



T2 RTK Holding LLC

Consolidated financial statements

For the year ended 31 December 2015

T2 RTK Holding LLC

Consolidated financial statements

For the year ended 31 December 2015

Contents

Independent auditors' report	1
Consolidated statement of comprehensive income.....	3
Consolidated statement of financial position	4
Consolidated statement of changes in equity.....	5
Consolidated statement of cash flows.....	6
Notes to the consolidated financial statements	
1. General information	7
2. Basis of preparation	7
3. Basis of consolidation	9
4. Significant accounting policies	10
5. Significant accounting judgments, estimates and assumptions	21
6. New and amended standards and interpretations	23
7. Equity	28
8. Business combinations, goodwill and acquisitions of non-controlling interests	28
9. Income taxes.....	29
10. Property and equipment.....	31
11. Intangible assets	32
12. Financial assets and liabilities.....	33
13. Prepaid expenses	36
14. Trade and other receivables	36
15. Cash and cash equivalents.....	37
16. Provisions	38
17. Trade and other payables	38
18. Sales and marketing expenses.....	38
19. General and administrative expenses.....	39
20. Other operating income and expenses	39
21. Related parties	39
22. Financial risk management	41
23. Commitments, contingencies and uncertainties.....	45
24. Events after the reporting date (update)	47

Independent auditors' report

The Board of Directors and Shareholders of
T2 RTK Holding LLC

We have audited the accompanying consolidated financial statements of T2 RTK Holding LLC and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2015, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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.

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 significant 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 provide a basis for our audit opinion.



Совершенствуя бизнес,
улучшаем мир

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of T2 RTK Holding LLC and its subsidiaries as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

23 March 2016

Moscow, Russia

T2 RTK Holding LLC

Consolidated statement of comprehensive income

(In millions of Russian rubles)

	Note	2015	2014*
Revenue			
Wireless services		94,641	87,359
Operating income and expenses			
Cost of services		(50,521)	(43,384)
Sales and marketing expenses	18	(16,509)	(11,180)
General and administrative expenses	19	(6,767)	(6,807)
Depreciation	10	(14,657)	(10,055)
Amortization	11	(6,488)	(4,894)
Loss on disposal of non-current assets		(59)	(459)
Other operating income	20	5,233	1,128
Other operating expenses	20	(2,636)	(1,686)
Total operating expenses, net		(92,404)	(77,337)
Operating profit		2,237	10,022
Finance income		147	227
Finance expense		(11,594)	(6,912)
Foreign exchange loss on loans in foreign currency, net		-	(783)
Profit (loss) before income tax expense		(9,210)	2,554
Income tax benefit (expense)	9	1,628	(1,281)
Net profit (loss) for the year being total comprehensive income (loss) for the year		(7,582)	1,273

* Amounts of other operating expenses, other operating income and foreign exchange loss do not correspond to the consolidated statement of comprehensive income for the year ended 31 December 2014 and reflect reclassifications as detailed in Note 2.

The accompanying notes are an integral part of these consolidated financial statements.

T2 RTK Holding LLC

Consolidated statement of financial position

(In millions of Russian rubles)

	Note	31 December 2015	31 December 2014*
Assets			
Non-current assets			
Property and equipment	10	126,144	106,483
Intangible assets, other than goodwill	11	67,890	62,478
Goodwill		30,020	30,020
Loans issued	12	90	90
Deferred income tax assets	9	1,607	5,802
Total non-current assets		225,751	204,873
Current assets			
Inventories		617	619
Financial assets at fair value through profit and loss	12	1,680	–
Trade and other receivables	14	4,698	6,435
VAT receivable		1,450	1,960
Prepaid expenses	13	2,661	1,637
Income tax prepayments		487	1,655
Cash and cash equivalents	15	735	3,637
Assets classified as held for sale		–	16
Total current assets		12,328	15,959
Total assets		238,079	220,832
Equity and liabilities			
Equity			
Equity attributable to participants		89,988	97,654
Non-controlling interest		(4)	(13)
Total equity		89,984	97,641
Non-current liabilities			
Interest-bearing loans and borrowings	12	65,740	53,140
Other non-current financial liabilities	12	9,747	7,785
Provisions	16	1,491	1,478
Deferred income tax liabilities	9	6,036	12,894
Total non-current liabilities		83,014	75,297
Current liabilities			
Interest-bearing loans and borrowings	12	37,212	18,700
Trade and other payables	17	20,429	21,730
Advances from customers		4,032	4,262
VAT payable		–	896
Income tax payable		405	397
Other current non-financial liabilities		1,934	881
Other current financial liabilities	12	1,069	1,028
Total current liabilities		65,081	47,894
Total liabilities		148,095	123,191
Total equity and liabilities		238,079	220,832

* Certain amounts do not correspond to the consolidated financial statements as at 31 December 2014 and reflect measurement period adjustments made as detailed in Note 8.

The accompanying notes are an integral part of these consolidated financial statements.

T2 RTK Holding LLC

Consolidated statement of changes in equity

(In millions of Russian rubles)

	Note	Charter capital	Other reserves	Retained earnings	Total equity attributable to partici- pants	Non- controlling interest	Total equity
As of 1 January 2014		76,489	(97,321)	20,593	(239)	-	(239)
Effect of business combinations	8	62,582	34,024	-	96,606	1	96,607
Comprehensive income							
Profit for the period		-	-	1,287	1,287	(14)	1,273
Total comprehensive income		-	-	1,287	1,287	(14)	1,273
As of 31 December 2014		139,071	(63,297)	21,880	97,654	(13)	97,641
Acquisition of non-controlling interests	8	-	-	(97)	(97)	22	(75)
Comprehensive income							
Loss for the period		-	-	(7,569)	(7,569)	(13)	(7,582)
Total comprehensive loss		-	-	(7,569)	(7,569)	(13)	(7,582)
As of 31 December 2015		139,071	(63,297)	14,214	89,988	(4)	89,984

The accompanying notes are an integral part of these consolidated financial statements.

T2 RTK Holding LLC

Consolidated statement of cash flows

(In millions of Russian rubles)

	Note	2015	2014*
Operating activities			
Profit/(loss) before income tax expense		(9,210)	2,554
<i>Adjusted:</i>			
Depreciation	10	14,657	10,055
Amortization	11	6,488	4,894
Finance expense		11,594	6,912
Finance income		(147)	(227)
Impairment loss recognised on trade receivables		685	216
Loss on disposal of non-current assets		59	459
Foreign exchange loss, net		1,095	2,291
Net gain on financial instruments at fair value through profit or loss		(3,054)	-
Operating cash flows before changes in working capital		22,167	27,154
Decrease in inventory		2	286
Decrease/(increase) in trade and other receivables		1,051	(714)
(Increase) in current non-financial assets		(514)	(2,429)
(Decrease) in trade and other payables		(3,814)	(564)
(Decrease) in current financial liabilities		(155)	-
(Decrease) in current non-financial liabilities		(250)	(824)
Income tax refunded/(paid)		176	(5,161)
Net cash flows from operating activities		18,663	17,748
Investing activities			
Purchase of property, equipment and intangible assets		(39,056)	(12,968)
Proceeds from sale of property, equipment and intangible assets		84	572
Interest income received		147	227
Payment of remaining part of consideration on business combination		(314)	-
Cash acquired as a result of acquisition of subsidiaries		-	1,628
Net cash flows used in investing activities		(39,139)	(10,541)
Financing activities			
Proceeds from loans and borrowings		63,052	50,384
Repayment of loans and borrowings		(31,475)	(46,114)
Interest paid		(11,581)	(10,357)
Dividends of acquired subsidiaries paid after the acquisition date		-	(7,000)
Repayment of finance lease liability		(1,807)	-
Other financial charges		(722)	-
Net cash flows received from / (used in) financing activities		17,467	(13,087)
Net (decrease) in cash and cash equivalents		(3,009)	(5,880)
Cash and cash equivalents at beginning of the period		3,637	9,097
Net foreign exchange difference		107	420
Cash and cash equivalents at end of the period		735	3,637

* Certain amounts do not correspond to the consolidated statement of cash flows for the year ended 31 December 2014 and reflect reclassifications as detailed in Note 2.

The accompanying notes are an integral part of these consolidated financial statements.

