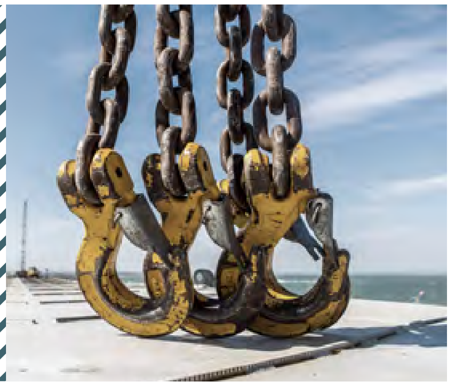
MOSTOTREST

DEFYING THE ELEMENTS

ANNUAL REPORT



2016

MOSTOTREST

MOSTOTREST IS THE LARGEST DIVERSIFIED COMPANY IN THE RUSSIAN TRANSPORT INFRASTRUCTURE CONSTRUCTION MARKET, WITH A PRESENCE ACROSS ALL CORE AND RELATED BUSINESS SEGMENTS.

2016 KEY FINANCIAL AND OPERATING RESULTS

BACKLOG, RUB BILLION

2016 (+41%)	419.0
2015	298.2
2014	352.0

MARKET SHARE, %

2016 (+0.7 pp)	14.6
2015	13.9
2014	13.4

REVENUE, RUB BILLION

2016 (+22%)	175.2
2015	143.2
2014	150.5

GROSS PROFIT, RUB BILLION

2016 (+39%)	26.8
2015	19.2
2014	20.6

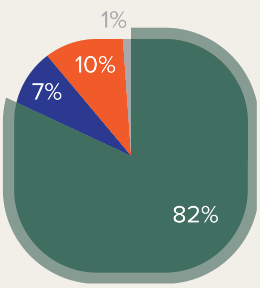
EBITDA, RUB BILLION

2016 (+37%)	18.1
2015	13.2
2014	15.4

NET PROFIT, RUB BILLION

2016 (+18%)	5.0
2015	4.2
2014	6.1

BACKLOG BREAKDOWN, %



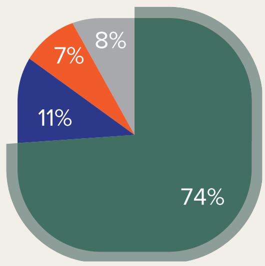
RUB343.9 BILLION
Construction of roads and bridges

RUB28.4 BILLION
Construction of airports and airfields

RUB43.0 BILLION
Services

RUB3.7 BILLION
Construction of other infrastructure and other revenue

REVENUE BREAKDOWN, %



RUB130.6 BILLION
Construction of roads and bridges

RUB18.8 BILLION
Construction of airports and airfields

RUB12.1 BILLION
Services

RUB13.8 BILLION
Construction of other infrastructure and other revenue

KEY ADVANTAGES:

- A success story for more than 85 years
- Strong engineering tradition
- Stable management team
- The only large scale diversified company in the sector
- Presence in the most attractive investment regions
- Participation in all key infrastructure development projects
- Strong backlog
- Leader in the road services segment

Contents

OWNERSHIP STRUCTURE

MOSTOTREST SHARES IN AFFILATED AND SUBSIDIARY COMPANIES

MOSTOTREST

TSM

Construction and reconstruction of roads, airports and airfields, railway and ports

84%

Mostostroy-11

Construction and reconstruction of roads, railway and city bridges

25%

UTS[1]

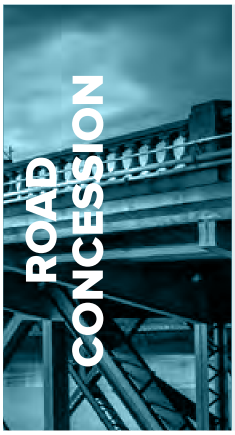
Toll road operation

50%

Mostotrest-Service

Maintenance, repair and overhaul of roads and bridges

60%



NWCC[1]

Concession holder: operation and toll collection

50%

SHAREHOLDERS STRUCTURE

% as of 03.02.2017

94.2% OJSC TFK-FINANCE

5.8% FREE FLOAT

1 Indirect ownership.

KEY OPERATION ACTIVITIES

WHAT WE DO

KEY 2016 RESULTS

CONSTRUCTION

LEADING PLAYER IN THE RUSSIAN INFRASTRUCTURE CONSTRUCTION MARKET

- Construction of roads and bridges
- Construction of railway infrastructure
- Construction of airfields and airports
- Construction of seaports and waterway infrastructure
- Construction of other infrastructure and non-infrastructure projects
- Management of complex infrastructure projects as General Contractor
- Reconstruction of transport infrastructure.

- Won tenders totaling almost RUB270 billion including 3 out of 5 largest road construction tenders
- Launch of railway infrastructure development projects.

Financial Results, RUB billion

	2016	2015
Revenue	163.0	131.0
Gross Profit	24.0	16.3
EBITDA	17.6	10.2
Net Profit	6.4	2.8

SERVICES

TOLL HIGHWAY OPERATION (UTS), ROAD REPAIR AND MAINTENANCE SERVICES (MOSTOTREST-SERVICE)

- Toll road operation:
  - Operation of toll collection systems and intellectual transport systems
  - Development and implementation of optimal technological solutions for traffic management
- Maintenance of transport infrastructure:
  - Road marking services
  - Maintenance of electric lighting, traffic light, traffic density monitoring and road weather information systems
- Transport infrastructure repair services.

- Increase in the length of roads under maintenance up to 3,700 km
- Maintenance of 250 km of roads under long-term investment contracts
- Created joint venture between Mostotrest-Service and Autobahn, a Russian-German joint venture to increase business volume in road repair and overhaul segment.

Financial Results, RUB billion

	2016	2015
Revenue	12.3	13.7
Gross Profit	2.8	3.0
EBITDA	2.8	2.9
Net Profit	1.3	1.7

ROAD CONCESSION

WITH ITS JOINT VENTURE PARTNER VINCI, MOSTOTREST OWNS 100% OF NWCC ON AN EQUAL BASIS

- NWCC is the concession holder for the 15 km – 58 km toll section of the M-11 "Moscow – St. Petersburg" Highway in accordance with a concession agreement with Avtodor
- Construction was finished in 2015, toll-based operation started since November 2015.

- Almost 2x traffic increase
- 2x increase in revenue from toll-based operation.

KEY ONGOING PROJECTS

TOP PROJECTS ADDED TO BACKLOG IN 2016

DUBNA BRIDGE

CONSTRUCTION OF A BRIDGE ACROSS THE VOLGA RIVER, ALIGNED ON VERNOV STREET IN DUBNA, MOSCOW REGION

7.4[1] Contract value (RUB billion) — **2018** Completion dates

M-11 “MOSCOW – ST. PETERSBURG”

CONSTRUCTION, MAINTENANCE, REPAIR, OVERHAUL AND TOLL-BASED OPERATION OF M-11 “MOSCOW – ST. PETERSBURG” HIGHWAY SEGMENT 1 (58 KM – 97 KM) AND SEGMENT 2 (97 KM – 149 KM)

63.1[2] Contract value (RUB billion) — **2018** Completion dates

M-11 “MOSCOW – ST. PETERSBURG”

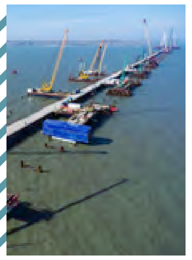
CONSTRUCTION OF M-11 “MOSCOW – ST. PETERSBURG” HIGHWAY FESTIVALNAYA ST. – DMITROVSKOYE AV. SEGMENT

20.8[1] Contract value (RUB billion) — **2018** Completion dates

M-4 “DON”

CONSTRUCTION, MAINTENANCE, REPAIR, OVERHAUL AND TOLL-BASED OPERATION OF M-4 “DON” HIGHWAY 633 KM – 715 KM SEGMENT (LOSEVO AND PAVLOVSK BYPASS)

52.8[2] Contract value (RUB billion) — **2020** Completion dates



KERCH BRIDGE

KERCH BRIDGE CONSTRUCTION

108.7[1] Contract value (RUB billion) — **2018** Completion dates

1 Excluding VAT.

2 Excluding VAT. Contract price includes fixed pricing for construction stage only. Final pricing for post-construction operation is calculated annually based on a number of coefficients.

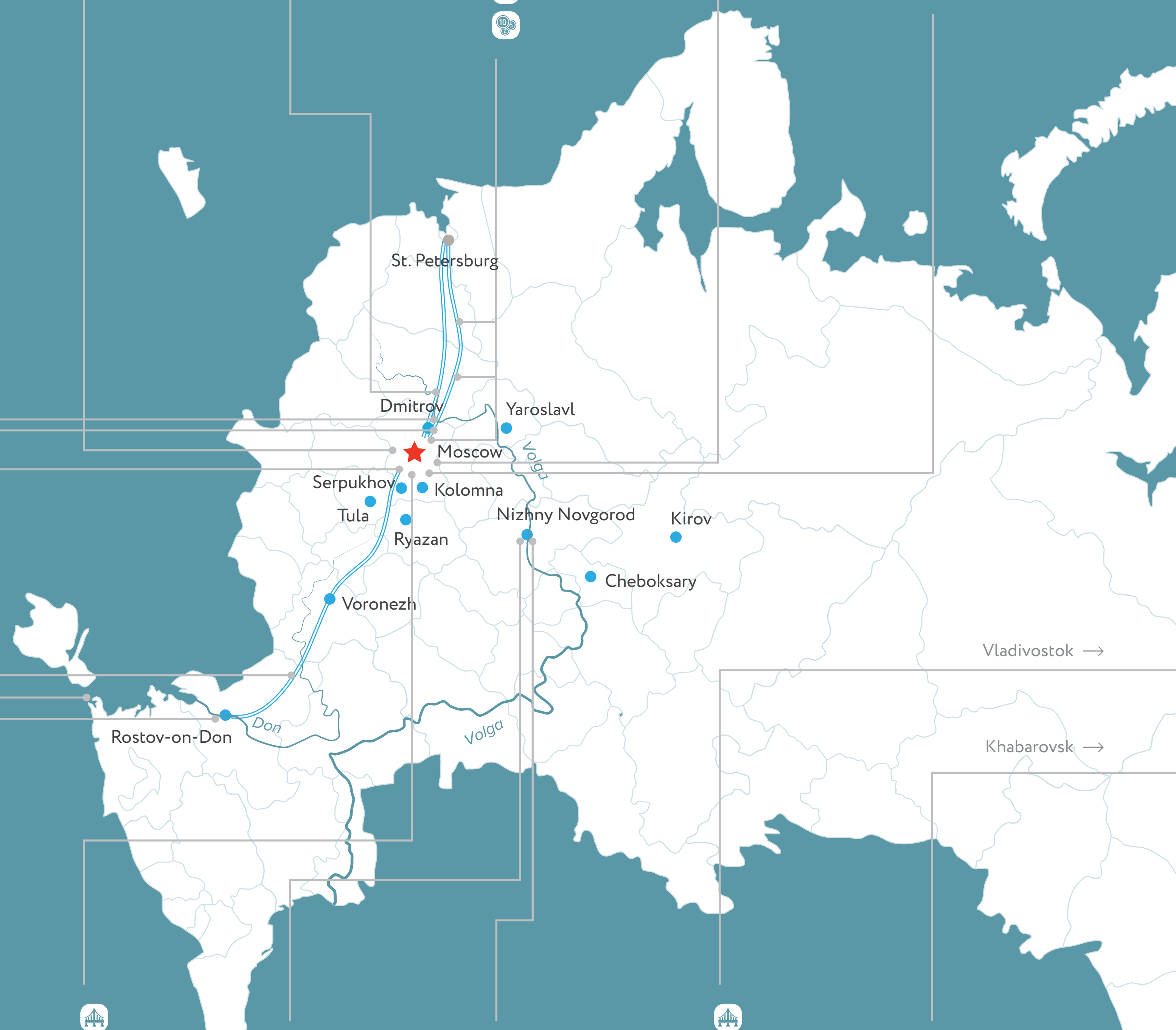
SHEREMETYEVO AIRPORT

VOLGA RIVER BRIDGE AT 176 KM OF M-10 “RUSSIA” HIGHWAY

M-11 “MOSCOW – ST. PETERSBURG” HIGHWAY SEGMENTS: 15 KM – 58 KM, 208 KM – 258 KM, 334 KM – 543 KM

SOLNTSEVO – BUTOVO – VIDNOYE ROUTE BETWEEN KIYEVSKOYE AND KALUZHSKOYE AVENUES

TRANSPORT FACILITIES PROVIDING DEVELOPMENT FOR THE RUSSIAN CAPITAL’S TRANSPORT INFRASTRUCTURE, IN PARTICULAR, TRANSPORT LINKS WITH THE SKOLKOVO INNOVATION CENTER



AIRFIELD INFRASTRUCTURE AT THE SOUTHERN AIRPORT COMPLEX IN THE ROSTOV REGION

MOSCOW 4TH RING ROAD SECTION

AIRFIELD INFRASTRUCTURE AT NIZHNY NOVGOROD AIRPORT

VOLGA RIVER BRIDGE IN NIZHNY NOVGOROD

VLADIVOSTOK-NAKHODKA HIGHWAY SECTION (18 KM – 40 KM)

AIRFIELD INFRASTRUCTURE AT KHABAROVSK NOVY AIRPORT

○ Company divisions including factories in Moscow and Tula.

BUSINESS MODEL

ASSETS

MARKET ASSETS

- Participation in Russia's largest projects
- Backlog revenue coverage: 2Y+
- Reputation as a reliable contractor
- Strong competitive position

14.6% MARKET SHARE

OPERATING ASSETS

- General contracting expertise
- In-house and subcontracted construction
- In-house materials production capacity
- Deployed capacity near potential project sites

21% SHARE OF MATERIALS PRODUCED IN-HOUSE

63% SHARE OF IN-HOUSE CONSTRUCTION VOLUMES

FINANCIAL ASSETS

- Low leverage
- Attractive cost of debt
- Strongly backed by bond markets

2.9 RUB BILLION NET DEBT

13% WEIGHTED AVERAGE COST OF DEBT

PERSONNEL

- Outstanding engineering tradition
- Management continuity: unchanged management team over 10+ years
- Solid staff retention

18% HEADCOUNT TURNOVER

VALUE CREATION

PREPARATION

- Project risk assessment
- Planning and analysis
- Pre-design optimization
- Competitive offer documentation development

2% COMPETITORS

COMPETITORS' DISCOUNT TO INITIAL CONTRACT PRICE

1% MOSTOTREST

MOSTOTREST DISCOUNT TO INITIAL CONTRACT PRICE

CONSTRUCTION

- Optimization of engineering solutions
- Development of optimal execution plan
- Construction management oversight
- Execution

93% SHARE IN TOTAL REVENUE

11% EBITDA MARGIN

MAINTENANCE AND OPERATION

- Repair and overhaul
- Road maintenance
- Installation of traffic control infrastructure, its repair and maintenance
- Toll collection on behalf of government customers

3,700 KM OF ROADS UNDER MAINTENANCE CONTRACTS

23% EBITDA MARGIN

CONCESSION OPERATIONS

- Stable long-term cash flows
- Strong profitability

60-70%

TYPICAL EBITDA MARGIN LEVELS IN CONCESSION PROJECTS

BENEFICIARIES

SHAREHOLDERS

- Attractive dividend returns

60% OF IFRS NET PROFIT ALLOCATED TO DIVIDENDS

10% DIVIDEND YIELD[1]

CUSTOMERS

Reliable Contractor:

- Completion within budget and on/ahead of time
- Financially stable partner for co-financing of long-term investment contracts

INFRASTRUCTURE USERS

- Transport infrastructure development
- Creation of high quality infrastructure (incl toll roads)

> 6,000 bridges

> 300 traffic interchanges

EMPLOYEES

- Biggest employer in industry
- Career growth opportunities
- High OHS standards

12% SALARY GROWTH

39% INCREASE IN NUMBER OF RETAINED EMPLOYEES

ASSETS — VALUE CREATION — BENEFICIARIES

REPUTATION AS RELIABLE, FINANCIALLY STABLE CONTRACTOR – A COMPETITIVE ADVANTAGE IN TENDERS

WIDE RANGE OF COMPETENCES AND IN-HOUSE CAPACITY INSTRUMENTAL IN MARGIN OPTIMIZATION

PROFESSIONAL AND STABLE TEAM ENSURING BUSINESS SUCCESS AT ALL LEVELS

ENSURING INFRASTRUCTURE QUALITY AT MAINTENANCE STAGE

ENSURING INFRASTRUCTURE QUALITY AT CONCESSION OPERATION STAGE

INFRASTRUCTURE MAINTENANCE AND OPERATION EXPERTISE – A COMPETETIVE ADVANTAGE IN TENDERS FOR LONG-TERM INVESTMENT CONTRACTS

ABILITY TO REINVEST CONCESSION REVENUE IN CONSTRUCTION PROJECTS

EFFICIENT RISK MANAGEMENT AT CONSTRUCTION STAGE

All data as of/for the year ended December 31, 2016

1 As of the date of the Board of Directors meeting held on May 2, 2017, that recommended dividend amount to the General Shareholders' Meeting

RESULTS-ORIENTED

DEFYING THE ELEMENTS

2016 RESULTS

- Chairman's and CEO's Statement
- Market Overview
- Operating Results
- Financial Results

+24%
MARKET DYNAMICS

+41%
BACKLOG DYNAMICS

+37%
EBITDA GROWTH

CHAIRMAN'S AND CEO'S STATEMENT

Vladimir Vlasov

CHIEF EXECUTIVE OFFICER

14.6% 2016 MARKET SHARE VS 13.9% IN THE PREVIOUS YEAR

BUOYED BY RECOVERY OF THE BROADER INDUSTRY, THE MOSTOTREST GROUP DELIVERED IMPRESSIVE 2016 OPERATING AND FINANCIAL RESULTS, WITH A SUBSTANTIAL BACKLOG EXPANSION AND DOUBLE-DIGIT GROWTH ACROSS ALL KEY PERFORMANCE INDICATORS.

IN 2017, THE COMPANY'S NEED FOR WORKING CAPITAL FINANCING IS EXPECTED TO INCREASE SUBSTANTIALLY, INCLUDING IN TERMS FOR CO-FINANCING UNDER LONG-TERM INVESTMENT CONTRACTS, WHICH ARE EXPECTED TO PEAK DURING THE PERIOD. HOWEVER THE EXCEPTIONALLY STRONG 2016 RESULTS ENABLED THE BOARD OF DIRECTORS AT ITS MEETING IN MAY 2017 DECIDED TO RECOMMEND TO THE GENERAL SHAREHOLDERS' MEETING A MAINTAINED DIVIDEND IN LINE WITH THAT OF THE PREVIOUS YEAR.

Vladimir Monastyrev

CHAIRMAN OF THE BOARD

DEAR SHAREHOLDERS, PARTNERS AND COLLEAGUES:

The Company's excellent 2016 operating results are all down to the efforts of Mostotrest's employees. The excellent work carried out by our builders make them real heroes for our time and this year, as ever, they deserve the highest expression of gratitude.

In 2016, we started construction work on a bridge across the Kersch Strait, the largest transport infrastructure project of the last decade. In the preliminary phase, we encountered numerous technical and engineering challenges. However, thanks to the solid work of our teams (on a daily basis around 6,000 of people and 220 construction vehicles are engaged on the project) combined with expert input and ideas from our highly qualified engineers and designers, we were able to devise complex technical solutions. As a result, in just one year of being involved at this unique construction site, we managed to complete a substantial part of the overall construction.

Whilst the economy remained weak in 2016, with a decline in GDP and a further build up in the government budget deficit, the transport infrastructure construction industry reversed the decline of the past few years and showed significant positive dynamics. The overall market grew 24%, while our own market share increased to 14.6% from 13.9% in the previous year.

Total volume of tenders held in 2016 increased by 30% to RUB500.7 billion. Driven by a revival of tendering activity, Mostotrest's backlog expanded with new large projects providing a significant boost. Such projects include the 58 km –

KERCH BRIDGE CONSTRUCTION PROJECT 2016 STATUS REPORT:

- More than 3,900 piles inserted – more than 50% of total
- 236 pylons prepared – 40% of total
- 21,000 t of steelwork assembled – c. 10% of total
- 6.6 million t of materials delivered to construction site
- More than 50 spans for both automobile and railway bridges assembled – 8% of total;
- Arch structures assembly launched
- More than 6,000 engineers and builders, c. 220 units of vehicles and equipment, and more than 30 waterborne vehicles deployed.

149 km section (RUB63.1 billion) of the M-11 "Moscow – St. Petersburg" Highway and the 633 km – 715 km segment (Losevo and Pavlovsk Bypass, Voronezh region, RUB52.8 billion) of the M-4 "Don" Highway, which enhanced the list of long-term investment contracts of the Company. Overall, Mostotrest's 2H2016 backlog increased by 22% to RUB419.0 billion as at 2016 year end.

In 2016, one of our long-term investment contracts – the Novaya Usman and Rogachevka Bypass on the M-4 "Don" Highway – became operational, and further bolstered our stable cash flow from operating activities. Currently, Mostotrest-Service and UTS, both members of the Mostotrest Group, operate approximately 250 km of roads under long-term investment contracts, including the 15 km – 58 km concession segment of the M-11 "Moscow – St. Petersburg" Highway. In just one year of operating the toll-based concession of the segment, NWCC, a Group joint venture company, produced a two-fold increase in traffic and revenue, which is a strong result amid the economic volatility and individual cost-cutting of Russian toll road users from 2015 to 2016.

2016 was also rich in news in the area of public debt financing. We are proud that Moody's assigned a high Ba3 credit rating to Mostotrest, noting the many strengths of the Company. And despite a subsequent withdrawal of the rating following Mostotrest's inclusion on the Sanction List of the US Treasury, we were honored to have achieved such a positive outcome. Following the rating assignment, the Company successfully completed two bond offerings raising a total of RUB10 billion with coupon rates of 11.5% and 11.15%, respectively. Both bond series order books were oversubscribed, leaving investor demand for the Company's debt securities partially unmet. We intend therefore to remain active participants in the public debt market subject to favorable conditions. To this end, last autumn we registered a new exchange-traded bond program. In December 2016, the Russian credit rating agency Expert-RA confirmed its rating for Mostotrest at A++ "exceptionally high (highest) level of creditworthiness".

The 2016 operating achievements outlined above were reflected in our financial results. In 2016, Mostotrest delivered growth across all its key performance indicators: revenue increased by 22%, gross profit by 39%, EBITDA by 37% and net profit by 18%. Operational efficiency has also increased significantly. Gross margin increased by 2 percentage points. And, despite the continuing need to create fresh provisions to cover those debtors facing financial difficulties and to reflect our share of first year operating losses of the NWCC concession, we were still able to deliver EBITDA margin growth. In terms of borrowings, we maintain a comfortable level of net debt, which at the end of the reporting period was RUB2.9 billion.

Due to the launch of a number of large new construction projects and, above all, the Kerch Bridge, we significantly ramped up our capital expenditure to RUB9.1 billion. The rise in capital expenditure was mainly driven by increased investment in construction vehicles, machinery and equipment, as well as set up costs of building on-site workers accommodation and industrial buildings at construction sites.

In 2016, the industry did not face financing issues. However, the number of new commissioned projects did decline, due to a reduction in the number of construction companies in the market and the ensuing shortage of construction capacity. As a consequence, not all finalized projects could actually be launched. Therefore, the transport infrastructure construction industry is not expected to experience a shortage of budget financing in 2017. Moreover, the government has been actively preparing new large tenders. In 2017, we expect to see a recovery in the railway infrastructure construction segment and are determined to increase the volume of our contracts in the segment. In addition, we expect further active development of the road construction segment, where Mostotrest is unrivaled in terms of expertise and reputation. We are confident that the management team and employees of the Mostotrest Group of Companies will successfully deal with the existing project load further strengthening the Company's position in the transport infrastructure construction market this year.

At the end of 2016, the Board of Directors of Mostotrest approved a number of decisions, including new versions of corporate documents to support the attractiveness of the Company's shares on the stock market. Despite low liquidity and with it the right of the stock exchange to transfer the Company's shares to a non-quoted list, improvements we enacted to our corporate governance system enabled Mostotrest to maintain its standing on the Moscow Stock Exchange, with a transfer of its shares to the second-tier list.

In 2017, the Company's need for working capital financing is expected to increase substantially, including in terms for co-financing under long-term investment contracts, which are expected to peak during the period. However the exceptionally strong 2016 results enabled the Board of Directors at its meeting in may 2017 decided to recommend to the General Shareholders' Meeting a maintained dividend in line with that of the previous year.

The Board of Directors has always maintained a strong focus on the implementation of the corporate strategy, which has been and will be continue to be aimed at strengthening Mostotrest's presence across all attractive market segments and using our existing business platform and competitive advantages to drive further growth. In line with the adopted strategy until 2018, Mostotrest delivered strong 2016 results:

1. Business growth (revenue up 22%) and market share increase (+0.7 pp.), driven by a consistently strong backlog of quality projects, balanced distribution of construction volumes between in-house capacity and subcontractors, and priority development of in-house capacity with growing investments in its vehicle fleet, machinery and equipment
2. Development and strengthening of the footprint across key and associated business segments on the back of strong growth of the backlog, sales volumes and efficiency of construction operations, revenue generated by new railway infrastructure projects amid reviving demand, increased airport infrastructure construction volumes, as well as continuing backlog growth and increased efficiency of the transport infrastructure operation and maintenance segment
3. Expansion of cooperation with other leading industry players, including participation with foreign-backed ventures through the creation of a joint venture between Mostotrest-Service, a member of the Mostotrest Group, and Autobahn, a Russian-German joint venture. The new entity Autobahn-Mostotrest-Service will operate in the road repair and overhaul segment, which currently represents less than 20% of the current Mostotrest-Service business mix. Participation in the new company will allow the partners to expand their geographical operations, significantly increase the share of in-house volumes, optimize contracting and procurement costs, and increase operational efficiency through the joint use of each others' production capacity.

Vladimir Monastyrev

MARKET OVERVIEW

Government Customers and Government Budget Administrators:

- RF Ministry of Transport
- Federal Railway Agency
- Federal Road Agency
- Federal Maritime and River Transport Agency
- Federal Aviation Agency
- Federal Transport Oversight Agency.

Key Government Programs:

- RF Government Program "Transport System Development", including:
  - Federal Target Program "Development of the Russian Transport System (2010 – 2020)"
  - Federal Target Program "Modernization of the Russian Federation Single Aviation System (2009 – 2020)"
  - Sub-programs:
    - Mainline Railway Transport
    - Road Network
    - Civil Aviation and Air Navigation Services
    - Maritime and River Transport
    - Transport Sector Oversight
    - Public-Private Partnership Highway Network Development
    - Development of Civil Use of the GLONASS System in the Transport Sector
    - Ensuring Implementation of the RF Government Program "Transport System Development"
- Government Program "Social and Economic Development of the Far East and the Baikal Region"
- Federal Target Program "Social and Economic Development of the Kaliningrad Region until 2020"
- Federal Target Program "Social and Economic Development of the Republic of Crimea and the City of Sebastopol until 2020".

2016 KEY OBJECTIVES AND PRIORITY ACTIVITIES

1. Maintain availability of passenger services in the socially significant rail and air transport segments:
   a. Meet passenger rail transport needs
   b. Develop domestic air transport
   c. Renew fleet.
2. Improve transport infrastructure quality and efficacy:
   a. Improve quality of federal roads
   b. Maintain quality of internal waterways
   c. Maintain functional capability of railway transport
   d. Ensure proper operation of RF border check-points.
3. Implement strategically important projects:
   a. Develop federal road network
   b. Develop railway network
   c. Increase throughput capacity of Russian ports
   d. Develop airport network.

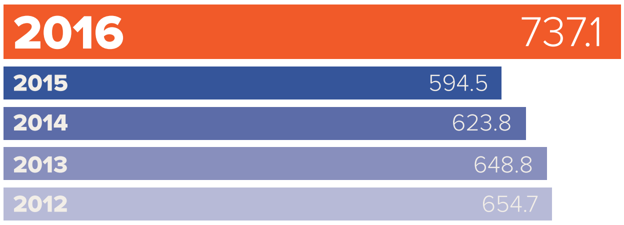
DELIVERABLES BY SEGMENT

ROADS AND BRIDGES

In 2016, 303.6 km (2015: 422.8 km) of federal highways were put into operation following construction and reconstruction, including 214.0 km (2015: 369.1 km) by the Federal Road Agency and 89.6 km (2015: 53.7 km) by Avtodor.

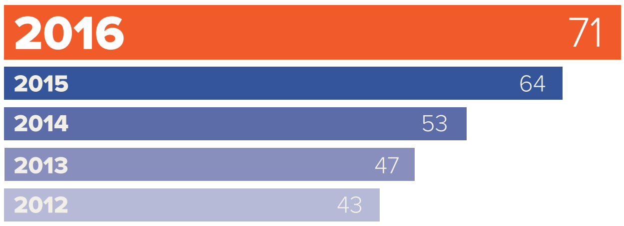
In 2016, the extent of public federal roads meeting regulatory requirements in terms of operating characteristics, increased by 4.2 thousand km and amounted to 37.0 thousand km or 71.3% of their total size.

TRANSPORT INFRASTRUCTURE CONSTRUCTION MARKET VOLUME, RUB BILLION (EXCL. VAT)



Source: EMBS Group reports.

SHARE OF PUBLIC FEDERAL ROADS MEETING REGULATORY OPERATING REQUIREMENTS, %



Source: RF Transport Ministry.

