

ООО Трансстроймеханисатсиа

**Condensed Interim Financial Statements
for the six months ended 30 June 2010**

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**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010
Condensed Interim Statement of Financial Position**

Mln RUB	Note	30.06.2010	31.12.2009
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,031	1,772
Intangible assets		1	1
Loans given		5	25
Deferred tax assets		91	279
Total non-current assets		2,128	2,077
Current assets			
Inventories		1,031	455
Trade and other receivables		1,289	868
Amounts due from customers for construction contracts	13	1,279	1,025
Loans given		55	-
Prepayments		879	238
Cash and cash equivalents		95	213
Total current assets		4,628	2,799
Total assets		6,756	4,876
LIABILITIES			
Long-term liabilities (other than net assets attributable to participants)			
Loans and borrowings	14	126	109
Total long-term liabilities (other than net assets attributable to participants)		126	109
Net assets attributable to participants			
Accumulated loss attributable to participants		(732)	(1,180)
Total net assets attributable to participants		(732)	(1,180)
Short-term liabilities			
Loans and borrowings	14	2,004	475
Trade and other payables		4,107	3,598
Amounts due to customers for construction contracts	13	1,236	1,788
Provisions		6	4
Current tax liabilities		9	82
Total short-term liabilities		7,362	5,947
Total liabilities		6,756	4,876

These condensed interim financial statements were approved by management on 20 September 2010 and were signed on its behalf by:



Balayan S.V.

1st Deputy General director

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

Condensed Interim Statement of Comprehensive Income

Mln RUB			
For six months ended 30 June	Note	2010	2009
Continuing operations			
Revenue	6	6,187	4,960
Cost of sales	7	(5,123)	(3,993)
Gross profit		1,064	967
Other income	9	139	68
Administrative expenses	8	(246)	(218)
Other expenses	10	(34)	(41)
Results from operating activities		923	776
Finance income	11	3	9
Finance costs	11	(69)	(156)
Dividends		(200)	-
Profit before income tax		657	629
Income tax expense		(209)	(158)
Profit for the period from continuing operation		448	471
Discontinued operations			
Loss for the period from discontinued operations	16	-	(658)
Profit/ (loss) and total comprehensive income for the period		448	(187)

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

Condensed Interim Statement of Changes in Net assets attributable to participants

Mln RUB	Share Capital	Profit and loss attributable to participants	Total net assets attributable to participants
Balance at 1 January 2009	-	(1,282)	(1,282)
Loss and total comprehensive income for the period	-	(187)	(187)
Balance at 30 June 2009	-	(1,469)	(1,469)

Mln RUB	Share Capital	Profit and loss attributable to participants	Total net assets attributable to participants
Balance at 1 January 2010	-	(1,180)	(1,180)
Profit and total comprehensive income for the period	-	448	448
Balance at 30 June 2010	-	(732)	(732)

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

Condensed Interim Statement of Cash Flows

Mln RUB	<u>2010</u>	<u>2009</u>
For six months ended 30 June		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) for the period	448	(187)
<i>Adjustments for:</i>		
Depreciation	268	200
Net finance costs	67	169
Dividends	200	-
Gain on disposal of property plant and equipment	(34)	(19)
Income tax expense	209	164
Cash flows from operating activities before changes in working capital and provisions	<u>1,158</u>	<u>327</u>
Increase in inventory	(576)	(216)
Increase/(decrease) in trade and other receivables	(421)	200
Increase /(decrease) in amounts due from customers for construction contracts	(254)	567
Increase/(decrease) in trade and other payables	892	(130)
Decrease in amounts due to customers for construction contracts	(552)	(463)
Increase in provisions	2	-
Increase in prepayments	(641)	(77)
Cash flows (used in)/from operations before income taxes	<u>(392)</u>	<u>208</u>
Income tax paid	(93)	(81)
Net cash (used in)/ from operating activities	<u>(485)</u>	<u>127</u>
 CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(205)	(83)
Loans given	(33)	(14)
Proceeds from sales of property plant and equipment	57	124
Net cash flows used in investing activities	<u>(181)</u>	<u>27</u>
 CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,159	1,422
Repayment of borrowings	(740)	(1,809)
Finance lease payments	(189)	(244)
Interest paid	(12)	(174)
Dividends paid	(670)	-
Net cash flows from/ (used in) financing activities	<u>548</u>	<u>(805)</u>
Net decrease in cash and cash equivalents	(118)	(651)
Cash and cash equivalents at 1 January	213	799
Cash and cash equivalents at 30 June	<u>95</u>	<u>148</u>

Selected Explanatory Notes to the Condensed Interim Consolidated Financial Statements

1 Organization and operations

OOO Transstroy Mekhanisatsiya (the “Company”) is a Russian limited liabilities company established in accordance with the Civil Code of the Russian Federation. The Company was established on 08 July 2005. The Company’s registered office is 1, building 2, Chermianskiy proezd, Moscow, 127282, Russia.

Up to 13 May 2010 the Company’s shares were owned by Albanyblue Investments Limited (Cyprus), the immediate parent company for the Company, and the ultimate controlling party to the Company was Mr. Basin E.V.

