MOSTOTREST

20 April 2018

PJSC MOSTOTREST PUBLISHES 2017 RESULTS

PJSC Mostotrest (Mostotrest, the Company or, together with its consolidated subsidiaries, the Group) publishes financial and operating results for the year 2017[a].

Mostotrest, the leading Group of Companies in the Russian infrastructure construction market, reaffirmed its position as the market leader in 2017, delivering a significant increase in revenue and retaining market share. Supported by the continued growth of government investment in road repair and maintenance, the Group's road services franchise maintained positive dynamics, posting a 4% increase in revenue and 9% gross profit growth.

Key Operating and Financial Results:

- **At 14.6%[b], the Group's 2017 market share remained flat year-on-year**
- **Backlog[c] was RUB288.1* billion,** having expanded in 2017 with new projects for a total of RUB74.3* billion
- **Revenue totaled RUB207.8 billion, a 19% increase year-on-year**, driven by construction volume growth
- **Gross profit decreased by 12% year-on-year, to RUB23.6 billion (2016: RUB26.8 billion)**. Gross margin was down 3.9 pp. to 11.4%, affected by significant growth across a number of cost items
- **EBITDA[d] was RUB15.0 billion, a 17% decrease year-on-year.** EBITDA margin was 7.2%
- **Net profit was RUB3.0 billion, a 40% decrease year-on-year**
- **The Company announced and paid out a RUB3 billion dividend for 2016, equivalent to 60% of 2016 IFRS net profit. In addition,** on the back of strong 9M2017 RAS results Mostotrest **at the end of reporting period paid out an interim dividend in the total amount of RUB2 billion**
- **Capital expenditure totaled RUB6.6 billion, down from RUB9.1 billion in 2016**
- **Net debt[e] was RUB15.8 billion, up from RUB2.9 billion for 2016,** mainly driven by significant volumes of co-financing under long-term investment contracts in 2017.

Mostotrest CEO Vladimir Vlasov comments on the results:

“Last year’s construction of the Kerch Strait Bridge was, undoubtedly, the flagship project for the entire Group. This complex project brought with it great responsibility and huge professional challenges for our team, requiring the use of a number of unique construction technologies. Among others, in the fall of 2017, an usual seaborne operation was mounted to install the bridge arches, which each weighed around 5.5 thousand tons and measured 227 meters long. It was the first-ever seaborne installation of its kind involving such outsized structures in the history of domestic bridge construction. Never before have Russian bridge builders undertaken a similar project in terms of scale, climatic and hydrological conditions.

Overall, the year 2017 met our expectations. Public tendering volume increased by 8% to RUB539.6 billion(f). The largest tenders were those for the Central Ring Road (CRR) Startup Facility No. 4 project (RUB108.3 billion(f)), and the project for construction and reconstruction of segments of the Kerch-Sevastopol highway (RUB149.3 billion(f)). Mostotrest has been historically avoided participation in construction tenders for the CRR, and the most recent tender was no exception. As for tendering for additional work in Crimea, the Company took the view that such a one-off engagement in a standalone region was risky, given that we are currently at peak capacity utilization on the Kerch Bridge construction project. Our disciplined approach to tendering meant that our backlog decreased over the period. In 2017, excluding the two projects I've mentioned, all the other tenders offered were for projects of less than RUB10 billion, reflecting the fact that the average road construction tender size shrank by 42%(f) in 2017. Moreover, those Moscow-based tenders that were attractive to us were actually postponed and held over into 2018. The contraction, however, may be offset by new project wins in the near future.

As for our financial results, despite a backdrop of strong overall revenue dynamics (+19%), the Group's bottom-line performance was disappointing, as profitability was affected by a sharp rise in costs that resulted in a sharp fall in Group profits. The increased costs were mainly associated with the final stages of construction in a number of large-scale projects, including the World Cup infrastructure, as well as delays in making Moscow-based construction sites duly available to the Group.

We hope that in 2018 the Moscow City Government will relaunch the postponed tenders, which the Group is interested to bid for and which could significantly enhance our backlog. We also expect that a number of large-scale projects currently under discussion will come online in 2018, including the construction of a bridge across the Ob River in Salekhard, the high-speed Moscow-Kazan railway and the Moscow Central Diameter".

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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 2017 and 2016, 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 2017 and 2016.

   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) Market share is calculated as the ratio of 2017 in-house volumes less other revenue, to market volume (including road maintenance and operation), in accordance with the report of EMBS Group (combined market share of Mostotrest, TSM and Mostotrest-Service).

c) 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.

d) 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.

e) Debt less cash and equivalents, including bank deposits with maturities over 3 months and cash at special accounts.