Projects Commissioned in 2016

Following reconstruction, the Federal Road Agency put into operation segments of the M-9 “Baltic” Highway with a total length of 32.5 km, which completed the reconstruction of the highway between the Moscow Ring Road and the Moscow Outer Ring. Reconstruction of the 15.2 km Murmansk access road was completed, which improved the city’s transport connection with the national road network, and the Murmansk Sea Port’s connection with the North-South International Transport Corridor. To improve the safety of residents and environmental safety of settlements, as well as increase the average speed of delivery of goods and passengers in 2016, construction was completed on segments of the M-10 “Russia” Highway in the Tver region and M-5 “Ural” Highway in the Ryazan region. In the Far Eastern Federal District, sections of federal highways “Lena”, “Vilyui” and “Ussuri” with a total length of 76.4 km were put into operation.

Following overhaul and repair, a total of 8.4 thousand km of road segments within the road network managed by the Federal Road Agency were put into operation. A total of 28,532.4 linear meters of bridges underwent various types of repair as part of those projects.

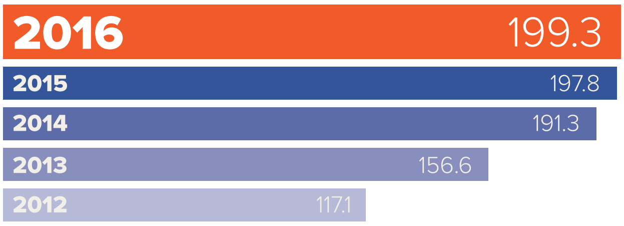
Following construction and reconstruction, Avtodor put into operation the 124 km – 173 km (48.9 km) segment of the M-3 “Ukraine” Highway, 517 km – 544 km (N. Usman and Rogachevka Bypass, 29.2 km) segment of the M-4 “Don” Highway, and a traffic interchange at 1,442 km (10.9 km) of the M-4 “Don” Highway.

In the road repair and maintenance segment, Avtodor in 2016 put into operation after overhaul 24.5 km and after repair 299.1 km of federal highways. In addition, maintenance activities were completed on 2.9 thousand km of federal highways. Following repair/overhaul, 22 bridges with a total length of 3,822.9 linear meters were commissioned.

On the regional road network, construction and reconstruction of 3.0 thousand km of regional, intercity and local roads was completed. Also completed was construction of bridges across the Kama in the Republic of Udmurtia (under a concession agreement) and in the Republic of Tatarstan, as well as a 1 thousand m bridge across the Volkhov in Veliky Novgorod, and other projects.

As part of the preparation of the Russian road network for the 2018 World Cup, in 2016 in the Kaliningrad region a 13.3 km segment of the Kaliningrad – Mamonovo II – the Polish Border Highway was put into operation, as well as a 3.5 km Saransk Airport access road and a 3.6 km airport approach interchange in the Republic of Mordovia.

FEDERAL HIGHWAY REPAIR AND MAINTENANCE EXPENDITURE, RUB BILLION (EXCL. VAT)



Source: RF Transport Ministry.

Public-Private Partnership (PPP) Road Network Development

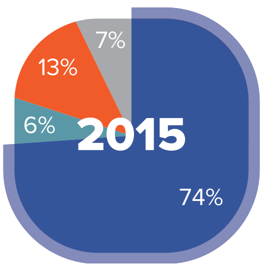
In 2016, based on the principles and approaches to development of a high-speed road network in the Russian Federation, as approved by the RF Transport Ministry collegium, a draft Strategy for Development of the High-Speed Road Network in the Russian Federation was developed.

To date, Avtodor has signed 15 operational, long-term investment and concession agreements totaling more than RUB748 billion, which attracted more than RUB175 billion of private capital.

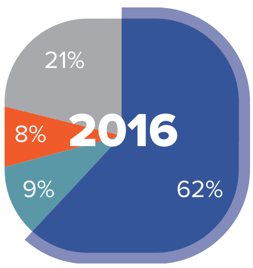
In 2016, a total of 78.1 km of federal highways were commissioned under PPP contracts.

In absolute terms, the total amount of financing for road and bridge construction, the key segment of the transport infrastructure industry, was RUB455.0 billion, a 4% increase year-on-year. Growth was mainly driven by increased financing for the Kerch Bridge, currently the country's largest construction project in the segment.

TRANSPORT INFRASTRUCTURE CONSTRUCTION MARKET STRUCTURE, RUB BILLION (EXCL. VAT), %



Roads and bridges	438.5
Airports	36.5
Ports	76.5
Rail	43.0
TOTAL	**594.5**



Roads and bridges	455.0
Airports	64.8
Ports	60.8
Rail	156.5
TOTAL	**737.1**

Source: EMBS Group reports.

Tenders

In 2016, 55 tenders (2015: 45) totaling RUB500.7 billion[1] were held, a 30% increase year-on-year. Avtodor, which held virtually no tenders in 2015, accounted for 60% of all tenders held in 2016. In 2016, Avtodor concluded 4 investment contracts totaling more than RUB227.4 billion, including:

- Long-term investment contract for the construction, maintenance, repair and toll-based operation of segments of the 58 km – 684 km section of the M-11 “Moscow – Saint Petersburg” Highway (Stage 1: 58 km – 97 km; Stage 2: 97 km – 149 km)
- Long-term investment contract for the construction, maintenance, repair and toll-based operation of the 633 km – 715 km segment (Losevo and Pavlovsk Bypass in the Voronezh region) of the M-4 “Don” Highway (Moscow – Voronezh – Rostov-on-Don – Krasnodar – Novorossiysk)
- Concession agreement for the financing, construction and operation of the Moscow Region Central Ring Road (Start-up Facility 3).

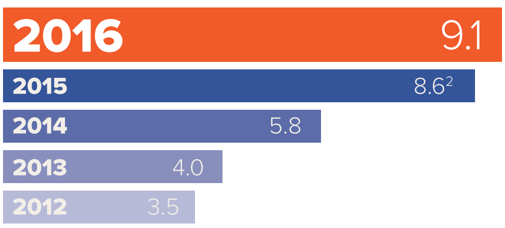
RAILWAYS

In 2016, 45% of all Russian freight was transported by rail (86% excluding pipeline transport).

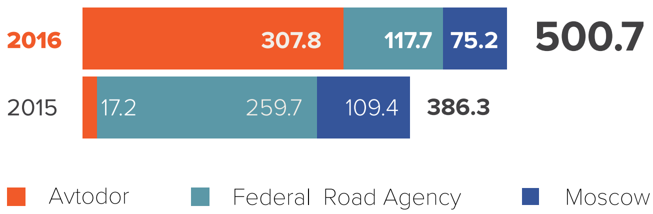
In 2016, 441.6 km (2015: 118.8 km) of additional main line tracks and new railways were put into operation, including under the following investment projects:

- 22.3 km of additional main line tracks: “Comprehensive Reconstruction of the Gorky Segment – Kotelnikovo – Tikhoretskaya – Krymskaya, Bypassing the Krasnodar Railway Hub”
- 46.7 km of additional main line tracks: “Development of the Tobolsk – Surgut Segment”
- 28.5 km of additional main line tracks: “Comprehensive Reconstruction of the Taman Peninsula Tracks”
- 63.7 km of additional main line tracks: “Modernization of Railway Infrastructure of the Baikal-Amur and Trans-Siberian Railways, Including Development of Carriage and Traffic Capacity”

AVERAGE ROAD CONSTRUCTION TENDER SIZE, RUB BILLION (INCL. VAT)



ROAD CONSTRUCTION TENDER STRUCTURE BY CUSTOMER, RUB BILLION (INCL. VAT)



Source: RF official public procurement website http://zakupki.gov.ru.

1 Including VAT. Customers: Avtodor, Federal Road Agency, City of Moscow. RF official public procurement website http://zakupki.gov.ru.

2 Including Kerch Bridge construction contract.

- 226 km of new railways: “Construction of the Naryn – Lugokan Railway”.

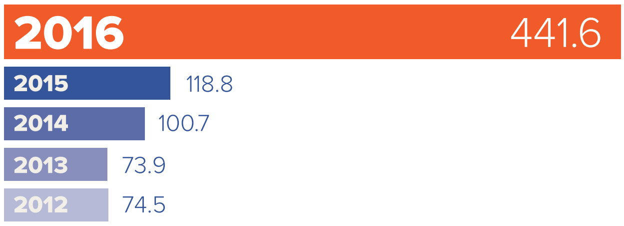
On 10 September 2016, a 54 km segment of the Moscow Central Ring of the Moscow Railway was opened to traffic, relieving the city center of transit passenger flows, making the areas adjacent to the Moscow Central Ring more accessible, reducing the pressure on the Moscow subway system and partially relieving the road network.

Within the framework of the Federal Target Program “Development of the Transport System of Russia (2010 – 2020)”, construction of the Krasnodar Railway Hub and Ukraine bypasses was carried out on the Zhuravka-Millerovo segment in 2016.

In 2016, in preparation for the 2018 World Cup, construction work was carried out to develop subway lines in the cities of Nizhny Novgorod and St. Petersburg.

Following four years of significant underfinancing of the segment, investment in railway infrastructure in 2016 increased almost four-fold year-on-year, to RUB156.5 billion (2015: RUB43.0 billion). Railway sector investment represented 21% of total financing for transport infrastructure development (2015: 7%).

COMMISSIONED ADDITIONAL MAIN TRACKS AND NEW RAILWAYS, KM



Source: RF Transport Ministry.

AIRPORTS

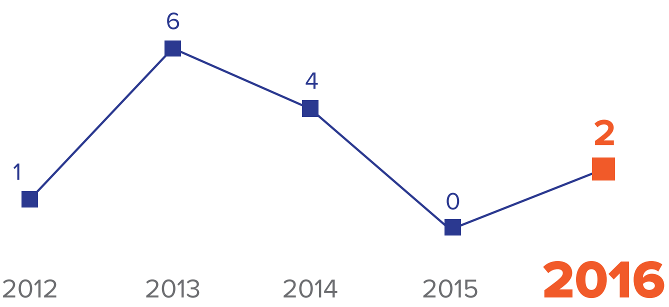
Airport Network Development Key 2016 Priorities:

- Development of airport infrastructure in cities hosting the 2018 World Cup, including reconstruction of airport infrastructure at Moscow airports (Sheremetyevo, Domodedovo), Kaliningrad, Volgograd, Saransk, Nizhny Novgorod, Samara and Yekaterinburg; construction of Runway 3 at the Sheremetyevo Airport and the new airport complex in Rostov-on-Don
- Reconstruction of airports of the Far Eastern Federal District, the Baikal region and the Arctic zone; reconstruction in 2016 of airport infrastructure in Yakutsk, Khabarovsk, Norilsk, Ulan-Ude, Chokurdah, Nikolskoe, Oszora, Zeya, Ekimchan and Bomnak
- Reconstruction and construction of facilities with a high level of technical readiness, including reconstruction of airport infrastructure in Voronezh, Petrozavodsk, Ufa, Nizhnekamsk, Kyzyl and Ulyanovsk, and construction of a new airport in Saratov.

In 2016, runways at the Ufa and Yelizovo (Petropavlovsk-Kamchatsky) airports were put into operation.

Having registered a decrease in financing in the previous year, the airport construction and reconstruction segment in 2016 received 9% (2015: 6%) of total industry financing. Investment in the segment was RUB64.8 billion, a 77% increase year-on-year.

COMMISSIONED RUNWAYS, UNITS



Source: RF Transport Ministry.

Investment in seaport and inland waterway development in 2016 decreased by 21% to RUB60.8 billion (2015: RUB76.5 billion). The share of such investments in total industry financing was 8% (2015: 13%).

SEA PORTS AND INLAND WATERWAY INFRASTRUCTURE

2016 saw implementation of a series of investment projects resulting in a 32 million tonne capacity increase at Russian seaports. Key projects included:

- Commissioning of Stage 2 of the Bronka Marine Multipurpose Transshipment Complex
- Completion of construction of a passenger ship terminal in Murmansk
- Continued construction of seaport facilities near the settlement of Sabetta on the Yamal peninsula.

The following projects were implemented to enhance overall safety of inland navigable waterway infrastructure:

- Reconstruction of infrastructure of the White Sea – Baltic Sea Canal
- Reconstruction of infrastructure of the North-Dvina sluice system
- Completion of Stage 2 reconstruction of the Azov-Don basin.

2017 INDUSTRY OUTLOOK

Federal Road Network Development

A total of 326.2 km of federal highways is scheduled for commissioning upon completion of construction and reconstruction projects in 2017 (2016: 303.6 km).

Construction of the Kerch Bridge and its approaches on the side of the Krasnodar region, construction and reconstruction of segments of federal highways in the Far East, North Caucasus, Moscow and St. Petersburg transport hubs maintain their importance. Plans include completion of construction and reconstruction of segments and traffic interchanges of the M-7 “Volga” Highway in the Moscow region and the Republic of Tatarstan, as well as reconstruction of the M-18 “Kola” Highway in the Murmansk region, M-10 “Russia” in the Tver region, etc.

PPP Highway Development

Avtodor is expected to commission 116.4 km of roads in 2017, upon completion of the following projects:

- M-3 “Ukraine” Highway 173 km – 194 km segment reconstruction (21.6 km)
- M-4 “Don” Highway: 1,091 km – 1,119.5 km segment reconstruction (27.9 km); reconstruction of road furniture at 1,459+805 km – 1,542+215 km (12.3 km); reconstruction of traffic interchanges at 1,319 km – 1,345 km (2.9 km)
- M-11 “Moscow – St. Petersburg” Highway 58 km – 684 km segment construction and subsequent toll-based operation, Stage 4 (208 km – 258 km), Tver region, Phase 1 construction (47.9 km)

- M-11 “Moscow – St. Petersburg” Highway: construction of overpasses at local road intersections (at 22+120 km – with Vashutino – Yakovlevo road; at 32+635 km – with Pikino – Lunevo road; at 56+035 km – with Peshki – Gaidarovets Youth Camp road (2.98 km)

- M-11 “Moscow – St. Petersburg” Highway: construction of an approach at 37+225 km near Zelonagrad (0.8 km).

Ensuring Proper Operation of the Federal Road Network

Safety remains a priority in implementation of road construction and maintenance projects. Road safety measures include installation of light lines, construction of split-level pedestrian crossings, road barriers, other structures and technical facilities. Implementation of existing road-related programs is expected to increase the share of roads compliant with the relevant regulatory requirements to 77% in 2017 (2016: 71%).

Development of Additional Main Tracks and New Railways

2017 priorities:

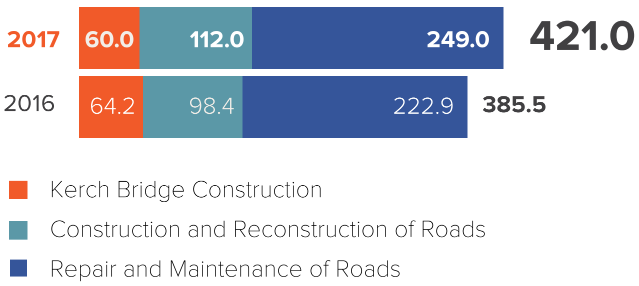
1. Construction of the Moscow – Kazan high-speed railway.

   PJSC Russian Railways and PJSC High-Speed Railways are currently updating organizational, legal and financial models for the Moscow-Kazan high-speed railway construction project, taking into account the results of technology and budget audits of engineering surveys, design documentation for the Moscow – Nizhny Novgorod segment of the railway, including assessment of technical requirements and high-speed rolling stock limitations, operation and maintenance technologies, based on the proposed design solutions. Development of the project design and budget documentation is expected to be completed by 30 June 2017, with subsequent technology and budget audits, as well as a state technical assessment of the project in accordance with the existing Russian legislation.

2. Continued implementation of the following projects:

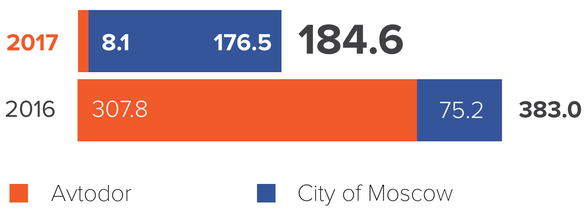
   - “Development and Upgrade of Railway Infrastructure on the Approaches to Ports of the Azov and Black Sea Basin”

FEDERAL ROAD AGENCY FINANCING STRUCTURE, RUB BILLION (INCL. VAT)



Source: Federal Road Agency

EXPECTED ROAD SEGMENT TENDERS, RUB BILLION (INCL. VAT)



Source: Avtodor website www.russianhighways.ru, City of Moscow investment website www.investmoscow.ru, RF official public procurement website http://zakupki.gov.ru.

- “Development of Railway Passenger Transport on the Zhuravka – Millerovo Segment”
- “Comprehensive Development of the Mezhdurechensk – Taishet Segment of the Krasnoyarsk Railway”
- “Modernization of the Railway Infrastructure of the Baikal-Amur and Trans-Siberian Railways, Including Development of Carriage and Traffic Capacity”.

3. 2018 World Cup transport infrastructure development projects. Completion of subway development in Nizhny Novgorod and St. Petersburg;
4. Construction of the Kerch Bridge and transport infrastructure development in Crimea..

The above projects are expected to increase the length of commissioned additional main line tracks and new railways in 2017 to 717.2 km (2016: 441.6 km).

Airport Network Development

Key 2017 priorities:

- Completion of reconstruction of airports in cities included in the 2018 World Cup preparation program, including reconstruction of infrastructure at the Moscow (Sheremetyevo, Domodedovo), Kaliningrad, Volgograd, Saransk, Nizhny Novgorod, Samara and Yekaterinburg airports
- Reconstruction of airports of the Far Eastern Federal District, Baikal Region and the Arctic zone, including reconstruction of infrastructure at the airports of Yakutsk, Khabarovsk, Norilsk, Ulan-Ude, Chorkuda, Srednykolymsk, Sakkyryr, Tiksi, Ossora, Zeya, Bomnak and Ekimchan, and development of design documentation for reconstruction of the Milkovo, Beringovsky and Herpuchi airports
- Reconstruction and construction of facilities with a high level of technical readiness: reconstruction of infrastructure at the Nizhnekamsk and Kyzyl airports.

OPERATING RESULTS

KEY COMMISSIONED PROJECTS

In 2016, Mostotrest completed and commissioned 24 infrastructure projects with a total length of constructed, upgraded and repaired roads and bridges of approximately 91 km.

In 2016, the Group's road services franchise repaired more than 260 km of roads and 6,900 linear meters of bridges. Actual bridge maintenance volume totaled 187,800 linear meters. As at the end of the reporting year, total road network under Mostotrest-Service maintenance contracts was 3,700 km.

2016 KEY COMMISSIONED[1] PROJECTS, RUB BILLION (EXCL. VAT)

	CONTRACT VALUE
Construction of 517 km –544 km section of M-4 ”Don” Highway (Novaya Usman and Rogachyovka bypasses)	**14.7**
Molodogvardeyskaya Traffic Interchange construction in Moscow	**8.6**
Construction of a section between Aminyevskoye Avenue and Generala Dorokhova St. (roadway, utility lines and elevated structures) in Moscow	**8.3**
Reconstruction of 50 km – 82 km section of M-9 “Baltic” Highway	**7.4**
Reconstruction of Ryabinovaya St. in Moscow	**6.9**
Traffic interchange at intersection of Moscow Ring Road with Mozhayskoye Avenue	**6.5**
Construction of 0 km – 18 km section of Vladivostok – Nakhodka – Vostochny Port Highway in Primorski Krai (Start-up Facilities 2 and 3)	**6.1**
Stage 1-1.2 construction of Leningradski Avenue in Moscow, with access to Mnevniki Street via Narodnogo Opolchenya Street in Moscow	**4.7**

BACKLOG DYNAMICS

2016 backlog growth drivers:

- New large tenders, a significant share of which were won by Mostotrest, including 3 out of the 5 largest tenders
- Addition of the Kerch Bridge construction project to the Group's backlog.

Tenders for infrastructure projects held by government customers in 2016 totaled RUB500.7 billion[2], a 30% increase year-on-year. Mostotrest added a total of RUB269.0 billion (RUB317.4billion including VAT) in new projects to its backlog, including major projects in the City of Moscow and segments of M-4 “Don” and M-11 “Moscow – St. Petersburg” federal highways.

1 Commissioned projects are projects delivered to and accepted by customers against relevant signed documentation. Actual completion dates in accordance with this definition may differ from completion dates as recorded for revenue recognition purposes under IFRS.

2 Including VAT. Customers: Avtodor, Federal Road Agency, City of Moscow. RF official public procurement website http://zakupki.gov.ru.

2016 KEY BACKLOG ADDITIONS, RUB BILLION (EXCL. VAT)

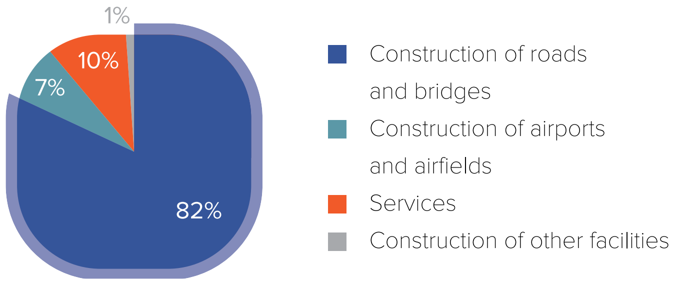
	CONTRACT VALUE
Kerch Bridge construction	108.7[3]
Construction, maintenance, repair, overhaul and toll-based operation of M-11 "Moscow – St. Petersburg" Highway Segment 1 (58 km – 97 km) and Segment 2 (97 km – 149 km)	63.1[4]
Construction, maintenance, repair, overhaul and toll-based operation of M-4 "Don" Highway 633 km – 715 km segment (Losevo and Pavlovsk Bypass)	52.8[4]
Construction of Festivalnaya St. – Dmitrovskoye Av. segment of M-11 "Moscow – St. Petersburg" Highway (Northern Throughway)	20.8
Construction of Vladivostok – Nakhodka – Vostochny Port Highway section (18 km – 40 km) in Primorsky region	17.5
Construction of a bridge across the Volga River, aligned on Vernov Street in Dubna, Moscow region	7.4
Construction of cable-stayed bridge "Krylatsky Bridge" (part of government contract for Western Moscow transport infrastructure development)	3.1

BACKLOG STRUCTURE

As previously, the bulk of the Group's backlog consists of bridge and road construction projects, the share of which further increased to 82% in 2016. At the same time, there were no new airfield and airport infrastructure development projects added to the backlog, resulting in a reduction of the share of such projects from 14% in 2015 to 7% in the reporting year.

As at the end of 2016, the Company mainly operated in the Central and Southern Federal Districts of Russia, which accounted for 83% of the Group's total backlog, with the Northwestern Federal District making up a further 10%.

BACKLOG STRUCTURE BY KEY OPERATION ACTIVITIES[5], %



Source: Company data.

3 Contract price was increased as a result of signing additional agreements during 2016.

4 Contract price includes fixed pricing for construction stage only. Final pricing for post-construction operation is calculated annually based on a number of coefficients.

5 Excluding intercompany eliminations.

KEY PROJECTS IN THE GROUP'S BACKLOG AS AT 2016 YEAR-END

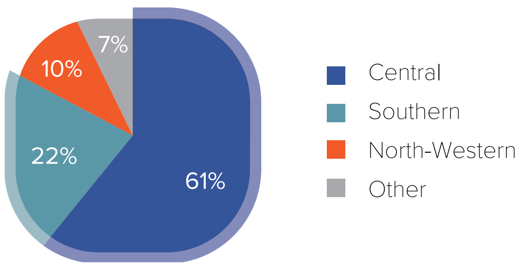
	CONTRACT VALUE[1] (RUB BILLION)	SCHEDULED COMPLETION	% COMPLETED	ESTIMATED BACKLOG[1] (RUB BILLION)	ROLE IN PROJECT
Kerch Bridge construction	108.7[2]	2018	24%	82.1	Subcontractor
Construction of Segment 1 (58 km –97 km) and Segment 2 (97 km –149 km) of M-11 "Moscow – Saint Petersburg" Highway	63.1[3]	2018	5%	59.8	General Contractor
Construction of 633 km –715 km segment (Losevo and Pavlovsk Bypass) of M-4 "Don" Highway	52.8[3]	2020	1%	52.5	General Contractor
Construction of Section 6 (334 km –543 km) of M-11 "Moscow – St. Petersburg" Highway	122.7[3]	2018	70%	36.9	General Contractor
Construction of Vladivostok – Nakhodka – Vostochny Port Highway section (18 km –40 km) in Primorsk region	17.5	2020	0%	17.5	General Contractor
Construction of Festivalnaya St. – Dmitrovskoye Av. segment of M-11 "Moscow – Saint Petersburg" Highway (Northern Throughway)	20.8	2018	21%	16.4	General Contractor
Construction of Solntsevo – Butovo – Vidnoye route between Kiyevskoye and Kaluzhskoye avenues	21.8	2018	33%	14.7	General Contractor
Construction of Section 4 (208 km –258 km) of M-11 "Moscow – St. Petersburg" Highway	27.4[3]	2017	51%	13.4	General Contractor
Construction of Runway 3 at Sheremetyevo International Airport	14.9	2019	25%	11.1	General Contractor
Maintenance, repair and toll-based operation of Vyshny Volochok Bypass on M-11 "Moscow – St. Petersburg" Highway (258 km – 334 km)	10.5	2033	0%	10.5	General Contractor
Construction of a bridge across the Volga River, aligned on Vernov Street in Dubna, Moscow region	7.4	2018	1%	7.4	General Contractor
Southern section of Northwest Belt Road construction from Mosfilmoskaya Street to Aminievskoe Highway (part of government contract for Western Moscow transport infrastructure development)	17.7	2018	65%	6.2	General Contractor
Construction of Entuziastov Avenue — Izmailovskoye Avenue section of Moscow's Fourth Ring Road	55.4	2017	89%	6.2	General Contractor
Maintenance and repair of road sections and bridges on M-4 "Don" Highway segment (225 km –633 km)	9.3	2021	42%	5.4	Subcontractor
Reconstruction of Khabarovsk Novy Airport	7.0	2017	26%	5.2	General Contractor
Reconstruction of bridge across the Volga River at 176 km of M-10 "Russia" Highway (Stage 2)	6.6	2019	29%	4.7	General Contractor
Reconstruction, maintenance and repair of 492.7 km –517.0 km section (Voronezh Bypass) of M-4 "Don" Highway	4.4	2029	4%	4.2	General Contractor
Reconstruction of Norilsk Airport	5.0	2017	27%	3.7	General Contractor
Construction of cable-stayed bridge "Krylatsky Bridge" (part of government contract for Western Moscow transport infrastructure development)	3.1	2017	4%	3.0	General Contractor
Construction of Rostov-on-Don Yuzhny Airport	14.0	2017	79%	2.9	General Contractor
Other projects				55.3	General Contractor/ Subcontractor
TOTAL				**419.0**	

1 Excluding VAT.

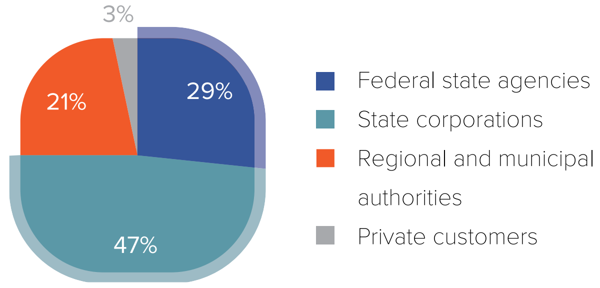
2 Contract price was increased as a result of signing additional agreements during 2016.

3 Contract price includes fixed pricing for construction stage only. Final pricing for post-construction operation is calculated annually based on a number of coefficients.

BACKLOG STRUCTURE, BY GEOGRAPHY, %



BACKLOG STRUCTURE, BY CUSTOMER, %



Source: Company data.

In 2016, government agencies continued to be the Group's main type of customer. As Avtodor and the Federal Road Agency were the customers for the largest contracts added to the Group's backlog in 2016, the share of regional and municipal customers in the reporting period decreased to 21% (2015: 29%)

IN-HOUSE PRODUCTION CAPACITY

In-house production covering a significant share of total construction material needs creates additional competitive advantages for the Group:

- Cost control, which is particularly relevant amid high inflationary expectations
- Guarantee of uninterrupted and rapid delivery of construction materials to project sites.

Located in Moscow and Tula, Mostotrest's two production facilities produce ready-mixed concrete, duct tubes, bridge span beams, steel structures, bearings and expansion joints. TSM mobile industrial plants located at construction sites supply the Group with asphalt and cement concrete products.

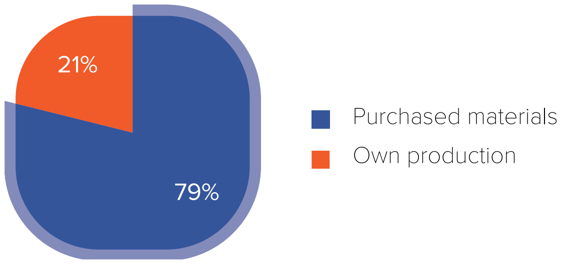
In 2016, the share of in-house production increased driven by the start of several large-scale projects, including the Kerch Bridge construction.

2016 MOSTOTREST IN-HOUSE PRODUCTION OF CONSTRUCTION MATERIALS

	2015	2016
Ready-mix concrete and sand-and cement mixes, '000 t	795	**1,098**
Precast concrete and reinforced concrete products, '000 t	57	**61**
Steel structures, '000 t	32	**47**
Bituminous concrete, '000 m^3	1,333	**1,259**
Stone mastic bituminous concrete, '000 t	247	**179**

In 2016, the cost of raw and construction materials and components equated to 25% of the Group's total production costs. Production volumes of concrete and sand-cement mix, precast concrete and reinforced concrete products, as well as bituminous concrete, completely covered the Company's requirements in these materials. In steel structures, the level of in-house production coverage of the Group's needs decreased from 49% in 2015 to 38% in 2016, due to a significant increase in required volumes (driven by the launch of the Kerch Bridge construction), which doubled year-on-year.