T2 RTK Holding LLC

Notes to the consolidated financial statements

for the year ended 31 December 2015

(In millions of Russian rubles, unless otherwise stated)

1. General information

The Company was established on 18 July 2013 as T2 Rus Holding LLC. On 28 March 2014 the Company was renamed to limited liability company "T2 RTK Holding". T2 RTK Holding LLC ("Tele2", the "Company", together with its subsidiaries referred to as the "Group") is a company incorporated under the laws of the Russian Federation ("Russia") and registered in the Unified State Register of Legal Entities under number 1137746610430, as a holding entity for the Group's businesses. The registered office of the Company is at building 1, 39A, Leningradskoe shosse, Moscow, 119017, Russian Federation.

The Group operating under Tele2 brand is a wireless telecommunication provider in Russia and renders a broad range of voice, data and other telecommunication services to retail customers, businesses, government clients and other telecommunications services providers.

On 16 June 2015, the Group has completed an internal reorganization – the legal merger of its 33 subsidiaries in one legal entity, LLC "T2 Mobile". As a result LLC "T2 Mobile" has legally succeeded all rights and obligations from the merged entities. The internal reorganization did not result in any effect on the consolidated financial statements of the Group, except for the balances of deferred tax assets and deferred tax liabilities – RUB 5.2 billion of deferred tax assets were offset with deferred tax liabilities in the statement of the financial position.

As of 31 December 2015, the immediate shareholders of the Group are Tele2 Russia Holding AB (Sweden) and Rostelecom OJSC. An ultimate parent of the Group is T2 Netherlands B.V., whose capital is held by PJSC VTB Bank (50%), INVINTEL B.V. (40%) and ABR Investments B.V. (10%), which is controlled by OJSC Bank Rossiya.

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as issued by the International Accounting Standards Board (hereinafter "IASB"), effective at the date these consolidated financial statements were prepared.

The consolidated financial statements were authorised for issue by the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on 23 March 2016.

Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, unless disclosed otherwise.

All companies within the Group maintain their accounting records in accordance with Russian Accounting Standards (hereinafter "RAS"). RAS differ substantially from IFRS. Accordingly, the consolidated financial statements, which have been derived from RAS accounting records, reflect those adjustments necessary for such consolidated financial statements to be presented in accordance with IFRS.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

2. Basis of preparation (continued)

Functional and presentation currency

The consolidated financial statements are presented in Russian rubles (hereinafter "RUB") which is the functional and presentation currency of each of the Group's companies. The functional currency of each of the Group companies has been determined as the currency of the primary economic environment in which the company operates.

Working capital deficit

As of 31 December 2015, the Group had negative working capital (total current assets less total current liabilities) of RUB 52.8 billion (31 December 2014: RUB 31.6 billion), including RUB 4 billion of advances received from customers (31 December 2014: RUB 4 billion).

As of 31 December 2015 the Group has undrawn credit facilities for the total amount of RUB 40.3 billion. As of the date these financial statements were available to be issued, the Group has entered into new long-term credit line facility agreement with VTB Bank, a related party, for a maximum amount of RUB 20 billion (Note 24).

The management of the Group believes that the undrawn credit facilities together with the new loan agreements which are expected to be signed in a subsequent period and planned operating cash inflow will allow the Group to repay its current obligations as they become due. Further, the Group believes it can defer planned capital expenditures, if necessary, in order to meet short-term liquidity requirements.

Reclassifications

During the year ended 31 December 2015, the Group has changed a classification of certain items within the consolidated statement of comprehensive income and consolidated statement of cash flows. The Group believes that these changes provide reliable and more relevant information to the users of its financial statements. In accordance with IAS 8, the changes have been made retrospectively and comparative amounts have been restated accordingly.

The Group has changed the presentation of foreign exchange gain and losses in the consolidated statement of comprehensive income: foreign exchange gain and losses which arise from operating activity are classified in these consolidated financial statements as part of other operating income and other operating expenses. The comparative amounts of the consolidated statement of comprehensive income for the year ended 31 December 2014 were restated to conform to the current year presentation (other operating income was increased by 98, other operating expenses and total operating expenses, net, were increased by 1,606 and 1,508, respectively, net foreign exchange and operating profit were decreased by 1,508).

The Group has changed the presentation of interest paid in the consolidated statement of cash flows: the amount of interest paid is classified in these consolidated financial statements within cash flows from financing activities. The comparative amounts of the consolidated statements of cash flows for the year ended 31 December 2014 were restated to conform to the current year presentation.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2015. The Company controls its subsidiaries if it (i) has power to direct the relevant activities of the subsidiaries that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the subsidiaries, and (iii) has the ability to use its power over the subsidiaries to affect the amount of the Company's returns.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intercompany balances, income and expenses, unrealised gains and losses from transactions between Group companies are eliminated upon consolidation; unrealised losses are not eliminated if the cost cannot be recovered. The accompanying consolidated financial statements include assets, liabilities and results of operations of the Company and its subsidiaries as at 31 December 2015 and 2014 (all of the mentioned below subsidiaries carry out substantially all operations in Russia):

Name of subsidiary	Nature of business	Proportion of ownership interest and voting power held, %	
		2015	2014
"T2 Mobile" LLC*	Telecommunication services	100	100
Tele2 Russia International Cellular BV	Holding and financial company	100	100
"Arkhangel'skiye Mobilnye Seti" CJSC**	Telecommunication services	—*	100
"Belgorodskaya Sotovaya Svyaz" CJSC**	Telecommunication services	—*	100
"Teleset Ltd" CJSC**	Telecommunication services	—*	100
"Telekom Yevraziya" CJSC**	Telecommunication services	—*	100
"Parma Mobayl" CJSC**	Telecommunication services	—*	100
"Murmanskaya Mobilnaya Set" CJSC**	Telecommunication services	—*	100
"Novgorodskie telekommunikacii" CJSC**	Telecommunication services	—*	100
"Lipetsk Mobayl" CJSC**	Telecommunication services	—*	100
"Votek Mobayl" CJSC**	Telecommunication services	—*	100
"Rostovskaya Sotovaya Svyaz" CJSC**	Telecommunication services	—*	100
"Chelyabinskaya Sotovaya Svyaz" CJSC**	Telecommunication services	—*	100
"Personalnye Sistemy Svyazi v Regione" CJSC**	Telecommunication services	—*	100
"Sankt-Peterburg Telekom" OJSC	Telecommunication services	100	100
"Sotovaya Cvyaz Udmurtii" CJSC**	Telecommunication services	—*	100
"Smolenskaya Sotovaya Svyaz" CJSC**	Telecommunication services	—*	100
"Sibirskaya Sotovaya Svyaz" CJSC**	Telecommunication services	—*	100
"Kurskaya Sotovaya Svyaz" CJSC**	Telecommunication services	—*	100
"Kemerovskaya Mobilnaya Svyaz" CJSC**	Telecommunication services	—*	100
"Millicom New Technologies in Communications" CJSC**	Telecommunication services	—*	100
"Akos" CJSC	Telecommunication services	99.70	94.44
"Apeks" OJSC	Telecommunication services	96.71	96.71
"Astarta" CJSC**	Telecommunication services	—*	100
"Baikalwestcom" CJSC**	Telecommunication services	—*	100
"BIT" CJSC**	Telecommunication services	—*	100
"Delta telecom" CJSC**	Telecommunication services	—*	100
"Kaliningradskie Mobilnye Seti" OJSC**	Telecommunication services	—*	100
"Moskovskaya sotovaya svyaz" OJSC**	Telecommunication services	—*	100
"MS-Direct" CJSC**	Holding and financial company	—*	100

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

3. Basis of consolidation (continued)

Name of subsidiary	Nature of business	Proportion of ownership interest and voting power held, %	
		2015	2014
"Nijegorodskiye Sotovie Seti" CJSC**	Telecommunication services	—*	100
"Pilar" LLC	Holding and financial company	100	100
"Saratovskaya sistema sotovoy svyazy" CJSC**	Telecommunication services	—*	100
"Skay-1800" CJSC**	Telecommunication services	—*	100
"Sky Link" CJSC**	Telecommunication services	—*	100
"Uralwestcom" CJSC**	Telecommunication services	—*	100
"Volgograd-GSM" CJSC**	Telecommunication services	—*	100
"Yenisey telecom" CJSC**	Telecommunication services	—*	100
"RT-Mobile" CJSC**	Telecommunication services	—*	100
"Tulskaya Sotovaya Svyaz" CJSC**	Telecommunication services	—*	100

* The subsidiary "Upravlyayushchaya kompaniya T2 RUS" LLC was renamed to "T2 Mobile" LLC and merged in June 2015 with the subsidiaries of the Group marked up with **. Refer to Note 1 above.