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

FINANCIAL AND OPERATING RESULTS

The table below outlines key financial and operating results of the Group for 2017 and 2016.

(RUB millions)	GROUP			
	2016	**2017**	***Change***	
Revenue	**175,198**	**207,775**	32,577	19%
Cost of sales	-148,445	-184,171	-35,726	24%
Gross profit	**26,753**	**23,604**	**-3,149**	**-12%**
Gross margin, %	*15.3%*	*11.4%*		
Other income	924	1,400	476	52%
Administrative expenses	-10,089	-11,953	-1,864	18%
Other expenses	-3,467	-4,224	-757	22%
Profit from operating activities	**14,121**	**8,827**	**-5,294**	**-37%**
Operating profit margin, %	*8.1%*	*4.2%*		
Finance income	3,470	3,172	-298	-9%
Finance costs	-7,397	-5,578	1,819	-25%
Share of profit/(loss) of equity accounted investees	-1,866	-1,268	598	-32%
Profit before income tax	**8,328**	**5,153**	**-3,175**	**-38%**
Profits tax expense	-3,315	-2,133	1,182	-36%
Profit for the period	**5,013**	**3,020**	**-1,993**	**-40%**
Profit margin, %	*2.9%*	*1.5%*		
EBITDA	**18,094**	**15,034**	**-3,060**	**-17%**
EBITDA margin, %	*10.3%*	*7.2%*		

Backlog[1]

Considering the lack of new large-scale (RUB10+ billion) projects in the reporting period, the Company's selective approach to bidding, and the postponement of a number of major Moscow-based tenders attractive to the Company until 2018, the total volume of new projects added to the Mostotrest backlog in 2017 did not exceed RUB74.3* billion. Therefore, taking into account a significant increase in recognized revenue, the backlog of the Company at the end of the reporting period was RUB288.1* billion, a 31% decrease year-on-year.

The data below provides an overview of the Group's backlog as at 31 December 2017 and 2016.

Backlog, by Project Type*:

RUB million (without VAT)

	31/12/2016	31/12/2017	Change	
- bridges and highways	386,912	255,610	-131,302	-34%
- airfields and airports	28,400	29,065	665	2%
- other facilities	3,659	3,463	-196	-5%
Total	**418,971**	**288,138**	**-130,833**	**-31%**

Backlog, by Segment*:

RUB million (without VAT)

	31/12/2016	31/12/2017	Change	
Construction	375,990	249,334	-126,656	-34%
Service	42,981	38,804	-4,177	-10%
Total	**418,971**	**288,138**	**-130,833**	**-31%**

Backlog breakdown by customer type, geography and the Group’s role in the project (general contractor or subcontractor) is provided in Appendix 1.

[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, net of 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.

***Revenue*[2]**

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 grew 19% year-on-year, driven by increased volumes of construction and assembly operations.

Construction and assembly volumes increased in large-scale projects such as the construction of the Kerch Bridge, construction of segments 1 and 2 (km 58 - km 149) of the M-11 “Moscow-Saint Petersburg” Highway, and the building of the Zhuravka-Millerovo railway line in the Voronezh and Rostov regions.

In-house volumes[3] and subcontracted volumes[4] increased by 23% and 11%, respectively. At the same time, the share of subcontracted volumes[5] decreased by 3 percentage points on a like-for-like basis, to 34% in the reporting period.

The table below presents the Group's revenue by type of construction project and services in 2017 and 2016.

RUB million

	2016	2017	Change	
Revenue from contracts for construction of:				
- bridges and highways	130,610	162,478	31,868	24%
- airfields and airports	18,766	18,550	-216	-1%
- railway infrastructure facilities	2,271	9,558	7,287	n/a
- other facilities	8,317	1,855	-6,462	-78%
Total revenue from construction contracts	**159,964**	**192,441**	**32,477**	**20%**
Revenue from maintenance and repair of roads	12,056	12,713	657	5%
Other revenue	3,178	2,621	-557	-18%
Total revenue	**175,198**	**207,775**	**32,577**	**19%**

[2] 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.

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

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

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

Bridges and Highways Construction

In the reporting period, revenue from road and bridge construction increased by 24% or RUB31.9 billion, to RUB162.5 billion (2016: RUB130.6 billion), driven by increased construction and assembly volumes.

