Interim condensed consolidated financial statements
PJSC Rostelecom and its subsidiaries
for the six-month period ended 30 June 2016

with review report

Contents

Contents	Page

Совершенствуя бизнес,
улучшаем мир

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

Report on review of interim condensed consolidated financial statements

To the Shareholders and Board of Directors
PJSC Rostelecom

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC Rostelecom and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2016 and the related interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the Federal law *On Auditing Activity*, Federal Rule (Standard) on Auditing No. 33 *Engagements to review financial statements* and International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the federal standards on auditing effective in the Russian Federation and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Совершенствуя бизнес,
улучшаем мир

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

D.E. Lobachev
General director
Ernst & Young LLC

10 August 2016

Details of the entity

Name: PJSC Rostelecom
Record made in the State Register of Legal Entities on 23 September 1993, State Registration Number 1027700198767.
Address: Russia 191002, St-Petersburg, ul. Dostoevskogo, 15.

Details of the practitioner

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors "Russian Audit Chamber" (Association) ("SRO APR"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

PJSC Rostelecom

Interim consolidated statement of financial position

(In millions of Russian roubles unless otherwise stated)

	Notes	30 June 2016 (unaudited)	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	6	331,771	338,699
Investment property		122	107
Goodwill and other intangible assets	7	61,609	60,755
Investments in associates and joint ventures		71,728	74,474
Other financial assets		805	621
Deferred tax assets		679	627
Other non-current assets		8,952	8,241
Total non-current assets		**475,666**	**483,524**
Current assets			
Inventories		4,138	4,060
Trade and other accounts receivable		48,671	43,152
Prepayments		2,441	2,822
Prepaid income tax		4,899	927
Other financial assets		6,553	5,719
Cash and cash equivalents		3,640	7,165
Other current assets		2,155	2,600
Total current assets		**72,497**	**66,445**
Held for sale assets		1,734	1,351
Total assets		**549,897**	**551,320**
Equity and liabilities			
Equity attributable to equity holders of the Group			
Share capital	8	93	93
Additional paid-in capital		90	87
Treasury shares		(67,031)	(68,669)
Retained earnings and other reserves		304,177	314,237
Total equity attributable to equity holders of the Group		**237,329**	**245,748**
Non-controlling interests		4,102	3,916
Total equity		**241,431**	**249,664**
Non-current liabilities			
Loans and borrowings	10	134,452	126,620
Employee benefits		5,380	5,021
Deferred tax liabilities		32,486	30,238
Accounts payable, provisions and accrued expenses		4,368	3,545
Other non-current liabilities		5,658	5,543
Total non-current liabilities		**182,344**	**170,967**
Current liabilities			
Loans and borrowings	10	58,273	59,934
Accounts payable, provisions and accrued expenses		60,798	62,268
Income tax payable		64	215
Other current liabilities		6,987	8,272
Total current liabilities		**126,122**	**130,689**
Total liabilities		**308,466**	**301,656**
Total equity and liabilities		**549,897**	**551,320**

These interim condensed consolidated financial statements were approved by management of PJSC Rostelecom on 10 August 2016 and were signed on its behalf by:

President
Kalugin S.B.

CFO – Senior Vice President
Mehlhorn K.-U.

The accompanying notes on pages 11-39 form an integral part of the unaudited interim condensed consolidated financial statements.

PJSC Rostelecom

Interim consolidated statement of profit or loss and other comprehensive income

(In millions of Russian roubles unless otherwise stated)