4. Significant accounting policies

4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Determining the fair value of assets acquired and liabilities assumed requires the use of management judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, licence and other asset useful lives and market multiples, among other items. Results of subsidiaries acquired and accounted for by the acquisition method are included in operations from the relevant date of acquisition.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Non-controlling interest

Non-controlling interest is that part of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.1 Business combinations and goodwill (continued)

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and fair value of any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill, along with the intangible assets with indefinite lives and intangible assets that are not yet ready to use, is subject to annual impairment testing even if there is no indication of a decline in value. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or any group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The recoverable amount of the respective cash generating unit is based on the higher of estimated value in use and fair value less costs to sell.

In the case of reorganization or divestment involving a change in the composition of cash generating units to which goodwill has been allocated, the goodwill is allocated to the relevant parts. The allocation is based on the relative value of the part of the cash generating unit to which the reorganization or divestment relates, and the part that remains after the reorganization or the divestment.

4.2 Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange (the official exchange rate of the Central Bank of the Russian Federation) at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. At 31 December 2015, the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 72.8827 (2014: USD 1 = RUB 56.2584) and Euro 1 = RUB 79.6972 (2014: Euro 1 = RUB 68.3427).

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts and VAT.

Wireless revenue includes revenue from services such as airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect revenues, roaming charges and charges for value added services (hereinafter "VAS"). Wireless revenues are generally recognised when the services are rendered. Subscription charges for mobile services are recognised ratably in the period covered by subscription. Sales of prepaid cards, used as a method of cash collection, is accounted for as customer advances for future services and the respective revenue is deferred until the customer uses the airtime or the expiry date.

Revenue from provision of content is presented net of related costs when the Group acts as an agent of the content providers while gross revenues and related costs are recorded when the Group is a principal in the arrangement. Management applies judgement based on the analysis of Group's exposure to the risk and rewards associated with provision of content. Management considered that the following factors are significant for the analysis:

- ▶ Group's primary responsibility for providing the content services to the customers;
- ▶ extent of Group's latitude in establishing prices (directly or indirectly);
- ▶ extent of Group's exposure to the customer's credit risk for the amount receivable from the customer.

4.4 Dealer commissions

Dealer commissions are expensed as incurred. Dealer commissions in accordance with agreements which include provision of post-sales services and revenue sharing are recognised as the services are performed, during a period from eight months to twelve months (depending on the agreement terms with dealer) from the date a new subscriber is activated (Note 18).

4.5 Advertising costs

Advertising costs are expensed as incurred (Note 18).

4.6 Government pension funds

The Group contributes to the local state pension funds and social funds on behalf of its employees. The contributions are expensed as incurred. Contributions for the year ended 31 December 2015 were 1,445 (31 December 2014: 872).

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.7 Income tax

The income tax expense (benefit) comprises current tax and deferred tax and is recognised in profit or loss for the year, except for when it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current income tax

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is not recognized in relation to temporary differences arisen from initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised. The Group assess recoverability of deferred tax assets based on estimation of future taxable profits (Note 9). Recoverability of deferred tax assets fully depends of Group's ability to generate taxable profits during the period, when the deferred tax assets could be utilised.

Deferred income tax liability is provided on taxable temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.7 Income tax (continued)

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as probable to result in additional taxes. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax expense.

Actual Group income tax refunds and payments could differ from the estimates made by the Group as a result of changes in tax legislation or unforeseen transactions that could affect tax balances. The expected resolution of uncertain tax positions is based upon management's judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. Circumstances and interpretations of the amount or likelihood may change through the settlement process.

4.8 Value added tax

Value added tax (hereinafter "VAT") related to revenues is generally payable to the tax authorities on an accrual basis when services are rendered to customers. VAT incurred on purchases may be offset, subject to certain restrictions, against VAT related to revenues, or can be reclaimed in cash from the tax authorities under certain circumstances.

Management periodically reviews the recoverability of VAT receivables and believes the amount reflected in the consolidated financial statements is fully recoverable within one year.

4.9 Property and equipment

Property and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes all costs directly attributable to bringing the asset to the location and condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Repair and maintenance costs are expensed as incurred.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.9 Property and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation is based on the acquisition value of the assets less estimated residual value at the end of the useful life and recognised on a straight-line basis throughout the asset's estimated useful life on the following basis:

Buildings	1-30 years
Telecommunication assets and related constructions	3-30 years
Other	1-20 years

Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives of the assets. The lease term includes renewals when such renewals are reasonably assured. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset (refer to Provisions below and Note 16 for further information about the recorded decommissioning provision).

4.10 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of an asset which requires considerable time to complete for its intended use are included in the acquisition value of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.11 Leases

Finance lease

A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the financial statements, the leased object is recognised as a tangible asset at the lower of its fair value and the present value of the minimum lease payments, and a corresponding amount is recognised as a lease obligation under financial liabilities. The asset is depreciated on a straight-line basis over the shorter of the lease term and its useful life, with the estimated residual value deducted at the end of the utilization period. Lease payments are apportioned between interest and repayment of the outstanding liability.

Operating lease

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Contingent rent expenses are recognized when incurred.

4.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost, less accumulated amortization and impairment, if any.

The estimated useful lives per class of intangible assets are as follows:

Licences (frequency)	25 years
Patents and software	5-10 years
Trademarks	2-10 years
Client base	5-10 years
Other	1-10 years

Estimates of useful lives of intangible assets are impacted by estimates of average customer relationship based on churn, remaining licence period and expected developments in technology and markets. The actual economic lives of long-lived assets may be different from the estimated useful lives. A change in estimated useful lives is accounted for prospectively as a change in accounting estimate.

To determine the accounting model for the 3G and 4G operating licences acquired in the business combinations (Note 8) the Group has evaluated additional factors, such as the ability to extend the Group's licences or obtain new licences and frequencies for a new standard, and international telecommunications carriers' practices of estimating the value of similar licences. The Group determined the useful life of 3G and 4G operating licences to be 25 years and applied a straight-line method of amortisation.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.12 Intangible assets (continued)

Gains or losses from disposal of intangible assets are estimated as a difference between net proceeds from disposal of the assets and their carrying value at the date of disposal and are recognized in profit or loss for the year.

4.13 Impairment of non-financial assets

Non-financial assets, including goodwill, that have indefinite useful lives and are not subject for amortisation, are tested for impairment annually as of 31 December and more often if impairment indicators exist. When the recoverable amount of the CGU is less than its carrying amount, impairment is recognised immediately as an expense and is not subsequently reversed.

Estimating recoverable amounts of assets and cash generating units is based on management's evaluations, including determining appropriate CGUs, estimates of future cash flows, discount rates, terminal growth rates, and assumptions about future market conditions.

Other non-financial assets, that are subject to depreciation or amortisation, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairment losses relating to continuing operations, including impairment on inventories, are recognised in profit or loss in the expense categories which are consistent with the function of the impaired asset.

For assets, other than goodwill and intangible assets with indefinite useful lives, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

4.14 Inventory

Inventory which primarily consists of SIM cards and pre-paid cards is stated at the lower of cost (under FIFO method) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on bank accounts and deposits in banks with original maturities of three months or less.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to passage of time is recognised as finance costs.

Decommissioning costs

The Group has certain legal obligations related to rented sites for base stations, masts and towers, which include requirements to restore the real estate upon which the base stations, masts and towers are located and remove certain items of equipment.

The Group recognised a provision for decommissioning costs associated with restoration of rented sites (Note 16).

Decommissioning costs are determined by calculating the present value of the expected costs to settle the obligation using estimated cash flows, and are recognised as part of the cost of the particular asset.

The cash flows are discounted at the current pre-tax rate that reflects the risks specific to the dismantling liability. The unwinding of the discount is expensed in profit or loss as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

In determining the carrying amount of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the asset from the site, and the expected timing of those costs.

4.17 Financial instruments

Initial recognition

Financial assets and financial liabilities within the scope of IAS 39 are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for a financial asset or financial liability accounted for at fair value through profit or loss, in which case transaction costs are expensed.

Subsequent measurement of financial assets and liabilities

The subsequent measurement of financial assets and liabilities depends on their classification as described below.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.17 Financial instruments (continued)

Financial assets are classified as follows: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. The Group does not have available-for-sale financial assets and financial assets held to maturity.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial assets and liabilities accounted for at fair value through profit or loss

Financial assets and liabilities accounted for at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value being recognised in consolidated statement of comprehensive income as part of other operating income and other operating expenses. This category includes foreign currency forward contracts. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Loans and receivables (assets) and borrowings and payables (liabilities)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables and borrowings and payables are subsequently measured at amortised cost using the effective interest rate ("EIR") method.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The calculation of amortised cost includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

The EIR amortisation is included in the statement of profit or loss.

Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

4. Significant accounting policies (continued)

4.17 Financial instruments (continued)

Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of an event that occurred subsequent to the initial recognition of the asset. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of assets may be impaired. For assets carried at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the relevant costs in profit or loss.

Derecognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The description of the approach used by the Group for fair value measurement of financial instruments is presented in Note 5.3 below.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

5. Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated statement of financial position and consolidated statement of comprehensive income. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised prospectively.

5.1 Judgements

Information about judgements made by the Group in process of applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements is included into the following notes:

- ▶ Business combinations: the Group acquired subsidiaries from Rostelecom in 2014. The areas required judgement are as follows: whether the Group acquired a business, the approach to accounting of two stages of the agreement, the identification of assets acquired and liabilities assumed as a result of the business combinations. The details are presented in Note 8.
- ▶ Revenue recognition: the Group applies judgment in evaluating gross or net presentation of revenue and associated fees. In this case, among others, the main factor is whether the Group acts as a principal or an agent. The details are presented in Note 4.3.
- ▶ Accounting for dealer commissions in accordance with agreements which include provision of post-sales services and revenue sharing. The details are presented in Note 4.4.
- ▶ Accounting for leases: judgement is required to conclude on the classification of leases (financial or operating lease), to determine the lease term, and to measure respective assets and liabilities. The details are presented in Note 4.12 and in Note 12.
- ▶ Assessment of useful life for property and equipment and intangible assets: judgement is required for assessment of useful life of property and equipment and intangible assets. The details are presented in Note 4.9 and Note 4.12.
- ▶ As part of impairment test of non-financial assets, management makes judgements including determining appropriate CGUs, estimating recoverable amounts of assets and CGUs, which are discussed in Note 11.

5.2 Estimates and assumptions

- ▶ Impairment test of Goodwill: the key estimates used for estimation of the recoverable amount are described in Note 11.
- ▶ Actual Group income tax receipts and payments could differ from the estimates made by the Group as a result of changes in tax legislation or unforeseen transactions that could affect tax balances. The expected resolution of uncertain tax positions is based upon management's judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. The Group's estimate of uncertain tax positions as of 31 December 2015 is disclosed in Note 4.7.
- ▶ Recoverability of deferred tax assets is assessed based on estimates of future earnings (Note 9). The ability to recover these taxes depends on the Group's ability to generate taxable earnings over the period for which the deferred tax assets remain deductible. The recognition of tax assets and liabilities depends on a series of factors, including estimates as to the timing and realisation of deferred tax assets and the projected tax payment schedule.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

5. Significant accounting judgments, estimates and assumptions (continued)

5.2 Estimates and assumptions (continued)

- ▶ Recognition and measurement of provisions: key assumptions about likelihood and magnitude of an outflow of resources (Note 4.16 and 16).
- ▶ Assessment of fair value of financial instruments at fair value through profit and loss (foreign currency forward contracts): the details are presented in Note 4.17.
- ▶ Recognition and measurement of allowance for doubtful debts: key assumptions about recoverability of accounts receivable (Notes 4.17, 14 and 21).

5.3 Measurement of fair value

A number of the Group's accounting policies and disclosures requires the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established the control framework with respect to the measurement of fair values, that includes employees with related expertise, who are responsible for overseeing all significant fair value measurements and reports directly to the chief financial officer. The employees regularly review significant unobservable inputs and valuation adjustments. If third party information is used for fair value measurement, the evidence obtained from the third parties is assessed to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Measuring the fair value of an asset or a liability the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- ▶ Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ▶ Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following methods and assumptions were used to estimate the fair values:

- ▶ Fair value of bonds is based on price quotations at the reporting date.
- ▶ The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- ▶ Fair value of financial assets at fair value through profit and loss (foreign currency forward contracts) is estimated by discounting future cash flows using market forward rates.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

6. New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below.

Standard	Content of change
Annual improvements 2010-2012 cycle	<p>With the exception of the improvement relating to IFRS 2 <i>Share-based Payment</i> applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. They include:</p> <ul style="list-style-type: none">▶ IFRS 2 <i>Share-based Payment</i>: this improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.▶ IFRS 3 <i>Business Combinations</i>: the amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.▶ IFRS 8 <i>Operating Segments</i>: the amendments are applied retrospectively and clarify that:<ul style="list-style-type: none">▶ an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';▶ the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.▶ IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i>: the amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.▶ IAS 24 <i>Related Party Disclosures</i>: the amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

This amendment is not relevant for the Group as it does not receive any management services from other entities.

These amendments did not impact the Group's financial statements.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

6. New and amended standards and interpretations (continued)

Standard	Content of change
Annual improvements 2011-2013 cycle	<p>The improvements included:</p> <ul style="list-style-type: none">▶ Amendments to IFRS 3 clarifying that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.▶ The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.▶ IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. <p>These amendments did not impact the Group's financial statements.</p>
Amendments to IAS 19 <i>Defined Benefit Plans: Employee Contributions</i>	<p>IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.</p> <p>This amendment is not relevant to the Group, since the Group has no defined benefit plans.</p>

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

6. New and amended standards and interpretations (continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Standard	Content of change
IFRS 15 <i>Revenue from Contracts with Customers</i>	<p>In May 2014 the IASB issued IFRS 15 <i>Revenue from Contracts with Customers</i>, a common revenue recognition guidance that replaces the following previous revenue recognition standards: IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i>, IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfers of Assets from Customers</i>, SIC-31 <i>Revenue – Barter Transactions Involving Advertising Services</i>.</p> <p>The core principle of the guidance is that an entity should recognise 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. To achieve that core principle, an entity should apply the following steps:</p> <ul style="list-style-type: none">▶ Step 1: Identify the contract(s) with a customer.▶ Step 2: Identify the performance obligations in the contract.▶ Step 3: Determine the transaction price.▶ Step 4: Allocate the transaction price to the performance obligations in the contract.▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. <p>For a public entity, the Standard is effective for annual reporting periods beginning on or after 1 January 2017. Early application is permitted.</p> <p>An entity should apply the amendments in this Standard using one of the following two methods:</p> <ol style="list-style-type: none">1. Retrospectively to each prior reporting period presented and the entity may elect any of the following practical expedients:<ul style="list-style-type: none">▶ For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.▶ For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.▶ For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.2. Retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application. If an entity elects this transition method it also should provide the additional disclosures in reporting periods that include the date of initial application of:<ul style="list-style-type: none">▶ The amount by which each financial statement line item is affected in the current reporting period by the application of IFRS 15 as compared to the guidance that was in effect before the change.▶ An explanation of the reasons for significant changes.▶ The Group is currently evaluating the possible effect of the Standard on its financial statements and the best date for its adoption, as well as the transition method to be used.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

6. New and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)

Standard	Content of change
IFRS 16 <i>Leases</i>	<p>In January 2016, the IASB issued IFRS 16 <i>Leases</i>, which sets out the principles for the recognition, measurement, presentation and disclosure of leases and supersedes IAS 17 <i>Leases</i>, IFRIC 4 <i>Determining whether an Arrangement Contains a Lease</i>, SIC-15 <i>Operating Leases – Incentives</i> and SIC-27 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>. The standard is applicable for the periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 <i>Revenue from Contracts with Customers</i>, has been applied, or is applied at the same date as IFRS 16.</p> <p>The Group is currently evaluating the possible effect of the Standard on its financial statements and the best date for its adoption, as well as the transition method to be used.</p>
IFRS 9 <i>Financial Instruments</i>	<p>In July 2014 the IASB completed its process to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, with the issuance of the final amendments to IFRS 9.</p> <p>The IASB divided its project to replace IAS 39 into three main phases.</p> <ul style="list-style-type: none"> ▶ Phase 1: classification and measurement of financial assets and financial liabilities. In November 2009 the IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets. Those chapters require financial assets to be classified on the basis of the business model within which they are held and their contractual cash flow characteristics. In October 2010 the IASB added to IFRS 9 requirements related to the classification and measurement of financial liabilities. In July 2014 the IASB made limited amendments to the classification and measurement requirements in IFRS 9 for financial assets. ▶ Phase 2: impairment methodology. In July 2014 the IASB added to IFRS 9 the impairment requirements related to the accounting for expected credit losses on an entity's financial assets and commitments to extend credit. ▶ Phase 3: hedge accounting. In November 2013 the IASB added to IFRS 9 the requirements related to hedge accounting. <p>IFRS 9 (July 2014) is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. IFRS 9 (July 2014) should be applied retrospectively in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. IFRS 9 (July 2014) should not be applied to items that have been derecognised at the date of initial application.</p> <p>The Group will adopt IFRS 9 (July 2014) from 1 January 2018. The Group is evaluating the effect of the standard on its financial statements.</p>
IAS 1 <i>Disclosure Initiative</i>	<p>In December 2014 the IASB issued <i>Disclosure Initiative – Amendments to IAS 1</i>, which gave more guidance on disclosing information in the financial statements, presenting the line items and aggregating information in the financial statements, including the notes, ordering and grouping of the notes.</p> <p>The amendments are effective for annual periods beginning on or after 1 January 2016. The Group will adopt them from that date. The amendments affect presentation and disclosure only and have no impact on the Group's financial position or performance.</p>