SHARE OF IN-HOUSE PRODUCTION IN TOTAL COST OF MATERIALS, %



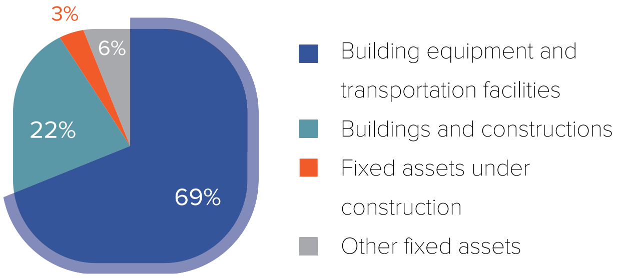
Source: Company data.

INVESTMENT IN NEW VEHICLES, MACHINERY AND EQUIPMENT

In 2016, Mostotrest continued to actively invest in the expansion of its fleet of vehicles, machinery and equipment, as part of its production base modernization and expansion program. The launch of new large-scale projects added to the backlog of the Group in 2016 also drove a significant increase in capital investment.

2016 investment in fixed assets totaled RUB9.0 billion, a 41% increase year-on-year.

FIXED ASSET INVESTMENT STRUCTURE[1], %



Source: Company data.

1 In 2016 some items of fixed assets previously classified within "construction-in-progress assets" group were reclassified to other appropriate groups of fixed assets depending on their nature and intended use.

FINANCIAL RESULTS

Mostotrest delivered strong financial results in 2016 due to significant upturn in construction volumes and operation efficience as increased high-margin in-house volumes[2] helped drive an almost 2 percentage point increase in gross margin.

KEY FINANCIAL RESULTS, RUB MILLION

	2015	2016	CHANGE	
Revenue	**143,155**	**175,198**	**32,043**	**22%**
Cost of sales	(123,959)	(148,445)	(24,486)	20%
Gross profit	**19,196**	**26,753**	**7,557**	**39%**
Gross margin, %	13.4%	15.3%		
Other income	1,630	924	(706)	(43%)
Administrative expenses	(8,496)	(10,089)	(1,593)	19%
Other expenses	(3,581)	(3,467)	114	(3%)
Profit from operating activities	**8,749**	**14,121**	**5,372**	**61%**
Operating profit margin, %	6.1%	8.1%		
Finance income	4,699	3,277	(1,422)	(30%)
Finance costs	(7,052)	(7,204)	(152)	2%
Share of profit/(loss) of equity accounted investees	(125)	(1,866)	(1,741)	n/a
Profit before income tax	**6,271**	**8,328**	**2,057**	**33%**
Profits tax expense	(2,039)	(3,315)	(1,276)	63%
Profit for the period	**4,232**	**5,013**	**781**	**18%**
Profit margin, %	3.0%	2.9%		
EBITDA	**13,244**	**18,094**	**4,850**	**37%**
EBITDA margin, %	9.3%	10.3%		

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

REVENUE[1]

REVENUE BY CONSTRUCTION PROJECT TYPE AND SERVICES, RUB MILLION

	2015	2016	CHANGE	
Revenue from contracts for construction of:				
bridges and highways	115,585	130,610	15,025	13%
airfields and airports	9,946	18,766	8,820	89%
railway infrastructure facilities	–	2,271	2,271	100%
other infrastructure facilities	2,208	6,397	4,189	n/a
other facilities	1,922	1,920	(2)	0%
Total revenue from construction contracts	**129,661**	**159,964**	**30,303**	**23%**
Revenue from maintenance and repair of roads	12,992	12,056	(936)	(7%)
Other revenue	502	3,178	2,676	n/a
TOTAL REVENUE	**143,155**	**175,198**	**32,043**	**22%**

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 22% year-on-year, driven by increased volumes of construction and assembly operations, principally derived from the Kerch Bridge construction project.

In addition, construction volumes grew significantly in a number of other current projects, including: construction of the Solntsevo – Butovo – Vidnoye route between Kievskoye and Kaluzhskoye Avenues; construction of the fourth segment (208 km – 258 km) of the M-11 "Moscow – St. Petersburg" Highway; and reconstruction of Runway 3 of the Sheremetyevo Airport in Moscow.

Significant construction volumes were also booked in other major projects launched in 2016, such as construction of the Northern Throughway between Festivalnaya Street and Dmitrovskoye Avenue; and construction of the railway Zhuravka-Millerovo.

In-house volumes[2] and subcontracted volumes[3] increased by 34% and 7%, respectively. At the same time, the share of subcontracted volumes[4] decreased by 5 percentage points on a like-for-like basis, to 37% in the reporting period.

1 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 date when the outcome of a construction contract can be estimated reliably.

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

3 Subcontracted volumes equal cost of subcontractor services in the Group's total cost of sales.

4 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 13% or RUB15.0 billion, to RUB130.6 billion (2015: RUB115.6 billion), driven by increased construction and assembly volumes.

Construction and assembly volume growth was mainly driven by the launch of active construction phases in a number of projects, including:

- Kerch Bridge construction
- Construction of the Solntsevo-Butovo-Vidnoye route between Kievskoye and Kaluzhskoye Avenues
- Construction of the fourth segment (208 km – 258 km) of the M-11 "Moscow – St. Petersburg" Highway
- Construction of the Northern Throughway between Festivalnaya Street and Dmitrovskoye Avenue.

Airfields and Airports Construction

In the reporting period, revenue from airfield and airport construction increased by 89% or RUB8.8 billion, to RUB18.8 billion (2015: RUB9.9 billion). Revenue growth in the segment was mainly the result of increased construction volumes in reconstruction projects at the Sheremetyevo Airport in Moscow (Runway 3), Rostov-on-Don and Khabarovsk airports, as well as the start of construction at new projects, such as reconstruction of the Luhovtsi and Yuzhno-Sakhalinsk airports.

Railway Infrastructure Construction

In 2016, for the first time in a number of years, the Group booked revenue from rail infrastructure construction, which totalled RUB2.3 billion in the reporting period. The revenue was associated with the launch of construction of the Zhuravka-Millerovo railway during the year.

Other Infrastructure[5] Construction

In the reporting period, revenue from construction of other infrastructure increased 2.9x or by RUB4.2 billion, to RUB6.4 billion (2015: RUB2.2 billion). Growth was mainly driven by construction of commercial offices in St. Petersburg.

Road Maintenance and Repair

In the reporting period, revenue from road maintenance and repair decreased by 7%, or RUB0.9 billion, to RUB12.1 billion (2015: RUB13.0 billion), as a result of the deconsolidation of UTS as of 2H2015. Excluding 2015 UTS revenue, the segment posted growing revenue dynamics in 2016.

Other revenue

In the reporting period, other sales grew 6.3x, or by RUB2.7 billion, to 3.2 billion (2015: RUB0.5 billion), driven by an increase in sales of finished goods to third-party contractors engaged in construction of the Kerch Bridge.

5 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.

COST OF SALES

The Group's cost of sales increased by 20% or RUB24.5 billion, from RUB124.0 billion for 2015 to RUB148.4 billion in the reporting period. Cost of sales on in-house[1] and subcontracted[2] volumes increased by 32% and 7%, respectively. Growth in the cost of in-house volumes was mainly driven by an increase in costs of materials, personnel, machinery, equipment, transport and labor services provided by third parties, and was partially offset by a reduction in the cost of design services.

COST OF SALES, RUB MILLION

	2015	2016	CHANGE	
Services of subcontractors	60,144	64,227	4,083	7%
Materials	21,554	36,537	14,983	70%
Personnel expenses	17,651	20,061	2,410	14%
Depreciation and amortisation	4,354	5,496	1,142	26%
Machinery, equipment, transport, and labor services provided by third parties	4,174	6,270	2,096	50%
Design works	4,500	1,727	(2,773)	(62%)
Bank guarantees	2,015	2,487	472	23%
Insurance	1,346	1,111	(235)	(17%)
Other	8,221	10,529	2,308	28%
TOTAL	**123,959**	**148,445**	**24,486**	**20%**

An increase in the cost of subcontracted volumes[2] by 7% or RUB4.1 billion, from RUB60.1 billion for 2015 to RUB64.2 billion in the reporting period was associated with an increase in revenue from subcontracted volumes.

An increase in the cost of materials of 70% or RUB15.0 billion, from RUB21.6 billion for 2015 to RUB36.5 billion in the reporting period was driven by a 34% increase in in-house volumes[3], a 17% increase in weighted average prices for materials[4] (specifically, strong price inflation for roll-steel in 2016), and execution of more material-intensive operations in the reporting period (mainly in the Kerch Bridge construction project).

A limited rise in staff costs of 14% or RUB2.4 billion, from RUB17.7 billion for 2015 to RUB20.1 billion in the reporting period amid strong in-house volumes[3] dynamics was achieved on the back of increased labor efficiency. Labor productivity increased by 29%, while total staff costs and average salaries were up 4% and 9%, respectively.

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

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

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

4 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.

+2 pp

SIGNIFICANT INCREASE IN IN-HOUSE VOLUMES OUTSTRIPPING THE COST OF IN-HOUSE VOLUMES AS WELL AS AN INCREASED SHARE OF IN-HOUSE VOLUMES DROVE TO 2 P.P. GROSS MARGIN GROWTH

An increase in the cost of services of third-party labor, vehicle, machinery and equipment providers of 50% or RUB2.1 billion, from RUB4.2 billion for 2015 to RUB6.3 billion in the reporting period was mainly the result of the need to deploy specialized vehicles and equipment for the Kerch Bridge construction.

An increase in other expenses of 28% or RUB2.3 billion, from RUB8.2 billion for 2015 to RUB10.5 billion in the reporting period was mainly the result of an increase in the cost of redeployment of construction equipment, the cost of vehicle repair and maintenance, and costs associated with the removal of soil and debris from construction sites, driven by an increase in in-house volumes[3].

A reduction in the cost of design services of 62% or RUB2.8 billion, from RUB4.5 billion for 2015 to RUB1.7 billion in the reporting period was mainly due to the fact that the majority of design work for the Group's largest projects was completed last year. Similar design work volumes were not assumed for new projects including for the Kerch Bridge construction in 2016.

GROSS PROFIT AND PROFITABILITY

The Group's gross profit increased by 39% or RUB 7.6 billion, from RUB19.2 billion for 2015 to RUB26.8 billion in the reporting period, as the rate of growth of in-house volumes[3] outstripped the costs of in-house volumes[1]. Consequently, and helped by a decrease in the share of subcontracted volumes[5], the Group's gross margin was 15.3% in the reporting period (2015: 13.4%).

ADMINISTRATIVE EXPENSES[6]

Against a backdrop of strong revenue dynamics in the reporting period, the Group's administrative expenses increased by 19%, from RUB8.5 billion for 2015 to RUB10.1 billion in the reporting period. The share of administrative expenses in revenue slightly decreased to 6%.

A rise in staff costs of 32% or RUB1.8 billion, from RUB5.7 billion for 2015 to RUB7.5 billion in the reporting period was driven by an 8% increase in headcount, and the payment of bonuses due for commissioning large projects in 2016.

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

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

ADMINISTRATIVE EXPENSES, RUB MILLION

	2015	2016	CHANGE	
Personnel expenses	5,657	7,452	1,795	32%
Third party services	839	603	(236)	(28%)
Social expenses	275	285	10	4%
Depreciation and amortisation	266	312	46	17%
Taxes (other than income tax)	292	259	(33)	(11%)
Rent expense	225	165	(60)	(27%)
Insurance	181	173	(8)	(4%)
Materials	198	285	87	44%
Business trip expenses	99	153	54	55%
Other	464	402	(62)	(13%)
TOTAL	**8,496**	**10,089**	**1,593**	**19%**

OTHER INCOME AND EXPENSES

Other income decreased by 43% or RUB0.7 billion, from RUB1.6 billion for 2015 to RUB0.9 billion in the reporting period. The decrease was due to recognition in 2015 of a RUB0.6 billion gain on disposal of a subsidiary, and the excess of the fair value of net assets over the purchase price of other subsidiaries in the amount of RUB0.4 billion. No similar income was booked in the reporting period.

Other expenses did not alter significantly.

10.3%

EBITDA MARGIN AS TO COMPARE WITH 9.3% IN 2015

EBITDA

EBITDA increased by 37% or by RUB4.9 billion, from RUB13.2 billion for 2015 to RUB18.1 billion in the reporting period, driven by an increase in gross margin and partially offset by an increase in losses of the associated company. EBITDA margin was 10.3% compared with 9.3% for 2015.

FINANCE INCOME AND EXPENSES[1]

Group financial income decreased by 30% or RUB1.4 billion, from RUB4.7 billion for 2015 to RUB3.3 billion in the reporting period, mainly due to a decrease in free cash available for deposits in 2016 compared to the previous year, combined with lower interest rates on bank deposits.

Finance costs did not change significantly, increasing by 2% or RUB0.2 billion, from RUB7.0 billion for 2015 to RUB7.2

1 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.

FINANCE INCOME AND EXPENSE, RUB MILLION

	2015	2016	CHANGE	
FINANCE INCOME:				
Interest income on bank deposits	3,247	660	(2,587)	(80%)
Interest income on long-term investment agreements	176	970	794	n/a
Interest income on loans given	1,046	1,315	269	26%
Foreign exchange gain	165	50	(115)	(70%)
Effect of discounting of financial assets and liabilities	64	279	215	n/a
Other finance income	1	3	2	n/a
Total finance income	**4,699**	**3,277**	**(1,422)**	**(30%)**
FINANCE COSTS:				
Interest expense on borrowings	(5,710)	(5,693)	17	0%
Interest expense on finance leases	(666)	(924)	(258)	39%
Change in non-controlling interest	(676)	(587)	89	(13%)
Total finance costs	**(7,052)**	**(7,204)**	**(152)**	**2%**
NET FINANCE COSTS	**(2,353)**	**(3,927)**	**(1,574)**	**67%**

billion in the reporting period, driven by an increase in interest payments on finance leases. In the reporting year, the Group completed two highly successful long-term bond offerings for a total of RUB10 billion, thereby replacing a portion of its short-term bank loans with longer term bonds at lower rates. In addition, the Group repaid part of its bank loans, reducing the loan portfolio from RUB41.7 billion as at the end of 2015 to RUB28.8 billion as at the end of the reporting period.

SHARE IN LOSSES OF EQUITY ACCOUNTED INVESTEES

Share in losses of equity accounted investees increased by RUB1.7 billion from RUB0.1 billion for 2015 to RUB1.9 billion in the reporting period, due to the launch of commercial operations at the concession project managed by joint venture NWCC only at the end of 2015. The loss was in line with projections, including the period for reaching the full design capacity.

INCOME TAX

Income tax expense increased by 63% or RUB1.3 billion, from RUB2.0 billion for 2015 to RUB3.3 billion for 2016, driven by a significant increase in taxable profit in the reporting period. The effective income tax rate adjusted for changes in the share of non-controlling participants and profits and losses of associates, was broadly unchanged at 31% for the reporting period.

PROFIT FOR THE PERIOD

Profit increased by 18% or RUB0.8 billion, from RUB4.2 billion for 2015 to RUB5.0 billion in the reporting period.

CASH AND LIQUIDITY

As at 31 December 2016 and 2015, cash balances and equivalents, and cash on special accounts[1] and bank deposits with a maturity of more than 3 months amounted to RUB25.9 billion and RUB55.2 billion, respectively. During the reporting period, cash balances at the beginning of the period and debt were used to finance working capital, including co-financing under long-term investment contracts, implementation of the investment program, refinancing and partial repayment of short-term bank loans, and repayment of debt used for acquisitions completed in 2012. Working capital financing was associated with interim payments to subcontractors and suppliers, stock replenishment and VAT payments.

NET DEBT, RUB MILLION

	31/12/2015	31/12/2016	CHANGE	
DEBT				
Loans and borrowings	37,462	23,445	(14,017)	(37%)
Finance lease liabilities	4,201	5,360	1,159	28%
Total	**41,663**	**28,805**	**(12,858)**	**(31%)**
CASH AND CASH EQUIVAVELNTS				
Cash and cash equivavelnts	30,936	18,991	(11,945)	(39%)
Cash at special accounts	24,258	6,872	(17,386)	(72%)
Bank deposits with maturities over 3 months	20	27	7	35%
Total	**55,214**	**25,890**	**(29,324)**	**(53%)**
NET DEBT	**(13,551)**	**2,915**	**16,466**	**n/a**

As at the year end, the Group had debt of RUB28.8 billion and cash in the amount of RUB25.9 billion. Group net debt as at the end of the reporting period was RUB2.9 billion.

Under current banking arrangements, the free credit limit available to the Group as at the end of the reporting period was RUB37.0 billion (RUB21.0 billion as at 31 December 2015).

1 Cash at 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[2]

NET WORKING CAPITAL STRUCTURE, RUB MILLION

	31/12/2015	31/12/2016	CHANGE	
Inventories	11,003	16,814	5,811	53%
Trade and other receivables	5,307	7,975	2,668	50%
Amounts due from customers on construction contracts	13,474	13,981	507	4%
Prepayments	21,253	25,199	3,946	19%
Total	**51,037**	**63,969**	**12,932**	**25%**
Trade and other payables	(26,387)	(25,612)	775	(3%)
Amounts due to customers on construction contracts	(62,656)	(61,069)	1,587	(3%)
Total	**(89,043)**	**(86,681)**	**2,362**	**(3%)**
NET WORKING CAPITAL	**(38,006)**	**(22,712)**	**15,294**	**(40%)**

Negative net working capital decreased by RUB15.3 billion as compared to the end of 2015, and at the end of the reporting period was RUB22.7 billion.

The reduction in negative net working capital was mainly due to growth in working capital. Current assets increased by 25%, or RUB12.9 billion, mainly driven by an increase in inventories at the Kerch Bridge construction site, receivables from third-party contractors for the supply of materials for the Kerch Bridge construction, as well as by mandatory security deposits for participation in tenders and advance payments to subcontractors.

During the reporting period, the Group financed working capital primarily through bank loans, bonds and operating cash flow.

CAPITAL EXPENDITURE

In the reporting period, the total amount of capital investment in fixed assets and intangible assets accounted for on the balance sheet of the Group increased by 40% or RUB2.6 billion, to RUB9.1 billion (2015: RUB6.5 billion). Capital investments were used to acquire construction equipment and vehicles under the production base upgrade and expansion program. The increase in total capital expenditure in the reporting period compared to the previous year was driven by a step-up in the production program, including the launch of new large-scale projects in 2016.

2 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).

GEARED TOWARDS THE FUTURE

DEFYING THE ELEMENTS

CORPORATE GOVERNANCE

- Corporate Governance Principles
- Corporate Governance Structure
- Internal Control and Audit
- Information for Shareholders and Investors

3

INDEPENDENT DIRECTORS ON THE BOARD OF DIRECTORS

60%

OF 2016 NET PROFIT IS RECOMMENDED TO PAY AS DIVIDENDS

CORPORATE GOVERNANCE PRINCIPLES

CORPORATE STANDARDS

The Company is currently working to improve corporate standards and their application, taking into account the following long-term priorities:

- Ensure the rights and interests of shareholders and other interested parties
- Ensure information transparency
- Maintain an atmosphere of openness, trust and cooperation between the Company, its shareholders, managers, investors, employees, contractors and other stakeholders.

RULES AND REGULATIONS

Mostotrest fully complies with the Russian law, including corporate law and the securities market law. A key priority of Mostotrest with regard to further improvement of corporate governance is application of and compliance with:

- Principles of the Corporate Governance Code of the Russian Federation, as applied by the Bank of Russia to listed joint-stock companies (CBR Letter 06-52/2463 of April 10, 2014, On the Corporate Governance Code (hereinafter – the Russian Corporate Governance Code))
- Generally accepted international corporate governance standards and practices.

DOCUMENTS

The following internal documents underlie the Company's corporate governance system:

- Articles of Incorporation
- Corporate Code of Conduct
- Rules and Regulations for the General Shareholders' Meeting
- Dividend Policy Rules and Regulations
- Insider Information Rules and Regulations
- Disclosure (Information Policy) Rules and Regulations
- Rules and Regulations for the Board of Directors
- Board of Directors Remuneration Rules
- Rules and Regulations for the Audit Committee of the Board
- Rules and Regulations for the HR and Remuneration Committee of the Board
- Rules and Regulations for the CEO
- Rules and Regulations for the Company Secretary
- Internal Audit Rules and Regulations
- Rules and Regulations for the Audit Commission.

Most of the corporate documents listed above are available on the Company's website: **www.mostotrest.ru.**

The documents establish effective mechanisms to protect the rights and legitimate interests of shareholders, to ensure transparency of decision-making, professional and ethical responsibility of the Board of Directors, the CEO, employees, as well as information transparency of the Company.

Mostotrest's Code of Governance establishes general principles of corporate governance, guidelines for relationships with subsidiaries, principles of social responsibility, the General Shareholders' Meeting procedures, the Board, CEO and Company Secretary procedures, protection of shareholder interests in cases of material corporate events and conflicts, the shareholder register and profit distribution policy, as well as control, risk management and information disclosure procedures.

CORPORATE GOVERNANCE STRUCTURE

MANAGEMENT AND CONTROL BODIES

The General Shareholders' Meeting is the supreme governing body of the Company. Elected by the General Shareholders' Meeting, the Board of Directors is responsible for general oversight of the Company's operations and development strategy, and for monitoring the implementation of decisions of the General Shareholders' Meeting. The Board of Directors forms the Audit Committee, appoints the CEO and the Corporate Secretary of the Company. The CEO is the sole executive body in charge of day-to-day management of the Company's operations. The Corporate Secretary organizes the procedures of the General Shareholders' Meeting, meetings of the Board of Directors and its committees, ensures shareholder outreach and performs other related functions. The Audit Commission ensures control over the Company's financial and economic operations. The Audit Commission is elected by the General Shareholders Meeting and reports to the Company's shareholders. The CEO on proposal from the Audit Committee appoints the Head of Internal Audit Service. The Head of Internal Audit Service reports to the Audit Committee functionally and to the CEO administratively.

GENERAL SHAREHOLDERS' MEETING

Competences

The General Shareholders' Meeting is the supreme governing body of the Company.

Responsibilities of the General Shareholders' Meeting include:

- Identify priority areas for the Company's operations and establish principles of ownership and use
- Approve internal corporate documents
- Decide on restructuring or liquidation of the Company
- Elect the Board and Audit Committee members and decide on their remuneration and early termination of their powers
- Approve annual reports, annual financial statements, profit distribution and dividends
- Approve the Company's auditors
- Approve changes in the registered capital of the Company and certain types of transactions (except those within the competence of the Board of Directors).

Procedures

By convening General Shareholders' Meetings, the Company aims to ensure recognition of the legitimate rights and interests of its shareholders, related to their participation in the meetings. General Shareholders' Meetings are governed by the existing legislation, as well as the Articles of Incorporation and the General Shareholder's Meeting Rules.

The Company strives to create the most favorable conditions for the protection of shareholder rights. Indeed the meeting practices adopted by Mostotrest for its General Shareholder Meetings exceed the requirements set by applicable law:

- Shareholders are notified of the General Shareholders' Meeting at least 30 days prior to the meeting, regardless of the agenda (unless the law stipulates a longer notice period in specific cases)
- The Company offers its shareholders holding not less than 1% of the vote an opportunity to familiarize themselves with the list of persons entitled to attend the General Shareholders' Meeting, upon submission of such list by the Registrar

- Shareholders holding not less than 2% of voting shares are entitled to table items for the agenda of the Annual General Shareholders' Meeting and nominate candidates to the Board of Directors and the Audit Committee of Mostotrest not later than 60 days after the end of the financial year
- If the General Shareholders' Meeting is to consider amendments to the Articles of Incorporation, shareholders are provided with comparative tables containing the relevant extracts of the Articles of Incorporation before and after each of the proposed changes, as well as an overview of reasons for the changes
- Consideration by the General Shareholders' Meeting of amendments to internal documents of Mostotrest is accompanied by a report from the Company Secretary on the rationale for proposed changes
- Mostotrest makes minutes of the General Shareholders' Meeting available on its website as soon as practicable
- Rationale for proposed allocation of net profit between Mostotrest needs and dividends in accordance with the dividend policy is provided in the CEO statement during the General Shareholders' Meeting
- Voting results and adopted decisions are announced before the end of the General Shareholders Meeting.

In 2016, the Company held its Annual General Shareholders' Meeting, as well as three absentee Extraordinary General Shareholders' Meetings.

ANNUAL GENERAL SHAREHOLDERS' MEETING HELD IN JUNE 2016 APPROVED A RECORD DIVIDEND: 71% OF IFRS NET PROFIT

Results of Extraordinary General Shareholders' Meetings of January 11, 2016, March 28, 2016 and November 21, 2016:

- Approved related-party transactions.

Annual General Shareholders' Meeting Results of June 29, 2016:

- Approved Annual Report and annual financial statements
- Adopted decision to distribute the Company's 2015 profit, including payment of dividends and remuneration of members of the Board
- Adopted a decision to distribute retained earnings of previous years, including, partly, as dividends
- Elected the Board of Directors and the Audit Commission
- Approved auditors under Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS)
- Approved amended Articles of Incorporation
- Approved related-party transactions that may be committed to in the future in the ordinary course of business.

BOARD OF DIRECTORS

The Board of Directors is a collegial management body of the Company, responsible for general oversight of Mostotrest, except for matters falling within the competence of the General Shareholders' Meeting. The Board decisions are adopted by a three-fourths majority vote of its elected members, except in certain cases as prescribed by law and the Articles of Incorporation.

Applicable law and internal documents (Articles of Incorporation, Rules and Regulations for the Board of Directors) govern the Board of Directors procedures.

Goals and Responsibilities

Under the provisions of the internal documents of Mostotrest, the main goals and responsibilities of the Board of Directors are:

- Define corporate development strategy
- Enforce and protect shareholders' rights and legitimate interests
- Engage in resolution of corporate conflicts
- Ensure completeness, reliability and objectivity of corporate disclosures to shareholders and other interested parties
- Establish effective risk management and internal control mechanisms
- Evaluate management performance on a regular basis.

Principles

To ensure implementation of the above goals and objectives, the Board is guided by the following principles:

- Make decisions based on reliable information about the Company's operations
- Prevent any restriction of the shareholders' right to participate in managing Mostotrest, receive dividends and information about the Company
- Ensure a balance of interests for different groups of shareholders and adopt the most objective Board decisions in the interests of all shareholders of Mostotrest.

Board Composition

Members of the Board shall be the most qualified available experts with a combination of skills and professional expertise that ensure efficient operation and deliver maximum benefit to the Company and its shareholders. At present, the Board of Directors of Mostotrest consists of 11 directors, 7 of whom are non-executive, including the Chairman, and 3 independent directors, in accordance with the criteria set out in the Moscow Stock Exchange Listing Rules and the Corporate Governance Code of the Russian Federation. Independent directors ensure that the interests of all shareholders are properly represented.

The Rules and Regulations for the Board of Directors require at least one, and usually not more than three, independent directors on the Board, who fulfill the criteria of independence as defined in the document. Pursuant to the terms of contracts with independent directors of Mostotrest, such directors shall maintain their independence for the entire duration of their service on the Board.

The Company's internal documents require the Board members to refrain from actions that will or may potentially lead to a conflict of interests. To the best of the Company's knowledge, members of the Board of Directors of Mostotrest do not hold official positions in competitor companies.

Chairman of the Board

The Chairman of the Board manages the Board proceedings, specifically, convenes the Board meetings and establishes the agenda, controls execution of decisions of the General Shareholders' Meeting and the Board of Directors, monitors the Company's relations with its shareholders, Board of Directors and management, executive and non-executive directors.

Members of the Board elect the Chairman of the Board by a three-fourths majority vote. According to the Rules and Regulations for the Board of Directors, the CEO of Mostotrest may not simultaneously be its Chairman of the Board or Deputy Chairman of the Board.

Since July 2015, Vladimir Monastyrev has been Chairman of the Board of Directors of Mostotrest.

Composition of the Board of Directors of Mostotrest as at the end of 2016:

VLADIMIR MONASTYREV

Chairman of the Board of Directors,
Non-Executive Director,
Board member since 2015.

Born in 1978 in Zagorskiy region of Moscow region. Degree in Economics and Management from the Moscow State University of Railway Engineering (1999). PhD in Economics.

PROFESSIONAL EXPERIENCE:
2000 – present: Mostotrest, Deputy CEO for Development. Prior to appointment as Deputy CEO he served as Head of Economic Planning Department.

VALERY DORGAN

Deputy Chairman of the Board of Directors,
Non-Executive Director,
Board member since 2015.

Born in 1952 in Nikolaev.
Degree in Airfield Construction from the Moscow Automobile and Road Construction Technical University (1978). Degree in Construction Management from the Moscow S. Ordzhonikidze Management University (1987). PhD in Economics.

PROFESSIONAL EXPERIENCE:
2010 – present: Mostotrest, Deputy CEO for Marketing. Previously – CEO of Mostotrest-Service, a Mostotrest subsidiary.

GENNADY BOGATYREV

Company Secretary,
Non-Executive Director,
Board member since 2015.

Born in 1972 in Moscow.
Holds a degree in Law from the Moscow State Law Academy.

PROFESSIONAL EXPERIENCE:
2006 – present: Mostotrest, Deputy CEO for Legal Affairs.
Member of the Board of Directors of several Russian companies.

LEONID DOBROVSKY

Non-Executive Director,
Board member since 2011.

Born in 1965 in Moscow.
Holds a degree in Physics (research) from the Moscow Physics and Technology University (1989).

PROFESSIONAL EXPERIENCE:
2006 – present: Mostotrest, Deputy CEO. Member of the Board of Directors of several Russian companies.

MARIA KARELINA

Independent Director,
Board member since 2016.

Born in 1966 in Moscow.
Degree in Automobile and Tractor Mechanics from the Moscow Automotive Mechanics University (1988). Degree in Law from the Federal Border Service Moscow Military Academy (2000). PhD in Technical Sciences, Doctor of Education.