The increase in construction and assembly volumes was driven by construction rates in a number of large-scale projects (construction of the Kerch Bridge, construction of segments 1 and 2 (58 km - 149 km) of the M-11 “Moscow-Saint Petersburg” Highway, construction of a segment of the North Throughway between Festivalnaya Street and Dmitrovskoye Avenue in Moscow, construction of the 633 km - 715 km segment of the M-4 “Don” Highway in Losevo and Pavlovsk, as well as the launch of construction in several new projects (construction of a Volga River bridge in Dubna in Moscow Region, the Kaluga Tunnel construction in Moscow, and construction of the 18 km –40 km segment of the Vladivostok - Vostochny Port road.

Airfields and Airports Construction

At RUB18.6 billion, revenue from construction of airfields and airports remained broadly unchanged year-on-year.

A reduction in volumes in such projects as the construction of the Rostov-on-Don South («Yuzhny») Airport, as the project entered the final stage of execution, was offset by increased volumes in other projects, including the reconstruction of Runway 3 at the Sheremetyevo Airport in Moscow, as well as additional new projects, such as the start of Stage 2 reconstruction of the Sheremetyevo Airport in Moscow.

Railway Infrastructure Construction

Revenue from railway infrastructure construction increased 4.2 times for RUB7.3 billion, from RUB2.3 billion in 2016 to RUB9.6 billion in the reporting period. The increase in revenue was associated with the construction of the Zhuravka-Millerovo railway in Voronezh and Rostov regions.

Other infrastructure[6] construction

Revenue from construction of other infrastructure dropped significantly, by RUB6.4 billion, from RUB8.3 billion for 2016 to RUB1.9 billion in the reporting period.

The decrease in revenue in the segment was due to the completion of construction of office centers in St. Petersburg in 2016, and of several industrial and civil facilities and station complexes Belomorsky and Khovrino of the Zamoskvoretskaya metro line in Moscow in 2017. In the reporting period, volumes under new contracts for construction of other infrastructure, concluded in 2017, were immaterial.

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

Road Maintenance and Repair

Revenue from road maintenance and repair increased by 5% or RUB0.6 billion, from RUB12.1 billion for 2016 to RUB12.7 billion in the reporting period.

Revenue growth in the segment was mainly driven by increased repair volumes on segments of the M-4 «Don» Moscow – Novorossiysk Highway.

Other revenue

In the reporting period, other revenue decreased by 18%, or by RUB0.6 billion, to 2.6 billion (2016: RUB3.2 billion), driven by a decrease in sales of finished goods to third-party contractors engaged in construction of the Kerch Bridge.

Cost of sales

The Group's cost of sales increased by 24%, or RUB35.7 billion, from RUB148.5 billion for 2016 to RUB184.2 billion in the reporting period. Cost of in-house volumes[7] and subcontracted volumes[8] increased by 34% and 11%, respectively. Growth in the cost of in-house volumes was mainly caused by an increase in costs of raw and construction materials, personnel, machinery, equipment, transport and labor services provided by third parties and other expenses.

The table below provides a breakdown of the Group's cost of sales for 2017 and 2016.

RUB million

	2016	2017	Change	
Services of subcontractors	64,227	71,571	7,344	11%
Materials	36,537	49,618	13,081	36%
Personnel expenses	20,061	22,905	2,844	14%
Machinery, equipment, transport, and labor services provided by third parties	6,270	12,742	6,472	n/a
Depreciation and amortisation	5,496	6,999	1,503	27%
Design works	1,727	2,606	879	51%
Bank guarantees	2,487	2,321	-166	-7%
Insurance	1,111	1,191	80	7%
Other	10,529	14,218	3,689	35%
Total	**148,445**	**184,171**	**35,726**	**24%**

An 11% increase in the cost of subcontracted volumes of RUB7.4 billion, from RUB64.2 billion for 2016 to RUB71.6 billion in the reporting period, was associated with an increase in revenue from subcontracted volumes.

An increase in the cost of materials of 36% or RUB13.0 billion, from RUB36.6 billion for 2016 to RUB49.6 billion in the reporting period was driven by a 23% increase in in-house volumes[9], a 8%* increase in weighted average prices for materials[10] and the execution of more material-intensive operations in the reporting period.

A limited rise in staff costs of 14% or RUB2.8 billion, from RUB20.1 billion for 2016 to RUB22.9 billion in the reporting period amid strong in-house volumes[11] dynamics was achieved on the back of increased labor efficiency. Labor productivity increased by 14%*, while total staff costs and average salaries were up 8%* and 6%*, respectively.