	Notes	Six-month period ended 30 June (unaudited) 2016	2015
Revenue	11	**144,258**	**143,840**
Operating expenses			
Wages, salaries, other benefits and payroll taxes		(46,724)	(47,095)
Depreciation, amortization and impairment losses		(29,481)	(29,635)
Interconnection charges		(24,463)	(22,131)
Materials, utilities, repairs and maintenance		(11,306)	(11,561)
Gain on disposal of property, plant and equipment and intangible assets		961	488
Bad debt expense		(1,740)	(1,193)
Other operating income		7,525	7,092
Other operating expenses		(22,257)	(20,421)
Total operating expenses, net		**(127,485)**	**(124,456)**
Operating profit		**16,773**	**19,384**
Loss from associates and joint ventures		(3,501)	(1,161)
Finance costs		(8,382)	(8,036)
Other investing and financial gain, net		773	1,035
Foreign exchange gain/(loss)		388	(461)
Profit before income tax		**6,051**	**10,761**
Income tax expense		(1,448)	(2,533)
Profit for the period		**4,603**	**8,228**
Other comprehensive loss			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations		(344)	(67)
Other comprehensive loss for the period, net of tax		**(344)**	**(67)**
Total comprehensive income for the period		**4,259**	**8,161**
Profit attributable to:			
Equity holders of the Group		4,368	8,057
Non-controlling interests		235	171
Total comprehensive income attributable to:			
Equity holders of the Group		4,023	7,973
Non-controlling interests		236	188
Earnings per share attributable to equity holders of the Group – basic (in roubles)		1.95	3.56
Earnings per share attributable to equity holders of the Group – diluted (in roubles)		1.93	3.52

Interim consolidated statement of cash flows

(In millions of Russian roubles unless otherwise stated)

	Notes	Six-month period ended 30 June (unaudited) 2016	2015
Cash flows from operating activities			
Profit before tax		6,051	10,761
Adjustments to reconcile profit before tax to cash generated from operations:			
Depreciation, amortization and impairment losses		29,481	29,635
Gain on disposal of property, plant and equipment and intangible assets		(961)	(488)
Bad debt expense		1,740	1,193
Loss from associates and joint ventures		3,501	1,161
Finance costs excluding finance costs on pension and other long-term social liabilities		8,141	7,662
Other investing and financial gain		(773)	(1,035)
Foreign exchange (gain)/loss, net		(388)	461
Share-based motivation program	15	838	625
Changes in net working capital:			
Increase in accounts receivable		(6,862)	(6,314)
(Decrease)/increase in employee benefits		(13)	75
(Increase)/decrease in inventories		(45)	1,323
Decrease in accounts payable, provisions and accrued expenses		(1,560)	(2,835)
Change in other assets and liabilities		(2,268)	(764)
Cash generated from operations		**36,882**	**41,460**
Interest paid		(9,333)	(8,403)
Income tax refund		234	2,175
Income tax paid		(3,624)	(2,545)
Net cash from operating activities		**24,159**	**32,687**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(33,768)	(27,405)
Proceeds from sale of property, plant and equipment and intangible assets		1,438	1,186
Acquisition of financial assets		(4,560)	(10,018)
Proceeds from disposals of financial assets		4,678	2,563
Interest received		628	602
Dividends received		2	2
Purchase of subsidiaries, net of cash acquired	5	(2,438)	(464)
Proceeds from disposal of subsidiaries, net of cash disposed		(1)	–
Acquisition of equity accounted investees		(778)	(16)
Net cash used in investing activities		**(34,799)**	**(33,550)**

The accompanying notes on pages 11-39 form an integral part of the unaudited interim condensed consolidated financial statements.

Interim consolidated statement of cash flows (continued)

	Notes	Six-month period ended 30 June (unaudited) 2016	2015
Cash flows from financing activities			
Sale of treasury shares		8	–
Purchase of treasury shares		–	(5)
Proceeds from bank and corporate loans		324,543	231,796
Repayment of bank and corporate loans		(313,984)	(243,542)
Proceeds from bonds		–	10,000
Repayment of bonds		(2,734)	(2,408)
Repayment of vendor financing payable		(5)	(5)
Repayment of other non-current financing liabilities		–	(2)
Options settlement repayments		(231)	–
Repayment of finance lease liabilities		(73)	(57)
Dividends paid to non-controlling shareholders of subsidiaries		(45)	(39)
Net cash used in financing activities		**7,479**	**(4,262)**
Net decrease in cash and cash equivalents		**(3,525)**	**(5,338)**
Effect of exchange rate changes on cash and cash equivalents		(364)	(213)
Cash and cash equivalents at beginning of the period		**7,165**	**16,945**
Cash and cash equivalents at the end of the period		**3,640**	**11,607**