PROFESSIONAL EXPERIENCE:
2012 – present: the Moscow Automobile and Road Construction Technical University, Head of Machine Parts and Theory of Mechanisms Department. Before 2016 – VP for education.

ANDREY KONNYKH

Non-Executive Director,
Board member since 2015.

Born in 1959 in Norilsk.
Degree in Bridge and Tunnel Construction from the Moscow Automobile and Road Construction Technical University (1984).

PROFESSIONAL EXPERIENCE:
2011 – 2016: Mostotrest, Head of Construction Preparation Department.
Chief Engineer since February 2017.

VLADIMIR KOTYLEVSKY

Non-Executive Director,
Board member since 2015.

Born in 1969 in Minsk.
Graduated from the Belorussian State Institute of Physical Culture, diploma of Training Specialist (coach).

PROFESSIONAL EXPERIENCE:
2010 – 2016: Mostotrest, Adviser CEO. In 2016 appointed as Deputy CEO.

VYACHESLAV PRIKHODKO

Independent Director,
Board member since 2015.

Born in 1948 in Kaliningrad.
Holds a degree in Motor Transport Operation from the Moscow Automobile and Road Construction Technical University (1971). Professor, Doctor of Technical Sciences, Corresponding Member of the Russian Academy of Sciences.

PROFESSIONAL EXPERIENCE:
2016 – present: the Moscow State University of Railway Engineering, Advisor to the Rector. 2015 – 2016: the Moscow State Automobile and Road Construction Technical University, Advisor to the Rector. 2001 – 2015: Moscow Automobile and Road Construction Technical University, Rector.

VALENTIN SILYANOV

Independent Director,
Board member since 2016.

Born in 1937 in Moscow.
Degree in Transport Engineering from the Moscow Automobile and Road Construction Technical University (1960). Doctor of Technical Sciences, member of a number of Russian and international organizations in the field of transport.

PROFESSIONAL EXPERIENCE:
2007 – present: the Moscow State Automobile and Road Construction Technical University, Advisor to the Rector.

OLEG TANANA

Non-Executive Director,
Board member since 2016.

Born in 1966 in Katav-Ivanovsk, Chelyabinsk region.
Degree in Economic and Social Development from the Belarusian State National Economy University (1991).
Degree in economics and finance from the Russian Academy of National Economy (2004).

PROFESSIONAL EXPERIENCE:
2006 – present: Mostotrest CFO.

VLADIMIR VLASOV

Executive Director,
Board member since 2011.

Born in 1970 in Kharkov.
MBA from the Russian Academy of National Economy (2006).

PROFESSIONAL EXPERIENCE:
2006 – present: Mostotrest CEO.

MEMBERS OF THE BOARD OF DIRECTORS OF PJSC MOSTOTREST DO NOT OWN, DID NOT OWN DURING THE REPORTING PERIOD ANY SHARES OF THE COMPANY, AND DID NOT CONDUCT ANY TRANSACTIONS WITH THE COMPANY'S SHARES[1]

1 Vladimir Monastyrev owns 0,0001% of the Company.

2016 BOARD OF DIRECTORS AND AUDIT COMMITTEE MEETINGS ATTENDANCE STATISTICS

	Board Meetings		Audit Committee Meetings	
BOARD MEMBER	Held	Attended	Held	Attended
G. Bogatyrev	40	40	–	–
L. Dobrovsky	40	40	–	–
V. Dorgan	40	40	–	–
M. Karelina[1]	40	21	2	1
A. Konnykh	40	40	–	–
V. Kotylevsky	40	40	–	–
V. Monastyrev	40	40	–	–
V. Prikhodko	40	40	2	2
B. Sakun[2]	40	19	2	1
V.Silyanov[1]	40	21	2	1
A. Shevchuk[2]	40	19	2	1
O.Tanana[1]	40	21	–	–
V. Vlasov	40	40	–	–
A. Williams[2]	40	19	–	–

Source: Company data.

1 Member of the Board of Directors since 29 June 2016.

2 Member of the Board of Directors from 1 January 2016 to 28 June 2016.

BOARD AUDIT COMMITTEE

The Audit Committee of the Board of Directors was established by the Board of Directors to supervise the Company's financial and economic operations. Applicable law and the following internal documents govern the Audit Committee:

- Articles of Incorporation
- Rules and Regulations for the Board of Directors
- General Shareholders' Meeting and Board Resolutions
- Rules and Regulations for the Board Audit Committee.

To improve corporate governance, the Board of Directors in December 2016 approved updated Audit Committee Rules, expanding the scope of the Audit Committee competence and responsibilities, updating the composition and formation rules, as well as the committee's procedures.

Composition of the Audit Committee

In accordance with Rules and Regulations for the Board Audit Committee, the Audit Committee consists of three members of the Board and is chaired by the Chairman of the Audit Committee. The Chairman of the Audit Committee must meet the independence criteria in accordance with the requirements of the federal securities market regulator for listing the Company's securities on Russian stock exchanges at the required level, as well as in accordance with internal documents. The CEO shall not be a member of the Audit Committee. The Chairman and other members of the Audit Committee are elected by the Board of Directors by a three-fourths majority vote of its elected members.

Composition of the Committee as at the end of 2016:

- Vyacheslav Prikhodko, Chairman of the Audit Committee, Independent Director
- Maria Karelina, member of the Audit Committee, Independent Director
- Valentin Silyanov, member of the Audit Committee, Independent Director.

The goal of the Audit Committee is to assist the Board in monitoring the completeness and accuracy of financial and other corporate reports, to prepare and present such reports, to ensure proper functioning of the internal control system, internal audit, risk management, legal and internal compliance processes.

Key Responsibilities of the Audit Committee:

- Evaluation of external auditors
- Assessment of auditor opinions
- Ensuring completeness, accuracy and reliability of financial statements
- Ensuring reliability and effectiveness of the risk management and internal control system.

In 2016, the Audit Committee held 2 meetings in-absentia, which addressed the following issues:

- Recommendations to the Board of Directors on nominees for auditors in accordance with IFRS and RAS for 2016
- Approval of the Internal Audit Service 2016 work plan
- Internal Audit Service Q1 2016 report
- Recommendations to the Board of Directors on the auditors fee for the review of RAS financial statements for the period from January 1, 2016 to December 31, 2016
- Recommendations to the Board of Directors on the auditor fees for the review of the IFRS condensed consolidated financial statements for the first half of 2016 and the audit of IFRS consolidated financial statements for 2016.

The Audit Committee within its competence interacts with the Internal Audit Service and representatives of external auditors of the Company, and invites them to participate in meetings of the Committee, if necessary.

BOARD PROCEDURES

The Board of Directors convenes at least twice a month. In between regular meetings the Board may convene extraordinary meetings to discuss urgent issues pertaining to the Company's business operations and adopt relevant decisions.

2014-2016 BOARD MEETING STATISTICS

	2014	2015	2016
Total Board Meetings	**41**	**48**	**40**
Scheduled	14	9	**14**
Extraordinary	27	39	**26**
In-praesentia	2	–	**–**
In-absentia	39	48	**40**
Number of Items Considered	**186**	**345**	**275**

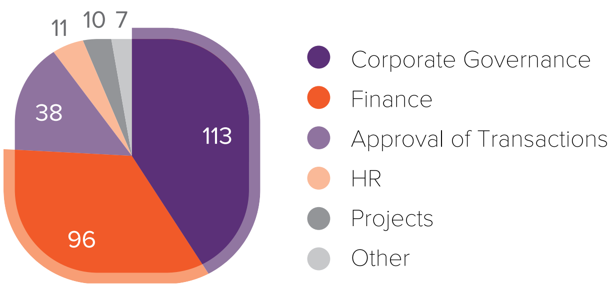
Source: Company data.

Decisions by the Board of Directors are adopted by a three-fourths majority vote of its elected members; each director has one vote.

In 2016, the Board of Directors held 40 meetings discussing current operational issues and adopting important strategic decisions, including:

- Decisions relating to distribution of profits and the General Shareholders' Meeting
- Decisions relating to election of the CEO, the Chairman of the Board of Directors, Deputy Chairman of the Board of Directors and the Corporate Secretary
- Decisions regarding the external auditor's fees
- Decisions relating to the normal course of business: approval of the Company's participation in tenders for new contracts
- Decisions relating to financial and economic policy (credit policy)
- Decisions on related-party transactions

2016 BOARD MEETINGS AND NUMBER OF ITEMS CONSIDERED



Source: Company data.

- Decisions relating to operations of subsidiaries
- Decisions on disposal of non-core assets
- Decision on approval of exchange-traded bond program; bond offering reports
- Decisions relating to amendments to the Articles of Incorporation and new wording for a number of provisions.

COMPENSATION OF THE BOARD

Mostotrest policy on remuneration of the Board of Directors is based on the principles of transparency, accountability and evaluation of the contribution of remunerated Board members to the Company's operations, as well as motivation and retention of qualified and competent individuals.

Board members are compensated in accordance with Mostotrest Board Member Remuneration and Compensation Rules as approved by the General Shareholders' Meeting. The Rules do not apply to independent directors that satisfy the independence criteria set out in the Rules and Regulations for the Board of Directors, as separate contracts are concluded with them as provided for in the Board Rules and Regulations. At the same time, all directors are compensated for expenses relating to their service on the Board.

Mostotrest internal documents and agreements with members of the Board of Directors do not provide for any additional benefits (severance pay) for members of the Board in the event of early termination of their powers. Mostotrest does not offer long-term incentives (option plans) and does not enter into civil law contracts with members of the Board to regulate their activities as Board members.

THE BOARD MEMBERS' REMUNERATION CONSISTS OF A FIXED AND BONUS PARTS

FIXED	BONUS
PER-MEETING ATTENDANCE FEE, REGARDLESS OF MEETING FORMAT	**BONUS BASED ON FULL - YEAR RESULTS**
Equal to 6x minimum legal wage effective as at the date of a Board meeting, in accordance with applicable federal labor law	Linked to Mostotrest net profit for the year and the number of meetings attended by director

The bonus part of the remuneration is calculated by the following formula:

COMPENSATION = (NI×A) / (100×B×C),

where NI – Net Income of the parent company of the Group
A – Number of Board meetings attended by a director
B – Number of directors on the Board
C – Number of Board meetings in the period between the Annual General Shareholders' Meetings.

The bonus element of remuneration paid to members of the Board is subject to attendance of at least 50% of meetings held during their tenure. Fixed and bonus remuneration paid to Chairman of the Board is augmented by 50%.

The total amount of remuneration paid to members of the Board of Directors in 2016 and 2015 was RUB43.0 and RUB55.8 million, respectively, including, respectively, RUB26.0 million and RUB23.3 million for participation in meetings (fixed element).

In 2016 and 2015, Mostotrest did not reimburse any expenses of the Board members related to their service on the Board.

COMPANY SECRETARY

To comply with corporate governance rules and procedures, applicable law and internal documents, the Board of Directors elects the Company Secretary. Currently, key responsibilities of the Corporate Secretary include document storage, disclosure and provision of information about the Company, and shareholder relations. Since 2008, the Company Secretary of Mostotrest has been Gennady Bogatyrev. In December 2016, aiming to improve corporate governance, the Board of Directors approved the amended Regulation on the Corporate Secretary, significantly expanding the scope of responsibilities of the Corporate Secretary, updating the procedure for appointing and dismissing the Corporate Secretary, the rights and duties of the Corporate Secretary and procedures for his relations with government bodies, the Company's management and control bodies and business divisions.

MANAGEMENT

The CEO, the sole executive body of Mostotrest elected by the Board of Directors, is responsible for day-to-day management of the Company's operations. The CEO reports to the General Shareholders' Meeting and the Board of Directors.

The CEO submits reports on financial and economic operations of Mostotrest and its subsidiaries to the Board of Directors, and reports on implementation of resolutions of the General Shareholders' Meeting and decisions of the Board during in-praesentia Board meetings.

Internal documents of Mostotrest (business plan, production program) contain provisions requiring of the CEO to refrain from actions that will or may potentially lead to a conflict of interests. Mostotrest CEO and his deputies do not hold official positions in competitor companies.

MOSTOTREST CEO HAS 11 DEPUTIES, EACH RESPONSIBLE FOR A SPECIFIC AREA OF OPERATIONS.

Executive Remuneration

Mostotrest's executive Remuneration policy is designed to attract and retain high calibre executives and to provide appropriate incentives in order to optimise management performance. Remuneration of the CEO and his deputies consists of two elements: a monthly salary (fixed part) set in accordance with the terms of employment contract, and annual bonus (variable part) linked to the Company's overall performance.

Bonuses payable to the CEO are based on decisions of the Board of Directors. The CEO's deputies are also entitled to receive additional remuneration in accordance with collective agreements. The KPI Committee on proposals from the CEO decides on bonuses for CEO deputies. A monthly bonus amount may not exceed two monthly salaries.

Remuneration paid to senior management, including branch directors and management of subsidiaries in 2016 and 2015 amounted to RUB1,465.1 million and RUB1,052.3 million, respectively.

Currently, apart from KPI-linked bonuses, management is not additionally incentivized through option plans or other long-term programs. Mostotrest does not issue loans to members of its governing bodies and senior management.

MANAGEMENT LIABILITY INSURANCE

Members of the Board and the CEO shall perform their duties reasonably and in good faith in the interests of shareholders of the Company and in accordance with the law, Articles of Incorporation and internal documents of Mostotrest. At the same time, management is ordinarily exposed to the probability of making misjudged decisions that can lead to negative consequences for the Company, its shareholders or third parties. In order to minimize the risk, in 2016 Mostotrest took out liability insurance policies covering members of the Board, CEO, CFO, Chief Accountant, Company Secretary and regional division (branch) directors, with a total liability limit of US$50 million. The insurance is intended not only to compensate Mostotrest, its shareholders or third parties in case of potential losses resulting from misjudged management decisions, but also to support the ability of Mostotrest to employ highly qualified and competent managers, by offering them protection from potential material claims.

MANAGEMENT

VLADIMIR VLASOV

CEO
Member of the Board

Born in 1970 in Kharkov

MBA from the Russian Academy of National Economy.

PROFESSIONAL EXPERIENCE:
2006 – present: CEO of Mostotrest.
2000-2005: CEO, Kolomna Plant Holding Company.
Previously held management positions at forwarding companies in seaports of Murmansk and St. Petersburg, as well as at Severstaltrans.

VALERY DORGAN

Deputy CEO for Marketing
Member of the Board

Born in 1952 in Nikolaev

Degree in Airfield Construction from the Moscow Automobile and Road Construction Technical University, and degree from the Moscow S. Ordzhonikidze Management University. Ph.D. in economics.

PROFESSIONAL EXPERIENCE:
2010 – present: Mostotrest Deputy CEO for Marketing
35+ years of experience in transport infrastructure construction. Prior to Mostotrest held various management positions at government agencies in charge of highway network development in Central Russia.

ANDREY KONNYKH

Chief Engineering Officer
Member of the Board

Born in 1959 in Norilsk.

Holds a degree in Bridges and Tunnels from the Moscow Automobile and Road Construction Technical University.

PROFESSIONAL EXPERIENCE:
2011 – present: Mostotrest. Prior to appointment as the Chief Engineer in February 2017 – Head of Construction Preparation Department. Prior to joining Mostotrest held various managerial positions at Organizator LLC (technical supervisor for the largest unique projects in Moscow) for 15 years.

THE CEO AND HIS DEPUTIES DO NOT OWN, DID NOT OWN DURING THE REPORTING PERIOD ANY SHARES OF THE COMPANY, AND DID NOT CONDUCT ANY TRANSACTIONS THEREWITH[1]

OKSANA MEDVEDEVA

Deputy CEO for Commerce

Born in 1972 in Kursk region

Degree in Philosophy from the Lomonosov Moscow State University and degree in Economics and Finance from the Russian Academy of National Economy.

PROFESSIONAL EXPERIENCE:
2006 – present: Mostotrest Deputy CEO for Commerce. 2000 – 2005: Deputy CEO for Commerce, Kolomna Plant Holding Company

VLADIMIR MONASTYREV

Deputy CEO for Development
Chairman of the Board

Born in 1978 in Zagorskiy region of Moscow region

Degree in Economics and Management from the Moscow State University of Railway Engineering. PhD in Economics.

PROFESSIONAL EXPERIENCE:
2000 – present: Mostotrest. Prior to taking up his current role, he served as Head of Economic Planning Department.

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OLEG TANANA

CFO
Member of the Board

Born in 1966 in Katav-Ivanovsk, Chelyabinsk region

Degree in Economic and Social Development from the Belorussian State National Economy University

PROFESSIONAL EXPERIENCE:
2006 – present: CFO of Mostotrest
2000 – 2005: CFO, Kolomna Plant Holding Company

1 Vladimir Monastyrev owns 0,0001% of the Company.

INTERNAL CONTROL AND AUDIT

Mostotrest has adopted an internal control system, governed by the Regulations for Internal Control of Financial and Economic Operations.

Mostotrest internal control system aims to:

- Ensure reliability of financial and management information and reporting
- Promptly detect, analyze and manage operating risk
- Achieve current operating targets and ensure implementation of target programs within budgets
- Safeguard assets and ensure efficient use of resources
- Ensure compliance with applicable law and internal regulations and procedures.

Mostotrest internal control system currently comprises the Audit Committee of the Board of Directors, the Audit Commission and the Internal Audit Service.

INTERNAL AUDIT SERVICE

Key responsibilities of the Internal Audit Service:

- Assess efficiency and drive improvement of internal control system
- Assess and facilitate improvement of risk management system
- Assess and facilitate improvement of corporate governance
- Assess reliability and integrity of information on financial and economic activities of the Company
- Assess compliance with Russian legislation, Articles of Incorporation and internal regulations
- Assess effectiveness of use of the Company's resources and methods to ensure safety of the Company's assets
- Assist the Company's executive bodies and employees in developing and monitoring execution of procedures and measures to improve risk management and internal control and corporate governance systems
- Coordinate with the Company's external auditors and advisors risk management, internal control and corporate governance efforts.

AUDIT COMMISSION

The Audit Commission is a permanent body of internal control, which ensures regular monitoring of financial and economic operations of the Company.

The Audit Commission acts in the interests of shareholders and reports to the General Shareholders' Meeting.

Key responsibilities of the Audit Commission include monitoring the Company's financial and economic operations, ensuring compliance of financial and business operations with the Russian law and Mostotrest Articles of Incorporation, and independent assessment of information about the Company's financial health.

EXTERNAL AUDITORS

In accordance with the Russian legislation, the General Shareholders' Meeting annually approves the auditors to conduct independent audit of financial statements of the Company. The Board of Directors on recommendation from the Audit Committee proposes candidate auditors.

The size of the auditors' remuneration and the procedure for payment are set out in the contract for audit services. Auditor fees are subject to approval by the Board of Directors.

Mostotrest 2016 Auditors:

- For RAS financials: Gross-Audit (member of the self-regulated non-commercial partnership "Commonwealth Audit Association"; Mostotrest auditors since 2009)
- For IFRS financials: KPMG (member of the self-regulated organization of auditors "Russian Union of Auditors (Association)"; Mostotrest auditors since 2009).

Actual fees paid by Mostotrest to Gross-Audit for consulting and independent audit of 2016 RAS financial statements were RUB21.1 million (including VAT).

Actual fees paid by the Company to KPMG for consulting and independent audit of 2016 IFRS financial statements and 1H 2016 IFRS interim financial statements were RUB69.4 million (including VAT).

REGISTRAR

Since 1998, RDC Paritet, a licensed independent registrar, has maintained the Mostotrest shareholder register under a long-term standing agreement. Mostotrest's registrar participates in organizing the General Shareholders' Meeting (advance newsletter mailings, participation in the Counting Commission).

INFORMATION FOR SHAREHOLDERS AND INVESTORS

SHARE CAPITAL

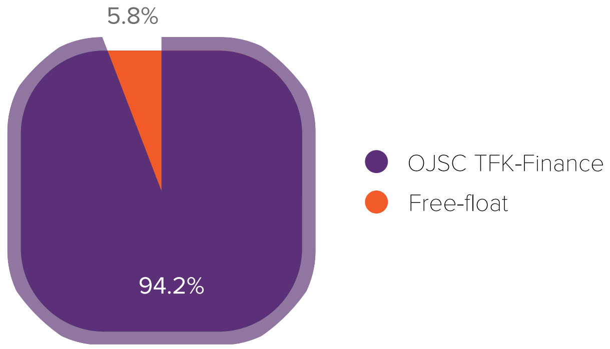
Authorized share capital of the Company is RUB39,510,170 divided into 282,215,500 ordinary shares with a par value of RUB0.14 each. The total number of persons included in the list of individuals entitled to participate in the General Shareholders' Meeting in 2017 was 3,364 as at February 3, 2017.

According to the shareholder register as at the above date, Mostotrest shareholder base comprises of 263 individuals owning 6,353,310 shares (2.25% of the share capital), and 4 legal entities including 1 nominal holder. Clients of the nominal holder account for 3,098 shareholders owning 275,854,790 shares (97.75% of the share capital).

There are no other beneficiary shareholders with 5%+ shareholdings in the Company.

PJSC Mostotrest and its subsidiaries do not hold any Mostotrest shares on their balance sheets.

SHARE CAPITAL STRUCTURE AS AT 3 FEBRUARY 2017, %



Source: Company data.

STOCK MARKET

In 2010, the Company completed its initial public offering (IPO), the first ever in the Russian infrastructure construction market.

In January 2017, due to a mismatch between free float and Level A1 securities list requirements, the Company's ordinary registered shares were transferred from Level A1 to Level A2 list of securities admitted to trading on the Moscow Stock Exchange (ticker: MSTT).

DIVIDEND POLICY

Mostotrest dividend policy is based on a balance of interests of the Company and its shareholders when determining the size of dividend payments and maximization of the Company's investment attractiveness and capitalization, and ensures respect and strict protection of shareholders' rights as stipulated in the existing legislation of the Russian Federation, Mostotrest Articles of Incorporation and internal documents.

If the Board of Directors recommends to the General Shareholders' Meeting to pay dividends, such dividends may not be less than 30% of the Group's IFRS net profit attributable to shareholders, adjusted for certain non-cash effects, including consolidation adjustments, as set forth in detail in the Dividend Policy Regulation. If the amount of dividend calculated in this way exceeds net profit for the year and retained earnings under RAS, the Board is required to reduce the total by the corresponding amount. The recommended dividend depends on the amount of net profit of the Group for the corresponding financial period and on the Group's production development and investment needs. The amount of dividend recommended by the Board is subject to approval by the General Shareholders' Meeting.

Dividends are paid in cash. In accordance with the Russian law, the basis for a dividend payment is net profit as per financial statements prepared in accordance with the Russian law. However, dividends may be paid both from net profit for the financial year and from retained earnings of previous years.

Based on 2016 results and in accordance with the Group's Dividend Policy Regulation, the Board of Directors recommended that shareholders of the Company approve a total dividend of RUB3,002.8 million, or RUB10.64 per share.

DIVIDEND HISTORY

	2010	2011	2012	2013	2014	2015	**2016[1]**
Dividend Payment, RUB million	845	2,004	2,201	2,001	2,000	3,003	**3,003**
Share of net profit allocated to dividend payment, %	49	54	51	89	33	71	**60**

Source: Company data.

DEBT PORTFOLIO

The Mostotrest Group currently raises loans exclusively from Russia's largest banks, including VTB and Rosselkhozbank, the Company's long-term partners and preferred credit providers (primarily due to their decision-making efficiency). Given the Group's reputation as a top quality borrower, the banks provide loans on an unsecured basis, with interest rates below those available to the broader industry. The Company strives to maintain liquidity at a level not higher than 4x Net Debt/EBITDA, as required by the lending banks. The Group raises bank loans in rubles and at fixed interest rates. Under the existing agreements with the banks, total credit available to the Group as at December 31, 2016, was RUB37.0 billion (RUB21.0 billion as at December 31, 2015).

At year-end, the Company typically receives advances from customers, which are used, inter alia, to repay short-term loans, ensuring flexibility and ongoing access to liquidity. Importantly, all credit limits are set at the Group level, i.e. subsidiaries enjoy access to debt financing on the same terms as the parent.

In 2016, the Group raised loans mainly for the following purposes:

- Working capital financing, including co-financing of long-term investment contracts
- Repayment of loans used to finance acquisitions completed in 2012
- Investment program.

As at December 31, 2016, total debt of the Group was RUB28.8 billion, 0.7x decrease from December 31, 2015. Net cash as at December 31, 2016, was RUB2.9 billion.

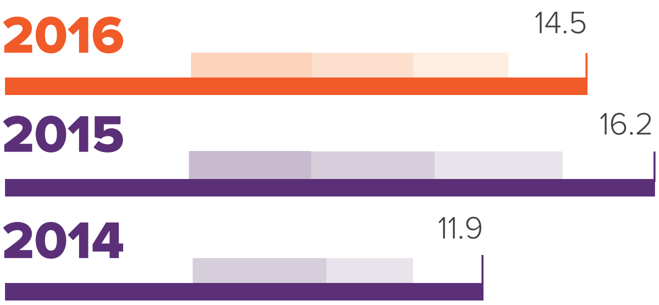
1 Dividends recommended by the Board of Directors at the meeting held of 02 May 2017. To be approved by the Annual General Shareholders' Meeting on 29 June 2017.

LIABILITY STRUCTURE, RUB MILLION

	2014	2015	**2016**
Short-Term Loans and Borrowings:	37,929	39,706	**16,110**
Unsecured Bonds	–	–	478
Secured Bank Loans	5,021	15,060	5,041
Unsecured Bank Loans	30,563	22,402	8,011
Financial Lease Liabilities	2,345	2,244	5,580
Long-Term Loans and Borrowings:	2,598	1,957	**12,695**
Unsecured Bonds	–	–	9,915
Financial Lease Liabilities	2,598	1,957	2,780
Total Debt	40,527	41,663	**28,805**
Cash[1]	61,769	55,214	**25,890**
Net Debt	(21,242)	(13,551)	**2,915**

Source: Consolidated Financial Statements for 2015 and 2016.

WEIGHTED AVERAGE INTEREST RATES ON BANK LOANS, %



Source: Consolidated Financial Statements for 2015 and 2016.

In July and August 2016, Mostotrest completed two ruble-denominated bond offerings: Series 07 and Series 08, with a total nominal value of RUB10 billion and a maturity of 10 years. Series 07 and Series 08 issues embed a put option in year 3 and year 5, respectively.

Investors showed considerable interest in Mostotrest bonds during book building, with both issues' books oversubscribed more than 3x. A wide range of investors participated in the offering, including banks, investment funds, asset managers and insurance companies. Annual coupon rates for Series 07 and Series 08 issues were 11.50% and 11.15%, respectively. In January and February 2017, the Company paid out coupon income for the first coupon period in the total amount of RUB564.7 million.

In December 2016, the rating agency Expert RA confirmed Mostotrest credit rating at A++ "exceptionally high (highest) level of creditworthiness".

To accommodate any potential future bond offerings the Company in autumn 2016 registered an exchange-traded bond program with a total nominal value of up to RUB100 billion.

INFORMATION DISCLOSURE

In accordance with the Code of Corporate Conduct of Mostotrest, the Company considers openness and transparency of information about its business operations and financial performance as a mechanism for control by

1 Including cash at special accounts and bank deposits with maturities more than 3 months. Cash at 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.

its shareholders, the government and society as a whole, as well as an important tool to enhance confidence in the Company among investors and counterparties.

The Company ensures completeness, authenticity and promptness of disclosure and availability of information to all shareholders and other interested parties.

Mostotrest adopted the Regulation on Information Policy, which establishes the scope, timing and methods of public disclosure and provision of information to shareholders and other interested parties. Mostotrest has bound itself to higher disclosure obligations as compared to existing legal requirements. Mostotrest discloses information about its subsidiaries, strategy, significant risks, social and environmental policies, as well as additional information pertaining to corporate governance. Additional disclosure is made in the Annual Report.

Corporate Website

The main form of disclosure is publication of information on Mostotrest corporate website www.mostotrest.ru. Additional forms of disclosure may include press conferences for Russian and foreign media, conference calls with investors and analysts, and presentations to investors in major international financial centers.

Mostotrest corporate website discloses:

- Annual Report
- Annual and interim consolidated financial statements in accordance with IFRS
- Presentation of financial results in accordance with IFRS
- Unconsolidated financial statements in accordance with RAS
- Composition of management bodies; Chief Accountant, CEO deputies and Company Secretary, including brief biographies
- Information about the Committees of the Board of Directors
- Information about key decisions of the Board
- Articles of Incorporation and amendments thereto
- Information about material shareholdings in other companies
- Key internal corporate documents governing activities and remuneration of management and control bodies; dividend policy and insider information
- Information about current business operations, including corporate press releases
- Other information about Mostotrest and its subsidiaries.

Investor Relations (IR)

To create favorable conditions for analyst and investor outreach, the Company established the Investor Relations Office.

The key IR objective is to establish the most effective two-way communication with the investment community, by providing investors, analysts, the financial media and other interested parties with relevant information about the financial and operational activities of the Group, which enhances investor trust and raises the Company's market valuation.

Data Protection and Prevention of Use of Insider Information

The Company ensures the proper storage, restricted access to and protection of business and commercially sensitive information. In particular, Mostotrest adopted the following relevant internal documents:

- List of documents deemed as commercial secret
- Instructions for trade secret protection
- Regulations on insider information
- List of insider information
- List of persons with authorized access to insider information.

