

ENGTRANSSTROY Corporation LLC

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

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

Condensed Interim Statement of Financial Position

Mln RUB	Note	<u>30/06/2010</u>	<u>31/12/2009</u>
ASSETS			
Non-current assets			
Property, plant and equipment	11	517	511
Intangible assets		3	1
Trade and other receivables		88	90
Investments in equity accounted investees		1	-
Deferred tax assets		<u>161</u>	<u>321</u>
Total non-current assets		<u>770</u>	<u>923</u>
Current assets			
Inventories		51	61
Trade and other receivables		2,466	1,898
Amounts due from customers for construction contracts	12	613	198
Loans given		733	143
Prepayments		10,985	5,998
Cash and cash equivalents		<u>2,036</u>	<u>7,718</u>
Total current assets		<u>16,884</u>	<u>16,016</u>
Total assets		<u>17,654</u>	<u>16,939</u>
LIABILITIES			
Long-term liabilities (other than net assets attributable to participants)			
Loans and borrowings	13	<u>-</u>	<u>1</u>
Total long-term liabilities (other than net assets attributable to participants)		<u>-</u>	<u>1</u>
Net assets attributable to participants			
Charter capital		30	30
Profit and loss attributable to participants		<u>(144)</u>	<u>133</u>
Total net assets attributable to participants		<u>(114)</u>	<u>163</u>
Short-term liabilities			
Loans and borrowings	13	1,814	38
Trade and other payables		9,000	7,063
Amounts due to customers for construction contracts	12	6,918	9,557
Provisions		33	25
Current tax liabilities		<u>3</u>	<u>92</u>
Total short-term liabilities		<u>17,768</u>	<u>16,775</u>
Total liabilities		<u>17,654</u>	<u>16,939</u>

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


Efim V. Basin


Sergey B. Mukhin

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

General director

Deputy general director for finance

Condensed Interim Statement of Comprehensive Income

Mln RUB	Note	2010	2009
For the six months ended 30 June			
Revenue	6	14,510	20,005
Cost of sales	7	(12,923)	(18,658)
Gross profit		1,587	1,347
Other income		16	15
Administrative expenses	8	(417)	(396)
Other expenses	9	(80)	(116)
Results from operating activities		1,106	850
Finance income	10	60	55
Finance costs	10	(13)	(4)
Dividends		(1,200)	(303)
Net finance expense		(1,153)	(252)
(Loss)/profit before income tax		(47)	598
Income tax expense		(230)	(190)
(Loss)/profit and total comprehensive income for the period		(277)	408

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

Condensed Interim Statement of Changes in Net assets attributable to participants

Mln RUB

	<u>Charter capital</u>	<u>Profit and loss attributable to participants</u>	<u>Total net assets attributable to participants</u>
Balance at 1 January 2009	30	(436)	(406)
Profit and total comprehensive income for the period	-	408	408
Balance at 30 June 2009	<u>30</u>	<u>(28)</u>	<u>2</u>

	<u>Charter capital</u>	<u>Profit and loss attributable to participants</u>	<u>Total net assets attributable to participants</u>
Balance at 1 January 2010	30	133	163
Loss and total comprehensive income for the period	-	(277)	(277)
Balance at 30 June 2010	<u>30</u>	<u>(144)</u>	<u>(114)</u>

The condensed interim statement of changes in net assets attributable to participants is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements set out on pages 7 to 13.

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

Condensed Interim Statement of Cash Flows

Mln RUB

For the six months ended 30 June

CASH FLOW FROM OPERATING ACTIVITIES

	<u>2010</u>	<u>2009</u>
(Loss)/profit for the period	(277)	408
<i>Adjustments for:</i>		
Depreciation	63	46
Net finance income	(46)	(41)
Dividends	1,200	303
Income tax expense	230	190
Cash flows from operating activities before changes in working capital and provisions	<u>1,170</u>	<u>906</u>
Decrease/(increase) in inventory	10	(410)
(Increase)/ decrease in trade and other receivables	(565)	1,118
Increase in amounts due from customers for construction contracts	(415)	(1,260)
Increase in trade and other payables	1,937	3,881
Decrease in amounts due to customers for construction contracts	(2,639)	(2,668)
Increase in provisions	8	-
Increase in prepayments	(4,987)	(2,516)
Cash flows used in operations before income taxes and interest paid	<u>(5,481)</u>	<u>(949)</u>
Income tax paid	(159)	(120)
Net cash flows used in operating activities	<u>(5,640)</u>	<u>(1,069)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Acquisition of property, plant and equipment	(59)	(7)
Repayment of loans given	79	306
Loans issued	(683)	(155)
Interest received	44	30
Proceeds from sales of property plant and equipment	14	-
Net cash (used in)/from investing activities	<u>(605)</u>	<u>174</u>

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from borrowings	2,509	601
Repayment of borrowings	(686)	(732)
Finance lease payments	(49)	(89)
Interest paid	(11)	(4)
Dividends paid	(1,200)	-
Net cash flows from/ (used in) financing activities	<u>563</u>	<u>(224)</u>
Net decrease in cash and cash equivalents	(5,682)	(1,119)
Cash and cash equivalents at 1 January	7,718	1,759
Cash and cash equivalents at 30 June	<u>2,036</u>	<u>640</u>

Notes to the Condensed Interim Financial Statements

1 Organisation and operations

ENGTRANSSTROY Corporation LLC (the “Company”) is a Russian limited liability company established in accordance with the Civil Code of the Russian Federation in 2007. The Company’s registered office is 10, Tarusskaya street, Moscow, 117588, Russia.