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

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

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

[10] 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 machinery, equipment, transport and labor services provided by third parties increased 2x, or by RUB6.4 billion, from RUB6.3 billion for 2016 to RUB12.7 billion in the reporting period driven by the faster pace of construction in a number of key projects including the construction of the segments of the M-11 “Moscow - St. Petersburg” Highway. To perform specific types of work during the peak load, the Company decided to rent rather than purchase specialized vehicles and equipment, given the risk of downtime in the future.

An increase in other expenses by 35% or RUB3.7 billion, from RUB10.5 billion for 2016 to RUB14.2 billion in the reporting period was mainly driven by an increase in additional costs due to postponed delivery of projects, caused, among others, by delays in making construction sites duly available to the Company (airport infrastructure projects and several Moscow-based projects), as well as by growth in public services in the Platon Project.

Gross Profit and Gross Margin

Gross profit decreased by 12% or by RUB3.1 billion, from RUB26.8 billion for 2016 to RUB23.6 billion in the reporting period, driven by increased construction volumes. The Group's gross margin was 11.4% in the reporting period, against 15.3% for the same period last year. The adjustment was due to an increase in the cost of in-house volumes[11] at a rate outstripping in-house volumes[12] growth.

Administrative Expenses[13]

The table below outlines the structure of administrative expenses of the Group in 2017 and 2016.

RUB million

	2016	2017	Change	
Personnel expenses	7,452	8,781	1,329	18%
Third party services	603	823	220	36%
Depreciation and amortisation	312	351	39	13%
Materials	285	292	7	2%
Rent expense	165	191	26	16%
Taxes (other than income tax)	259	303	44	17%
Social expenses	285	364	79	28%
Insurance	173	152	-21	-12%
Business trip expenses	153	165	12	8%
Other	402	531	129	32%
Total	**10,089**	**11,953**	**1,864**	**18%**

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

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

13 Administrative expenses include personnel expenses, expenses for consulting and audit services, social expenses and other administrative expenses.

Against the backdrop of a 19% increase in revenue, the Group's administrative expenses increased by 18%, from RUB10.1 billion for 016 to RUB12.0 billion in the reporting period. The share of administrative expenses in revenue was broadly unchanged at 9%.

An increase in staff costs of 18% or RUB1.3 billion, from RUB7.5 billion for 2016 to RUB8.8 billion in the reporting period was driven by an 9%* increase in headcount, salary increase and the payment of bonuses due for reduction of some large projects terms.

Other Income and Expenses

Other revenue increased by 52% or RUB0.5 billion, from RUB0.9 billion for 2016 to RUB1.4 billion in the reporting period. The increase was mainly driven by increased revenue from leases, and capitalization of surplus inventory following dismantlement of fixed assets.

An increase in other expenses by 22% or RUB0.7 billion, from RUB3.5 billion for 2016 to RUB4.2 billion in the reporting period was mainly driven by an increase in losses from disposals of fixed assets, and inventory shortfalls.

EBITDA[14]

EBITDA decreased by 17% or by RUB3.1 billion, from RUB18.1 billion for 2016 to RUB15.0 billion in the reporting period, driven by a decrease in gross profit and increase in administrative expenses. EBITDA margin was 7.2% compared with 10.3% for 2016.

Financial Income and Expenses[15]

The table below provides an overview of financial income and expenses of the Group for 2017 and 2016.

RUB million

	2016	2017	Change	
Finance income:				
Interest income on long-term investment agreements	970	1,524	554	57%
Interest income on loans given	1,315	1,045	-270	-21%
Interest income on bank deposits	660	245	-415	-63%
Effect of discounting of financial assets	472	81	-391	-83%
Change in non-controlling interest	0	268	268	100%
Other finance income	53	9	-44	-83%
Total finance income	**3,470**	**3,172**	**-298**	**-9%**
Finance costs:				
Interest expense on borrowings	-5,693	-4,312	1,381	-24%
Interest expense on finance leases	-924	-828	96	-10%
Effect of discounting of financial liabilities	-193	-438	-245	n/a
Change in non-controlling interest	-587	0	587	-100%
Total finance costs	**-7,397**	**-5,578**	**1,819**	**-25%**
Net finance costs	**-3,927**	**-2,406**	**1,521**	**-39%**

The Group's financial income decreased by 9% or RUB0.3 billion, from RUB3.5 billion for 2016 to RUB3.2 billion in the reporting period, due mainly to a decrease in cash available for deposits in 2017, compared with 2016, as well as lower interest rates on bank deposits. The decrease was partly offset by an increase in interest income on long-term investment contracts, driven by an increase in capital allocated in the reporting period to the implementation of such contracts, as well as a change in the share of non-controlling participants.