PROUDLY DEDICATED

DEFYING THE ELEMENTS

SOCIAL RESPONSIBILITY

- Staff
- Occupational Health and Industrial Safety
- Environmental Protection

-6 pp
STAFF TURNOVER DECREASE

+12%
AVERAGE SALARY GROWTH

+23%
OHS INVESTMENT GROWTH

STAFF

The primary aim of the Company's HR policy is to develop a robust employee motivation system and create opportunities for professional development and career growth as a foundation for corporate labor relations. Principal objectives of Mostotrest HR policy:

- Increase productivity
- Maintain an optimal quantitative and qualitative HR balance
- Develop a sound employee incentivization system
- Create favorable labor conditions
- Ensure continuous professional growth and career development
- Retain and develop a talent pool of highly skilled employees
- Organize an effective generational change process (support training of young professionals in specialized educational institutions, organize mentorship)
- Develop a social partnership with public, trade union and professional associations and communities
- Maintain corporate team spirit.

Labor relations at Mostotrest are governed by the Russian legislation and the Collective Agreement between the employer and the employees represented by the Trade Union Committee. The trade union represents almost 10,000 staff members and has been working to enhance and protect workers' rights and interests for over 75 years.

STAFF COMPOSITION AND HEADCOUNT

Mostotrest takes pride in its highly skilled workforce. A combination of varied experience of the management, unique qualifications of engineers, acquired over decades of working on Russia's most advanced transport infrastructure projects, and the dedication of the work crews creates one of the best teams in the Russian infrastructure construction market and, historically, has been a strong competitive advantage for the Company.

In 2016, the average number of staff in the Mostotrest Group stood at 30,794, a 4% increase year-on-year. Headcount growth was mainly driven by the launch of construction at new large projects, including the Kerch Bridge.

To operate sophisticated specialized road vehicles and equipment under its existing construction contracts, Mostotrest hires highly skilled, vastly experienced professionals, whose practical experience and expertise is then skilfully put to work for the benefit of the Company.

Herewith headcount growth was 4%.

The provision of complex engineering solutions utilising modern technologies requires capable employees. We pride ourselves on our highly qualified team of managers, engineers and administrative staff, of whom 27 hold a PhD degree, 72% have a University degree, and 20% have completed secondary vocational training.

Group employee numbers have remained stable for many years, with staff turnover below the industry average. Importantly, Mostotrest HR initiatives led to a reduction in total staff turnover from 24% in 2015 to 18% in 2016. Staff turnover decreased both for process staff (20%) and professionals (15%). There were 8,300 new hires in 2016, a 17% increase year-on-year.

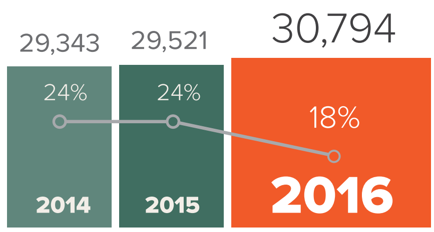
INCENTIVIZATION SYSTEM

The Company has established an effective employee incentivization system that combines financial and in-kind benefits and incentives. Salary consists of fixed and variable components, as well as social benefits. The guaranteed (fixed) part of the salary is paid to employees for their service in accordance with labor legislation of the Russian Federation (fixed part and compensation payments in the form of bonuses, allowances and other payments). The bonus (variable) part of the salary is paid out of the collective bonus pool, which materially incentivizes employees to improve their productivity and performance. In addition, the Company's incentivization system includes non-recurring bonuses and annual performance-based bonuses, which provide added motivation to achieve specific targets and encourage employee creativity.

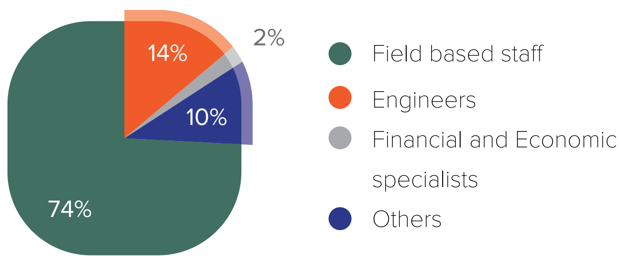
In addition to monthly and one-off bonuses, Mostotrest employees receive payments for public holidays, financial compensation on reaching the retirement age, anniversary bonuses, as well as financial assistance if in hardship. Other social benefits include Company housing and hot meals on weekdays.

The average salary paid by the Group in 2016 was RUB58.4 thousand, a 12% increase year-on-year.

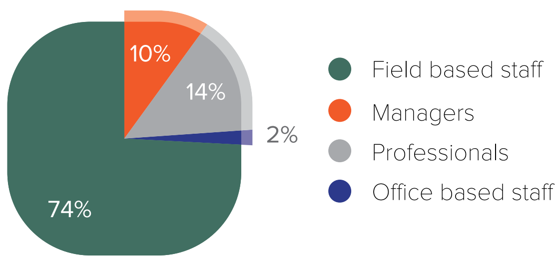
MOSTOTREST AVERAGE HEADCOUNT, PERSONS
VS EMPLOYEE TURNOVER, %



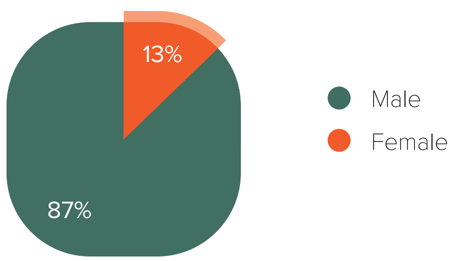
2016 STAFF
BY FUNCTION, %



BY JOB CATEGORY, %

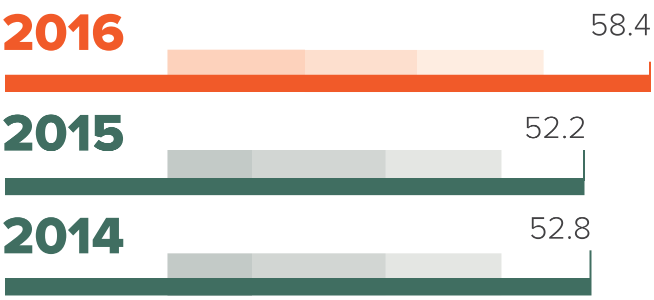


BY GENDER, %



Source: Company data.

AVERAGE SALARY, RUB THOUSAND



Source: Company data.

To provide financial support to its honored retirees, Mostotrest has instituted the title of "Honored Pensioner of Mostotrest". The title is conferred for life on workers in receipt of an old age pension, subject to their having had not less than 25 years continuous service at Mostotrest and holding state awards of the USSR, the Russian Federation and the constituents of the Russian Federation for professional achievements. The title is conferred by the Board of Directors on recommendation of heads of regional divisions and chairpersons of corresponding trade union committees. Honored Pensioners of Mostotrest receive a lifetime monthly allowance.

In addition, the Company has an in-kind benefit system in place, offering a wide range of social benefits, including voluntary health insurance, which totaled more than RUB326 million in 2016; employee and employee family compensation for rehabilitation at health resorts, paid participation in cultural, recreational and sports activities, and provision of additional annual holiday leave, subject to continuous employment with the Company for more than 5 years.

An equally important driver of the Company's success is staff cohesion and effective teamwork. Mostotrest organizes annual events to celebrate Builder's Day, the industry's professional holiday, and anniversaries of the establishment of regional divisions; holds various competitions, as well as mass cultural, recreational and sports events: the Corporate Winter Games, the Victory Day Tournament and the Mostotrest Football Cup. Such activities have become a custom at both Mostotrest and its subsidiaries. They help forge friendly relations among employees, promote team spirit and offer each employee an opportunity to demonstrate his or her talents.

To keep staff regularly informed about the Company's operations, labor conditions, management decisions and upcoming events, the Company publishes a monthly corporate newspaper and uses the internal corporate website for the provision of both formal (corporate structure, corporate library, corporate news, etc.) and informal news and information (employee birthdays, corporate events, photos, etc.). Team unity and teamwork are critical drivers of the Company's business success.

COLLECTIVE AGREEMENT

The Collective Agreement is the core legal document governing social and labor relations between the employer and employees. Mostotrest's Collective Agreement was concluded between the employer represented by the CEO, and employees represented by the Joint Trade Union Committee at an employee conference held on March 17, 2016, for a period of three years. The Collective Agreement was registered with the Moscow City Department of Labor and Social Protection on March 23, 2016.

The Collective Agreement is a powerful employee motivation tool as it reflects Mostotrest's reputation as a stable and responsible organization that cares about the long-term needs of its employees. For construction companies, long-term employee commitment is particularly important, as the average project completion time is several years.

Collective Agreement key objectives:

- Develop a social partnership system underlying social and labor relations
- Improve efficiency of the Company
- Stimulate efficient labor
- Enhance joint responsibility of the parties for the Company's financial and operating results
- Improve wellbeing and social protection of employees.

The agreement establishes the obligations of the parties in the area of labor conditions, including wages, employment, retraining, redundancy terms, work and rest time, improvement of labor conditions and safety, social security and other issues. By way of example, the Collective Agreement provides for additional paid annual leave, subject to continuous service at the Company for over 5 years (1 calendar day), 10 years (2 calendar days) and 15 years (3 calendar days).

REWARDS

Employees that demonstrate diligent performance, increased productivity, initiative, and a long and unblemished track-record at the Company are rewarded with:

- Official expressions of gratitude
- Bonuses
- Valuable gifts
- Certificates of Merit
- Mostotrest Honored Employee badge
- Mostotrest Honored Pensioner title.

21 MOSTOTREST HONORED EMPLOYEE – CLASS I

266 MOSTOTREST HONORED EMPLOYEE – CLASS II

483 CERTIFICATE OF MERIT AND CERTIFICATE OF ACKNOWLEDGEMENT

For exceptional achievements that benefit the Company and the state, employees are nominated for government and departmental awards and honorary titles. 2016 Mostotrest Employee Awards

- Russian Ministry of Transport Certificate of Acknowledgement: 6 awards
- Moscow City Construction Department Certificate of Merit: 8 awards

- Moscow City Urban Planning Department Certificate of Merit: 21 awards
- Voronezh Region Transport and Roads Department Certificate of Acknowledgement: 12 awards
- Souvenirs and governor gifts: 6 awards
- Other certificates of merit and certificates of acknowledgement: 88 awards.

Honorary Titles

- Honorary Builder of the City of Moscow: 9 titles
- Honorary Builder of the Moscow Region: 1 title
- Honorary Power Engineer of the City of Moscow: 1 title
- Honorary Worker of the Moscow City Transport and Communication System: 2 titles.

STAFF TRAINING AND RETRAINING

Staff training and continuous development are prerequisites for career growth. Mostotrest's compulsory training system for workers and engineers is fully compliant with the relevant legislation and includes vocational training and retraining, seminars and management and professional staff training. All engineers and technical staff undergo compulsory training at least once every 5 years. Traditionally, such training is conducted at specialized universities, mainly at the Moscow State University of Railway Engineering, with the participation of key Mostotrest experts. Senior Mostotrest professionals participate in education as lead lecturers alongside university professors.

Mandatory training for non-professional workers is usually conducted by industrial training specialists of the Corporate Training and Retraining Service under the CEO Administration, with subsequent mandatory testing at a licensed training center.

In 2016, core operational training was conducted under the Company's educational training license which it obtained at the end of 2015, resulting in increased numbers of trained employees and reduced training costs.

In May 2016, EMERCOM of Russia approved Mostotrest's Basic Fire Safety Training Curriculum for different categories of employees, which increased the number of in-house operational training modules.

In November 2016, the RF Ministry of Labor and Social Protection registered Mostotrest as an accredited Occupational Health and Safety services provider.

In 2016, Mostotrest continued building up its central talent pool for key management positions. In 2015, the Company selected provided career development programs to young line managers selected for their management potential and

MOSTOTREST TRAINING AND RETRAINING STATISTICS, PERSONS

MOSTOTREST TRAINING AND RETRAINING COSTS, RUB MILLION

Source: Company data.

motivation to take on higher-level positions in the future. Based on their individual strengths, the Company works to develop specific competences of the talent pool participants through custom-tailored refresher and on-the-job training, mentoring by experienced managers, live face to face dialogue with in-house experts, and exchange visits to other bridge building companies. This approach enables the Company to cover its key employee training needs and ensures comprehensive development of the talent pool and participants' knowledge of the specifics of each operating step and the construction process as a whole.

The Company runs joint programs with specialized Moscow-based universities, including the Moscow State University of Railway Engineering (MIIT), the Moscow Automobile and Road Construction Technical University (MADI), the Moscow College of Architecture and Urban Development. Many students participate in industrial and pre-graduation internships at Mostotrest. The Company welcomed more than 190 interns and hired more than 70 graduates from specialized universities and colleges in 2016.

15%

SHARE OF 2015 TALENT POOL PARTICIPANTS PROMOTED IN 2016

SOCIAL POLICY AND CHARITY

Member companies of the Group are actively involved in various charitable and social projects, which are an integral part of the Company's corporate policy. In 2016, the Company participated, among others, in the following charitable and social projects:

- Fundraiser for families of construction workers who have lost their breadwinner as a result of an industrial accident in Moscow in the last decade
- Sponsorship of the New Year celebrations of Our Common Cause, a Voronezh-based NGO
- Charitable contribution to the Dulag 100 Memorial Complex Foundation, for restoration of the memorial
- Charitable contribution to the Bologoye Revival Inter-regional NGO for Social and Economic Development of the Bologoye District
- Charitable contribution to the Regional Non-Governmental Foundation for War, Labor, Armed Forces and Law Enforcement Veterans (Pensioners) in the Novgorod region
- Charitable contribution to support festivities dedicated to Yuri Gagarin's birth anniversary
- Financial assistance to Tvardovski 2 Charitable Regional Non-Governmental Foundation
- Financial assistance to support completion of the Annunciation Cathedral in Voronezh.

OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY (OHS)

Developed in line with international standards, including OHSAS 18001:1999, Mostotrest's Occupational Health and Safety Management System has been in place since 2003. The system includes labor safety guidelines and standards. In 2016, the Company confirmed validity of the certificate of compliance of its OHS Management System with GOST R 54934-2012/OHSAS 18001:2007 and GOST 12.0.230-2007 standards in the voluntary certification system Management Systems Register.

In accordance with the Company's corporate strategy, the following quality, health and safety principles emphasise the Company's efforts in the area:

- People are our most valuable asset
- Responsibility for employee life and health: mandatory suspension of any work in the event of a potential threat to safety
- Industrial safety must be an integral component of each employee's job
- Compliance with relevant national legislation; progressive and consistent improvement of requirements in those areas where international standards set higher requirements
- Full information disclosure to the relevant regulatory and supervisory bodies of Company data, positive and negative, relating to occupational health, industrial safety and environmental protection, as required by applicable law
- Encourage employees to contribute to improvement of occupational health, industrial safety and environmental protection.

OHS MANAGEMENT SYSTEM

The Company established dedicated teams to coordinate efforts in the area of occupational health, industrial safety and environmental protection. Mostotrest's OHS Office reports to the Chief Engineer of the Company.

The CEO Administration OHS Office runs the Occupational Health Department and the Industrial Safety Department. In addition, industrial safety working groups have been established within the CEO Administration and regional divisions. At subsidiary level, consolidated occupational health and industrial safety departments oversee OHS compliance.

In addition, OHS responsibilities at Mostotrest are formally divided between the CEO Administration and the regional divisions. Joint OHS committees consisting on equal terms of both employer and the trade union representatives have been established at the Group's regional divisions. Authorized OHS supervisors are elected from among the union representatives at each construction site. At the request of regional divisions, the Company organizes regular training sessions for OHS supervisors and members of OHS committees.

The multi-level OHS management and control system allows for more effective policies in the field of occupational health and industrial safety, supported by a better understanding of duties and responsibilities by each business unit of the Company.

INDUSTRIAL INJURIES

In 2016, as in two previous years, no major accidents were recorded at our hazardous sites and facilities, defined as those involving major structural failures or non-controlled explosions or hazardous releases. The number of reported incidents, involving breaches of operating procedure, technical failure or near-miss incidents, decreased from 4 to 1 in 2016.

In 2016, key industrial accident and incident prevention measures included:

- Monitoring compliance with existing OHS legislation and regulations
- Scheduled preventive inspections of process oversight departments at regional divisions
- Diagnostics, tests and inspections of buildings and equipment at hazardous sites and facilities
- Industrial safety evaluation
- Issuance of instruction protocols for construction projects regarding the use of lifting equipment, and checklists for loading and unloading operations
- Training, certification and routine assessment of employee knowledge of standard operating procedures and job descriptions
- Refresher training of process staff to increase their skills and qualifications.

Working with contractors requires the need to ensure contract execution in combination with ensuring health and safety of all employees and third parties. Contractors are required to submit OHS permits, while contractor employees are briefed on safety. In addition, the Company checks proper operating condition of contractor equipment, issues permits for construction and installation operations on the Company's sites and controls labor conditions on those sites.

The Company's operations include those at hazardous sites, creating the risk of injury. Our goal is to achieve a consistent reduction in the number of injuries.

KEY WORKPLACE INJURY STATISTICS

	2014	2015	**2016**
Injuries	65	41	**49**
Injury Frequency Rate[1]	2.22	1.39	**1.59**
Average Severity Rate[2], man-days	44.94	46.59	**53.86**

Source: Company data.

1 Number of injuries per 1,000 employees.
2 Disability days per accident.

Injury investigation reports show that the 20% increase in injury rates is primarily the result of insufficient OHS compliance and inadequate supervision of staff by construction site line engineers and process supervisors, as well as employee negligence.

2016 accident prevention measures included:

- Scheduled and random checks of OHS and labor conditions
- Development of the accident prevention action plan
- Unscheduled briefings on labor safety and discipline
- Random assessment of OHS knowledge of managers, professionals and process staff
- Tighter controls by the Company and authorized union-appointed OHS supervisors over construction process compliance with project execution plans and method statements; target measures to improve industrial safety
- Initial medical examinations at recruitment and periodic medical examinations of staff engaged in hazardous operations; pre-trip and post-trip medical examinations of drivers; mandatory psychiatric examinations
- Designation of OHS, electric and fire safety supervisors on construction sites and in workshops
- Administrative liability for OHS violations.

THE COMPANY'S CONSTRUCTION SITES AND PRODUCTION FACILITIES ARE EQUIPPED WITH FIRST-AID STATIONS.

HEALTHCARE AND LIFE AND HEALTH INSURANCE

A responsible employer recognizes that employee healthcare is a key priority and a driver of a healthy and capable workforce. As part of its occupational disease prevention measures, all Mostotrest workplaces are subject to mandatory evaluation of working conditions, resulting in either appropriate remedial action or immediate workplace shutdown.

The Company offers medical care to its employees, including mandatory initial examinations (at employment) and periodic (throughout employment) medical screenings for workers exposed to hazardous working conditions. In addition, the Company's construction sites and production facilities are equipped with first-aid stations.

Employees exposed to hazardous working conditions are eligible for recreation activities and health rehabilitation financed both out of compulsory social insurance funds and by the Company. Together with the trade union, the Company organizes rehabilitation treatments for affected employees at health resorts in the Moscow region, the North Caucasus and on the Black Sea coast.

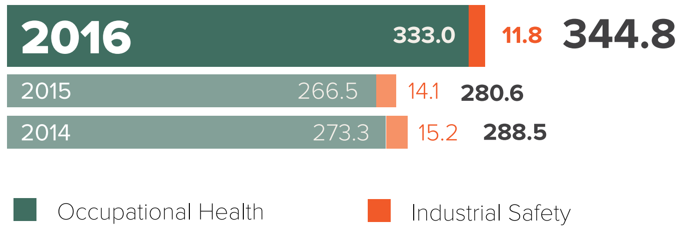
In addition, all Mostotrest employees are insured with regional divisions of the Social Insurance Fund of the Russian Federation, including under the program of compulsory insurance against industrial accidents and occupational diseases. The Company enters into annual group insurance contracts with RESO-Guarantee, covering all employees against industrial accidents.

TRAINING AND CERTIFICATION

Employee appreciation of the importance of occupational health and safety issues lies at the heart of a safe working environment and a healthy business process. The Company pays considerable attention to training and testing the knowledge of its personnel in the field. The training and certification program for workers, professionals and managers is designed in accordance with the applicable law and corporate regulations. Preliminary training is conducted at educational institutions. In 2014, the Company developed and approved procedures for OHS training, certification and evaluation of its managers, professionals and workers. OHS training is followed by evaluation and corporate certification. Staff occupational health training and certification is organized at least once every three years, while training and certification in industrial safety is carried out at least once every five years. Preliminary, ongoing, random and scheduled OHS briefings are held and training is prescribed on construction sites and in workshops. Briefings and training sessions are recorded in line with the established protocol.

In 2016, the Company continued to perform random evaluations of the OHS knowledge of those managers and engineers responsible for labor safety on construction sites

OHS INVESTMENT, RUB MILLION



Source: Company data.

or those designated as responsible executors, following the adoption of the new OHS Rules. Consequently, occupational health departments held training sessions for 6,357 employees (2015: 5,364). In total, 1,450 employees were trained and certified in industrial safety (2015: 1,423) over the year.

Total 2016 investment in OHS improvement measures, hazardous process oversight and OHS training was RUB344.8 million, a 23% increase year-on-year.

ENVIRONMENTAL PROTECTION

CORPORATE ENVIRONMENTAL POLICY

Pursuant to the Russian OHS and environmental legislation, the Company aims to reduce the negative impact of its operations on the environment and human health by introducing advanced technology, upgrading equipment, reducing industrial waste and emissions, and creating safe working conditions.

In 2015, the Company developed its Environmental Regulation based on GOST R ISO 14001-2007. In September 2016, Industrial Construction Certification LLC, an integrated management systems certification body, carried out the first scheduled inspection at Mostotrest to confirm the Company's Certificate of Compliance ROSS RU.FK51. K00115, attesting compliance with the requirements of GOST R ISO 14001-2007 "Environmental Systems Management. Requirements and Guidance for Use".

In July 2016, the Company obtained a license to collect, transport, handle, detoxify, store and dispose Class I-IV hazardous waste. In Q4 2016, the Company registered its polluting sites with the relevant government authority.

KEY ENVIRONMENTAL PROTECTION MEASURES:

- Monitor compliance with the environmental legislation of the Russian Federation and minimize environmental risks
- Ensure proper environmental control of construction
- Monitor quality and quantity of wastewater and air emissions, as well as the condition of waste disposal facilities
- Duly obtain and register all relevant permits and approvals; enforce standards for emissions, discharges, waste generation and disposal limits
- Monitor environmental protection within sanitary buffer areas
- Monitor water body conditions
- Reduce waste generation and ensure environmentally safe waste storage and disposal
- Reduce harmful effects of waste on the environment
- Duly produce and file all relevant environmental reports.

2016 PROTECTION MEASURES THAT COULD SUBSTANTIALLY REDUCE ENVIRONMENTAL POLLUTION:

- Environmental action plan and progress oversight
- Timely environmental training for staff to be involved in handling Class I-IV hazardous waste
- Environmental protection rules and environmental evaluation program
- Project documentation and timely approvals
- Construction process environmental control and monitoring
- Timely and full reporting on environmental management and protection, including quarterly prepayments for negative environmental impact, timely submission of relevant data reports to government authorities, due reporting on waste management, quarterly reporting on compliant management of water bodies

- Regular construction site and operation support facility cleanups
- Soil quality control at operation support facilities and in sanitary buffer areas
- Lawning, tree planting, site and access road asphalting and concreting
- Waste collection contracts with specialized service providers licensed to collect, transport, handle, detoxify, store and dispose of Class I-IV hazardous waste
- Waste storage facilities compliant with the environmental law and sanitary regulations
- Separate collection and temporary storage (accumulation) of industrial and consumption waste
- Professional closed-circuit wash bays with waste water disposal (pneumatic cleaning in wintertime) for vehicles (including concrete mixers) at construction site exits
- Dusting
- Due sanitary condition of construction sites and operation support facilities (portable toilets, waste water disposal, disinfection and deratization)
- Construction site fencing with tree and shrub vegetation
- Use of trays for bulk solids
- No vehicle idling in water conservation areas
- Storm sewage system maintenance
- Ground and surface water pollution control
- Polluted wastewater geofabric barriers
- Concrete recycling.

POLLUTION STATISTICS, THOUSAND TON

	2014	2015	2016
Air pollution	1.8	0.7	**2.6**
Wastewater discharge	41.7	35.7	**48.4**
Industrial and consumption waste	642.6	800.7	**814.0**
TOTAL HARMFUL POLLUTION	**686.0**	**837.1**	**865.0**

Source: Company data.

In 2016, total pollution and waste increased due to increased construction volumes at the following projects:

- Kerch Bridge Construction
- Construction of the Solntsevo – Butovo – Vidnoye Road. Stage 1. Borovskoye Avenue – Kaluzhskoye Avenue Section. Stage 1.1: Kiyevskoye Avenue – Kaluzhskoye Avenue Section
- Construction of the M-11 "Moscow – Saint Petersburg" Highway (Northern Throughway); Festivalnaya Street – Dmitrovskoye Avenue Section
- Construction of the Stage 4 of the M-11 "Moscow – Saint Petersburg" Highway (208 km – 258 km).

In 2016, Mostotrest divisions entered into wastewater collection contracts with Vodocanal Municipal Enterprise.

Due to their specifics, the following processes had the highest environmental impact in 2016:

- Temporary storage of construction waste (waste concrete and reinforced concrete) resulting from dismantling of old and construction of new bridges in the water conservation areas
- Vehicle parking in water conservation areas for waste loading and removal.

Mostotrest pays close attention to industrial and consumption waste management. In 2016, the Company generated and transferred for recycling and disposal the following waste volumes:

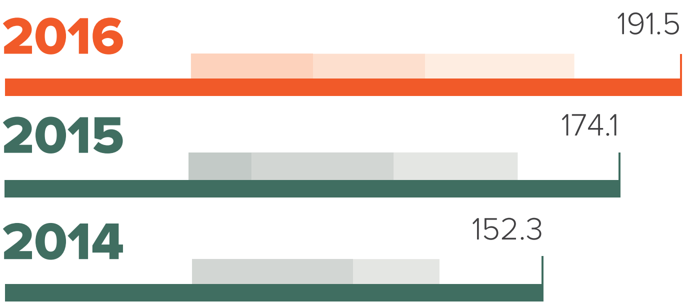
HAZARD CLASS	WEIGHT, TONS
Class I	2.9
Class II	8.5
Class III	108.7
Class IV and V	813,846.9
Total:	**813,967.0**

Source: Company data.

ENVIRONMENTAL COSTS

The Company's investment in environmental protection in 2016 was RUB191.5 million, a 10% increase from RUB174.1 million in 2015.

ENVIRONMENTAL COSTS, RUB MILLION



Source: Company data.

ENVIRONMENTAL POLICY IMPLEMENTATION: CASE STUDIES

M-11 "MOSCOW – ST. PETERSBURG" HIGHWAY: SECTION 6

The project "Construction and Subsequent Toll-Based Operation of the 58 km – 684 km Section of the Moscow – Saint Petersburg Highway; Stage 6: 334 km – 543 km (Tver and Novgorod Regions)" is the most successful example of how the Company implements its environmental policy. The following measures were adopted to minimize negative environmental impact:

LAND MANAGEMENT AND PROTECTION

- Removal and transfer of topsoil with subsequent grassing to prevent erosion
- Timely restoration of damaged road sections and construction support areas
- Construction materials storage site setup
- Construction waste collection and accumulation site setup in accordance with relevant regulations
- Reclamation of disturbed lands.

AIR PROTECTION

- Prevention of dust and gas pollution during construction – installation of dust and gas purification equipment
- Transportation of concrete and concrete mixes by truck mixers and transit mortar trucks; bituminous materials – by tar pavers.

NOISE POLLUTION

- Reduction of noise pollution, primarily within the borders of communities, by restricting construction to daytime working hours and intelligent transportation routing minimizing dust, noise and vibration pollution in communities
- Use of silent machinery and equipment
- Soundproofing of engines with protective covers and hoods with multilayer rubber, foam rubber, etc. coatings
- A ban on the use of heavy and shock-vibration construction equipment in construction near existing buildings.

WATER MANAGEMENT

- Surface wastewater removal from construction sites. Construction of facilities to enable purified water discharges directly into water bodies
- Collection and treatment of sanitary wastewater generated at construction support facilities. Collection and removal by specialized transport of construction site sanitary wastewater
- Vehicle wheels wash at construction site exits; vehicle maintenance and refueling in designated equipped areas and on-site at specialized service providers
- Obtaining environmental and licensing documentation for the use of water bodies and design and operation of water intake facilities and wastewater treatment plants.

PROFESSIONALLY COMMITTED

DEFYING THE ELEMENTS

APPENDICES

Risk management is a cornerstone of strategic management and internal control. The Company has an integrated management system in place that acts to prevent or minimize impact of negative factors on its operations.

AUDITORS' REPORT

JSC "KPMG"
10 Presnenskaya Naberezhnaya
Moscow, Russia 123112
Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS PJSC MOSTOTREST

We have audited the accompanying consolidated financial statements of PJSC MOSTOTREST (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Audited entity: PJSC MOSTOTREST.

Registration No. in the Unified State Register of Legal Entities 1027739167246.

Moscow, Russia.

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.

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for 2016 in accordance with International Financial Reporting Standards.

Klimanova L.V.