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

6. New and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)

Standard	Content of change
Amendments to IAS 16 and IAS 38	<p><i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> – Amendments to IAS 16 and IAS 38. In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016. The consolidated financial statements of the Group are not affected by this amendment.</p>
Amendments to IFRS 11 <i>Joint Arrangements: Accounting for Acquisitions of Interests</i>	<p>The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.</p> <p>The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.</p>
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	<p>The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after the date to be determined, with early adoption permitted. These amendments are not expected to have any impact on the Group.</p>
Annual improvements 2012-2014 cycle	<p>These improvements are effective for annual periods beginning on or after 1 January 2016. They include:</p> <ul style="list-style-type: none"> ▶ <i>IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</i>: assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. ▶ <i>IFRS 7 Financial Instruments: Disclosures</i>: clarification with respect to servicing contracts and clarification of applicability of the amendments to IFRS 7 to condensed interim financial statements. ▶ <i>IAS 19 Employee Benefits</i>: the amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. <p>These amendments are not expected to have any impact on the Group.</p>
Amendments to IFRS 10, IFRS 12 and IAS 28	<p>The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. These amendments are not expected to have any impact on the Group.</p>

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

7. Equity

As a Russian limited liability company, the Company has no share capital; rather, it has registered capital contributed by the participants in the amounts specified in the charter that represent each participant's ownership interest. As such, no earnings per share are presented in these consolidated financial statements.

At the moment of state registration, the Company's authorized charter capital amounted to RUB 10,000. In October 2013, the charter capital was increased to 76,489.

As a result of business combinations in 2014, share capital of the Group was increased to 139,071 (Note 8).

8. Business combinations, goodwill and acquisitions of non-controlling interests

Business combinations

On 6 February 2014, the Group entered into a framework agreement with Open Joint-Stock Company Long-Distance and International Telecommunications "Rostelecom" (hereinafter "Rostelecom") to purchase certain mobile business subsidiaries and assets ("Agreement").

The Agreement provides for two-stage transaction. At the first stage, Rostelecom contributes standalone mobile subsidiaries and telecommunication equipment in exchange for 26% economic interest in T2 RTK Holding LLC and a cash consideration of 314. At the second stage, Rostelecom contributes 100% of shares of CJSC RT-Mobile in exchange for additional 19% economic interest in T2 RTK Holding LLC. The main reasons for the acquisitions of standalone mobile subsidiaries of Rostelecom and CJSC RT-Mobile were to expand the operations of the Group by obtaining access to the new regions, including Moscow region, and obtaining operating licenses.

On 28 March 2014 Rostelecom and the Group completed the first stage. Rostelecom contributed a number of standalone mobile subsidiaries to the Group in exchange of 26% economic interests in T2 RTK Holding LLC and a cash consideration of 314. In addition, as part of this business combination, Rostelecom has contributed to T2 RTK Holding LLC certain telecommunication equipment in total amount of 8,804.

T2 RTK Holding LLC charter capital was increased by 26,874 to reflect 26% economic interest given up to Rostelecom.

On 5 August 2014, the Group completed the second stage of the transaction. Rostelecom contributed 100% of shares of CJSC RT-Mobile to the Group in exchange for 19% of charter capital of T2 RTK Holding LLC and a cash consideration of 10. The charter capital of T2 RTK Holding LLC was increased by 35,708 to reflect increase of economic interest of Rostelecom by 19% to 45%.

The net assets recognised in the financial statements as at 31 December 2014 were based on a provisional assessment of their fair value. In June 2015, the assessment was finalized. As a result, the amount of property and equipment as at the acquisition date was decreased by 329, deferred tax liability was decreased by 1,326, the amount of trade and other payables was increased by 7 with a corresponding decrease of goodwill by 990. The 2014 comparative information was restated to reflect the adjustment to the provisional amounts.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

8. Business combinations and goodwill (continued)

Business combinations (continued)

The amounts of fair value of the net assets as of the acquisition date in accordance with the finalized assessment are presented below:

	Amounts as at 5 August 2014
Assets	
Property and equipment	31,310
Intangible assets	31,609
Deferred tax assets	–
Trade and other receivables	3,179
Inventories	9
Income tax receivable	233
Cash and cash equivalents	1,061
	67,401
Liabilities	
Deferred tax liability	7,390
Trade and other payables	5,948
Income tax payable	72
Current non-financial liabilities	3,380
Other liabilities	5,206
	21,996
Total identifiable net assets at fair value	45,405
Goodwill arising on acquisition	9,740
Purchase consideration (19% economic interest in the Group and cash consideration of 10)	55,145

Gross amount of trade and other receivables as of the date of acquisition amounted to 3,179. The first and second stages were accounted for as a business combination.

Acquisitions of non-controlling interests

In June 2015, the Group acquired an additional 5.25% interest in the capital of Akos CJSC, increasing its ownership interest to 99.7%. Cash consideration of RUB 75 million was paid to the non-controlling shareholder. The carrying value of the acquired share of net assets of Akos CJSC as of the date of acquisition of non-controlling interest was negative and amounted to RUB 22 million.

9. Income taxes

The following presents the significant components of income tax expense of the Group for the years ended 31 December:

	2015	2014
Current income tax expense	1,035	3,807
Deferred income tax benefit	(2,663)	(2,526)
Income tax expense/(benefit) reported in the consolidated statement of comprehensive income	(1,628)	1,281

The tax expense for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax expense. Below is the reconciliation of theoretical income tax expense at the statutory rate of 20% to the actual expenses recorded in the Group's consolidated financial statements.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

9. Income taxes (continued)

	2015	2014
Profit/(loss) before income tax expense	(9,210)	2,554
Theoretical income tax benefit/(expense) at the statutory rate of 20%	1,842	(511)
<i>Adjustments due to:</i>		
Non-deductible expenses	(214)	(712)
Other	-	(58)
Income tax expense	1,628	(1,281)

The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2015 and 2014 is presented below:

	2015	2014
Deferred income tax assets		
Unutilized loss carry-forwards	8,358	6,099
Intangible assets	-	554
Property and equipment	2,883	3,187
Trade and other receivables	319	438
Other non-current financial liabilities	2,163	1,550
Provisions, non-current	517	333
Trade and other payables	2,513	1,449
Total deferred income tax assets	16,753	13,610
Netted against deferred liabilities	(15,146)	(7,808)
Total deferred income tax assets presented in the statement of financial position	1,607	5,802
Deferred income tax liabilities		
Intangible assets	(10,008)	(9,921)
Property and equipment	(10,395)	(10,461)
Financial assets at fair value through profit and loss	(336)	-
Trade and other receivables	(397)	(158)
Other	(46)	(162)
Total deferred income tax liabilities	(21,182)	(20,702)
Netted against deferred assets	15,146	7,808
Total deferred income tax liabilities presented in the statement of financial position	(6,036)	(12,894)
Net deferred income tax assets or (liabilities)	(4,429)	(7,092)

The Group recognises deferred tax assets in respect of tax losses carried forward to the extent that realisation of tax losses against future taxable profit is probable. In order to utilise tax losses the Group is able to implement appropriate tax planning strategies which include merging of the loss making subsidiaries with other operating subsidiaries of the Group, which are expected to have sufficient pretax income to utilise the accumulated tax losses of the loss making subsidiaries.

