost of subcontractor services.

[10] Cost of subcontracted volumes equals the cost of subcontractor services in the Group's total cost of sales.

[11] Calculated as the difference between the cost of materials purchased in the reported period by the prices of the reported period and the cost of materials purchased in the comparable period by the prices of the comparable period.

The increase in other costs by 31% or RUB2.1 billion, from RUB6.7 billion for the previous year to RUB8.7 billion in the reporting period was mainly due to an increase in bank guarantee costs, following a 2.3x increase in bank guarantee rates.

### *Gross Profit and Profitability*

Gross profit decreased by 7% or RUB1.4 billion, from RUB20.6 billion for the previous year to RUB19.2 billion in the reporting period, due to a decrease in construction volumes.

Gross profit margin for the Group was 13.4%, which was broadly similar to the previous year.

### *Administrative expenses*[12]

The table below outlines administrative expenses of the Group for 2015 and 2014.

*mln RUB*

| | 2014 | 2015 | Change | |
|---|---|---|---|---|
| Personnel expenses | 4,956 | 5,657 | 701 | 14% |
| Third party services | 836 | 839 | 3 | 0% |
| Social expenses | 431 | 275 | -156 | -36% |
| Depreciation and amortisation | 307 | 266 | -41 | -13% |
| Taxes other than income tax | 248 | 292 | 44 | 18% |
| Rent expense | 210 | 225 | 15 | 7% |
| Insurance | 147 | 181 | 34 | 23% |
| Materials | 142 | 198 | 56 | 39% |
| Travel expenses | 82 | 99 | 17 | 21% |
| Other administrative expenses | 272 | 464 | 192 | 71% |
| **Total administrative expenses** | **7,631** | **8,496** | **865** | **11%** |

Group administrative expenses increased by 11% or RUB0.9 billion, from RUB7.6 billion for the previous year to RUB8.5 billion in the reporting period. Administrative costs as a percentage of revenue was 6%, virtually unchanged from the previous year.

The increase in payroll costs by 14% or RUB0.7 billion, from RUB5.0 billion for the previous year to RUB5.7 billion in the reporting period was associated with a 6%* increase in the number of employees, wage indexation and payments in connection with large projects completions in 2015.

### *Other Expenses*

Other expenses increased by 81% or RUB1.6 billion, from RUB2.0 billion for the previous year to RUB3.6 billion in the reporting period, driven by an increase in provision for doubtful receivables to RUB2.8 billion* (2014: RUB1.5* billion). More than half of the impairment charge related to amounts deposited at the bank whose banking licence was terminated in 2015.

[12] Administrative expenses include personnel expenses, expenses for consulting and audit services, social expenses and other administrative expenses.

### *EBITDA*[13]

EBITDA decreased by 15% or RUB2.3 billion, from RUB15.4 billion for the previous year to RUB13.1 billion in the reporting period, due to a decrease in gross profit and an increase in other expenses.

### *Financial Income and Expenses*[14]

The table below outlines financial income and expenses of the Group for 2015 and 2014

*mln RUB*

| | 2014 | 2015 | Change | |
|---|---|---|---|---|
| **Finance income:** | | | | |
| Interest income on bank deposits | 395 | 3,247 | 2,852 | n/a |
| Interest income on loans given | 164 | 64 | -100 | -61% |
| Foreign exchange gain | 55 | 1,046 | 991 | n/a |
| Discounting of financial assets and liabilities | 443 | 165 | -278 | -63% |
| Change in non-controlling interest | 5 | 177 | 172 | n/a |
| **Total finance income** | **1,062** | **4,699** | **3,637** | **n/a** |
| **Finance costs:** | | | | |
| Interest expense on borrowings | -2,225 | -5,710 | -3,485 | n/a |
| Interest expense on finance leases | -659 | -666 | -7 | 1% |
| Change in non-controlling interest | -763 | -676 | 87 | -11% |
| **Total finance costs** | **-3,647** | **-7,052** | **-3,405** | **93%** |
| **Net finance cost** | **-2,585** | **-2,353** | **232** | **-9%** |