The accompanying notes on pages 11-39 form an integral part of the unaudited interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity

(In millions of Russian roubles unless otherwise stated)

	Share capital	Additional paid-in capital	Unrealized loss on available-for-sale investments	Translation of foreign operations	Treasury shares	Other capital reserves	Remeasurements of defined benefit pension plans	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
Balances at 1 January 2016	**93**	**87**	**(10)**	**1,385**	**(68,669)**	**2,120**	**6,153**	**304,589**	**245,748**	**3,916**	**249,664**
Profit for the period (unaudited)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,368**	**4,368**	**235**	**4,603**
Exchange differences on translating foreign operations (unaudited)	–	–	–	(345)	–	–	–	–	**(345)**	1	**(344)**
Total other comprehensive (loss)/ income, net of tax (unaudited)	**–**	**–**	**–**	**(345)**	**–**	**–**	**–**	**–**	**(345)**	**1**	**(344)**
Total comprehensive (loss)/income for the period (unaudited)	**–**	**–**	**–**	**(345)**	**–**	**–**	**–**	**4,368**	**4,023**	**236**	**4,259**
Transactions with shareholders, recorded directly in equity (unaudited)											
Dividends to shareholders of the Company (Note 8)	–	–	–	–	–	–	–	(13,295)	**(13,295)**	–	**(13,295)**
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	**–**	(206)	**(206)**
Sale of treasury shares	–	–	–	–	12	–	–	(4)	**8**	–	**8**
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	**–**	20	**20**
Disposal of non-controlling interest	–	–	–	–	–	–	–	9	**9**	(31)	**(22)**
Non-controlling interest in acquired subsidiaries (Note 5)	–	–	–	–	–	–	–	–	**–**	167	**167**
Employee benefits within share based employee motivation program	–	–	–	–	1,626	(223)	–	(565)	**838**	–	**838**
Other change in equity	–	3	–	–	–	–	–	(5)	**(2)**	–	**(2)**
Total transactions with shareholders (unaudited)	**–**	**3**	**–**	**–**	**1,638**	**(223)**	**–**	**(13,860)**	**(12,442)**	**(50)**	**(12,492)**
Balances at 30 June 2016 (unaudited)	**93**	**90**	**(10)**	**1,040**	**(67,031)**	**1,897**	**6,153**	**295,097**	**237,329**	**4,102**	**241,431**

The accompanying notes on pages 11-39 form an integral part of the unaudited interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity (continued)

	Share capital	Additional paid-in capital	Unrealized loss on available-for-sale investments	Translation of foreign operations	Treasury shares	Other capital reserves	Remeasure-ments of defined benefit pension plans	Retained earnings	Total equity attributable to share-holders of the Group	Non-controlling interests	Total equity
Balances at 1 January 2015	**97**	**819**	**(10)**	**817**	**(82,023)**	**1,850**	**6,483**	**313,118**	**241,151**	**4,076**	**245,227**
Profit for the period (unaudited)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,057**	**8,057**	**171**	**8,228**
Exchange differences on translating foreign operations (unaudited)	–	–	–	(84)	–	–	–	–	**(84)**	17	**(67)**
Total other comprehensive (loss)/income, net of tax (unaudited)	**–**	**–**	**–**	**(84)**	**–**	**–**	**–**	**–**	**(84)**	**17**	**(67)**
Total comprehensive (loss)/income for the period (unaudited)	**–**	**–**	**–**	**(84)**	**–**	**–**	**–**	**8,057**	**7,973**	**188**	**8,161**
Transactions with shareholders, recorded directly in equity (unaudited)											
Dividends to shareholders of the Company	–	–	–	–	–	–	–	(7,676)	**(7,676)**	–	**(7,676)**
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	**–**	(246)	**(246)**
Acquisition of treasury shares	–	–	–	–	(5)	–	–	–	**(5)**	–	**(5)**
Acquisition of non-controlling interest	–	–	–	–	–	(2,080)	–	–	**(2,080)**	–	**(2,080)**
Non-controlling interest in acquired subsidiaries	–	–	–	–	–	–	–	–	**–**	1,469	**1,469**
Employee benefits within share based employee motivation program	–	–	–	–	858	68	–	(301)	**625**	–	**625**
Other change in equity	–	(409)	–	–	–	(387)	–	500	**(296)**	503	**207**
Total transactions with shareholders (unaudited)	**–**	**(409)**	**–**	**–**	**853**	**(2,399)**	**–**	**(7,477)**	**(9,432)**	**1,726**	**(7,706)**
Balances at 30 June 2015 (unaudited)	**97**	**410**	**(10)**	**733**	**(81,170)**	**(549)**	**6,483**	**313,698**	**239,692**	**5,990**	**245,682**