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[14] EBITDA is defined as net profit from continuing operations net of income tax, net finance costs and depreciation and amortisation. 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.

[15] 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.

The Group's financial expenses decreased by 25% or RUB1.8 billion, from RUB7.4 billion for 2016 to RUB5.6 billion in the reporting period. The reduction was due to a decrease in interest expenses, following a significant reduction in interest rates on bank loans. The reduction of net financial expenses was also associated with a change in the share of non-controlling participants in profits and losses of a subsidiary, due to a loss posted by the subsidiary in the reporting period, compared to a profit in the previous year.

Share in Losses of Equity Accounted Investees

Share in losses of equity accounted investees decreased by RUB0.6 billion from RUB1.9 billion for 2016 to RUB1.3 billion in the reporting period, due to the decrease in losses of the joint venture managing concession project (15 km –58 km of the M-11 "Moscow - St. Petersburg" Highway). The loss is in line with the project parameters, including the period for reaching the full design capacity.

Profit Tax Expense

Profit tax expense decreased by 36% or by RUB1.2 billion, from RUB3.3 billion for 2016 to RUB2.1 billion in the reporting period, driven by a significant decrease in taxable profits in the reporting period. The effective income tax rate, adjusted for changes in the share of non-controlling interest and profits and losses of associated companies, increased from 31%* up to 35%* in the reporting period due to increase of non-deductible for tax purposes expenses.

Profit

Profit decreased by 40% or by RUB2.0 billion, from RUB5.0 billion for 2016 to RUB3.0 billion in the reporting period, driven by a decrease in gross profit and increase in administrative expenses partially offset by a decrease in net financial costs, losses of equity accounted investees and profit tax expense.

Cash and Liquidity

As at 31 December 2017 and 2016, cash and cash equivalents, as well as special accounts[16] and bank deposits with a term of more than three months amounted to RUB19.4 billion and RUB25.9 billion, respectively. In the reporting period, opening cash balances and borrowings were mainly used to finance working capital, including co-financing for long-term investment contracts (as at the end of 2017, RUB19.7 billion was invested under long-term investment contracts, including more than RUB10 billion in 2017) and the investment program. Working capital financing was associated with progress payments to subcontractors and suppliers, stock replenishment and payment of VAT. Cash and cash equivalents include cash on hand, bank current accounts, special accounts and deposits with an original maturity of less than three months. A weaker cash position in the reporting period was associated, among other things, with limited prepayments due to the lack of new large contracts in the Company's backlog.

Therefore, considering debt of RUB35.2 billion and cash in the amount of RUB19.4 billion, net debt of the Group was RUB15.8 billion at the end of the reporting period.

The table below provides an overview of the Group's net debt at 31 December 2017 and 2016.

RUB million

	31/12/2016	31/12/2017	Change	
Debt				
Loans and borrowings	23,445	30,475	7,030	30%
Finance lease liabilities	5,360	4,683	-677	-13%
Total	**28,805**	**35,158**	**6,353**	**22%**
Cash and cash equivavelnts				
Cash and cash equivavelnts	18,991	4,650	-14,341	-76%
Cash in special accounts	6,872	14,729	7,857	n/a
Bank deposits with maturities over 3 months	27	25	-2	-7%
Total	**25,890**	**19,404**	**-6,486**	**-25%**
Net debt	**2,915**	**15,754**	**12,839**	**n/a**

In accordance with existing agreements with banks, untapped credit facilities available to the Group amounted to RUB45.0 billion at the end of the reporting period (RUB37.0 billion as at 31 December 2016).

[16] 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 04.02.2016, #963 dated 20.09.2014, #1563 dated 27.12.2015, 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[17]

The table below outlines the structure of working capital of the Group as at 31 December 2017 and 2016.

RUB million

	31/12/2016	31/12/2017		
Inventories	16,814	23,903	7,089	42%
Trade and other receivables	7,975	8,396	421	5%
Amounts due from customers on construction contracts	13,981	19,737	5,756	41%
Prepayments	25,199	22,187	-3,012	-12%
Total	**63,969**	**74,223**	**10,254**	**16%**
Trade and other payables	-25,612	-34,491	-8,879	35%
Amounts due to customers on construction contracts	-61,069	-58,650	2,419	-4%
Total	**-86,681**	**-93,141**	**-6,460**	**7%**
Net working capital	**-22,712**	**-18,918**	**3,794**	**-17%**

Negative net working capital decreased by RUB3.8 billion as compared to the end of 2016, and at the end of the reporting period was RUB18.9 billion rubles.