The Group's financial income increased 4.5x or by RUB3.7 billion, from RUB1.1 billion for the previous year to RUB4.7 billion in the reporting period, driven by the receipt in early 2015 of substantial cash deposits, following significant advances from customers received at the end of 2014, including those for construction of the sixth segment (km 334 - km 543) of the M-11 “Moscow - Saint-Petersburg” Highway in the amount of RUB24.2 billion*, and for construction of the km 517 – km 544 segment of the M-4 “Don” Highway (including Novaya Usman and Rogachevka bypasses) in the amount of RUB4.6* billion. Financial income of the Group was also driven by interest income on a loan to a related party, issued at the end of 2014.

Group financial expenses increased by 93% or RUB3.4 billion, from RUB3.7 billion for the previous year to RUB7.1 billion in the reporting period, due to an increase in interest expenses relating to loans and finance lease contracts.

The increase in interest expenses associated with loans and finance lease contracts was driven by bank loans raised during the reporting period to finance working capital

[13] EBITDA is defined as net profit from continuing operations net of income tax, net finance costs and depreciation. EBITDA is not defined by, or presented in accordance with, IFRS. EBITDA has limitations as an analytical tool, and one should not consider it in isolation, or as a substitute for analysis of the Group’s operating results as reported under IFRS.

[14] Finance income and expenses of the Group primarily consist of interest earned on the bank deposits and loans given, finance expense incurred on the borrowings and finance leases and dividends paid to subsidiaries’ minority participants and non-controlling interest.

and the investment program, as well as an increase in bank interest rates on loans, due to deterioration of liquidity in the credit market in late 2014.

### *Income Tax*

Income tax  decreased by 21% or RUB0.6 billion, from RUB2.6 billion for the previous year to RUB2.0 billion in the reporting period. The effective tax rate (excluding changes in the share of non-controlling interests in TSM profit, reflected as financial expenses) increased from 28%* to 30%*, due to a reduction in taxable income.

### *Profit for the Period*

Profit for the period decreased by 32%, from RUB6.1 billion for the previous year to RUB4.1 billion in the reporting period.

### *Cash and Liquidity*

As of 31 December 2015 and 2014, cash and cash equivalents, cash on special accounts and bank deposits with a term of over 3 months amounted to RUB55.2 billion and 61.8 billion, respectively. In the reporting period, cash balances at the beginning of the period and debt were used to finance working capital, including co-financing of long-term investment contracts, repayment of loans used for acquisitions completed in 2012, and implementation of the investment program. Working capital financing needs were driven by advances and progress payments to subcontractors and suppliers, as well as acquisition of materials. Cash and cash equivalents include cash on hand, bank current accounts, special accounts[15] and deposits with an original maturity of less than three months.

Considering debt in the amount of RUB41.7 billion and cash in the amount of RUB55.2 billion, negative net debt at the end of the reporting period was RUB13.5 billion.

The table below outlines the Group's net debt as at 31 December 2015 and 2014.

*mln RUB*

| | 31/12/2014 | 31/12/2015 | Change | |
|---|---|---|---|---|
| Loans and borrowings | 35,584 | 37,462 | 1,878 | 5% |
| Finance lease liabilities | 4,943 | 4,201 | -742 | -15% |
| | **40,527** | **41,663** | **1,136** | **3%** |
| Cash and cash equivavelnts | 52,067 | 30,936 | -21,131 | -41% |
| Cash in special accounts | 0 | 24,258 | | |
| Bank deposits with maturities over 3 months | 9,702 | 20 | -9,682 | -100% |
| **Net debt** | **-21,242** | **-13,551** | **7,691** | **-36%** |

In accordance with existing agreements with banks, untapped credit facilities available to the Group as at the end of the reporting period amounted to RUB16.0* billion (RUB35.5* billion as at 31 December 2014).