The accompanying notes on pages 11-39 form an integral part of the unaudited interim condensed consolidated financial statements.

1. Reporting entity

The accompanying interim condensed consolidated financial statements are of PJSC Rostelecom (“Rostelecom” or the “Company”), and its subsidiaries (together the “Group”), which are incorporated in the Russian Federation (“Russia”).

The registered address of the Company is Russian Federation, St. Petersburg, Dostoevsky Street, 15. Since February 2016 the headquarters are located in the Russian Federation, Moscow at Goncharnaya Street, 30 (on 31 December 2015: Moscow at 1st Tverskaya-Yamskaya Street, 14).

Rostelecom was established as an open joint stock company on 23 September 1993 in accordance with the Directive of the State Committee on the Management of State Property of Russia No. 1507-r, dated 27 August 1993. As at 30 June 2016, the Russian Federation, represented by the Federal Property Management Agency together with Vnesheconombank, controls the Company by holding of 53% of the Company’s voting ordinary shares.

The Group provides communication services (including local, intra-zone, long-distance domestic and international fixed-line telephone services, mobile services), data transmission, Internet, Pay TV, VPN and data centres services, rent of communication channels and radio communication services in the territory of Russian Federation. The Group operates the main intercity network and the international telecommunications gateways of the Russian Federation, carrying voice and data traffic that originates in its own network and other national and international operators’ networks to other national and international operators for termination.

The Company operates socially important Government programs, including “E-Government”, “Unified communication service” and other.

2. Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standard IAS 34, *Interim Financial Reporting*, as published by the International Accounting Standards Board (“IASB”). The accounting policies and methods of computation used to prepare these interim condensed consolidated financial statements are the same that were used to prepare consolidated financial statements as of and for the year ended 31 December 2015.

The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015. The management of the Group believes that the notes to the interim condensed consolidated financial statements are sufficient to provide an explanation of events and transactions to enable users to understand the significant changes in financial position and performance of the Group since year end. In the opinion of the Group's management, the business is not subject to significant seasonal fluctuations.

2. Basis of presentation (continued)

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the recoverability and depreciable lives of property, plant and equipment, intangible assets, fair values of assets and liabilities acquired in business combinations, post-employment benefits, allowance for doubtful accounts, and deferred taxation. Actual results could differ from these estimates.

The functional currency of the Company and majority of the Company's subsidiaries and the reporting currency for the accompanying interim condensed consolidated financial statements is the Russian rouble.

3. Significant accounting policies

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective from 1 January 2016.

Although these new standards and amendments apply for the first time in 2016, they do not have a material effect on the annual consolidated statements of the Group or the interim condensed consolidated financial statements of the Group.

4. New standards, interpretations and amendments adopted by the Group

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2016, and have not been applied in preparing these interim condensed consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

- Amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. Companies are required to apply the amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted.
- IFRS 9 *Financial Instruments* issued, replacing IAS 39 requirements for classification and measurement, impairment, hedge accounting and derecognition. Effective for annual periods beginning on or after 1 January 2018.
- Amendments to IFRS 15 *Revenue from Contracts with Customers*, clarifying some requirements and providing additional transitional relief for companies that are implementing the new Standard. The amendments to the Revenue Standard, which was issued in 2014, do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments have the same effective date as the Standard: 1 January 2018.
- IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. IFRS 16 is effective from 1 January 2019.
- *Disclosure Initiative* (Amendments to IAS 7). The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The IAS 7 amendments become mandatory for annual periods beginning on or after 1 January 2017.