Up to 29 June 2010 the Company’s shares were owned by Velopretco Holdings Co. Limited (Cyprus), the immediate parent company for the Company, and the ultimate controlling party to the Company was Mr. Basin E.V.

On 29 June 2010 the control over the Company was acquired by Mostotrest OJSC. This transaction changed the immediate parent company to Mostotrest OJSC. In addition, Mr. Basin E.V. ceased being the ultimate controlling party to the Company. Mostotrest OJSC prepares publicly available IFRS financial statements.

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

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.

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:		
bridges and highways	9,222	4,748
railway infrastructure facilities	1,739	6,598
ports and in-land water infrastructure facilities	259	4,651
other infrastructure facilities	-	3,206
airport infrastructure facilities	2,428	110
other facilities	832	529
Total revenue from construction contracts	<u>14,480</u>	<u>19,842</u>
Other revenue	30	163
Total revenue	<u>14,510</u>	<u>20,005</u>

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:		
Central Federal District	3,750	3,365
Southern Federal District	3,770	86
Volga Federal District	18	28
Siberian Federal District	1,738	4,464
Far Eastern Federal District	1,508	10,245
Northwestern Federal District	3,696	1,654
Total revenue from construction contracts	<u>14,480</u>	<u>19,842</u>

7 Cost of sales

Mln RUB	30/06/2010	30/06/2009
Services of subcontractors	12,607	16,008
Insurance	126	272
Depreciation	46	33
Lease expense	6	113
Repair and maintenance	4	1
Materials	-	2,079
Other expenses	134	152
	<u>12,923</u>	<u>18,658</u>

8 Administrative expenses

Mln RUB	<u>30/06/2010</u>	<u>30/06/2009</u>
Personnel expenses	210	169
Lease expense	63	67
Transportation	44	44
Depreciation	17	13
Communications	11	11
Insurance	-	2
Charity	2	1
Tax other than income tax	-	1
Other expenses	70	88
	<u>417</u>	<u>396</u>

9 Other expenses

Mln RUB	<u>30/06/2010</u>	<u>30/06/2009</u>
Bad debt provision	3	61
Loss on impairment of advances given and receivables from customers under long-term construction/ services contracts	33	-
Other expenses	44	55
	<u>80</u>	<u>116</u>

10 Finance income and finance costs

Mln RUB	<u>30/06/2010</u>	<u>30/06/2009</u>
Recognised in profit or loss		
Foreign exchange gain	1	-
Interest income on loans	10	38
Interest income on bank deposits	47	12
Income from participation in other companies	2	-
Interest income on finance leases	-	5
Finance income	<u>60</u>	<u>55</u>
Interest expense on borrowings	(11)	(4)
Interest expense on finance leases	(2)	-
Finance costs	<u>(13)</u>	<u>(4)</u>
Net finance income in profit or loss	<u>47</u>	<u>51</u>

11 Property, plant and equipment

During the six months ended 30 June 2010 the Company acquired assets with the cost of 85 mln RUB (six months ended 30 June 2009: 70 mln RUB).

During the six months ended 30 June 2010 the assets with the carrying amount of 5 mln RUB were disposed (six months ended 30 June 2009: 51 mln RUB).

12 Construction contracts in progress

Mln RUB	30/06/2010	31/12/2009
Progress billings	42,042	70,215
Billed in excess of contract revenue recognised	(354)	(1,048)
Contract revenue accumulated to the period end	41,688	69,167
Contract costs accumulated to the period end	(39,063)	(65,968)
Recognised profits	2,625	3,199
Contract revenue accumulated to the period end	41,688	69,167
Payments	(47,993)	(78,526)
Net payables to customers	(6,305)	(9,359)
Amounts due from customers for construction contracts	613	198
Amounts due to customers for construction contracts	(6,918)	(9,557)
	(6,305)	(9,359)

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

13 Loans and borrowings

Mln RUB	Currency	Carrying amount	Year of maturity
Balance at 1 January 2010		39	
<i>New issues</i>			
Secured bank loans	RUB	1,800	2010
Unsecured bank loans	RUB	709	2010-2011
<i>Repayments</i>			
Secured bank loans	RUB	(308)	
Unsecured bank loans	RUB	(412)	
Finance lease liabilities	RUB	(13)	
Finance lease liabilities	EURO	(12)	
<i>Other movements</i>			
Secured bank loans interest expense	RUB	8	
Unsecured bank loans interest expense	RUB	3	
Balance at 30 June 2010		1,814	

At 30 June 2010, the loans were secured with the future revenue income from construction contracts for the amount of 1,800 mln RUB.