[15] Cash held in special accounts represents cash received from customers, state entities, for specific financing of certain construction projects as part of treasury or bank supervision of government contracts. Use of these funds is regulated by Resolutions of the Government of Russian Federation #70 dated 04.02.2017, #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 purpose, procedure and terms of disbursement of these funds.

## *Net Working Capital*[16]

The table below outlines the structure of working capital of the Group as at 31 December 2015 and 2014.

*mln RUB*

| | 31/12/2014 | 31/12/2015 | Change | |
|---|---|---|---|---|
| Inventories | 8,066 | 11,003 | 2,937 | 36% |
| Trade and other receivables | 3,887 | 5,307 | 1,420 | 37% |
| Amounts due from customers on construction contracts | 16,862 | 13,474 | -3,388 | -20% |
| Prepayments | 16,148 | 21,253 | 5,105 | 32% |
| **Total** | **44,963** | **51,037** | **6,074** | 14% |
| Trade and other payables | -25,409 | -26,387 | -978 | 4% |
| Amounts due to customers on construction contracts | -58,431 | -62,656 | -4,225 | 7% |
| **Total** | **-83,840** | **-89,043** | **-5,203** | **6%** |
| **Net working capital** | **-38,877** | **-38,006** | **871** | **-2%** |

Negative net working capital decreased slightly by RUB0.9 billion as compared to the end of the previous period, to RUB38.0 billion at the end of the reporting period.

In the reporting period, the Group financed working capital mainly through bank loans and operating cash flow.

## *Capital Expenditure*

Capital investment in fixed and intangible assets in the reporting period was RUB6.5* billion (2014: RUB6.1* billion). Capital investments were used for acquisition of construction equipment and vehicles under the fixed assets renewal program. The increase in total capital investment in the reporting period was due to an expansion of the production program, including diversification of construction sites due to the launch in 2015 of new projects. Furthermore in the reporting period, the Group also allocated RUB0.6 billion for acquisition of road maintenance companies to expand its road repair and maintenance business.

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[16] Net working capital is calculated as the difference between current operating assets (excluding cash and cash equivalents, prepayments of profits tax and other investments) and current operating liabilities (net of loans, provisions, profits tax liabilities and deferred income).

## Appendix 1. Backlog Structure

### Table 1. Backlog, by Customer Type*

*mln RUB (without VAT)*

| | 31/12/2014 | 31/12/2015 | Change | |
|---|---|---|---|---|
| Federal agencies | 54,925 | 78,621 | 23,696 | 43% |
| State companies | 202,035 | 130,579 | -71,456 | -35% |
| Regional governments end Municipal governments | 78,334 | 85,424 | 7,090 | 9% |
| Private customers and concessions | 16,742 | 3,602 | -13,140 | -78% |
| **Total** | **352,036** | **298,226** | **-53,810** | **-15%** |

### Table 2. Backlog, by the Group's Role in the Project*

*mln RUB (without VAT)*

| | 31/12/2014 | 31/12/2015 | Change | |
|---|---|---|---|---|
| General contractor | 343,316 | 277,862 | -65,454 | -19% |
| Subcontractor | 8,720 | 20,364 | 11,644 | n/a |
| **Total** | **352,036** | **298,226** | **-53,810** | **-15%** |

### Table 3. Backlog, by Geography*

*mln RUB (without VAT)*

| | 31/12/2014 | 31/12/2015 | Change | |
|---|---|---|---|---|
| Central Federal District | 201,561 | 169,855 | -31,706 | -16% |
| Southern Federal District | 32,350 | 33,251 | 901 | 3% |
| Northwestern Federal District | 106,272 | 76,180 | -30,092 | -28% |
| Volga Federal District | 8,267 | 5,691 | -2,576 | -31% |
| Far-Eastern Federal District | 3,586 | 8,411 | 4,825 | n/a |
| Siberian Federal District | 0 | 4,838 | 4,838 | 100% |
| **Total** | **352,036** | **298,226** | **-53,810** | **-15%** |

## Appendix 2. Presentation of information

The financial information presented in this announcement is based on the audited consolidated financial statements of Public Joint-Stock Company Mostotrest (the Company or, together with its subsidiaries, Mostotrest or the Group) prepared in accordance with International Financial Reporting Standards as at and for the years ended 31 December 2015 and 2014.