4. New standards, interpretations and amendments adopted by the Group (continued)

- IAS 11 will be superseded by IFRS 15 *Revenue from Contracts with Customers*. Effective date 1 January 2018.
- Amendments to IAS 12 *Income Taxes*. The amendments, *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.
- IAS 17 will be superseded by IFRS 16 *Leases* on 1 January 2019.
- IAS 18 will be superseded by IFRS 15 *Revenue from Contracts with Customers* on 1 January 2018.

The following new or amended standards that apply for the first time in 2016 are not expected to have a significant impact of the Group's consolidated financial statements or the Group's interim condensed consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

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 *Business Combinations* principles for business combination 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 if 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.

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. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

4. New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

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. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

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. This amendment must be applied prospectively.

4. New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2012-2014 Cycle (continued)

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

5. Business combinations

2016 transactions

Acquisition of subsidiaries

Telecommunication business of Morton group

On 5 April 2016 Group acquired control over certain subsidiaries of Morton Group involved in the telecommunication business (further, the "Telecommunication business"). The subsidiary of the Group, PJSC Bashinformsvyaz, has signed an agreement to acquire 100% of the respective subsidiaries of Morton Group for 633.

The Telecommunication business of Morton Group include three companies, which provide broadband, digital pay TV and telephony services. The companies serve more than 40,000 residential and 2,000 corporate customers residing in new housing developments in Moscow and the Moscow region.

The acquisition is in line with Group's strategy to build a competitive position in the broadband and pay-TV market. The deal will allow Group to enter a new housing development sector, where, historically, the Group's services have been under-represented.

The acquisition has been accounted using the acquisition method. These interim condensed consolidated financial statements include the results the acquired Telecommunication business of Morton Group for the period from the acquisition date though 30 June 2016.

The provisional values of the identifiable assets and liabilities of the Telecommunication business of Morton Group as at the date of acquisition were:

	The Telecommunication business of Morton Group (provisional values)
Provisional value of identifiable assets and liabilities:	
Property, plant and equipment	283
Deferred tax assets	2
Trade and other accounts receivable	169
Cash and cash equivalents	5
Inventories	18
Other current and non-current assets	14
Non-current loans and borrowings	(12)
Accounts payable, provisions and accrued expenses	(94)
Deferred tax liabilities	(3)
Total identifiable net assets at provisional value	**382**
Goodwill arising on acquisition	266
Non-controlling interest	**15**
Purchase consideration transferred (paid in cash)	**633**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	5
Cash paid	(633)
Net cash flow on acquisition	**(628)**

5. Business combinations (continued)

2016 transactions (continued)

The goodwill of 266 comprises the value of expected synergies and other benefits from combining the assets and activities of the Telecommunication business of Morton Group with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition until 30 June 2016, the Telecommunication business of Morton Group has contributed 16 to net profit of the Group and 102 to revenue. If the combination had taken place at the beginning of 2016, net profit of the Group would have been 4,611 and revenue would have been 144,365. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

JSC AIST

On 20 June 2016 the Group acquired control over JSC AIST. The subsidiary of the Company, PJSC Bashinformsvyaz, has signed an agreement to acquire 100% of JSC AIST, a leading broadband and telephony provider in the Samara region, for 1,420.

AIST serves approximately 130,000 broadband and telephony clients, including more than 10,000 corporate customers. This acquisition will enhance the Group's market position in the Samara region's broadband market.

The effective share of the Group in JSC AIST is 96.33%.

The acquisition has been accounted using the acquisition method. These interim condensed consolidated financial statements include balances of JSC AIST as at 30 June 2016.