On 13 May 2010 the control over the Company was acquired by OAO Mostotrest. This transaction changed the immediate parent company to OAO Mostotrest. In addition, Mr. Basin E.V. ceased being the ultimate controlling party to the Company. OAO Mostotrest prepares publicly available IFRS financial statements.

The preliminary IFRS financial statements of Company as at and for the year ended 31 December 2009 is available upon request from the Company registered offices at the address mentioned.

As of 30 June 2010 the Company’s current liabilities exceeded the Company’s current assets by RUB 2,734 million. The Company’s management believes that as of the date of these financial statements being approved there were no significant uncertainties with respect to the Company’s ability to continue as a going concern since the Company in excess of contract revenue recognised to 30 June 2010 has legal right to claim its customers with the billed volume of work for an amount of approximately RUR 1,614 million. The Company expects that this consideration will be collected within twelve months from the reporting date. In addition, new significant construction contracts have been concluded for an amount of 5,600 mln RUB subsequent to period end – refer note 17.

2 Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full set of annual financial statements and should be read in conjunction with the preliminary IFRS financial statements of the Company as at and for the year ended 31 December 2009.

Comparative financial information for the six months ended 30 June 2009 was prepared on consolidated basis for the Company and its subsidiary OOO Dorstroyproekt (note 16) (together – the “Group”). The Group did not prepare consolidated financial statements under Russian Accounting Principles in that period. Accordingly, an explanation of how transition to IFRSs has been affected to the reported financial position as at 1 January 2009 and 30 June 2009, and financial performance and cash flows of the Group for the six months ended 30 June 2009 is not presented in these interim condensed financial statements.

3 Significant accounting policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its preliminary IFRS financial statements as at and for the year ended 31 December 2009.

4 Use of estimates and judgments

The preparation of condensed interim financial statements 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.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preliminary IFRS financial statements as at and for the year ended 31 December 2009.

5 Seasonality

The business of the Company is not subject to seasonal fluctuations; however, the Company's financing limits for the year from its customers are normally approved during the 1st quarter of the financial year. The completions of the projects normally occur at end of financial years.

6 Revenue

Mln RUB	30.06.2010	30.06.2009
Revenue construction contracts:		
airport infrastructure facilities	2,662	126
bridges and highways	2,479	1,630
other infrastructure facilities	-	2,027
railway infrastructure facilities	551	784
Total revenue from construction contracts	5,692	4,567
Revenue from resale of materials	495	393
Total revenue	6,187	4,960

Below is the information on the geographical allocation of revenues from construction contracts. In presenting the information on the basis of geographical information, revenue is based on the geographical location of construction sites:

Mln RUB	30.06.2010	30.06.2009
Revenue by districts:		
Southern Federal District	1,894	45
Far Eastern Federal District	1,636	67
Central Federal District	1,334	1,213
Siberian Federal District	552	2,820
Northwestern Federal District	276	286
Volga Federal District	-	136
Total revenue from construction contracts	5,692	4,567

7 Cost of sales

Mln RUB	30.06.2010	30.06.2009
Materials	1,558	1,133
External companies services	1,401	651
Personnel expenses	573	348
Subcontractors services	572	1,010
Cost of sold goods	436	353
Services of principal contractors	218	239
Depreciation	208	169
Other	157	90
	<u>5,123</u>	<u>3,993</u>

8 Administrative expenses

Mln RUB	30.06.2010	30.06.2009
Personnel expenses	76	50
External companies services	68	71
Depreciation	60	20
Materials	7	58
Other administrative expenses	35	19
	<u>246</u>	<u>218</u>

9 Other income

Mln RUB	30/06/2010	30/06/2009
Gain on disposal of property plant and equipment	34	1
Revenues from the lease of property	19	44
Gain on derecognition of accounts payable	49	-
Other income	37	23
	<u>139</u>	<u>68</u>

10 Other expenses

Mln RUB	30.06.2010	30.06.2009
Recovery of loss on impairment of inventories	9	8
Past years profit and loss	4	18
Bad debt provision	2	-
Other expenses	19	15
	<u>34</u>	<u>41</u>

11 Finance income and finance costs

Mln RUB	30.06.2010	30.06.2009
Recognised in profit or loss		
Foreign exchange gain	1	8
Interest income on loans given	1	1
Interest income on bank deposits	1	-
Finance income	<u>3</u>	<u>9</u>
Interest expense on borrowings	(23)	(95)
Foreign exchange loss	-	(25)
Interest expense on finance leases	(46)	(36)
Finance expense	<u>(69)</u>	<u>(156)</u>
Net finance expense in profit or loss	<u>(66)</u>	<u>(147)</u>

12 Property, plant and equipment

During the six months ended 30 June 2010 the Company acquired assets with the cost of 544 mln RUB (six months ended 30 June 2009: 277 mln RUB).

During the six months ended 30 June 2010 the assets with the carrying amount of 23 mln RUB were disposed (six months ended 30 June 2009: 105 mln RUB).

At 30 June 2010 property, plant and equipment with a carrying amount of 17 mln RUB were pledged to secure supply contracts.