JSC "KPMG"
Moscow, Russia
10 April 2017

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

RUB MILLION	NOTE	31 DECEMBER 2016	31 DECEMBER 2015
ASSETS			
Goodwill		1,272	1,272
Intangible assets		440	334
Property, plant and equipment	12	24,739	21,873
Trade and other receivables	17	251	247
Amounts due from customers on construction contracts	16	8,880	6,188
Investments in equity-accounted entities	13	12,759	18,548
Deferred tax assets	11	2,978	3,459
Other non-current assets	14	634	397
Non-current assets		**51,953**	**52,318**
Inventories	15	16,814	11,003
Current income tax assets		573	295
Trade and other receivables	17	7,975	5,307
Amounts due from customers on construction contracts	16	13,981	13,474
Prepayments		25,199	21,253
Cash and cash equivalents	18	18,991	30,936
Cash at special accounts	18	6,872	24,258
Other current assets	14	3,555	3,090
Assets classified as held for sale		232	188
Current assets		**94,192**	**109,804**
TOTAL ASSETS		**146,145**	**162,122**

RUB MILLION	NOTE	31 DECEMBER 2016	31 DECEMBER 2015
EQUITY			
Share capital	19	136	136
Additional paid in capital		6,049	6,049
Reserves		328	232
Retained earnings		18,442	19,505
Equity attributable to owners of the Company		**24,955**	**25,922**
Non-controlling interests	24(b)	1,646	1,182
TOTAL EQUITY		**26,601**	**27,104**
LIABILITIES			
Loans and borrowings	21	12,695	1,957
Trade and other payables	22	1,846	1,826
Deferred tax liabilities	11	382	411
Non-current liabilities		**14,923**	**4,194**
Loans and borrowings	21	16,110	39,706
Non-controlling interests	24(b)	1,117	1,171
Trade and other payables	22	25,612	26,387
Amounts due to customers on construction contracts	16	61,069	62,656
Provisions		263	396
Current income tax liabilities		450	508
Current liabilities		**104,621**	**130,824**
TOTAL LIABILITIES		**119,544**	**135,018**
TOTAL EQUITY AND LIABILITIES		**146,145**	**162,122**

These consolidated financial statements were approved by management on 10 April 2017 and were signed on its behalf by

V. N. Vlasov
General Director

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

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 88 to 136.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR 2016

RUB MILLION	NOTE	2016	2015
Revenue	6	175,198	143,155
Cost of sales	7(a)	(148,445)	(123,959)
Gross profit		**26,753**	**19,196**
Other income		924	1,630
Administrative expenses	7(b)	(10,089)	(8,496)
Other expenses	7(c)	(3,467)	(3,581)
Results from operating activities		**14,121**	**8,749**
Finance income	8	3,277	4,699
Finance costs	8	(7,204)	(7,052)
Net finance costs		**(3,927)**	**(2,353)**
Share of loss of equity accounted investees, net of income tax		(1,866)	(125)
Profit before income tax		**8,328**	**6,271**
Income tax expense	11	(3,315)	(2,039)
Profit for the period		**5,013**	**4,232**
OTHER COMPREHENSIVE INCOME			
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS			
Net change in fair value of available-for-sale financial assets, net of income tax		96	64
Revaluation of investment property		34	–
Other comprehensive income, net of income tax		**130**	**64**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5,143**	**4,296**

RUB MILLION	NOTE	2016	2015
PROFIT ATTRIBUTABLE TO:			
Owners of the parent Company		4,458	3,551
Non-controlling interests		555	681
PROFIT FOR THE PERIOD		**5,013**	**4,232**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent Company		4,588	3,615
Non-controlling interests		555	681
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5,143**	**4,296**
EARNINGS PER SHARE			
Basic and diluted earnings per share (RUB)	9	15.80	12.58

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 88 to 136.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2016

RUB MILLION	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY							
	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	RESERVE FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS	TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AS AT 1 JANUARY 2015	**136**	**6,049**	**73**	**95**	**17,955**	**24,308**	**705**	**25,013**
Total comprehensive income								
Profit for the period	–	–	–	–	3,551	3,551	681	4,232
Other comprehensive income								
Net change in fair value of available-for-sale financial assets, net of income tax	–	–	64	–	–	64	–	64
Total other comprehensive income	**–**	**–**	**64**	**–**	**–**	**64**	**–**	**64**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**–**	**–**	**64**	**–**	**3,551**	**3,615**	**681**	**4,296**
Transactions with owners, recorded directly in equity								
Dividends to equity holders (Note 19)	–	–	–	–	(2,001)	(2,001)	(204)	(2,205)
BALANCE AT 31 DECEMBER 2015	**136**	**6,049**	**137**	**95**	**19,505**	**25,922**	**1,182**	**27,104**

BALANCE AS AT 1 JANUARY 2016	**136**	**6,049**	**137**	**95**	**19,505**	**25,922**	**1,182**	**27,104**
Total comprehensive income								
Profit for the period	—	—	—	—	4,458	4,458	555	5,013
Other comprehensive income								
Net change in fair value of available-for-sale financial assets, net of income tax	—	—	96	—	—	96	—	96
Revaluation of investment property	—	—	—	—	34	34	—	34
Total other comprehensive income	**—**	**—**	**96**	**—**	**34**	**130**	**—**	**130**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**—**	**—**	**96**	**—**	**4,492**	**4,588**	**555**	**5,143**
Transactions with owners, recorded directly in equity								
Dividends to equity holders (Note 19)	—	—	—	—	(3,003)	(3,003)	(240)	(3,243)
Other distributions	—	—	—	—	(2,500)	(2,500)	—	(2,500)
Changes in ownership interests in subsidiaries								
The increase in share capital of subsidiaries	—	—	—	—	(52)	(52)	149	97
BALANCE AS AT 31 DECEMBER 2016	**136**	**6,049**	**233**	**95**	**18,442**	**24,955**	**1,646**	**26,601**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 88 to 136.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2016

RUB MILLION	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**5,013**	**4,232**
ADJUSTMENTS FOR:		
Depreciation and amortisation	5,839	4,620
Share of loss of equity accounted investees, net of income tax	1,866	125
Non-controlling interests	587	676
Loss/(income) on disposal of property, plant and equipment	147	(54)
Net finance costs	3,393	1,842
Negative goodwill (Note 25)	–	(425)
Gain on disposal of subsidiaries (Note 25)	–	(674)
Income tax expense	3,315	2,039
Other non-cash items	42	(8)
	20,202	**12,373**
CHANGE IN:		
Inventories	(5,811)	(2,683)
Trade and other receivables	(2,670)	(729)
Cash at special accounts (Note 18)	17,386	(24,258)
Amounts due from customers on construction contracts	(2,195)	3,328
Prepayments	(3,946)	(5,089)
Provisions	(133)	(44)
Trade and other payables	(1,588)	1,182
Amounts due to customers on construction contracts	(1,587)	4,181
Cash flows from/(used in) operations before income taxes paid	**19,658**	**(11,739)**
Income tax paid	(3,232)	(5,409)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**16,426**	**(17,148)**

RUB MILLION	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	78	457
Acquisition of property, plant and equipment	(4,526)	(4,344)
Acquisition of intangible assets	(238)	(97)
Placement of funds on bank deposits	–	(81)
Withdrawal of bank deposits	–	9,762
Loans given to other organisations	(5,957)	(6,834)
Repayment of the loans given to other organisations	9,851	3,050
Interest received	1,983	3,758
Dividends received	23	34
Disposal of subsidiaries, net of cash disbursed to acquire interest in joint-venture in a related transaction	–	442
Acquisition of subsidiaries, net of cash acquired (Note 25)	–	(509)
Net cash from investing activities	**1,214**	**5,638**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	83,594	102,569
Repayment of loans and borrowings	(98,138)	(100,724)
Payment of finance lease liabilities	(3,207)	(2,814)
Interest paid	(6,091)	(6,343)
Dividends paid to equity holders of the Company (Note 19)	(3,003)	(2,001)
Dividends paid to non-controlling interests	(240)	(321)
Other distributions	(2,500)	–
Net cash used in financing activities	**(29,585)**	**(9,634)**
Net decrease in cash and cash equivalents	**(11,945)**	**(21,144)**
Cash and cash equivalents at 1 January, excluding cash at special accounts	30,936	52,080
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, EXCLUDING CASH AT SPECIAL ACCOUNTS	**18,991**	**30,936**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 88 to 136.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2016

1. REPORTING ENTITY

(A) 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 and 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 highways; railway, highway and city bridges, overpasses, interchanges, and other engineering structures for the state municipal entities as well as the provision of services in maintenance, repair and toll-based operation of highways. 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 MSTT symbol on Moscow Interbank Currency Exchange (MICEX) stock exchange in Russia.

In December 2016 RAEX (Expert RA) rating agency confirmed the Company's A++ "Exceptionally high (the highest possible)" credit rating with stable outlook.

(B) BUSINESS ENVIRONMENT

The Group's operations are 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 consolidated 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.

The recent conflict in Ukraine and related events have 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, and particularly by the USA on PJSC Mostotrest, 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 Ruble, a reduction in direct investment inflows, and a significant tightening in the availability of credit. The longer term effects of implemented sanctions as well as the threat of additional future sanctions are difficult to determine.

Notwithstanding the negative changes in business environment the management of the Group believes that the arisen turbulence in the economy will not have a material effect on the Group's financial position or its financial results.

2. BASIS OF ACCOUNTING

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 23(b)(ii) – allowances for trade receivables;
- Note 33(c)(i) – revenue recognition of construction contracts in progress.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 13 – equity-accounted investees;
- Note 28 – contingencies;
- Note 33(c)(i) – revenue recognition of construction contracts in progress.

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 following notes:

- Note 23 – financial instruments.

5. OPERATING SEGMENTS

Under the current structure, the Group's business are segmented into Construction and Services units. The companies included in both segments operate in the Russian Federation. Other segments include the company which is registered and operating in Cyprus.

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

	CONSTRUCTION		SERVICES		OTHER SEGMENTS		ELIMINATIONS AND OTHER		CONSOLIDATED GROUP	
FINANCIAL MEASURE / SEGMENT, RUB MILLION	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	163,020	131,012	12,323	13,708	—	—	(145)	(1,565)	175,198	143,155
– external revenue	162,960	130,279	12,056	12,993	—	—	182	(117)	175,198	143,155
– intersegment revenue	60	733	267	715	—	—	(327)	(1,448)	—	—
Cost of sales	(139,038)	(114,699)	(9,523)	(10,748)	—	—	116	1,488	(148,445)	(123,959)
Gross profit	23,982	16,313	2,800	2,960	—	—	(29)	(77)	26,753	19,196
Operating result	12,448	6,234	1,722	2,168	(6)	(8)	(43)	355	14,121	8,749
Profit/(loss) before income tax	9,371	4,272	1,642	2,177	(2,279)	(223)	(406)	45	8,328	6,271
Income tax expense	(2,980)	(1,510)	(344)	(508)	–	(38)	9	17	(3,315)	(2,039)
SEGMENT RESULT	**6,391**	**2,762**	**1,298**	**1,669**	**(2,279)**	**(261)**	**(397)**	**62**	**5,013**	**4,232**
Depreciation and amortisation	4,693	3,843	1,084	777	—	—	—	—	5,777	4,620
Share in profit/(loss) of associated companies, net of income tax	388	95	—	—	(2,254)	(220)	—	—	(1,866)	(125)
Dividends and non-controlling interests, recognised as finance cost	(587)	(676)	—	—	—	—	—	—	(587)	(676)
Capital expenditures	7,803	5,449	1,320	1,625	—	—	—	—	9,123	7,074
AS AT 31 DECEMBER	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Non-current assets	49,908	40,971	4,371	4,168	3,317	5,157	(5,643)	2,022	51,953	52,318
Current assets	92,100	119,621	2,728	2,730	7	7	(875)	(12,742)	93,960	109,616
Assets classified as held for sale	232	188	—	—	—	—	—	—	232	188
TOTAL ASSETS	**142,240**	**160,780**	**7,099**	**6,898**	**3,324**	**5,164**	**(6,518)**	**(10,720)**	**146,145**	**162,122**
Non-current liabilities	13,830	3,176	1,067	1,021	—	—	26	(3)	14,923	4,194
Current liabilities	102,976	133,186	2,282	2,892	3,935	3,498	(4,572)	(8,752)	104,621	130,824
TOTAL LIABILITIES	**116,806**	**136,362**	**3,349**	**3,913**	**3,935**	**3,498**	**(4,546)**	**(8,755)**	**119,544**	**135,018**
Non-controlling interests	**—**	**—**	**157**	**—**	**—**	**—**	**1,489**	**1,182**	**1,646**	**1,182**

MAJOR CUSTOMERS

In 2016, revenue from three customers individually exceeded 10% of the Group's total revenue. Revenue from one of the customers accounted for RUB 57,594 million (33% of the Group's total revenue) and is included in the Construction and Services segments. The second customer contributed RUB 40,187 million (23% of the Group's total revenue) and is included in the Construction segments. The third customer contributed RUB 21,296 million (12% of the Group's total revenue) and is included in the Construction segments.

In 2015, revenue from two customers individually exceeded 10% of the Group's total revenue. Revenue from one of the customers accounted for RUB 63,324 million (44% of the Group's total revenue) and is included in the Construction and Services segments. The other customer contributed RUB 28,836 million (20% of the Group's total revenue) and is included in the Construction segments.

6. REVENUE

RUB MILLION	2016	2015
REVENUE FROM CONTRACTS FOR CONSTRUCTION OF:		
bridges and highways	130,610	115,585
airfields and airports	18,766	9,946
other facilities	10,588	4,130
Total revenue from construction contracts	**159,964**	**129,661**
Revenue from maintenance and repair of roads	12,056	12,992
Other revenue	3,178	502
TOTAL REVENUE	**175,198**	**143,155**

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:

RUB MILLION	2016	2015
Central Federal District	99,799	77,581
Northwestern Federal District	39,482	35,717
Southern Federal District	11,144	8,570
Far Eastern Federal District	5,018	2,470
Volga Federal District	3,347	5,159
Siberian Federal District	1,174	164
TOTAL REVENUE FROM CONSTRUCTION CONTRACTS	**159,964**	**129,661**

The revenue from provision of maintenance and repair of roads services represents work sites located in the Central Federal District.

As at 31 December 2016 revenue inflows from construction contracts amounting to RUB 27,312 million (2015: RUB 49,940 million) were pledged to secure bank loans (Note 21) and guarantees provided to customers by banks on behalf of the Group.

7. INCOME AND EXPENSES

(A) COST OF SALES

RUB MILLION	2016	2015
Services of subcontractors	64,227	60,144
Materials	36,537	21,554
Personnel expenses	20,061	17,651
Machinery, equipment, transport, and labor services received	6,270	4,174
Depreciation and amortisation	5,496	4,354
Bank guarantees costs	2,487	2,015
Design works	1,727	4,500
Insurance	1,111	1,346
Other	10,529	8,221
	148,445	**123,959**

(B) ADMINISTRATIVE EXPENSES

RUB MILLION	2016	2015
Personnel expenses	7,452	5,657
Services provided by third parties	603	839
Depreciation and amortisation	312	266
Materials	285	198
Social expenses	285	275
Taxes other than income tax	259	292
Insurance	173	181
Rent expense	165	225
Business trip expenses	153	99
Other administrative expenses	402	464
	10,089	**8,496**

(C) OTHER EXPENSES

Other expenses mainly consist of allowances for doubtful trade receivables, advances and loans given.

8. NET FINANCE COSTS

RUB MILLION	2016	2015
RECOGNISED IN PROFIT OR LOSS:		
Interest income on loans given	1,315	1,046
Interest income on long-term investment contracts	970	176
Interest income on bank deposits	660	3,247
Effect of discounting the financial assets and liabilities	279	64
Foreign exchange gain	50	165
Other finance income	3	1
Total finance income	**3,277**	**4,699**
Interest expense on borrowings	(5,693)	(5,710)
Interest expense on finance leases	(924)	(666)
Non-controlling interests	(587)	(676)
Finance costs	**(7,204)**	**(7,052)**
NET FINANCE COSTS RECOGNISED IN PROFIT OR LOSS	**(3,927)**	**(2,353)**

9. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to the ordinary shareholders of RUB 4,458 million (2015: RUB 3,551 million), and a weighted average number of outstanding ordinary shares of 282,215,500 (2015: 282,215,500), calculated as shown below. The Company does not have dilutive potential ordinary shares.

	2016	2015
Issued shares at 1 January and 31 December	282,215,500	282,215,500
Weighted-average number of shares for the period ended 31 December	**282,215,500**	**282,215,500**
Profit attributed to shareholders (RUB million)	**4,458**	**3,551**
BASIC AND DILUTED EARNINGS PER SHARE (RUB)	**15.80**	**12.58**

10. EMPLOYEE BENEFIT EXPENSES

RUB MILLION	2016	2015
Wages and salaries	21,608	18,565
Contributions to State pension fund	5,905	4,743
	27,513	**23,308**

11. INCOME TAXES

The Group's applicable tax rate is 20% that represent income tax rate for Russian companies (2015: 20%).

(A) AMOUNTS RECOGNISED IN PROFIT OR LOSS

RUB MILLION	2016	2015
CURRENT TAX EXPENSE		
Current year	2,903	3,686
Current year income tax expense associated with the assets classified as held for sale	–	87
Adjustments of prior years tax	(7)	(49)
	2,896	**3,724**
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	419	(1,607)
Origination and reversal of temporary differences related to assets classified as held for sale	–	(78)
	419	**(1,685)**
Total income tax expense recognised in profit or loss	3,315	2,039
Income tax recognised in other comprehensive income	(34)	(16)
TOTAL INCOME TAX EXPENSE	**3,281**	**2,023**

RECONCILIATION OF EFFECTIVE TAX RATE:

	2016		2015	
RUB MILLION	RUB MILLION	%	RUB MILLION	%
Profit before income tax	**8,328**	**100%**	**6,271**	**100%**
Income tax at applicable tax rate	1,666	20%	1,254	20%
Non-deductible expenses	1,670	20%	937	17%
Non-taxable income	(2)	0%	(94)	(1%)
Adjustments of prior years tax	(7)	0%	(50)	(1%)
Tax on dividends	3	0%	4	0%
Effect of tax rates in foreign jurisdictions	(15)	0%	(12)	(0%)
	3,315	**40%**	**2,039**	**36%**

(B) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
RUB MILLION	2016	2015	2016	2015	2016	2015
Property, plant and equipment	—	—	(1,373)	(1,413)	(1,373)	(1,413)
Intangible assets	—	—	(91)	(92)	(91)	(92)
Investments	—	—	(221)	(122)	(221)	(122)
Inventories	88	60	—	—	88	60
Trade and other receivables	1,603	1,387	—	—	1,603	1,387
Construction contracts (including due from and due to customers)	2,047	2,748	(170)	(182)	1,877	2,566
Loans and borrowings	—	8	(16)	—	(16)	8
Trade and other payables	516	479	(38)	(36)	478	443
Provisions	201	134	—	—	201	134
Other	94	102	(44)	(24)	50	78
Net tax assets/liabilities	**4,549**	**4,918**	**(1,953)**	**(1,869)**	**2,596**	**3,049**
Set off of tax	(1,571)	(1,459)	1,571	1,458	—	(1)
Tax assets/(liabilities)	**2,978**	**3,459**	**(382)**	**(411)**	**2,596**	**3,048**

(C) MOVEMENT IN DEFERRED TAX BALANCES

RUB MILLION	1 JANUARY 2016	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHEN-SIVE INCOME	31 DECEMBER 2016
Property, plant and equipment	(1,413)	40	—	(1,373)
Intangible assets	(92)	1	—	(91)
Investments	(122)	(74)	(25)	(221)
Inventories	60	28	—	88
Trade and other receivables	1,387	216	—	1,603
Construction contracts (including due from and due to customers)	2,566	(689)	—	1,877
Trade and other payables	443	35	—	478
Loans and borrowings	8	(24)	—	(16)
Provisions	134	67	—	201
Other	78	(19)	(9)	50
	3,049	**(419)**	**(34)**	**2,596**

RUB MILLION	1 JANUARY 2015	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUISITION THROUGH BUSINESS COMBINATION	31 DECEMBER 2015
Property, plant and equipment	(1,365)	36	—	(84)	(1,413)
Intangible assets	(3)	(89)	—	—	(92)
Investments	(98)	(8)	(16)	—	(122)
Inventories	39	21	—	—	60
Trade and other receivables	710	677	—	—	1,387
Construction contracts (including due from and due to customers)	1,372	1,194	—	—	2,566
Trade and other payables	433	10	—	—	443
Loans and borrowings	8	—	—	—	8
Provisions	56	78	—	—	134
Other	370	(292)	—	—	78
Tax loss carry-forwards	20	(20)	—	—	—
	1,542	**1,607**	**(16)**	**(84)**	**3,049**

(D) UNRECOGNISED DEFERRED TAX LIABILITIES

At 31 December 2016 the Group had a deferred tax liability of RUB 1,163 million (2015: RUB 1,098 million) in respect of temporary differences of RUB 5,816 million (2015: RUB 5,492 million) was related to investments in subsidiaries and joint ventures. However, this liability was not recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its joint ventures – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

12. PROPERTY, PLANT AND EQUIPMENT

RUB MILLION	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	OTHER	EQUIPMENT FOR INSTALLATION AND ADVANCES GIVEN	TOTAL
COST OR DEEMED COST							
Balance as at 1 January 2015	**410**	**8,170**	**15,943**	**8,613**	**650**	**576**	**34,362**
Additions	19	300	2,814	1,209	341	1,741	**6,424**
Acquisitions through business combinations	181	318	245	73	4	1	**822**
Disposals	(17)	(454)	(260)	(216)	(139)	—	**(1,086)**
Reclassification to assets classified as held for sale	(95)	(110)	—	(4)	—	—	**(209)**
Transfers	—	1,316	246	(125)	56	(1,493)	**—**
Balance as at 31 December 2015	**498**	**9,540**	**18,988**	**9,550**	**912**	**825**	**40,313**
Additions	51	750	5,470	555	540	1,679	**9,045**
Reclassification to other balance sheet line items	—	(185)	—	—	—	—	**(185)**
Disposals	—	(235)	(272)	(195)	(187)	—	**(889)**
Reclassification to assets classified as held for sale	(48)	—	—	—	—	—	**(48)**
Transfers	—	1,207	505	(62)	(2)	(1,648)	**—**
Balance as at 31 December 2016	**501**	**11,077**	**24,691**	**9,848**	**1,263**	**856**	**48,236**
DEPRECIATION AND IMPAIRMENT LOSSES							
Balance as at 1 January 2015	**—**	**1,822**	**7,600**	**4,752**	**396**	**—**	**14,570**
Depreciation for the year	—	647	2,153	1,580	205	—	**4,585**
Disposals	—	(162)	(217)	(170)	(134)	—	**(683)**
Reclassification to assets classified as held for sale	—	(28)	—	(4)	—	—	**(32)**
Balance as at 31 December 2015	**—**	**2,279**	**9,536**	**6,158**	**467**	**—**	**18,440**
Depreciation for the year	—	922	2,635	1,805	374	—	**5,736**
Reclassification to other balance sheet line items	—	(15)	—	—	—	—	**(15)**
Disposals	—	(154)	(221)	(109)	(180)	—	(664)
Balance as at 31 December 2016	**—**	**3,032**	**11,950**	**7,854**	**661**	**—**	**23,497**
CARRYING AMOUNTS							
Balance as at 1 January 2015	**410**	**6,348**	**8,343**	**3,861**	**254**	**576**	**19,792**
Balance as at 31 December 2015	**498**	**7,261**	**9,452**	**3,392**	**445**	**825**	**21,873**
Balance as at 31 December 2016	**501**	**8,045**	**12,741**	**1,994**	**602**	**856**	**24,739**

In 2016 depreciation expense of RUB 5,493 million (2015: RUB 4,351 million) was charged to cost of sales, RUB 183 million (2015: RUB 145 million) to administrative expenses, RUB 31 million (2015: RUB 0 million) to other expenses.

In 2016 property, plant and equipment with carrying amount of RUB 170 million were reclassified to investment property due to changes in nature of their use.

(A) SECURITY

No material assets were pledged as at 31 December 2016 and 2015 except for those received under finance lease agreements.

(B) LEASED PROPERTY, PLANT, AND EQUIPMENT

The Group leases production equipment under a number of finance lease agreements. Certain leases provide the Group with the option to purchase the assets at a beneficial price at the end of the lease terms. As at 31 December 2016 the net book value of leased property, plant, and equipment was RUB 9,013 million (2015: RUB 8,578 million). The leased property, plant, and equipment secure lease obligations.

During 2016 the Group acquired equipment under finance lease of RUB 4,564 million (2015: RUB 2,027 million).

13. INVESTMENTS IN EQUITY-ACCOUNTED ENTITIES

At 31 December 2016 the Group's investments comprised of 50% indirect interests in the share capital of joint ventures North-West Concession Company LLC (NWCC) and United Toll Systems LLC (UTS) as well as 25.002% direct interest in the share capital of an associate JSC Mostostroy-11.

None of the Group's equity accounted investees is a publicly listed entity, and consequently does not have published price quotations.

RUB MILLION	NOTE	31 DECEMBER 2016	31 DECEMBER 2015
INVESTMENTS IN EQUITY-ACCOUNTED ENTITIES:			
NWCC	(a)	6,673	8,927
UTS	(a)	862	593
Mostostroy-11	(c)	2,207	2,110
Total investments in equity-accounted entities		**9,742**	**11,630**
LOANS GIVEN TO INVESTMENTS IN EQUITY-ACCOUNTED ENTITIES:			
NWCC		3,017	2,603
UTS		–	4,315
Total loans given to investments in equity-accounted entities		**3,017**	**6,918**
TOTAL INVESTMENTS IN EQUITY-ACCOUNTED ENTITIES		**12,759**	**18,548**

(A) JOINT VENTURES

The following table summarises the financial information of UTS and NWCC as included in their individual financial statements adjusted for the effects of fair valuation of assets and liabilities at the date of acquisition and the differences in the accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in UTS and NWCC.

	UTS	
RUB MILLION	**31 DECEMBER 2016**	31 DECEMBER 2015
Percentage ownership interest	**50%**	**50%**
Non-current assets	3,036	3,733
Current assets (including cash and cash equivalents – 2016: RUB 136 mln, 2015: RUB 41 mln)	3,340	2,592
Non-current liabilities (including non-current financial liabilities and excluding trade and other payables, and provisions – 2016: RUB 3,143 mln, 2015: RUB 3,722 mln)	(3,148)	(3,722)
Current liabilities (including current financial liabilities and excluding trade and other payables, and provisions – 2016: RUB 205 mln, 2015: RUB 609 mln)	(1,505)	(1,417)
Net assets (100 %)	1,723	1,186
Group's share of net assets (50 %)	862	593
Carrying amount of equity-accounted investment	**862**	**593**
	2016	2015
Revenue	5,625	2,841
Depreciation and amortisation	(51)	(24)
Interest expense	(619)	(568)
Income tax expense	(250)	(179)
Profit/(loss) and total comprehensive profit/(loss) (100 %)	537	(158)
Group's share of profit/(loss) and total comprehensive profit/(loss) (50%)	**269**	**(79)**

	NWCC	
RUB MILLION	31 DECEMBER 2016	31 DECEMBER 2015
Percentage ownership interest	**50%**	**50%**
Non-current assets	36,763	38,844
Current assets (including cash and cash equivalents – 2016: RUB 8,365 mln, 2015: RUB 4,522 mln)	10,146	11,513
Non-current liabilities (including non-current financial liabilities and excluding trade and other payables, and provisions – 2016: RUB 15,236 mln, 2015: RUB 31,860 mln)	(17,027)	(34,040)
Current liabilities (including current financial liabilities and excluding trade and other payables, and provisions – 2016: RUB 210 mln, 2015: RUB 577 mln)	(19,063)	(1,758)
Net assets (100 %)	10,819	14,559
Group's share of net assets (50 %)	5,409	7,280
Goodwill	944	944
Additional contribution	320	703
Carrying amount of equity-accounted investment	**6,673**	**8,927**
	2016	2015
Revenue	7,189	6,633
Depreciation and amortisation	(1,498)	(173)
Interest expense	(4,112)	(453)
Income tax (expense)/benefit	(886)	115
Loss for the period	(684)	(684)
Loss and total comprehensive loss (100 %)	(4,507)	(440)
Group's share of loss and total comprehensive loss (50%)	**(2 254)**	**(220)**

The major asset of NWCC is the concession agreement, an identifiable amortizable intangible asset with the carrying value of RUB 36,738 million as at 31 December 2016 (2015: RUB 36,499 million). The intangible asset is amortized over the life of the concession agreement (till 2041). The goodwill on acquisition in the amount of RUB 944 million is included in the carrying value of the investment in the joint venture.

(B) IMPAIRMENT TESTING

The Group carried out an impairment test with respect to its investment in NWCC as at 31 December 2016. The recoverable amount of the Group's investment in the joint venture was estimated to be higher than its carrying amount and therefore no provision for impairment was recognized as at 31 December 2016.

The recoverable amount of the investment in the joint venture was estimated based on the present value of the future cash flows expected to be derived from the investment over the life of the concession agreement (value in use). The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2016	2015
Discount rate	10.74%	13.34%
Traffic revenue (average annual) growth rate	6.70%	6.51%
Budgeted EBITDA (average annual) growth rate	5.50%	5.41%

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 90.92% at a market interest rate of 10.74%.

The Group engaged an independent traffic advisor specialized in development of transportation models and forecast of traffic to make traffic growth projections and revenue forecast. The traffic revenue forecast was adjusted to take into account inflation over the period of the concession agreement.

Budgeted EBITDA was estimated taking into account past experience of forecasting the costs of constructing and operating such an asset as well as the projected traffic revenue.

The cash flow projections included specific estimates for the period through the end of the concession agreement due to the fact that the traffic and revenue projections covered the periods through the end of the concession agreement.

The estimated recoverable amount of the investment exceeded its carrying amount by approximately RUB 14,284 million. Management has identified three key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The amount that these three assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount is presented below:

1. The discount rate should increase to 17.55%;
2. EBITDA should decrease by 32%;
3. Revenue should decrease by 22%.

The Group also carried out an impairment test with respect to this investment also at the end of 2015. As at 31 December 2015 the recoverable amount of the investment was estimated to be higher than its carrying amount and therefore no provision for impairment was recognized as at that date either.

(C) ASSOCIATE

The following table summarises the financial information of the associate as included in its individual financial statements and adjusted for the effects of fair valuation of assets and liabilities at the date of acquisition and the differences in the accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in this company.