The provisional values of the identifiable assets and liabilities of JSC AIST as at the date of acquisition were:

	JSC AIST (provisional values)
Provisional value of identifiable assets and liabilities:	
Property, plant and equipment	362
Intangible assets	17
Trade and other accounts receivable	41
Cash and cash equivalents	8
Inventories	27
Accounts payable, provisions and accrued expenses	(77)
Deferred tax liabilities	(19)
Total identifiable net assets at provisional value	**359**
Goodwill arising on acquisition	1,074
Non-controlling interest	**13**
Purchase consideration transferred (paid in cash)	**1,420**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	8
Cash paid	(1,420)
Net cash flow on acquisition	**(1,412)**

5. Business combinations (continued)

2016 transactions (continued)

The goodwill of 1,074 comprises the value of expected synergies and other benefits from combining the assets and activities of JSC AIST with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Transaction costs of 1 were expensed and are included in Other investing and financial gain in the interim consolidated statement of profit or loss and other comprehensive income, and are part of operating cash flows in the interim consolidated statement of cash flows.

If the combination had taken place at the beginning of 2016, net profit of the Group would have been 4,639 and revenue would have been 144,599. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

Non-state Pension Fund Alliance (the “Fund”) JSC

On 23 June 2016 Group acquired control over Non-state Pension Fund Alliance. The subsidiary of the Group, CJSC Westelcom, has signed an agreement to acquire 51% of Private Pension Fund Alliance for 184.

The deal on acquisition will enable the Group to increase the control over the pension plan.

The acquisition has been accounted using the acquisition method. These interim condensed consolidated financial statements include balances of the Fund as at 30 June 2016.

The provisional values of the identifiable assets and liabilities the Fund as at the date of acquisition were:

	Non-state Pension Fund Alliance (provisional values)
Provisional value of identifiable assets and liabilities:	
Property, plant and equipment	2
Intangible assets	2
Deferred tax assets	6
Trade and other accounts receivable	6
Cash and cash equivalents	45
Other current financial assets	1,570
Employee benefits	(373)
Non-current accounts payable, provisions and accrued expenses	(937)
Current accounts payable, provisions and accrued expenses	(13)
Total identifiable net assets at provisional value	**308**
Goodwill arising on acquisition	27
Non-controlling interest	**151**
Purchase consideration transferred (paid in cash)	**184**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	45
Cash paid	(184)
Net cash flow on acquisition	**(139)**

5. Business combinations (continued)

2016 transactions (continued)

Non-current accounts payable, provisions and accrued expenses of the Fund are mostly represented by the obligations under the pension agreements not related to the Group's employees. Obligations of the Fund to the employees of Rostelecom under the corresponding pension agreements are included in the Employee benefits, non-current liabilities, of the Group's interim consolidated statement of financial position as of 30 June 2016.

The goodwill of 27 comprises the value of expected synergies and other benefits from combining the assets and activities of Fund with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

If the combination had taken place at the beginning of 2016, net profit of the Group would have been 4,684 and revenue would remain the same. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

National Data Centers LLC

On 16 June 2016 the Group acquired control over National Data Centers LLC ("NDC") by increasing of its stake in NDC from 50% to 100%. The subsidiary of the Company, RTK DC LLC, has signed an agreement to acquire 50% of NDC for five thousand Russian roubles.

The effective share of the Group in NDC is 75%.

Total consideration for acquisition of NDC includes the effective settlement of the pre-existing relations between the Company's subsidiary, Westelcom, and NDC, represented by the loan and interest payable by NDC to Westelcom in the amount 72. The previously held interest in NDC of 50% was accounted by the Group using the equity method. The carrying value of the investment in NDC immediately before the acquisition of additional interest was nil and the Group estimated that the fair value of the previously held interest approximated zero.

The acquisition has been accounted using the acquisition method. These interim condensed consolidated financial statements include balances of National Data Centers LLC as at 30 June 2016.