13 Construction contracts in progress

Mln RUB	<u>30/06/2010</u>	<u>31/12/2009</u>
Progress billings	22,137	28,727
Billed in excess of contract revenue recognised	(1,614)	(2,453)
Contract revenue accumulated to the period end	20,523	26,274
Contract costs accumulated to the period end	(19,311)	(25,103)
Expected losses recognised accumulated to the period end	-	(1,584)
Recognised profits	<u>1,212</u>	<u>(413)</u>
Contract revenue accumulated to the period end	20,523	26,274
Payments	(20,480)	(27,037)
Net receivables from / (payables to) customers	<u>43</u>	<u>(763)</u>
Amounts due from customers for construction contracts	1,279	1,025
Amounts due to customers for construction contracts	(1,236)	(1,788)
	<u>43</u>	<u>(763)</u>

14 Loans and borrowings

Mln RUB	<u>Currency</u>	<u>Carrying amount</u>	<u>Year of maturity</u>
Balance at 1 January 2010		584	
<i>New issues</i>			
Unsecured bank loans	RUB	1,559	2010
Unsecured borrowings received	RUB	600	2010
Finance lease liabilities	RUB	305	2011-2012
<i>Repayments</i>			
Unsecured bank loans	RUB	(613)	
Unsecured borrowings received	RUB	(139)	
Finance lease liabilities	RUB	(182)	
Finance lease liabilities	EUR	(7)	
<i>Other movements</i>			
Unsecured bank loans interest expense	RUB	9	
Unsecured borrowings received interest expense	RUB	14	
Balance at 30 June 2010		<u>2,130</u>	

15 Related party transactions

Control relationships

During the six months ended 30 June 2010 the control over the Company was acquired by OAO Mostotrest – refer note 1.

Management remuneration

The key management received remuneration of 51 mln RUB (6 months 2009: 9 mln RUB), including related contributions to the pension funds. The remuneration is included in personnel costs. There were no other material transactions conducted with key management personnel and their close family members.

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

Transactions with other related parties

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

Revenue

Mln RUB	Turnover 30.06.2010	Outstanding balance 30.06.2010	Turnover 30.06.2009	Outstanding balance 31.12.2009
Sale of goods	31	251	271	172
Rendering construction services	4,900	1,222	4,796	2,324
	<u>4,931</u>	<u>1,473</u>	<u>5,067</u>	<u>2,496</u>

Expenses

Mln RUB	Turnover 30.06.2010	Outstanding balance 30.06.2010	Turnover 30.06.2009	Outstanding balance 31.12.2009
Purchase of goods	17	-	181	49
Received construction services	332	1,683	604	1,657
	<u>349</u>	<u>1,683</u>	<u>785</u>	<u>1,706</u>

Loans

As at 30 June 2010 the Company's balance of loans payable to related parties amounted to 1,442 mln RUB, including 502 mln RUB payable to fellow subsidiary, 270 mln RUB payable to the immediate parent company and 673 mln RUB payable to other related party to the Company. The loans received from the related parties are repayable in 2010. The loans bear interest at 9% and 12.5% per annum.

16 Discontinued operations

In November 2009, OOO DorStroyProekt, the 100% owned subsidiary, was announced bankrupt by the decision of the arbitration court and bankruptcy procedures have commenced. The bankruptcy was caused by the inefficiencies involved in the operations of the entity, as a result of which management decided, in May 2009, to discontinue the operations of the subsidiary. The operational management of the subsidiary was transferred to an independent administrator. The Company believes that since then it had no power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The assets and liabilities of the subsidiaries were excluded from the consolidated financial statements on 17 November 2009, the date when the Company lost control over the entity. The discontinuance of the subsidiary had the following effect on the Group's operations for the six-month period ended 30 June 2009:

Mln RUB	30.06.2009
Results of discontinued operation	
Revenue	176
Expenses	(834)
Loss for the period	(658)

The statement of financial position of the Company as at 30 June 2009 included certain assets with the carrying amount of 71 mln RUB and liabilities with the carrying amount of 1,210 mln RUB related to the discontinued operation. These assets and liabilities have been derecognised in the second half of 2009.

17 Events subsequent to the reporting date

Significant construction contracts concluded

After 30 June 2010 the Company concluded the following new significant construction contracts:

- On renovation of road interchange on 25 km M-5 Ural for 5,302 mln RUB.
- On construction of foundation for the Main Mediacyenter for 298 mln RUB.

Significant borrowings

After 30 June 2010 the Company concluded a number of loan agreements with banks for a total amount of 972 mln RUB and repaid its liabilities to previously attracted borrowings of 1,560 mln RUB.



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Independent Auditors' Report

To the General director of OOO Transstroy Mekhanisatsiya

Introduction

We have reviewed the accompanying condensed interim statement of financial position of OOO Transstroy Mekhanisatsiya (the "Company") as at 30 June 2010 and 30 June 2009, and the related condensed interim statements of comprehensive income, changes in net assets attributable to participants and cash flows for the six-month periods then ended and a summary of selected explanatory notes (the condensed interim financial statements). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 30 June 2010 and 30 June 2009, and for the six-month periods then ended are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG
20 September 2010