	MOSTOSTROY-11	
RUB MILLION	**31 DECEMBER 2016**	31 DECEMBER 2015
Percentage ownership interest	**25.002%**	**25.002%**
Non-current assets	6,126	6,646
Current assets	12,710	10,779
Non-current liabilities	(2,286)	(2,467)
Current liabilities	(8,382)	(7,181)
Net assets (100%)	8,168	7,777
Group's share of net assets (25.002%)	2,041	1,944
Goodwill	166	166
Carrying amount of interest in the associate	**2,207**	**2,110**

	2016	2015
Revenue	15,710	16,891
Profit and total comprehensive income (100%)	479	695
Profit and total comprehensive income (25.002%)	120	174
Group's share of profit and total comprehensive income (25.002%)	**120**	**174**
Dividends received by the Group	**23**	**34**

14. OTHER ASSETS

RUB MILLION	31 DECEMBER 2016	31 DECEMBER 2015
Loans given	3,631	3,218
Available-for-sale investments	291	234
Bank deposits with maturities more than 3 months	27	20
Other investments	240	15
	4,189	**3,487**
Non-current	634	397
Current	3,555	3,090
	4,189	**3,487**

As at 31 December 2016 the majority of loans given were provided to related parties at market rates payable within a year (refer to Note 29).

The Group's exposure to credit, currency and interest rate risks related to other assets is disclosed in Note 23.

15. INVENTORIES

RUB MILLION	31 DECEMBER 2016	31 DECEMBER 2015
Construction materials	14,499	9,696
Work in progress	1,914	851
Finished goods and goods for resale	401	456
	16,814	**11,003**

As at 31 December 2016 the work-in-progress included construction costs in the amount of RUB 1,826 million under the projects, for which neither the new construction contracts nor addendums to current construction contracts were concluded with customers to include these costs as at the reporting date. The Group assesses these costs as recoverable and expects that the new construction contracts as well as addendums to current construction contracts will be concluded with customers in the foreseeable future.

No inventories were pledged as a security for the borrowings as at 31 December 2016 and 2015.

16. CONSTRUCTION CONTRACTS IN PROGRESS

The following table summarizes information related to construction contracts not completed as at the reporting date, including contracts on which final payments have not been made.

RUB MILLION	31 DECEMBER 2016	31 DECEMBER 2015
Progress billings	375,685	387,221
Unbilled revenue	5,147	7,439
Contract revenue accumulated to the period end	**380,832**	**394,660**
Contract costs incurried accumulated to the period end	(330,531)	(343,326)
Net profit recognised	**50,301**	**51,334**
Including:		
Recognised profit	52,272	54,479
Recognised loss	(1,971)	(3,145)
Contract revenue accumulated to the period end	380,832	394,660
Progress payments and advances received	(419,040)	(437,654)
Net payables to customers	**(38,208)**	**(42,994)**
Due from customers	22,861	19,662
Due to customers	(61,069)	(62,656)
	(38,208)	**(42,994)**
Non-current retentions	8,880	6,188
Current retentions	4,847	1,805
	13,727	**7,993**

The retentions on construction contracts are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.

The retentions are measured at the fair value of the consideration receivable based on the expected timing of cash inflows.

17. TRADE AND OTHER RECEIVABLES

RUB MILLION	31 DECEMBER 2016	31 DECEMBER 2015
Trade receivables	4,954	2,530
Value added tax	1,205	928
Security deposits for participation in tenders	915	222
Taxes other than income tax	112	6
Other receivables	1,040	1,868
	8,226	**5,554**
Non-current	251	247
Current	7,975	5,307
	8,226	**5,554**

The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 23(b)(ii).

18. CASH AND CASH EQUIVALENTS

RUB MILLION	31 DECEMBER 2016	31 DECEMBER 2015
Petty cash	1	2
Cash at banks	1,874	2,434
Bank deposits with maturities less than 3 months	17,116	28,500
	18,991	**30,936**

CASH AT SPECIAL ACCOUNTS

Cash at special accounts in the amount of RUB 6,872 million as at 31 December (2015: RUB 24,257 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 N° 70 dated 04 February 2016, N° 963 dated 20 September 2014, N° 1563 dated 27 December 2014, and the Order of the Ministry of Finance of the Russian Federation N° 213n dated 25 December 2015, which set out purposes, procedures and terms the Group should comply with in order to use the funds.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23.

19. CAPITAL AND RESERVES

(A) SHARE CAPITAL

	ORDINARY SHARES	
NUMBER OF SHARES UNLESS OTHERWISE STATED	**2016**	2015
Authorised shares	282,215,500	282,215,500
Par value	0.14 RUB	0.14 RUB
On issue at 1 January	282,215,500	282,215,500
On issue at end of year, fully paid	**282,215,500**	**282,215,500**

Ordinary shares

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

(B) DIVIDENDS

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

Dividends in the amount of RUB 3,003 million, or RUB10.64 per share were accrued and paid during the year ended 31 December 2016 (2015: RUB 2,001 million, or RUB 7.09 per share).

(C) FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

20. CAPITAL MANAGEMENT

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of the Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

21. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 23.

RUB MILLION	31 DECEMBER 2016	31 DECEMBER 2015
CURRENT LIABILITIES		
Unsecured bonds	478	–
Secured bank loans	5,041	15,060
Unsecured bank loans	8,011	22,402
Finance lease liabilities	2,580	2,244
	16,110	**39,706**
NON-CURRENT LIABILITIES		
Unsecured bonds	9,915	–
Finance lease liabilities	2,780	1,957
	12,695	**1,957**
Total loans and borrowings	**28,805**	**41,663**

Finance lease liabilities are payable as follows:

RUB MILLION	FUTURE MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
31 DECEMBER 2016			
Less than one year	3,253	673	2,580
Between 1 and 5 years	3,171	391	2,780
	6,424	**1,064**	**5,360**
31 DECEMBER 2015			
Less than one year	2,766	522	2,244
Between 1 and 5 years	2,259	302	1,957
	5,025	**824**	**4,201**

The carrying amounts of all of the Group's loans and borrowings are denominated in RUB.

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

	2016	2015
Unsecured bonds	11.9%	–
Bank loans	14.5%	16.2%
Finance lease liabilities	16.4%	16.1%

In 2016 the Company issued two series of bonds with a nominal value of RUB 5.000 million 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 bond-holders have 3-year and 5-year put options.

The bank loans for total amount of RUB 4 989 million (2015: RUB 14,963 million) outstanding as at 31 December 2016 were secured by revenue from construction contracts (Note 6). Finance lease liabilities are secured by the leased assets (Note 12).

22. TRADE AND OTHER PAYABLES

RUB MILLION	31 DECEMBER 2016	31 DECEMBER 2015
Trade payables	15,693	12,668
Value added tax payable	4,905	9,611
Payables to personnel	4,674	3,825
Taxes payable other than income tax and value added tax	976	697
Other payables and accrued expenses	1,210	1,412
	27,458	**28,213**
Long-term	1,846	1,826
Short-term	25,612	26,387
	27,458	**28,213**

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 23(b)(iii).

23. FAIR VALUES AND RISK MANAGEMENT

(A) MEASUREMENT OF FAIR VALUES

The fair values of financial assets and liabilities other than bonds were not significantly different from their carrying amounts as at the reporting date. The bonds are accounted for at amortized cost and their fair values were equal to RUB 10,280 million as at the reporting date. The basis for determining fair values is disclosed in Note 4. Inputs for the valuation of the available-for-sale financial assets are primarily based on the observable market data (hierarchy level 1). Available-for-sale financial assets as at 31 December 2016 in the amount of RUB 291 million (2015: RUB 234 million) are represented by shares of public bank.

(B) FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk (see 23(b)(ii));
- liquidity risk (see 23(b)(iii));
- market risk (see 23(b)(iv)).

(i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The management is responsible for developing and monitoring the Group's risk management policies. The management reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in securities.

The carrying amount of financial assets represents the maximum credit risk exposure.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The concentration of credit risk geographically or with respect to sales transactions with a single customer is disclosed in Note 5.

In monitoring customer credit risk, the Group's ultimate customers are typically divided into the following broad categories:

- Federal State agencies. This category consists of agencies of the Russian Ministry of Transport, primarily the federal highway agency, Rosavtodor, the federal railway agency, and Roszheldor.
- State, State-owned and State-funded corporations. This category consists of State-owned corporations, primarily Russian Highways.
- Regional authorities. This category consists of local governments such as the Moscow city government, and local government entities or authorities.
- Municipal authorities. This category consists of municipal authorities.
- Private customers, including "public private partnership" (PPP) concessionaires. This category consists of private construction companies and concessionaires for PPP.

The Group's contracts usually require an annual advance payment from its customers of up to 30 % of the anticipated annual work amount. The Group typically uses this amount to finance some of its raw materials, fuel and labour costs. However, the Group is typically required to provide its customers with a bank guarantee covering the refund of this amount if the Group fails to perform its contractual obligations. Most of the Group's construction contracts provide for monthly progress payments in arrears based on a schedule of works performed during that month.

The Group issues its invoices to customers in accordance with terms specified in the relevant contract, which generally require payment within one to 30 days after the invoice date. To ensure the timely collection of its account receivables and to minimise the incurrence of bad debts, the Group has implemented management controls and established collection monitoring and investigation procedures to manage its accounts receivable and work-in-progress. It regularly monitors the status of accounts receivable and work-in-progress and actively seeks to manage the risk of non-payment or late payment primarily by maintaining close customer contacts.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The only component of this allowance is a specific loss component that relates to individually significant exposures.

The two most significant customers of the Group account for RUB 16,328 million of the trade receivables' carrying amount (including amounts due from customers on construction contracts) as at 31 December 2016 (in 2015: two customers with the amount of RUB 11,586 million).

Impairment losses

The ageing of trade and other receivables and amounts due from customers on construction contracts at the reporting date was as follows:

	31 DECEMBER 2016		31 DECEMBER 2015	
RUB MILLION	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
TRADE AND OTHER RECEIVABLES				
Not past due	5,083	—	3,451	—
Past due 0-183 days	2,748	(1,193)	503	(34)
Past due more than 183 days	3,845	(3,574)	4,488	(3,788)
AMOUNTS DUE FROM CUSTOMERS ON CONSTRUCTION CONTRACTS				
Not past due	22,861	—	19,662	—
	34,537	**(4,767)**	**28,104**	**(3,822)**

As at 31 December 2016 the allowance for doubtful prepayments amounted to RUB 3,063 million (2015: RUB 1,980 million). The allowance was also recorded for potential losses of the Group's cash at accounts with the banks, whose licenses were revoked by the Central Bank of the Russian Federation.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 183 days. The main portion of the trade receivables balance relates to customers that have a good track record with the Group.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly. As at 31 December 2016 and 2015 the Group did not have any collective impairment on its trade receivables.

In addition, the majority of the balance of construction in progress due from customers (Note 16) is from government agencies and other public bodies, therefore, there is a concentration of credit risk with such type of customers.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables and other receivables and amounts due from customers on construction contracts not past due.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Cash and cash equivalents

The Group held cash and cash equivalents in the amount of RUB 18,991 million as at 31 December 2016 (2015: RUB 30,936 million), cash at special accounts in the amount of RUB 6,872 million at 31 December 2015 (2015: RUB 24,258 million) which represents its maximum credit exposure on these assets.

Cash and deposits at banks are held at financial institutions that have minimal credit risks with credit ratings of Caa1 to Ba1 assessed by Moody's Investors Service. As at 31 December 2016 majority of cash and cash equivalents were held at state owned banks with credit ratings of Ba1.

Guarantees

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

The financial guarantees provided to third parties on behalf of third parties and related parties (see Note 29(c)(iv)) and outstanding as at 31 December 2016 amounted to RUB 727 million (2015: RUB 1,008 million).

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As at 31 December 2016 the Group's total current liabilities exceeded total current assets by RUB 10.4 billion. The Group maintains open credit lines with a number of major Russian banks to meet requirements for short-term finance. The undrawn credit facilities at 31 December 2016 amounted to RUB 37 billion. The undrawn credit facilities are available to the Group for the term of 1-3 years. Management believes that current agreements with banks are sufficient to maintain appropriate liquidity in the foreseeable future.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

RUB MILLION	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0-6 MTH	6-12 MTH	1-2 YRS	2-3 YRS	OVER 3 YRS
31 DECEMBER 2016							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bonds issued	10,393	13,744	561	571	1,133	5,868	5,611
Bank loans	13,052	14,008	8,328	5,680	—	—	—
Finance lease liabilities	5,360	6,424	1,795	1,458	2,197	870	104
Trade payables	15,693	15,850	12,943	261	1,033	488	1,125
Non-controlling interests	1,117	1,117	1,117	—	—	—	—
	35,222	**37,399**	**24,183**	**7,399**	**3,230**	**1,358**	**1,229**
NON-FINANCIAL LIABILITIES							
Guarantees provided	—	727	727	—	—	—	—

RUB MILLION	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0-6 MTH	6-12 MTH	1-2 YRS	2-3 YRS	OVER 3 YRS
31 DECEMBER 2015							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bank loans	37,462	40,881	15,355	25,526	—	—	—
Finance lease liabilities	4,201	5,025	1,506	1,260	1,573	595	91
Trade payables	12,668	12,701	9,815	290	871	447	1,278
Non-controlling interests	1,171	1,171	1,171	—	—	—	—
	55,502	**59,778**	**27,847**	**27,076**	**2,444**	**1,042**	**1,369**
NON-FINANCIAL LIABILITIES							
Guarantees provided	—	1,008	1,008	—	—	—	—

The maximum amount of contingent liabilities related to the financial guarantees issued, on which the management does not expect cash outflows, is disclosed.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group does not have significant exposure to foreign currency risk.

(v) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

RUB MILLION	CARRYING AMOUNT 31 DECEMBER 2016	31 DECEMBER 2015
FIXED RATE INSTRUMENTS		
Financial assets	3,327	5,841
Financial liabilities	(28,805)	(31,603)
	(25,478)	**(25,762)**
VARIABLE RATE INSTRUMENTS		
Financial assets	3,348	4,315
Financial liabilities	–	(10,060)
	3,348	**(5,745)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed-rate financial instruments as fair value through profit or loss or as available-for-sale financial instruments. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no material impact on equity and profit or loss of the Group.

(vi) Other market price risk

Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the management. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

Sensitivity analysis – equity price risk

The majority of the Group's equity investments are listed on MICEX stock exchanges. For such investments, classified as instruments available-for-sale, an increase of the MICEX index by 5% at the reporting date, would lead to an increase in shareholders' equity of RUB 5 million after tax (2015: increase by RUB 5 million); similar reduction in these indices would lead to a decrease in shareholders' equity of RUB 5 million after tax (2015: decrease of RUB 5 million). The determined sensitivity in the fair value reflects each equity instrument's sensitivity to the related market index.

24. SIGNIFICANT SUBSIDIARIES

(A) SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES

COMPANY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 31 DECEMBER 2016	OWNERSHIP INTEREST 31 DECEMBER 2015
Transstroymechanizatsiya LLC	Russia	84%	84%
Mostotrest-Service JSC	Russia	60%	60%
NWCC LLC	Russia	50%	50%
UTS LLC	Russia	50%	50%

(B) NON-CONTROLLING INTEREST

Non-controlling interest as at 31 December 2016 comprised of:

RUB MILLION	TRANSSTROY-MECHANIZATSIYA	MOSTOTREST-SERVICE	AVTOBAN-MOSTOTREST-SERVICE	CONSOLIDATION ADJUSTMENTS	TOTAL SHARE OF NON-CONTROLLING INTERESTS IN EQUITY
Non-controlling interests	**16%**	**40%**	**67%**		
Non-current assets	10,772	4,190	321	–	
Current assets	40,646	2,382	317	26	
Non-current liabilities	(1,711)	(1,057)	(17)	(11)	
Current liabilities	(42,728)	(2,086)	(267)	72	
Net assets	**6,979**	**3,429**	**354**	**87**	
Net assets attributable to non-controlling interests	**1,117**	**1,372**	**237**	**37**	**1,646**
Revenue	79,279	12,086	1,100	(1,143)	
(Loss)/profit for the year	(334)	1,168	132	(3)	
Total comprehensive (loss)/income for the year	**(334)**	**1,168**	**132**	**(3)**	
Total comprehensive income for the year attributable to non-controlling interests	**587**	**467**	**88**	**(1)**	**555**
Net cash (used in)/from operating activities	(14,883)	1,141	73		
Net cash from/(used in) investing activities	11,785	713	(102)		
Net cash from/(used in) financing activities	3,028	(1,681)	53		
Net (decrease)/increase in cash and cash equivalents	**(70)**	**173**	**24**		

Non-controlling interest at 31 December 2015 comprised of:

RUB MILLION	TRANSSTROY-MECHANIZATSIYA	MOSTOTREST-SERVICE
Non-controlling interests	**16%**	**40%**
Non-current assets	9,024	4,169
Current assets	62,631	2,731
Non-current liabilities	(1,327)	(1,022)
Current liabilities	(63,016)	(2,924)
Net assets	**7,312**	**2,954**
Net assets attributable to non-controlling interests	**1,171**	**1,182**
Revenue	70,898	11,776
Profit for the year	2,214	1,704
Total comprehensive income for the year	**2,214**	**1,704**
Total comprehensive income for the year attributable to non-controlling interests	**676**	**681**
Net cash from operating activities	20,695	1,243
Net cash used in investing activities	(2,388)	(808)
Net cash used in financing activities	(11,066)	(510)
Net increase/ (decrease) in cash and cash equivalents	**7,241**	**(75)**

25. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(A) ACQUISITION OF SUBSIDIARIES IN 2015

During the second half of 2015 the Group obtained control over several entities by acquiring 100% of the shares and voting interest in these entities for RUB 556 million paid in cash. These entities provide road maintenance and repair services.

From the date of acquisition to 31 December 2015 these entities contributed revenue of RUB 14 million and loss of RUB 28 million.

If all acquisitions of businesses had occurred on 1 January 2015, management estimates that the consolidated revenue and the consolidated profit for the year would not have changed materially. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

(i) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

RUB MILLION	NOTE	RECOGNISED FAIR VALUES ON ACQUISITION
Property, plant and equipment	12	821
Deferred tax assets	11(c)	4
Other non-current assets		3
Inventories		126
Trade, other receivables and prepayments		175
Cash and cash equivalents		47
Trade and other payables		(107)
Deferred tax liabilities	11(c)	(88)
Total identifiable net assets		**981**

(ii) Negative goodwill

Negative goodwill was recognised as a result of the acquisition as follows:

RUB MILLION	
Total consideration transferred	556
Fair value of identifiable net assets	(981)
Negative goodwill	(425)

Negative goodwill arose as a result of the acquisition of entities at an open auction organized in accordance with the laws of the Russian Federation due to the nature of the property offered for sale and was included in other income.

(B) DISPOSAL OF SUBSIDIARY IN 2015

On 20 July 2015 the Group sold its 100% participation interest in UTS to a joint venture, incorporated together with a foreign partner on par, for total amount of EUR 18 million equal to RUB 1,115 million at the exchange rate of Central Bank of Russia as of that date, received in cash. The transaction resulted in a reduction of the Group's equity interest in the subsidiary from 100% to 50% and loss of control over UTS.

The transaction had the following effect on the consolidated financial statements:

RUB MILLION	2015
Consideration received:	
Cash and cash equivalents, net of cash contributed to share capital	442
Fair value of 50% participation interest	672
Total consideration received	**1,115**
Book value of net assets of UTS	491
Net result recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**623**

The result of the transaction was included in other income.

26. OPERATING LEASES

As at 31 December, the future minimum lease payments under non-cancellable leases were payable as follows.

RUB MILLION	31 DECEMBER 2016	31 DECEMBER 2015
Less than 1 year	511	448
From 1 to 5 years	505	573
More than 5 years	1,554	1,958
	2,569	**2,979**

The Group leases a number of land plots, warehouses and production equipment under operating leases. The leases typically run for an initial period of 5 to 49 years for land plots, one to two years for production equipment and other property, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

Since the title to land plots and other property does not pass to the Group, the lease payments are regularly revised based on the market rates, and the Group does not have an interest in the residual value of the leased property, all the risks and rewards incidental to ownership of these assets remain with the lessor. As such, the Group classifies these leases as operating leases.

During the year ended 31 December 2016 the Group recognised RUB 909 million operating lease expenses in the profit or loss (2015: RUB 824 million).

27. COMMITMENTS

As at 31 December 2016 and 2015 the Group did not have significant contractual obligations to purchase property, plant and equipment.

28. CONTINGENCIES

(A) INSURANCE

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

The Group has to comply with the Law on Urban Planning, including for causing injury to life, health or property of third parties as a result of conducting construction works or defects in construction, renovation, overhaul of capital construction assets. The Group will also be held responsible for accidental loss of or damage to property being constructed. In order to reduce the risk of losses and obligations to third parties as a consequence of conducting construction works, the Group has obtained full insurance coverage against civil liabilities arising under the construction contracts in accordance with the terms of these contracts.

(B) 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 31 December 2016 is amounted to RUB 2,809 million. These advances are fully secured by the financial guarantees of a bank, which is rated Ba2 by Moody's Investors Service. 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 that it is possible but not probable that an outflow of economic benefits will be required to settle the obligation.

Therefore no provision has been made in these financial statements for the above claim.

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

(C) WARRANTIES

The Group has certain warranty obligations under construction contracts terms which range from one to twenty years. The Group performed analysis of historical data on actual compensations paid and defects rectified under these warranties for the past seven years. Based on this analysis, the Group concluded that the probability of the constructions works carried out during the reporting period will not satisfy the quality conditions specified in the contract and require repair, is low. Therefore the Group did not recognize a warranty liability on construction contracts as at the reporting date.

The retentions held by customers under the construction contracts are usually returned in full.

(D) TAXATION CONTINGENCIES

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The Group conducts operations classified as controlled transactions. The Group does not rule out the possibility of emerging disputes with tax authorities in respect of pricing formation on these transactions.

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

29. RELATED PARTY TRANSACTIONS

(A) CONTROL RELATIONSHIPS

As at 31 December 2016 the Mostotrest's shareholders structure was as follows:

94.2% – OJSC TFC-Finance;

5.8% – free-float.

(B) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

(i) Management remuneration

During 2016 key management received remuneration in the amount of RUB 1,465 million (2015: RUB 1,052 million) included in personnel costs.

During the reporting period there were no other material transactions conducted with key management personnel and their close family members.

(C) TRANSACTIONS WITH OTHER RELATED PARTIES

The Group's other related party transactions are disclosed below.

(i) Sales

	TRANSACTION VALUE		OUTSTANDING BALANCE	
RUB MILLION	**2016**	2015	**31 DECEMBER 2016**	31 DECEMBER 2015
SALE OF GOODS TO:				
Investments in equity accounted entities	2	106	1	54
Other related parties	189	–	–	–
SERVICES RENDERED TO:				
Investments in equity accounted entities	3,643	18,828	(1,040)	1,774
Other related parties	374	17	71	2
	4,208	**18,951**	**(968)**	**1,830**

(ii) Purchases

	TRANSACTION VALUE		OUTSTANDING BALANCE	
RUB MILLION	**2016**	2015	**31 DECEMBER 2016**	31 DECEMBER 2015
PURCHASE OF GOODS FROM:				
Other related parties	333	–	(7)	2
SERVICES RECEIVED FROM:				
Investments in equity accounted entities	650	438	179	(42)
Other related parties	627	185	(89)	(66)
	1,610	**623**	**83**	**(106)**

Purchases of goods and services from related parties mainly consist of purchases from companies related to shareholders of the Group and non-controlling participants of the subsidiaries.

(iii) Loans

	TRANSACTION VALUE					
	PLACEMENT		REPAYMENT		OUTSTANDING BALANCE	
RUB MILLION	**2016**	2015	**2016**	2015	**31 DECEMBER 2016**	31 DECEMBER 2015
Loans given to:						
Investments in equity accounted entities	5,606	3,201	(6,628)	—	6,366	6,918
Other related parties	10	—	(455)	—	—	—
Parent company	—	1,608	(1,608)	—	—	1,608
	5,616	**4,809**	**(8,691)**	—	**6,366**	**8,526**

In 2016 the Group provided to and received payments of loans from the joint-venture within the open credit line in the amounts of RUB 5,006 million and RUB 6,028 million, respectively. The loans bear floating interest rate at MIACR plus margin that represents probability of the borrower's default on the loans and determined as the difference between yield on comparable to analyzed loans bonds payable and the base rate. The loans are unsecured and payable by end of 2017.

Interest income on these loans for the reporting period amounted to RUB 1,171 million (2015: RUB 794 million).

(iv) Other operations

In 2016 the Group provided funds in the form of cash to its parent company in the amount of RUB 2,500 million. Interest at fixed annual rate of 14% is accrued on these funds. The payment was recorded within other distributions in the equity.

Financial guarantees provided by the Group to third parties as a security of related party liabilities amounted to RUB 711 million as at 31 December 2016 (2015: RUB 663 million).

30. EVENTS SUBSEQUENT TO THE REPORTING DATE

No significant events occurred after the reporting date.

31. BASIS OF MEASUREMENT

The consolidated financial statements are prepared on the historical (inintial) cost basis except:

- items of property, plant and equipment are stated at their fair values as at the date of the first-time adoption of IFRSs on 1 January 2008;
- financial investments classified as available-for-sale are stated at fair value;
- equity items in existence as at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, GosKomStat. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

32. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 33 to all periods presented in these consolidated financial statements.

33. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(A) BASIS OF CONSOLIDATION

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see Note 33(a)(iii)).

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(B) DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(C) REVENUE

(i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in an inflow of economic benefits and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the share of the costs incurred to date in the total estimated contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) General contractor services

For certain operations the Group undertakes to perform general contractor services. In this type of contracts being the general contractor, the Group acts as a principal, and, therefore, recognizes revenue from ultimate customer and the related cost incurred from the subcontractors on gross basis.

(iii) Services rendered

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(v) Other revenue

Revenue from other activities is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(D) FINANCE INCOME AND COSTS

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the net gain or loss on the disposal of available-for-sale financial assets;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables); and
- non-controlling interest clasfied as a debt instrument.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(E) FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(F) EMPLOYEE BENEFITS

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Remeasurements are recognised in profit or loss in the period in which they arise.

(G) INCOME TAX

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(H) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(I) ASSETS HELD FOR SALE OR DISTRIBUTION

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution.

Such assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

(J) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2008, the Group's date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date when they are installed and are ready for use, or in respect of internally constructed assets, from the date when the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

- buildings and structures 17 years;
- machinery and equipment 7 years;
- vehicles 7 years;
- other PPE 3 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(K) INTANGIBLE ASSETS

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iv) Amortisation

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- construction contracts 1.5 years;
- software 3-5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(L) AMOUNTS DUE FROM/ TO CUSTOMERS ON CONSTRUCTION CONTRACTS

Amounts due from customers on construction contracts represent the amount of construction contracts in progress less consideration received by the Group for works already performed. Amounts due from customers are presented separately in the statement of financial position for all contracts in which costs incurred plus recognised profits and losses exceeds consideration received.

If the consideration received for works performed to date exceeds costs incurred plus recognised profits and losses, then the difference is presented as Due to customers on construction contracts in the statement of financial position.

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 33(c)(i)) less recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

(M) FINANCIAL INSTRUMENTS

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 33(n)(i)).

Loans and receivables category comprise the following classes of financial assets: trade and other receivables as presented in Note 17 and cash and cash equivalents as presented in Note 18.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 33(n)(i)) and foreign currency differences on available-for-sale debt instruments (see Note 33(e)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities – measurement

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Non-controlling interest

In accordance with the Law on Limited Liability Companies No. 14-FZ dated 8 February 1998, each participant in a Russian limited liability company is entitled to withdraw from the company and receive the book value of its participatory share in the company, if the company's charter does not provide for the opposite. Such rights are recognized as a puttable debt instrument and, therefore, profit or loss attributable to minority participants is recognized as finance costs.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

(N) IMPAIRMENT

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers in the Group;
- economic conditions that correlate with defaults;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(O) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(P) LEASES

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of an arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(ii) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iv) Other expenses

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

(Q) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(R) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO, who is the Group's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

34. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2016, and have not been applied in preparing these consolidated financial statements. The Group has not yet analysed the likely impact of the new standards and improvements on its financial position or performance. The Group plans to adopt these pronouncements when they become effective.

NEW OR AMENDED STANDARD	SUMMARY OF THE REQUIREMENTS	POSSIBLE IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS
IFRS 9 Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

NEW OR AMENDED STANDARD	SUMMARY OF THE REQUIREMENTS	POSSIBLE IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS
IFRS 16 Leases	IFRS 16 replaces the existing lease accounting guidance in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 Revenue from Contracts with Customers is also adopted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRS 14 Regulatory Deferral Accounts.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).

KEY RISK FACTORS

Risk management is a cornerstone of strategic management and internal control.

The Company has an integrated risk management system in place that acts to prevent or minimize the impact of negative factors on its operations.

The risk management process involves:

1) Risk identification and assessment
2) Elaboration of risk response measures and risk containment within admissible limits
3) Continuous monitoring of risk factor dynamics
4) Ensuring effectiveness of control measures and activities

The risk management policy and systems are reviewed regularly to ensure they reflect changes in market conditions and the Group's operations. The Group sets training and management standards and procedures that support the development of a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The Board of Directors' Audit Committee oversees the management's performance with regard to its duty to control compliance with the adopted risk management rules and procedures. The Company's Internal Control Service assists the Audit Committee in controlling and overseeing the system. The Internal Audit Service carries out scheduled and random audits of risk management controls and procedures, and submits its reports to the Audit Committee.

Mostotrest Key Risk Management Methods

- Rejection of risky investments, unreliable partners and customers
- Insurance
- Financial planning
- Compliance with relevant standards
- Coordination and consistency of management programs and processes supporting the Company's development.