5. Business combinations (continued)

2016 transactions (continued)

The fair value of the identifiable assets and liabilities of National Data Centers LLC as at the date of acquisition were:

	LLC National Data Centers (fair value)
Fair value of identifiable assets and liabilities:	
Property, plant and equipment	3
Intangible assets	17
Deferred tax assets	12
Trade and other accounts receivable	4
Inventories	8
Other current assets	3
Accounts payable, provisions and accrued expenses	(23)
Total identifiable net assets at fair value	**25**
Goodwill arising on acquisition	35
Non-controlling interest	**(12)**
Purchase consideration transferred	**72**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	–
Cash paid	(0)
Effective settlement of the pre-existing relationships	**(72)**

The goodwill of 35 comprises the value of expected synergies and other benefits from combining the assets and activities National Data Centers LLC with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

If the combination had taken place at the beginning of 2016, net profit of the Group would have been 4,568 and revenue would remain the same. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

Acquisition of associates

During the six-month period ended 30 June 2016 the Group paid an additional contribution to share capital of Big Universal Mall LLC (“BUM” LLC) in the amount of 577.5 that did not change the Group’s share in BUM LLC and acquired non-controlling interests in certain other associated companies for total consideration of 200.5.

5. Business combinations (continued)

2015 transactions

Acquisition of subsidiaries

SafeData Group

On 17 February 2015 the Group acquired a control over LLC Data Storage Centre (DSC) and its subsidiaries (jointly referred to as SafeData Group), Russia's largest provider of commercial data centres, traffic exchange service and content delivery operating under the SafeData brand.

The acquisition enables the Group to accelerate the development of its national content storage and distribution network. This includes a geographically distributed federal network of data centres, which combines communication channels, traffic exchange points, content delivery systems, as well as network attack and traffic monitoring protection systems.

The deal was contemplated as a single transaction completed in several stages: during the first stage, the Group acquired 5.4% share capital of DSC with nominal value of 10.152 from Brennan Investments Limited in exchange for cash consideration of 104. Following a completion of the second stage, the Group increased its stake up to 50.1% by contributing 1,728.9 of cash into DSC's share capital (the Share capital contribution) out of which 423 was used to purchase controlling stakes in DSC's associates CJSC Interaction Computer Network Center "MCK-IX" and LLC Advanced Network Technology. Thus, the total cash consideration transferred in a business combination amounted to 527.

Subsequent to the acquisition of control over SafeData the residual part of the Share capital contribution that remained within the Group was used to settle DSC's liabilities as well as for other operating purposes of SafeData Group.

The structure of SafeData Group at the acquisition date (immediately after the acquisition) was as follows:

LLC Data Storage Centre held the following interests in:

- LLC DST Udomlya – 100%
- LLC Center Technology Virtualization – 66.44%
- LLC Interaction Network Center – 100%, holding interests in the following entities:
  - CJSC Interaction Computer Network Center "MCK-IX" – 51%
  - LLC Advanced Network Technology – 50.1%

5. Business combinations (continued)

2015 transactions (continued)

The fair value of the identifiable assets and liabilities of SafeData Group as at the date of acquisition were:

	SafeData Group
Fair value of identifiable assets and liabilities:	
Property, plant and equipment	1,788
Intangible assets	593
Deferred tax assets	12
Other non-current assets	4
Trade and other accounts receivable	218
Cash and cash equivalents	335
Inventories	20
Other current assets	110
Non-current loans and borrowings	(36)
Current loans and borrowings	(111)
Accounts payable, provisions and accrued expenses	(1,581)
Deferred tax liabilities	(242)
Total identifiable net assets at fair value	**1,110**
Goodwill arising on acquisition	886
Non-controlling interest	**1,469**
Purchase consideration transferred (paid in cash)	**527**
Net cash acquired with the SafeData Group (included in cash flows from investing activities)	335
Cash paid	(527)
Net cash flow on acquisition	**(192)**

The goodwill of 886 comprises the value of expected synergies and other benefits from combining the assets and activities of SafeData Group with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the trade and other accounts receivable amounts to 218, which is approximately equal to the gross amounts of corresponding receivables as of the acquisition date. None of the trade and other accounts receivable have been impaired and it is expected that the full contractual amounts can be collected.

The Group has elected to measure the non-controlling interest as a proportionate share in the recognised amounts of the SafeData Group's identifiable net assets. The so determined amount of the non-controlling interest assumes a portion of the cash contribution by the Group to the capital of DSC that remained within the SafeData Group as of the acquisition date after the payment of 423 out of this contribution to obtain controlling interest in the DSC's associates.