14 Related party transactions

Control relationships

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

Management remuneration

The key management received remuneration of RUB 139 mln (6 months 2009: RUB 49 mln). The remuneration is included in personnel costs. 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	Transaction value 30/06/2010	Outstanding balance 30/06/2010	Transaction value 30/06/2009	Outstanding balance 31/12/2009
Services rendered to fellow subsidiaries	534	163	1,103	5,111
Sale of goods to fellow subsidiaries	16	2	99	105
	<u>550</u>	<u>166</u>	<u>1,202</u>	<u>5,216</u>

Expenses

Mln RUB	Transaction value 30/06/2010	Outstanding balance 30/06/2010	Transaction value 30/06/2009	Outstanding balance 31/12/2009
Purchase of subcontractor services from fellow subsidiaries	(8,418)	1,380	(11,330)	(3,858)
Purchase of goods from fellow subsidiaries	(76)	(0)	(1,411)	(259)
	<u>(8,494)</u>	<u>1,380</u>	<u>(12,741)</u>	<u>(4,117)</u>

Loans

Mln RUB	Outstanding balance 1 January 2010	Loans given 2010	Loans settled 2010	Outstanding balance 30 June 2010
Loans given to fellow subsidiaries	90	580	(1)	669
	<u>90</u>	<u>580</u>	<u>(1)</u>	<u>669</u>

The loans given to related parties are repayable in 2010. The loans bear interest from 8.25% to 13% per annum. In the six months ended 20 June 2010 interest income has amounted to 22 mln RUB (30 June 2009: 17 mln RUB).

15 Explanation of the transition to IFRSs

In preparing its opening preliminary IFRS statement of financial position as of 1 January 2009, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to IFRSs has affected the Company's financial performance in the six-month period ended 30 June 2009 is set out in the following tables and the notes that accompany the tables.

Mln RUB	<u>30 June 2009</u>
Condensed interim statement of comprehensive income	
Revenue	(1,398)
Cost of sales	<u>1,314</u>
Adjustment to profits before income tax	<u>(84)</u>

Mln RUB	30 June 2009		
	Carrying amount under previous GAAP	Adjustments	IFRS
ASSETS			
Non-current assets			
Property plant and equipment	361	13	374
Intangible assets	-	4	4
Trade and other receivables	-	101	101
Non-current financial investments	55	(55)	-
Deferred tax assets	-	189	189
Total non-current assets	<u>416</u>	<u>252</u>	<u>668</u>
Current assets			
Inventories	1,594	(475)	1,119
Trade and other receivables	7,237	(5,441)	1,796
Amounts due from customers for construction contracts	-	1,961	1,961
Loans given	669	3	672
Prepayments	6,628	1,025	7,653
Cash and cash equivalents	640	-	640
Non-current assets held for sale	-	54	54
Total current assets	<u>16,768</u>	<u>(2,873)</u>	<u>13,895</u>
Total assets	<u>17,184</u>	<u>(2,621)</u>	<u>14,563</u>

Mln RUR	30 June 2009		
	Carrying amount under previous GAAP	Adjustments	IFRS
LIABILITIES			
Long-term liabilities (other than net assets attributable to participants)			
Loans and borrowings	-	5	5
Total long-term liabilities (other than net assets attributable to participants)	-	5	5
Net assets attributable to participants			
Charter capital	30	-	30
Profit and loss attributable to participants	726	(754)	(28)
Total net assets attributable to participants	756	(754)	2
Short-term liabilities			
Loans and borrowings	161	32	193
Trade and other payables	9,009	(4)	9,005
Amounts due to customers under construction contracts	-	5,317	5,317
Advances received	7,217	(7,217)	-
Provisions	-	-	-
Current tax liabilities	41	-	41
	16,428	(1,872)	14,556
	17,184	(2,621)	14,563

Major differences between the Russian GAAP and IFRSs include:

- Revenue recognition under percentage of completion method under IFRSs. Under Russian GAAP revenue is recognised based on surveys of construction works performed and accepted by customers as of the reporting date;
- Certain construction contract related expenses are recognised as property, plant and equipment under Russian GAAP. Such expenses are included into the construction work in progress under IFRSs.
- Under Russian GAAP the Company presented general contractor's fee receivable from subcontractors and contract expenses from those subcontractors gross in revenue and cost of sales, respectively. Under IFRSs these items are presented on net basis.
- Dividends to shareholders in Russian limited liability companies are included into statement of changes in equity. Such dividends are presented as finance expenses under the IFRSs.

16 Events subsequent to the reporting date

Significant construction contracts concluded

Subsequent to 30 June 2010 the Company concluded new significant construction contract to design and construct access points at sea and river harbors on the trade route Ust-Luga for RUB 262 mln.

Significant borrowings

Subsequent to 30 June 2010 the Company concluded a number of loan agreements with banks for a total amount of RUB 1,000 mln.



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Independent Auditors' Report

To the General director of OOO ENGTRANSSTROY Corporation

Introduction

We have reviewed the accompanying condensed interim statement of financial position of OOO ENGTRANSSTROY Corporation (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