The reduction in negative net working capital was mainly due to growth in working capital. Current assets increased by 16%, or RUB10.3 billion, mainly driven by an increase in construction costs included in work-in-progress as at the end of the reporting period, and an increase in accounts receivable under several long-term construction contracts (construction of the Zhuravka-Millerovo railway line in the Voronezh and Rostov regions, construction of the M-11 "Moscow-St. Petersburg" Highway (Stage 4: km 208 - km 258; Stage 6: km 334 - km 543). The increase in working capital was, however, partly offset by an increase in payables to suppliers, subcontractors and personnel, as well as a decrease in advances to subcontractors.

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

Capital Expenditure

In the reporting period, total capital investment in fixed and intangible assets recorded on the Group's balance sheet decreased by 28% or by RUB2.3 billion, to RUB6.6* billion (2016: RUB9.1* billion). Capital investment was used for acquisition of construction equipment

[17] 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).

and vehicles under the fixed assets renewal program. The decrease was due to significant capital investments made in 2016, as well as substitution in the reporting period of the investment program financing with a vehicle and equipment lease program to support construction of a number of large-scale projects during peak periods.

Appendix 1. Backlog Structure

Table 1: Backlog by Customer Type*

RUB million (without VAT)

	31/12/2016	31/12/2017	Change	
Federal agencies	123,122	73,950	-49,172	-40%
State companies	195,207	145,773	-49,434	-25%
Regional and municipal governments	87,791	48,991	-38,800	-44%
Private entities and joint private-state partnerships	12,851	19,424	6,573	51%
Total	**418,971**	**288,138**	**-130,833**	**-31%**

Table 2: Backlog by Company Role*

RUB million (without VAT)

	31/12/2016	31/12/2017	Change	
General contractor	326,145	230,096	-96,049	-29%
Subcontractor	92,826	58,042	-34,784	-37%
Total	**418,971**	**288,138**	**-130,833**	**-31%**

Table 3: Backlog by Geography*

RUB million (without VAT)

	31/12/2016	31/12/2017	Change	
Central Federal District	256,448	205,621	-50,827	-20%
Southern Federal District	91,615	51,193	-40,422	-44%
Northwestern Federal District	41,899	10,549	-31,350	-75%
Volga Federal District	2,637	9	-2,628	-100%
Far-Eastern Federal District	22,707	18,308	-4,399	-19%
Siberian Federal District	0	2,458	-1,207	100%
Total	**418,971**	**288,138**	**-130,833**	**-31%**

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 (or, together with its subsidiaries, Mostotrest, the Company or the Group) prepared in accordance with International Financial Reporting Standards as at and for the years ended 31 December 2017 and 2016.

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2017 and 2016 include the results of PJSC Mostotrest, Transstroymekhanisatsiya LLC ("TSM", acquired on 13 May 2010); SC Mostotrest-Service ("Mostotrest-Service", acquired on 5 July 2012) and Plexy Ltd. (acquired on December 25, 2012).

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: Federal Road Agency, the State Company Avtodor (hereinafter - Avtodor), the Moscow City Construction Department, the website http://zakupki.gov.ru. 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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ENQUIRIES

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NOTES TO EDITORS

PJSC Mostotrest*is the largest diversified company in the field of infrastructure construction, with a presence across all key and related market segments, and a participant in pioneering public-private partnership projects in Russia. According to the EMBS Group, an independent industry consultancy, Mostotrest's 2017 share of the Russian transport infrastructure construction market was 14.6%.*

The Mostotrest Group key business segments include construction and reconstruction of bridges (including road, railway and city bridges), highways and other transport infrastructure, as well as road repair and maintenance services. In 2012, the Group diversified into a new business segment of road concession management.

The Company was established in 1930 for the construction of special and extra-large bridges.

Currently, Mostotrest is involved in a number of complex integrated transport infrastructure development projects, such as construction of several segments of the M-11 "Moscow – St. Petersburg" Highway, construction and reconstruction of segments of the M-4 "Don" Highway, and construction of the Kerch Strait Bridge.

For more detailed Company information, please visit www.mostotrest.ru

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