At 31 December 2015 the amount of unrecognized deferred tax asset was 790.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

10. Property and equipment

Property and equipment are as follows:

	Machinery & technical assets		Finance lease	Equipment, tools & installations	Construction in progress	Total
	Buildings	Own assets				
Cost						
1 January 2014	610	40,796	855	2,534	1,464	46,259
Additions	121	716	1,088	40	11,077	13,042
Acquired through business combination	3,265	44,248	6,010	921	20,308	74,752
Disposals	(6)	(2,907)	-	(368)	(393)	(3,674)
Transfer	61	9,414	-	477	(9,952)	-
31 December 2014	4,051	92,267	7,953	3,604	22,504	130,379
Additions	-	-	4,049	-	30,275	34,324
Disposals	(5)	(1,572)	-	(131)	(6)	(1,714)
Transfer	(193)	20,624	(580)	2,273	(22,124)	-
31 December 2015	3,853	111,319	11,422	5,746	30,649	162,989
Depreciation						
1 January 2014	(207)	(15,103)	(92)	(1,322)	-	(16,724)
Charge for the year	(313)	(8,633)	(414)	(695)	-	(10,055)
Disposals	3	2,481	-	399	-	2,883
31 December 2014	(517)	(21,255)	(506)	(1,618)	-	(23,896)
Charge for the year	(160)	(12,771)	(529)	(1,197)	-	(14,657)
Disposals	5	1,572	-	131	-	1,708
Transfer	13	373	1	(387)	-	-
31 December 2015	(659)	(32,081)	(1,034)	(3,071)	-	(36,845)
Net book value						
1 January 2014	403	25,693	763	1,212	1,464	29,535
31 December 2014	3,534	71,012	7,447	1,986	22,504	106,483
31 December 2015	3,194	79,238	10,388	2,675	30,649	126,144

Interest capitalised for the year ended 31 December 2015 was 1,576 (31 December 2014: 411).
The capitalization rate for the year ended 31 December 2015 was 13.5% (31 December 2014: 7%).

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

11. Intangible assets

Intangible assets other than Goodwill are as follows:

	Patents and software	Licences (frequency)	Trademarks	Client base	Other	Total
Cost						
1 January 2014	7,959	3,203	1	–	521	11,684
Additions	433	114	5	–	1,005	1,557
Acquired through business combination	2,494	37,911	305	11,908	5,700	58,318
Disposals	(266)	(80)	–	–	(70)	(416)
31 December 2014	10,620	41,148	311	11,908	7,156	71,143
Additions	–	–	–	–	11,989	11,989
Disposals	(648)	(302)	(306)	–	(143)	(1,399)
Transfer	7,823	5,568	–	(432)	(12,959)	–
31 December 2015	17,795	46,414	5	11,476	6,043	81,733
Amortization						
1 January 2014	(2,767)	(963)	–	–	(445)	(4,175)
Charge for the year	(2,568)	(1,074)	(231)	(979)	(42)	(4,894)
Disposals	258	80	–	–	66	404
31 December 2014	(5,077)	(1,957)	(231)	(979)	(421)	(8,665)
Charge for the year	(2,271)	(1,985)	(79)	(2,042)	(111)	(6,488)
Disposals	644	287	305	–	74	1,310
Transfer	434	(409)	–	(151)	126	–
31 December 2015	(6,270)	(4,064)	(5)	(3,172)	(332)	(13,843)
Net book value						
1 January 2014	5,192	2,240	1	–	76	7,509
31 December 2014	5,543	39,191	80	10,929	6,735	62,478
31 December 2015	11,525	42,350	–	8,304	5,711	67,890

Goodwill

Goodwill was recognized in the consolidated financial statements of the Group as part of business combinations which took place in 2014 (Note 8). The Group performed its annual goodwill impairment test as of 31 December 2015 using data that was appropriate at that time. As a result of the annual test, no impairment of goodwill was identified in 2015. Goodwill acquired through the business combinations was tested at the level of the Group as a whole, that represent single CGU. In assessing whether goodwill has been impaired, the carrying values of the CGU (including goodwill) were compared with its estimated recoverable amounts.

The recoverable amount of the CGU has been determined based on fair value less costs to sell (Level 3). The recoverable amount was estimated using cash flow projections covering the period up to 2020.

The calculation of recoverable amount for the CGU is most sensitive to the following assumptions: average monthly revenue per user (“ARPU”), discount rates, market share, and capital expenditures (“CAPEX”) to revenues ratio.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

11. Intangible assets (continued)

Goodwill (continued)

The key assumptions used in the forecast are as follows:

- ▶ discount rate (post-tax) – 15.96%;
- ▶ revenue growth rates vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others from 0% to 30%;
- ▶ long-term EBITDA (operating profit before depreciation and amortization) margin growth rate varies from one region to another resulting in increase by more than 50%;
- ▶ forecasted ARPU growth rate varies from one region to another, resulting in increase by up to 20%;
- ▶ terminal growth rate (not exceeding 3%) is estimated based on long-term inflation forecast;
- ▶ CAPEX/Revenue ratio is estimated up to 40% in the period from 2015-2019, starting 2020 – 10%.

Based on the sensitivity analysis performed by management, there are no reasonably possible changes in the key assumptions that could result in impairment for the CGU.

12. Financial assets and liabilities

Financial assets

Current and non-current financial assets are as follows:

	31 December	
	2015	2014
Loans issued	90	90
Total non-current financial assets	90	90
Financial assets at fair value through profit or loss	1,680	–
Trade and other receivables	4,698	6,435
Cash and cash equivalents	735	3,637
Total current financial assets	7,113	10,072
Total non-current and current financial assets	7,203	10,162

In October and November 2015, the Group has signed foreign currency forward agreements with VTB Bank and OJSC Bank Rossiya, related parties. The agreements were signed by the Group in order to reduce its foreign currency risk. The Group accounted for these financial instruments as financial assets at fair value through profit and loss.

Financial liabilities

Current and non-current financial liabilities are as follows:

	31 December	
	2015	2014
Trade and other payables	20,429	21,730
Other non-current financial liabilities (finance lease)	9,747	7,785
Other current financial liabilities	1,069	1,028
Interest-bearing loans and borrowings	102,952	71,840
Total financial liabilities	134,197	102,383

No collateral is provided for interest-bearing financial liabilities.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

12. Financial assets and liabilities (continued)

Loans and borrowings

Principal amounts outstanding under loans and borrowings are as follows as of 31 December:

	Currency	Interest rate	Maturity	31 December 2015		31 December 2014	
				Short-term	Long-term	Short-term	Long-term
Ruble Bonds	RUB	8.4%	June 2016	13,028	–	36	12,963
Ruble Bonds	RUB	12.75%	April 2017	166	6,000	6,117	–
Sberbank PJSC	RUB	8.8%-11.87%	January 2017	1,578	–	2,357	1,817
Bank Rossiya OJSC	RUB	KR* + (2%-2.5%)	2015-2018	1,996	8,991	5,000	5,000
VTB Bank PJSC	RUB	KR* + (1.9%-3%)	2016-2020	20,401	36,634	147	22,851
	RUB	MOSPRIME + 1.6%	2015	–	–	5,035	–
	RUB	3m USD LIBOR + 9.55%	2019	25	9,950	–	9,935
	RUB	11.5%	2025	18	4,165	–	–
Nordea Bank JSC	RUB	MOSPRIME + 3.5%	2015	–	–	5	–
Other banks	RUB	7%-16.5%	2015-2017	–	–	3	574
Total loans and borrowings as presented in the consolidated statement of financial position				37,212	65,740	18,700	53,140

* KR – Key rate of the Central Bank of Russia.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

12. Financial assets and liabilities (continued)

Loans and borrowings (continued)

The coupon rates of ruble denominated bonds are paid semi-annually. Interest on loan agreements are paid monthly or quarterly, depending on the agreement terms.

As of 31 December 2015, RUB 25.8 billion remained undrawn under existing credit facility agreements with VTB Bank.

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Level 1				
Financial liabilities				
Non- current interest-bearing loans and borrowings (ruble bonds)	6,000	12,963	6,060	11,744
Current interest-bearing loans and borrowings (ruble bonds)	13,194	6,153	12,837	5,912
Total	19,194	19,116	18,897	17,656
Level 2				
Financial assets				
Financial assets at fair value through profit and loss	1,680	-	1,680	-
Level 3				
Loans issued	90	90	90	90
Total financial assets	1,770	90	1,770	90
Level 3				
Financial liabilities				
Non-current interest-bearing loans and borrowings	59,740	40,177	54,991	40,177
Current interest-bearing loans and borrowings	24,018	12,547	30,784	12,700
Finance lease – non-current portion	9,747	7,726	8,618	7,726
Other non-current financial liabilities	-	59	-	59
Other current financial liabilities	1,069	1,028	1,123	1,028
Total	94,574	61,537	95,516	61,690

Management has determined that cash and cash equivalents, trade and other receivables, trade and other payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of certain instruments.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

12. Financial assets and liabilities (continued)

Finance lease

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are, as follows:

	2015		2014	
	Present value	Nominal value	Present value	Nominal value
Within 1 year	1,070	1,759	1,028	1,850
From 1 to 5 years	2,578	7,278	2,582	4,773
More than 5 years	7,168	13,973	5,144	8,780
Total liability	10,816	23,010	8,754	15,403
Less interest portion	-	(12,194)	-	(6,649)
Total finance leases	10,816	10,816	8,754	8,754

The Group leases towers used for the base stations and transmission equipment from several contractors, mainly from Russian Towers and Vertical, unrelated owners of antenna and masts constructions. The agreements are effective for fifteen-eighteen years with a renewal option.