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2015 includes the results of Transstroymekhanisatsiya LLC (”TSM”, acquired on 13 May 2010); United Toll Systems (“UTS”, incorporated from 17 May 2011 till 20 July 2015), SC Mostotrest-Service (“Mostotrest-Service”, acquired on 5 July 2012) and Plexy Ltd. (acquired on December 25, 2012).

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2014 includes the results of TSM, UTS, Mostotrest-Service and Plexy Ltd.

Consolidated financial statements of the Group for previous periods, along with selected operating indicators can be found on the corporate website of Mostotrest (www.mostotrest.ru).

The consolidated financial information of the Group is presented in Russian rubles, the Company's functional currency.

Financial information contained in this announcement and derived from the management accounts is marked with an asterisk {*}.

For the purposes hereof, the Group obtained certain statistical, market and pricing information relating to the Russian infrastructure market and its specific aspects from the following external sources: Ministry of Transport of the Russian Federation (hereinafter - Ministry of Transport), the State Company Avtodor (hereinafter - Avtodor), the Department of Finance of the Government of Moscow,the website http://zakupki.gov.ru and EMBS Group Report (independent consultant) as of 10.04.2015. This information is reproduced by the Group with precision in its original form and, as far as the Group can ascertain on the basis of information published by such third-party sources, such information did not omit any facts, so that it could be materially inaccurate or misleading. The Group has not independently verified this or other information coming from third parties. In addition, official data published by government agencies of the Russian Federation may be significantly less complete or backed by research, than in more developed countries.

All financial and operational information contained in this announcement and that has not been prepared in accordance with IFRS is intended solely for use as analytical material, and investors should not consider this information separately or in any combination as an alternative to the analysis of the audited consolidated financial statements of the Group and the unaudited consolidated interim condensed financial statements prepared in accordance with IFRS, which can be found on the corporate website of Mostotrest: www.mostotrest.ru.

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**NOTES TO EDITORS**

***Mostotrest*** *is a major, diversified infrastructure construction company, with an established presence in all core and related market segments, and a participant in Russia's first public-private partnership projects. According to EMBS Group, an independent industry consultancy, in 2015 Mostotrest held a 13.9% share of the total Russian transport infrastructure construction market.*

*Mostotrest's core competences include construction and reconstruction of bridges, roads and other transport infrastructure facilities; provision of road maintenance, repair and operating services. In 2012, Mostotrest also entered a new segment: management of road concessions.*

*The company was established in 1930 as a developer of complex and oversized bridges.*

*Mostotrest is currently participating in the implementation of a number of complex transport infrastructure development projects, such as construction of the Section 4 (km 208 – km 258) and Section 6 (km 334 – km 543) of the M-11"Moscow – St Petersburg" Toll Highway, construction and reconstruction of the M-4 "Don", M-9 "Baltic" and M-11 "Narva" highways, construction of Businovskaya Interchange in Moscow, Bor Bridge in Nizhny Novgorod and Voroshilovsky Bridge in Rostov-on-Don.*

*Mostotrest Ownership Structure:*

*94.2%: OJSC TFK-Finance;*

*5.8%: free float.*

*For more detailed Company information, please visit [www.mostotrest.ru](http://www.mostotrest.ru)*

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Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of Mostotrest. You can identify forward-looking statements by terms such as 'expect', 'believe', 'anticipate', 'estimate', 'intend', 'will', 'could', 'may' or 'might', the negative of such terms or other similar expressions. Mostotrest wishes to caution you that these statements are only predictions and that actual events or results may differ materially. Mostotrest does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Mostotrest, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, market change in the Russian infrastructure construction market, as well as many other risks specifically related to Mostotrest and its operations.

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