Mostotrest Ongoing Risk Management Efforts

- Development of corporate risk management culture
- Development of a reliable information and research database to support decision-making
- Implementation of international Project Management (EPCM) standards developed by the Project Management Institute (PMI), a leading international project management association
- Risk management planning; risk identification and assessment
- Development of investment risk management programs
- Insurance of contract liabilities
- Ongoing monitoring of competitors, their management methods and business activity
- Reassignment of risks to subcontractors ("mirror" counter-guarantees)
- Ongoing improvement of the budgeting system
- Centralised procurement.

PROJECT MANAGEMENT AS COMPONENT OF RISK MANAGEMENT SYSTEM

The Company operates an integrated information system (IS) utilising software from leading Russian and foreign vendors. Different IS segments are used for managing Mostotrest subsidiaries and affiliates, monitoring subcontractor operations (including control over financial reporting), creating commercial and financial models, and monitoring operating costs.

One of the key components of Mostotrest's IS is Spider Project, a cutting-edge professional project management software that allows the Company to generate detailed calendar and resource models for upcoming projects, including assessments of deadlines, budgets and likely financial outcomes. Currently, the calendar and resource planning and reporting system covers the bulk of the Company's backlog.

The project management system enables Mostotrest to generate realistic production schedules, balance distribution of resources between in-house and subcontracted volumes, evaluate economic benefits of various production solutions, monitor the revenue and expenditure sides of the budget, and ultimately manage construction in the most effective way.

KEY RISK FACTORS

Risk	Risk Description	Risk Significance and Probability	Mostotrest Approach to Risk Management	Material Facts and Risk Management in 2016
COUNTRY RISK				
Risk of government customers	The share of orders from government bodies and agencies in Mostotrest's backlog exceeds 97%. Consequently, the demand for the Group's services depends directly on the readiness of the government to pursue transport infrastructure development projects. Government revenue, largely driven by oil and commodity prices, has a direct impact on the level of government spending, including on infrastructure projects. With respect to ongoing projects, the impact of adverse macroeconomic factors on the state budget may lead to the government postponing completion or reducing the scope of projects, or otherwise modifying or abandoning projects or delaying payments to contractors.	Significance: High Probability: High	Mostotrest is conservative in its approach to selecting potential projects, giving preference to high priority state infrastructure projects. Projects in this category currently include construction of the toll highway M-11 "Moscow - St. Petersburg", Kerch Bridge, transport infrastructure development in Moscow and other major Russian cities, and the development of the national toll road network and major international airports. Focusing on priority projects for the state reduces the risk of cessation of funding or other adverse issues for the Company as a result of changes being made to projects by the customer.	In recent years, Mostotrest has been focused on large milestone tenders for the construction of M-11 "Moscow – St. Petersburg" and M-4 "Don" highways as well as transport infrastructure development in Moscow and other major cities of Russia. These areas are a priority for the Company, as financing of the above projects is unlikely to be suspended even amid crisis. During 2016, Mostotrest commissioned several large projects including new toll segment of M-4 "Don" highway. By winning new large projects in 2016 the Company confirmed its reputation of a reliable high-quality contractor. It is therefore unlikely that the customer will delay payments or suspend funding for Mostotrest projects. At the end of 2016, the total amount of advances received from customers was RUB61.1 billion, which represents 35% of 2016 revenue.

Risk	Risk Description	Risk Significance and Probability	Mostotrest Approach to Risk Management	Material Facts and Risk Management in 2016
OPERATIONAL AND INDUSTRY RISKS				
Risks associated with Mostotrest contract liabilities	Mostotrest operations are exposed to a number of risks inherent in the infrastructure construction industry as a whole, as well as specific risks associated with complex projects undertaken by the Company. A key operational risk is the risk of fulfilling the Group's post-tender contractual commitments to customers, namely delivering projects on time and to the required standard.	Significance: High Probability: Low	Historically, Mostotrest has an impeccable reputation in the field of infrastructure construction. Throughout our 85+ year history, our customers have had no significant complaints about the quality of completed projects. To ensure effective management of operational risk, the Company implemented a number of procedures, including the OHS management system, internal budgeting process, as well as project management standards and requirements for preparation of project documentation, resource planning, budgeting and internal workflow. The Company's information systems allow it to estimate schedules for completion of construction assignments, determine the required scope of work and analyze costs associated with each phase of the project. Different types of insurance cover a number of risks associated with projects undertaken by Mostotrest. Diversified customer base, dispersed operations and geographic presence further reduce operational risks.	Well-established internal procedures and efficient project management enable Mostotrest to deliver all its projects on time and, sometimes, ahead of schedule. Projects currently being implemented ahead of schedule include construction of the Voroshilovski Bridge Relief in Rostov-on-Don, and construction of a Northwestern Throughway segment from Aminyevskoye Av. to General Dorokhov St. Interchange.
M&A risk	The Company's expansion through M&A exposes it to certain operating risks. Relations with minority shareholders of acquired companies may also potentially carry certain risks.	Significance: High Probability: Low	Mostotrest policy is to take controlling stakes in acquired companies, in order to facilitate their integration and promote the Group's corporate culture across its subsidiaries. Potential transactions are tested for legal compliance and economic feasibility prior to being submitted to the Board of Directors for approval. Important strategic acquisitions are included in the agenda of the General Shareholders' Meeting.	In 2016 Mostotrest-Service and the Russian-German joint venture Autobahn established a joint venture. The new company Autobahn-Mostotrest-Service will be operating in the road repair and capital repair segment, whose share in the Mostotrest-Service business does not exceed 20%. 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. Mostotrest-Sevice and Autobahn will have a 55% and a 45% share in the authorized capital of the new company, respectively.

Risk	Risk Description	Risk Significance and Probability	Mostotrest Approach to Risk Management	Material Facts and Risk Management in 2016
Risks associated with customer's contract liabilities	Transport infrastructure projects are often located on land belonging to or leased by third parties with residential, commercial or industrial premises. Project sites may also be in areas with physical or legal constraints for project design (for example, environmental constraints). Usually, customers bear the responsibility for construction site clearance and the relocation of utility and communication lines. Customers may fail to fulfill or only partially fulfill their obligations, which may cause delays in construction and increase costs. For administrative, political or other reasons, public authorities may delay formal acceptance of construction projects, which may result in delayed payments for completed work. Payment delays and additional costs may have a negative impact on the Group's cash flow and lead to a significant build-up in receivables.	Significance: High Probability: High	Mostotrest experts scrutinize tender documentation prior to submission of bids and prioritise projects where responsibility for construction site clearance is clearly defined. In densely populated areas, the risk of delays to the release of land is scrutinized very closely and an assessment is embedded in cost estimates. Timely completion and delivery of construction projects is a priority for Mostotrest. The Company is flexible even in the event of a delay by the customer. Preliminary work can be carried out even when the land is not fully cleared or only partially cleared. In parallel with the preparation of land by the customer, Mostotrest is able to carry out preparatory construction work, deploy its workforce in essential areas, and deliver the required machinery and construction materials. This minimises the negative impact from delayed land release and enables the Company to start construction as soon as practicable. In recent years, large integrated projects have been gaining ground. Contractors under such contracts are involved in site clearance. In addition a growing number of contracts now include long-term maintenance and operating stages. Mostotrest has an excellent reputation among government customers, which supports the Company's efforts to ensure customers meet their own obligations.	2016 saw construction delays due to site preparation and rearrangement of utilities in some projects. However it did not affect the projects' schedule and all issues were promptly solved. In 2016, some projects saw traditional delays in payments for delivered volumes. In 1H2016, Mostotrest drew loans to finance working capital, while accounts receivable rose. However, customers paid all outstanding amounts by the end of the year. In addition, Mostotrest received advance payments for new and ongoing contracts which led to negative net working capital as at the end of the reporting period.
Risk of adverse weather or natural disaster	Failure to complete and deliver projects in accordance with contract terms, due to long-term adverse weather conditions, natural calamities and disasters may result in project cost overruns.	Significance: Medium Probability: Low	Mostotrest projects are insured against unforeseen weather and climate events.	In 2016 the Company did not record any negative effects of weather-related phenomena.

Risk	Risk Description	Risk Significance and Probability	Mostotrest Approach to Risk Management	Material Facts and Risk Management in 2016
Risks associated with Mostotrest role as general contractor	Hiring construction subcontractors exposes Mostotrest to risks involved in managing those operations effectively. In addition, there may also be the risk of shortage of qualified and experienced subcontractors, as well as the risk of default by subcontractors after they receive advance payments.	Significance: High Probability: Medium	Mostotrest prefers cooperation with reliable partners, who have longstanding relationships with the Company. In some cases, provisions are made to cover subcontractor liabilities. When hiring subcontractors, Mostotrest usually requires submission of counter-guarantees covering subcontractor liabilities, that mirror Mostotrest's own contractual liabilities with its respective customers. Mostotrest has an extensive base of subcontractors (more than 200 companies) and aims to select only the most reliable and proven companies. Even so this does not exclude that the risks may contribute up to 2% of the subcontracted volumes.	In 2016 a number of construction players continued to face financial difficulties or bankruptcy. Some of these were Mostotrest partners who were unable to either deliver volumes against advances, or return advances or pay for the work delivered by Mostotrest. As a result, Mostotrest created provisions for doubtful receivables totaling RUB2.6 billion.
Risks associated with Mostotrest's role as subcontractor	Mostotrest's role as a subcontractor creates the risk of direct dependence on general contractors. Mostotrest depends on the general contractor who is responsible for overall project management, coordination and other aspects of the construction process, including timely access to the project site, completeness and quality of technical specifications, access to project engineers, preparation of auxiliary territories in close proximity to construction sites, access to utilities and other services, as well as for addressing various operational issues to ensure project completion. Without the general contractor's cooperation on these aspects, Mostotrest may be unable to complete projects within budget and on time.	Significance: Medium Probability: Low	The Company is very thorough when choosing both subcontractors and general contractors. Mostotrest has established solid partnerships with industry leaders such as ARKS, Autobahn. Having a strong reputation in the industry, Mostotrest tries to choose partners that reflect its own corporate culture and construction management approach. A steadily growing backlog that covers revenue for several years ahead allows Mostotrest to be selective when choosing new projects, including as a subcontractor, and avoid risky engagements. Currently, 22% of contracts in the Company's backlog are subcontractor contracts. 87% of these relates to Kerch Bridge construction. In line with its strategy, Mostotrest prefers to act as a general contractor where it can control all aspects of project implementation.	In 2016, Mostotrest created provisions for doubtful receivables from its private customers totaling RUB1.0 billion. In 2016, the Group's backlog expanded with only one large subcontracting contract for the Kerch Bridge construction. The Company sees no risks associated with its role of a subcontractor in this project, considering its high political importance, which minimizes the risk of interrupted financing.

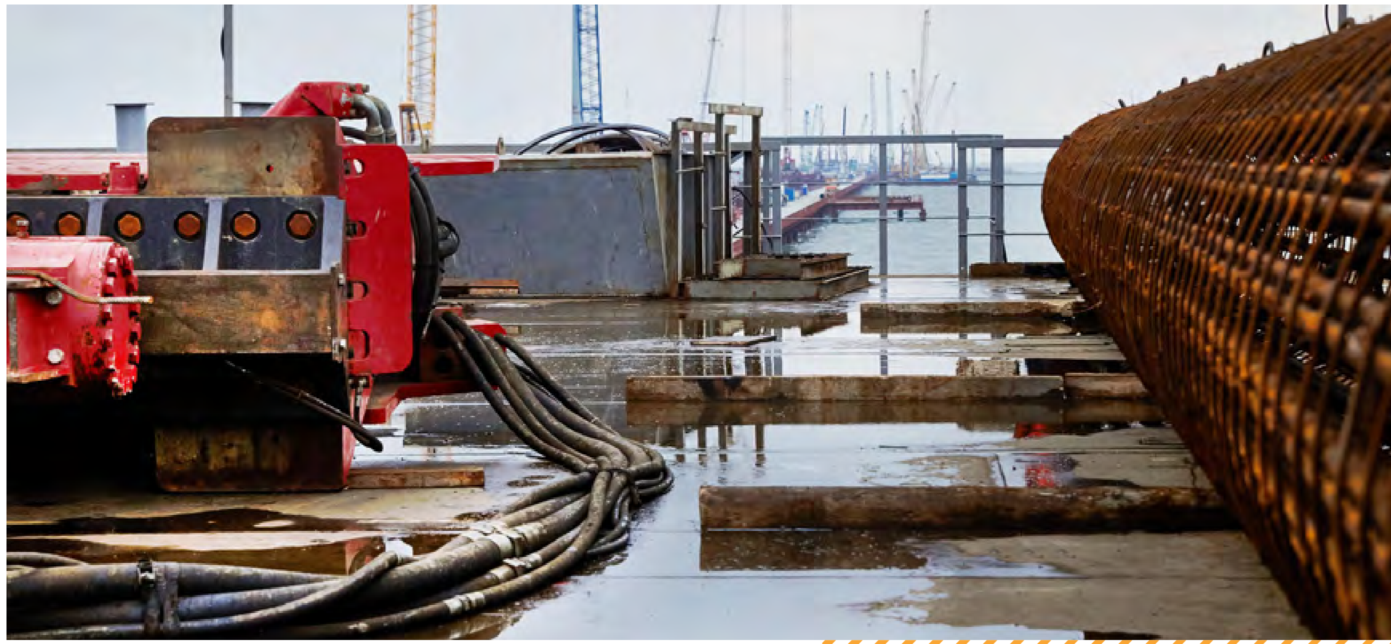
Risk	Risk Description	Risk Significance and Probability	Mostotrest Approach to Risk Management	Material Facts and Risk Management in 2016
Risks associated with the use of heavy machinery and hazardous materials	The construction industry is characterized by specific types of operations that increase the risk of accidents. These include construction site operations, operation of large machinery and equipment, and other hazardous operations.	Significance: Medium Probability: Low	Mostotrest pays particular attention to training its employees in health and safety. The Company believes that its standards and procedures meet industrial safety requirements.	In 2016, to ensure high standards of health and safety, the Company conducted various activities, including: • Scheduled and unscheduled inspections of labor conditions and safety • Development of accident prevention roadmap • Unscheduled OHS and labor discipline briefings • Unscheduled assessment of OHS knowledge of managers, professionals and workmen • Tighter oversight of construction and assembly operations on project sites, in accordance with method statements and technical regulations, and elaboration of specific measures to ensure labor safety, including by union-appointed OHS supervisors • Other events
Risk of regulatory changes	Regulatory changes during the term of a contract may result in the occurrence of relevant risks. In particular, changes in taxation may directly affect the economics of the project. In addition, the need to comply with a large number of regulations, building codes and standards may also potentially generate risks.	Significance: Medium Probability: Low	Mostotrest lawyers closely monitor the Russian legislation and promptly respond to relevant changes. All projects Mostotrest bids for are thoroughly appraised, including in terms of legal compliance and their fit with the Group's tendering strategy. Mostotrest gives preference to those projects that are most transparent and intelligible from a technical, financial and legal standpoint.	The following changes in the Russian legislation pertaining to the Company operations occurred in 2016: adoption of Federal Law 372-FZ of 3 July 2016 On Amendments to the Urban Planning Code of the Russian Federation and Other Legislative Acts, which will enter into effect as of 1 July 2017, amends qualification requirements for members of self-governing organizations. Qualification requirements for individual entrepreneurs and CEOs of legal entities that autonomously manage construction, reconstruction and major repairs of infrastructure now include the requirement to appoint at least two qualified construction management professionals. As of 1 July 2017, information about such professionals will be included in the National Construction Professionals Register, subject to their conformity to qualification requirements set forth in Article 55-5-1 of the Urban Planning Code of the Russian Federation.

Risk	Risk Description	Risk Significance and Probability	Mostotrest Approach to Risk Management	Material Facts and Risk Management in 2016
Risk of commodities and construction materials price volatility	Materials price fluctuations may result in increased project costs.	Significance: Medium Probability: Medium	To mitigate the risk, Mostotrest embeds inflation projections, and other essential factors that influence project profitability, into its budgets, prior to submitting bids. For most commodities and materials Mostotrest operates a centralised procurement system from its head office that closely monitors inventories, enables favorable terms to be negotiated with suppliers and controls the supply process. To manage price inflation risk after winning a tender, Mostotrest assesses the volumes of materials required for execution and their current market value. In the event that there is a high likelihood of price increases, the Company is able to purchase the required materials in advance. One method of minimizing the risk of exceeding the level of actual inflation component of the framework of the project is to finish the construction works before the contractual deadlines. With the availability of resources and the consent of the customer, our company has always sought and will do so in the future to complete the tasks given before the deadlines.	In 2016, the cost of materials increased by 70%. The share of the cost of materials accounted for 21% of revenue, compared to 15% in 2015. In 2016, the share of the cost of fixtures and steel structures (which are most exposed to price fluctuations) in the total cost of materials was 56%, compared to 22% in 2015 due to active phase of Kerch Bridge construction. Given the above and increased prices for rolled steel in general, weighted average prices for materials increased by 17% in the reporting period. Importantly, Mostotrest has its own production capacity, which covered 21% of the Company's material requirements in 2016 and enables the Company to partially eliminate the risk of materials price increases.
PERSONNEL RISKS				
Risk of loss of qualified personnel	Personnel turnover, in the case of its increase or changes in working conditions, may lead to a shortage of qualified personnel. Implementation of technically complex infrastructure projects exposes the Group to a significant risk of injuries to employees.	Significance: High Probability: Low	To minimize the risk, the Group's personnel policy is aimed at creating favorable working conditions, motivating employees, and creating opportunities for professional development and career growth. The employee compensation is based on the principle of fair economic reward and consists of fixed and variable components, as well as the provision of social benefits.	In 2016, Mostotrest staff turnover sufficiently decreased. Against the background of bankruptcies in the construction industry, the staff of Mostotrest value working for a stable, growing company.

Risk	Risk Description	Risk Significance and Probability	Mostotrest Approach to Risk Management	Material Facts and Risk Management in 2016
FINANCIAL RISKS				
Market risk	Volatility of financial markets could lead to fluctuations in the cost of borrowings, changes in equity prices and foreign exchange rates, which may adversely affect the Group's profits or the value of its existing financial instruments.	Significance: Low Probability: Low	The Group makes efforts to control market risk exposure and contain market risk within acceptable limits, while optimizing return on investment. Mostotrest management does not limit itself to the use of either fixed- or floating-rate loans exclusively. When contemplating new loans, the decision whether to opt for fixed or floating rates, depends on the prevailing environment and corresponding benefits. A solid financial position and its reputation as a reliable borrower among the leading Russian and foreign banks significantly reduces the risk of fluctuations in the Company's cost of borrowing. Mostotrest subsidiaries benefit from the same favorable credit terms as the parent company. Almost all payments to suppliers and contractors are denominated in rubles. There are no borrowings in foreign currencies, the value of which is tied to floating interest rates in the Company's loan portfolio. This virtually eliminates the risk of foreign exchange rate fluctuations.	Weighted average interest rates on borrowings and finance lease liabilities at the end of 2016 were 13.1% and 16.4%, as to compare with 16.2% and 16.1% at the end of 2015, respectively. In the reporting year, the Group completed two highly successful long-term bond offerings for a total of RUB10 billion, thereby replacing part of short-term bank loans with longer term bonds at lower rates. Mostotrest remains free of foreign currency debt. However, the Company is exposed to the risk of acquisition of foreign-made equipment and accessories, which it regards as minimal and offset by substitution of simpler equipment with Russian-made equivalents. In 2016, the Group invested a substantial amount of RUB9.1 billion in machinery and equipment, including acquisition of sophisticated foreign-made equipment required for the implementation of large-scale projects.
Liquidity risk	In the event of free cash flow shortage, the Group may experience difficulties in fulfilling its financial obligations.	Significance: High Probability: Low	Mostotrest approach is to manage the risk by maintaining, as far as possible, sufficient liquidity at all times, to meet its liabilities, both under normal and distressed conditions, without incurring unacceptable losses or compromising the Group's reputation. For the purposes of short-term financing of working capital, the Group has credit line agreements with a number of leading Russian banks. The terms of these agreements extend to subsidiaries of the Group.	Mostotrest timely fulfills its financial obligations. In accordance with existing agreements with banks, untapped credit available to the Group amounted to RUB37.0 billion as at the end of 2016. Management estimates that these agreements are sufficient to maintain liquidity of the Group in the foreseeable future. Cash and cash equivalent balances at the end of 2016 amounted to RUB25.9 billion, compared with RUB55.2 billion at the beginning of the year. In the reporting period, cash was used to finance working capital, repay debt used for acquisitions completed in 2012 and finance implementation of the investment program. Therefore, considering total debt of RUB28.8 billion, net debt at the end of 2016 was RUB2.9 billion. Net debt/EBITDA was sufficiently below covenants under the current credit agreements: 0.2x.

Risk	Risk Description	Risk Significance and Probability	Mostotrest Approach to Risk Management	Material Facts and Risk Management in 2016
Credit risk	Credit risk is the probability of a financial loss to the Group if a customer or counterparty fails to perform its contractual obligations. In particular, such losses may occur in case of significant amounts of receivables, loans issued and investment securities. The Group's exposure to credit risk depends essentially on the individual characteristics of each customer.	Significance: High Probability: Low	The management has developed a credit policy involving assessment of customers' credit quality. The Group analyses external credit ratings (if any) and, in some cases, bank references. Transactions with customers included in the high-risk category are carried out on a pre-payment basis and are subject to management authorization. The Group makes impairment provisions covering trade and other receivables and investments, based on the amount of actual credit losses previously incurred. The amount is determined based on past payment statistics for similar financial assets. 97% of projects in the Group's backlog are for government customers and agencies whose credit risk, as a rule, is assessed as low. Therefore, credit risk is concentrated on a few large customers. The Group invests only in liquid securities and does not expect any counterparty defaults. Cash and cash equivalents are deposited with the largest Russian banks and financial institutions.	Revenue from the three largest customers accounted respectively for 33%, 23% and 12% of the Group's total revenue. Trade receivables from the two largest customers of the Group at the end of 2016 amounted to RUB16.3 billion. Overdue receivables at the end of 2016 amounted to RUB1.8 billion. As at 31 December 2016, cash and cash equivalents amounted to RUB25.9 billion, which represents the maximum exposure to credit risk on these assets. Cash and deposits at banks are held at financial institutions that have minimal credit risks with credit ratings of Caa1 to Ba1 assessed by Moody's Investors Service. As at 31 December 2016 majority of cash and cash equivalents were held at state owned banks with credit ratings of Ba1.
TECHNOLOGY-RELATED AND ENVIRONMENTAL RISKS				
Risk of negative environmental impact	Mostotrest operations may have a potential negative impact on the environment.	Significance: High Probability: Medium	Minimizing the negative effects of the Company's operations on the environment and on human health is a management priority. When planning its operations, the Company aims to reduce any negative impact on the environment. The Company has adopted a corporate policy in the field of OHS and environmental protection. All operations are carried out in accordance with applicable Russian environmental safety legislation.	Environmental responsibility is a priority in implementation of many of the Company's projects. In particular, special attention is paid to environmental issues during construction of the M-11 "Moscow – St. Petersburg" Highway, which partially passes through protected areas, and construction of the Kerch Bridge.

In addition to the above, Mostotrest is exposed to a number of other risks. More information about the risks associated with the Group's operations can be found in the international prospectus drafted in connection with the initial public offering of Mostotrest shares, available on our corporate website at (http://mostotrest.ru/investors/disclosing_information/international-investment-memorandum/, Section "Risk Factors", pp. 10–41).



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ADDITIONAL INFORMATION

This report contains information on the performance of PJSC Mostotrest, LLC “Transstroymekhanizatsiya”, JSC “MOSTOTREST-SERVICE“, Plexy Limited and LLC "United Toll Systems" (for the periods before 2016)

BASIS OF PRESENTATION

IMPORTANT INFORMATION

Some of the information contained in this report may contain projections or other forward-looking statements regarding Mostotrest performance. Such projections and statements are indicated with words and expressions such as “expects”, “anticipates”, “estimates”, “plans”, “will”, “may”, “could”, “possibly”, including their negative forms and other words and expressions that have similar meaning. Mostotrest draws your attention to the fact that such statements are only predictions and assumptions with respect to future events and performance, while actual future events and performance may differ materially from those projected. Mostotrest declares that forecasts contained in this report will not be subject to adjustment to reflect occurrence of any projected future events or those events, the occurrence of which was not known in advance. The actual future results may differ materially from those projected by Mostotrest, due to the influence of a number of factors. Such factors may include general economic conditions, our competitive environment, risks associated with economic activities in the Russian Federation, changing conditions in the Russian infrastructure construction market, as well as many other risks specifically related to Mostotrest and its activities.

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BASIS OF PRESENTATION

Financial information

This report contains information on the performance of Public Joint Stock Company MOSTOTREST (PJSC Mostotrest or together with its consolidated subsidiaries Limited Liability Company “Transstroymekhanizatsiya” (TSM, acquired on 13 May 2010), Joint Stock Company “MOSTOTREST-SERVICE“ (Mostotrest-Service, acquired on 5 July 2012) and Plexy Limited (acquired on December 25, 2012) – Mostotrest, the Company or the Group).

The financial information presented in this document is based on the audited consolidated financial statements of the Company prepared in accordance with IFRS.

The consolidated financial information of the Group is presented in Russian rubles, the Company's functional currency which, in the opinion of management, is the most comprehensible currency to primary users of the financial statements.

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2016 include the results of PJSC "Mostotrest", TSM, Mostotrest-Service and Plexy Ltd.

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2014-2015 include the results of PJSC "Mostotrest", TSM, Mostotrest-Service, LLC "United Toll Systems" ("UTS", incorporated from 17 May 2011 till 20 July 2015) and Plexy Ltd.

Operational and market information

Mostotrest reports certain operational information to illustrate the changes in the Group's operational and financial performance during the reporting periods. This operational information is derived from management accounts.
The Group's selected operational information is provided on pages 24-28 of this report as well as on pages 29-37 to explain some financial results dynamics.

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: Mintrans, Avtodor, the Department of Finance of the City of Moscow Government, the website http://zakupki.gov.ru and EMBS Group Reports. 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. EMBS Group have given and not withdrawn their consent to the inclusion of information from the Reports to this report.

All financial and operational information contained in this document 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 consolidated financial statements of the Group and financial information in accordance with IFRS, which can be found on the corporate website of PJSC "Mostotrest": www.mostotrest.ru.

Events after the reporting period

For relevance purposes, important information such as ownership structure, dividends and certain other data has been updated in accordance with subsequent events (post 31 December 2016).

GLOSSARY

Average tender size is calculated on the basis of the total cost and number of tenders published by the official Russian Federation public procurement information website http://zakupki.gov.ru.

Avtodor (Russian Highways State Company) is a State Company established to upgrade and develop Russia's existing road infrastructure network, including the major Russian federal highways. It manages the design, construction, repair and maintenance functions of the Company's highway projects, develops the Company's highways infrastructure and services, and attracts private investment using public-private partnership.

Backlog – the relevant entity'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. Backlog is not a measure defined by IFRS or RAS.

EBITDA is defined as Earnings before interest, tax, depreciation and amortisation. EBITDA is not defined by, or presented in accordance with, IFRS or RAS. EBITDA is presented as a supplemental measure of the entity's operating performance. EBITDA has limitations as an analytical tool, and investors should not consider it in isolation, or as a substitute for analysis of the entity's operating results as reported under IFRS.

EBITDA margin is EBITDA divided by revenue.

Effective tax rate is computed by dividing total income tax expense by the company's earnings before tax.

EMBS Group is an independent industry consultancy which provides, among other services, market information advisory services within a number of business sectors across emerging markets and developed markets globally.

Federal agencies include Agencies of the Russian Ministry of Transport (Rosavtodor, Roszheldor, Rosaviaciya, Rosmorrechflot).

Federal Roads Agency is a federal executive body and part of the Ministry of Transport of the Russian Federation. It is responsible for providing public services and managing government property in the area of road transport and infrastructure, including managing the federal road network.

Gross margin is gross profit divided by revenue.

Gross profit is calculated by subtracting cost of sales from revenue.

IFRS means International Financial Reporting Standards.

In-house volumes of works is the total revenue from construction contracts less cost of services of subcontractors.

Market share – total share of Mostotrest, TSM and Mostotrest-Service calculated as volume of works carried out with the own workforce less other revenue divided by the total transport infrastructure market according to PMR and EMBS Group Reports.

Mintrans is a Ministry of Transport of the Russian Federation.

Municipalities include Administrations, Department for motorways and management of motorway traffic in cities.

Net cash volumes is the negative value of net debt.

PMR an independent industry consultant which provides market information advisory services in respect of Central and Eastern European countries and other emerging markets.

Public–private partnership (PPP) – describes a government service or private business venture which is funded and operated through a partnership of government and one or more private companies with the aim of carrying out long-term investment projects under mutually agreed conditions.

RAS means Russian Accounting Standards.

Regional division is a standalone business unit of PJSC Mostotrest, which performs all (or part) of its functions acting on behalf of the Company in civil-law transactions, and is not a separate legal entity. Regional divisions operate and act on behalf of the Company in their corresponding locations.

Regional governments include local governments such as Moscow City government and local authorities, Department of Transportation and Road Facilities of Vladimir Region, etc.

Share of works performed using own in-house capabilities is calculated as the amount of works performed by own in-house capabilities divided by total revenue.

Share of subcontracted volumes is calculated as the ratio of cost of subcontractor services to revenue.

State corporations are State-owned and State-funded corporations (mainly Avtodor and Russian Railways in the report).

Subcontracted volumes of works equal cost of subcontractor services in the Group's total cost of sales.

VAT means value added tax.

Weighted-average interest rate is determined as annual interest expense on loans and borrowings outstanding as at the reporting date divided by the total amount of loans and borrowings outstanding as at that date.

Weighted average prices for materials 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.

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