In 2014, the Group entered into agreements with Rostelecom, a related party, which granted the Group a right to use fiber optic lines owned by Rostelecom. The lease term under the agreement equals to the whole economic life of the respective fiber optic lines (approximately 15 years). The Group classified the respective agreements as finance lease and recognized RUR 7.1 billion in property and equipment and other non-current financial liabilities as of the commencement date.

13. Prepaid expenses

Prepaid expenses are presented as follows:

	2015	2014
Prepaid expenses		
Site leases	443	455
Administration expenses	792	327
Billing and IT costs	-	50
Sales and marketing services	793	13
Channels rent	291	129
Other prepayments	342	663
Total prepaid expenses	2,661	1,637

14. Trade and other receivables

Trade and other receivables are as follows:

	2015	2014
Interconnection agreements	3,002	3,546
Dealers	896	1,838
Own subscribers	1,053	898
Other trade receivables	942	892
Allowance for doubtful accounts	(1,195)	(739)
Total trade and other receivables	4,698	6,435

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

14. Trade and other receivables (continued)

The ageing analysis of trade and other receivables is as follows:

	2015	2014
Neither past due nor impaired	2,711	3,230
Past due but not impaired		
Less than 30 days	649	1,838
31-60 days	729	1,367
61-365 days	334	-
More than 1 year	275	-
Past due and impaired		
More than 61 days	1,195	739
Total trade and other receivables	5,893	7,174

Trade receivables are non-interest bearing and are generally on 30 day terms.

The following table summarises the changes in the impairment allowance for trade and other receivables for the years ended 31 December:

	2015	2014
Balance at beginning of year	739	319
Charge for the year	685	941
Utilized	(229)	(521)
Balance at end of year	1,195	739

15. Cash and cash equivalents

Cash and cash equivalents are as follows:

	2015	2014
Cash and bank balances		
Rubles	642	2,639
US dollars	12	23
Euros	78	464
Short-term bank deposits		
Rubles	-	511
Cash equivalents		
Rubles	3	-
Total cash and cash equivalents	735	3,637

As of 31 December 2015 the Group had RUB 504 million of cash and cash equivalents with VTB Bank, a related party (Note 21).

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

16. Provisions

Decommissioning provision

The following table describes the changes to the provision for decommissioning liability for the years ended:

	2015	2014
Balance at beginning of year	1,478	127
Accrual	271	1,368
Reversal	(131)	(76)
Unwinding of discount	71	59
Balance at end of year	1,689	1,478

In determining the carrying amount of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the asset from the site, and the expected timing of those costs. Changes in estimates, that adjusted against property, plant and equipment, mainly relate to timing due to change in useful life of the assets. Estimation was made at nominal rate of 11.97% (2014: 11.97%), taking into account effect of inflation.

17. Trade and other payables

Trade and other payables are as follows:

	2015	2014
Employee benefits	2,102	2,283
Interconnection traffic costs	1,882	3,455
Administration expenses	51	579
Equipment suppliers	7,712	6,543
Suppliers of intangible assets	1,148	2,003
Sales and marketing services	2,761	1,786
Network maintenance	539	260
Site leases	1,594	1,520
Channel rent	865	1,945
Payables to shareholders (Note 8)	-	314
Roaming	193	216
Other fixed costs	946	374
Other	636	452
Total trade and other payables	20,429	21,730

18. Sales and marketing expenses

Sales and marketing expenses for the years ended 31 December are as follows:

	2015	2014
Advertising	4,106	2,705
Dealer commissions for connection of new subscribers	3,032	2,347
Employee benefits and related social charges	3,779	3,052
Other subscribers' acquisition costs	4,122	2,119
Cash collection commissions	785	741
Impairment loss recognised on trade receivables	685	216
Total sales and marketing expenses	16,509	11,180

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

19. General and administrative expenses

General and administrative expenses for the years ended 31 December are as follows:

	2015	2014
Employee benefits and related social charges	3,297	3,422
Rent	798	612
Operating taxes	816	744
Professional services	231	254
Office maintenance	412	298
Billing & IT costs	812	856
Other expenses	401	621
Total general and administrative expenses	6,767	6,807

Total amount of employee benefits and related social charges recorded in the statement of comprehensive income for the year ended 31 December 2015 amounted to 9,411 (2014: 8,770).

20. Other operating income and expenses

Other operating income for the years ended 31 December is as follows:

	2015	2014
Gain on financial assets at fair value through profit or loss	3,273	-
Foreign exchange gain	1,195	98
Income from rent of sites and channels	446	689
Other	319	341
Total other operating income	5,233	1,128

Other operating expenses for the years ended 31 December 2015 and 2014 included mainly foreign exchange losses which arise from operating activity of the Group.

21. Related parties

Related parties include the immediate parent and the ultimate parent of the Group, parties with significant influence over the Group, key management, entities under common ownership and control. As of 31 December 2015, the Group is controlled by T2 Netherlands B.V., an ultimate parent of the Group, whose capital is held by VTB Bank PJSC (50%), INVINTEL B.V. (40%) and ABR Investments B.V. (10%), however there is no ultimate controlling party (Note 1).

Rostelecom owns 45% in the Group and exercises a significant influence over the Group.

The government of the Russian Federation has a significant influence on the Group as it is the ultimate controlling party of the VTB Group and Rostelecom. The other entities which are controlled or are under significant influence executed by the Government of the Russian Federation ("the Government"), are also considered as related parties to the Group.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

21. Related parties (continued)

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2015 and 2014 is detailed below.

The amounts of receivables and payables due from and to the related parties, as well as revenues and expenses, were as follows:

		2015	2014
Significant influence			
VTB Group	Loans	71,194	37,786
	Cash and cash equivalents	504	3,392
Bank Rossiya OJSC	Loans	10,987	10,000
	Cash and cash equivalents	214	60
Rostelecom	Accounts receivable	1,274	95
	Prepaid expenses	773	138
	Payables	1,490	2,759
	Other non-current financial liabilities	5,977	6,688
	Other current financial liabilities	1,003	995
Westelcom	Loans issued	90	90
Relationship through the Government			
Gazprombank	Loans	-	464
	Cash and cash equivalents	-	16
Sberbank PJSC	Receivables	74	56
	Loans	1,578	4,167
	Payables	277	42
	Cash and cash equivalents	-	1
Svyaz-Bank PJSC	Loans	-	110
	Cash and cash equivalents	-	46
Russian Post	Receivables	21	50
	Payables	9	13

The amounts of revenues and expenses from the related parties for the year ended 31 December were as follows:

		31 December 2015	31 December 2014
Significant influence			
VTB Group	Financial expenses	(8,059)	(3,265)
Bank Rossiya OJSC	Financial expenses	(1,439)	(754)
Rostelecom	Revenue	3,654	1,856
	Expenses	(9,523)	(4,795)
Relationship through the Government			
Gazprom Group	Financial expenses	(66)	(97)
Sberbank PJSC	Financial expenses	(325)	(319)

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

21. Related parties (continued)

Terms and conditions of transactions with related parties

Outstanding balances at the years ended 31 December 2015 and 2014 are unsecured. There have been no guarantees provided or received for any related party receivables or payables. As of 31 December 2015 and 2014, the Group had not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation to key management personnel

The amounts recognised as employee benefits expense to key management personnel of the Group for the years ended 31 December are as follows:

	2015	2014
Salary	193	189
Bonuses and other payments	145	234
Related social charges	70	98
Termination pay	42	-
Total	450	521

22. Financial risk management

As at 31 December 2015 the financial assets of the Group consist mainly of receivables from end customers and resellers and cash and cash equivalents.

As at 31 December 2015 the financial liabilities of the Group consist mainly of bonds issued on the market and loans from VTB Group and OJSC Bank Rossiya to finance operations and construction of the network, as well as accounts payables.

The Group is exposed to market risk, liquidity risk and credit risk. The Group's senior management oversees the management of these risks. The Group's senior management provides assurance to the Group's principal owners that the Group's financial risk taking activities are governed by appropriate policies and procedures and that the financial risks are identified, measured and managed in accordance with the Group's policies. The policies for managing each of these risks are summarized below.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group extends credit to certain counterparties, principally national telecommunication operators, for roaming services, and to certain dealers.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

22. Financial risk management (continued)

Credit risk (continued)

The Group minimises its exposure to the risk by ensuring that credit risk is spread across a number of counterparties, and by continuously monitoring the credit standing of counterparties based on their credit history and credit ratings reviews.

Other preventative measures to minimise credit risk may include obtaining advance payments, bank guarantees and other security. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12. Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

The credit risks on liquid funds are managed by the Group's treasury. The management believes that credit risk on investments of surplus funds is limited as the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risks that mostly impact the Group comprise two types of risk: interest rate risk and foreign currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return. Financial instruments affected by market risk include loans and borrowings and deposits.

Sensitivity to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

The sensitivity analyses in the following sections relate to the positions as of 31 December 2015 and 2014. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates debts and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of positions at 31 December 2015 and 2014.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the 82 billion RUB loans with floating interest rate as of 31 December 2015.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

22. Financial risk management (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax for the year ended 31 December 2015 and 2014 is affected through the impact on floating rate borrowings, as follows:

Interest rate for the year ended 31 December 2014	Increase/ decrease in basis points	Effect on profit before tax
3m USD LIBOR + 9.55%	3	(3)
3m USD LIBOR + 9.55%	-3	3
MOSPRIME + 2.5%	700	(1,104)
MOSPRIME + 2.5%	-700	1,104

Interest rate for the year ended 31 December 2015	Increase/ decrease in basis points	Effect on profit before tax
3m USD LIBOR + 9.55%	3	(3)
3m USD LIBOR + 9.55%	-3	3
Key rate of Central Bank of Russia + (1.9%-3%)	500	(1,580)
Key rate of Central Bank of Russia + (1.9%-3%)	-500	1,580

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's investing activities (when trade accounts payable for non-current assets are denominated in a currency different from the Group's functional currency).

As of 31 December 2015, the Group had cash in foreign currency in the amount of 90 (31 December 2014: 487). As of 31 December 2015, there are no loans denominated in USD or EUR (31 December 2014: nil).

The Group uses foreign currency forward contracts to manage foreign currency risk.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before income tax expense (due to changes in the fair value and future cash flows of monetary assets and liabilities).

Year ended 31 December 2015	Change in foreign exchange rates	Effect on profit before income tax expense
Euro	+30%	(1,520)
Euro	-30%	1,520
USD	+30%	(313)
USD	-30%	313
SEK	+30%	(3)
SEK	-30%	3

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

22. Financial risk management (continued)

Foreign currency risk (continued)

Year ended 31 December 2014	Change in foreign exchange rates	Effect on profit before income tax expense
Euro	+20%	(1,413)
Euro	-20%	1,413

Liquidity risk

The Group's treasury monitors the risk of shortages of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial assets (accounts receivable) and projected cash inflows from operations to meet the requirements of current financial liabilities and dividends distribution.

As part of its treasury management, the Group assesses the concentration of risk with respect to refinancing its debt. In particular, the Group considers its ability to access debt financing from its related parties as well as its ability to raise debt and equity financing from other sources in the current economic environment. These considerations have included its working capital deficit as of 31 December 2015 (Note 2) and its ability to refinance short-term borrowings subsequent to yearend (Note 24). While the Group has assessed as of the date of this report there to be a limited number of counterparties to obtain further financing, it has concluded this risk to be low based on its current sources of financing and expected future operating cash flows.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of 31 December:

	Less than 1 year	From 1 to 5 years	More than 5 years	Total
2015				
Trade and other payables	20,429	-	-	20,429
Interest-bearing loans and borrowings	46,962	76,978	6,328	130,268
Other financial liabilities	1,759	7,278	13,973	23,010
Total financial liabilities	69,150	84,256	20,301	173,707
2014				
Trade and other payables	21,730	-	-	21,730
Interest-bearing loans and borrowings	29,030	78,108	-	107,138
Other financial liabilities	1,850	4,774	8,780	15,404
Total financial liabilities	52,610	82,882	8,780	144,272

Capital management

The Group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to the Group's participants through the optimisation of the equity and net debt. The capital structure of the Group consists of the reserves and equity attributable to equity holders of the parent in addition to net debt used to leverage its operating model.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

22. Financial risk management (continued)

Capital management (continued)

The primary objective of the capital management program is to maximize value attributable to equity holders. In order to achieve this objective, the Group's capital management, amongst other things, strictly controls the conditions of the loans and borrowings agreements in terms of the covenants.

The Group's capital management does not establish any formal policies regarding debt to equity proportion, the Group reviews its capital and net debt periodically to determine actions to balance its overall capital structure through leverage ratio, which is calculated as the ratio of Net Debt (the carrying amount of interest-bearing loans and borrowings and finance leases less cash and cash equivalents) to EBITDA at the reporting date. The Group's capital management policy for the year ended 31 December 2015 is to keep the leverage ratio up to 6. The Group includes within net debt, interest bearing loans and borrowings, less cash and short-term deposits excluding discontinued operations. As of 31 December 2015, the Net Debt to EBITDA ratio was 4.8 (2014: 3.1).

23. Commitments, contingencies and uncertainties

Russian operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2015, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian ruble, as well as sanctions imposed on Russia by several countries in 2014. The ruble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects.

Sanctions imposed by the US and the EU in 2014 on OJSC Bank Rossiya and PJSC VTB Bank, shareholders of the Group, are still in force. These and any further restrictive measures by the EU and the US and other countries could adversely impact results and the financial position of the Group in a manner not currently quantifiable.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

23. Commitments, contingencies and uncertainties (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking more assertive positions in their interpretations of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Group's management believes that its interpretation of the relevant legislation is appropriate and is in accordance with the current industry practice and that the Group's tax, currency and customs positions will be sustained. However, the interpretations of the relevant authorities could differ. As of 31 December 2015, the Group's management estimated the possible effect of operating taxes, including fines and interest, on these consolidated financial statements, if the authorities were successful in enforcing different interpretations, in the amount of up to approximately RUB 2.6 billion.

Transfer pricing legislation

The Russian transfer pricing legislation, which came into force on 1 January 2012, allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax liabilities in respect of all controlled transactions if the transaction price differs from the market level of prices. The list of controlled transactions includes transactions performed with related parties and certain types of cross-border transactions. For domestic transactions the transfer pricing rules apply only if the amount of all the transactions with each related party exceeds 1,000 in 2015. In cases where a domestic transaction resulted in an accrual of additional tax liabilities for one party, another party could correspondingly adjust its profit tax liabilities based on a special notification issued by an authorised body in due course.

The current Russian transfer pricing rules have considerably increased the compliance burden for taxpayers compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. These rules are applicable not only to the transactions which took place in 2014-2015 (the 2012-2013 are closed now for a transfer pricing tax audit), but also to the prior transactions with related parties if related income and expenses were recognised in 2014-2015. Special transfer pricing rules apply to transactions with securities and derivatives.

Because of the lack of clarity in current Russian transfer pricing legislation and the absence of court precedent, we may not exclude that the Russian tax authorities may challenge the level of prices applied by the Group under controlled transactions and accrue additional tax liabilities unless the Group is able to demonstrate the use of market prices with respect to the controlled transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

T2 RTK Holding LLC

Notes to the consolidated financial statements (continued)

23. Commitments, contingencies and uncertainties (continued)

Litigation

The Group is not a party to any material litigation, although in the ordinary course of business, some of the Group's subsidiaries may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environment in Russia. In the opinion of management, the Group's and its subsidiaries' liability, if any, in all pending litigation, other legal proceedings or other matters, will not have a material effect on the financial condition, results of operations or liquidity of the Group.

24. Events after the reporting date (update)

In January through March 2016, the Group made series of drawdowns under the existing loan agreements with PJSC VTB Bank, a related party, in total amount of RUB 13 billion, the main portion of which is due starting from the third quarter 2017.

In March 2016, the Group entered into a credit facility agreement with PJSC VTB Bank for a maximum amount of RUB 20 billion, maturing in March 2021, and made of two drawdowns under this agreement in total amount of RUB 10 billion, maturing in the first quarter 2017 and the first quarter 2018.

In January through March 2016, the Group repaid RUB 15 billion under loan agreements with PJSC VTB Bank.