From the date of acquisition until 30 June 2015, SafeData Group has contributed 67 to net profit from continuing operations of the Group and 482 to revenue. If the combination had taken place at the beginning of 2015, net profit from continuing operations of the Group would have been 8,213 and revenue would have been 144,010. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

5. Business combinations (continued)

2015 transactions (continued)

Transaction costs of 40 were expensed and are included in other investing and financial loss in the interim condensed consolidated statement of profit or loss and other comprehensive income, and are part of operating cash flows in the interim condensed consolidated statement of cash flows.

JSC Vostoktelekom

On 6 February 2015 a subsidiary of the Company, OJSC RTComm.RU increased its stake in JSC Vostoktelecom from 25% to 100% by purchasing an additional 75% of shares from KDDI Overseas Holdings B.V. and Sojitz Corporation in exchange for cash consideration of 203.

The acquisition has been accounted for using the acquisition method. Present interim condensed consolidated financial statements includes the results of JSC Vostoktelecom for the four months period from the acquisition date.

The remeasurement to the acquisition-date fair value of the Group's previously held 25% interest in JCS Vostoktelecom resulted in a loss of 18 which has been recognised in other investing and financial gains in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2015.

The fair value of the identifiable assets and liabilities of JSC Vostoktelekom as at the date of acquisition were:

	JSC Vostoktelekom
Fair value of identifiable assets and liabilities:	
Property, plant and equipment	162
Intangible assets	35
Deferred tax assets	15
Trade and other accounts receivable	89
Cash and cash equivalents	14
Other current assets	6
Accounts payable, provisions and accrued expenses	(57)
Total identifiable net assets at fair value	**264**
Goodwill arising on acquisition	6
Acquisition-date fair value of the previously held interest	**67**
Purchase consideration transferred (paid in cash)	**203**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	14
Cash paid	(203)
Net cash flow on acquisition	**(189)**

The goodwill of 6 comprises the value of expected synergies and other benefits from combining the assets and activities of JSC Vostoktelecom with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

5. Business combinations (continued)

2015 transactions (continued)

From the date of acquisition until 30 June 2015, JSC Vostoktelekom has contributed 24 to decrease of net profit from continuing operations of the Group and 183 to increase of revenue. If the combination had taken place at the beginning of 2015, net profit from continuing operations of the Group would have been 8,203 and revenue would have been 143,934. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

Transaction costs of 1 were expensed and are included in other investing and financial loss in the condensed interim consolidated statement of profit or loss and other comprehensive income, and are part of operating cash flows in the condensed interim consolidated statement of cash flows.

CJSC Globalstar – Space Telecommunications

In 2013 Arbitration Court of Moscow initiated a bankruptcy administration and established an external management over CJSC Globalstar – Space Telecommunications (hereinafter CJSC Global-Tel) as part of its bankruptcy procedures. As a result the Group has lost control over CJSC Global-Tel from 1 July 2013 and deconsolidated CJSC Global-Tel.

During the bankruptcy procedure over CJSC Global-Tel on 16 January 2015 the Arbitration Court of Moscow approved the Settlement agreement dated 14 November 2014 between CJSC Global-Tel (Debtor) and bankruptcy creditors whose claims were included in the register of creditors of CJSC Global-Tel.

According to the Settlement agreement the obligations of CJSC Global-Tel to the Company were ceased at 27 January 2015 by debtor's issuance of the promissory note maturing on demand but not earlier than 30 November 2021 with the principal amount 1,042.9 and interest rate 13% per annum.

Also on 27 January 2015, the Company purchased two promissory notes for 108 from Loral Space & Communications Inc. with the total principal amount 2,501.2, which were received by Loral Space & Communications Inc. from CJSC Global-Tel as repayment obligations under the Settlement agreement on the case A40-27560/2012.

On 16 February 2015 the decision of the Arbitration court of Moscow to approve the Settlement agreement went into force that stopped the external management procedure over CJSC Global-Tel. As a result, the Group regained a control over CJSC Global-Tel. Present interim condensed consolidated financial statements includes results of CJSC Global-Tel for the four months period from 1 March 2015.

The amount for which the Company purchased two promissory notes from Loral Space & Communications Inc. is treated as cash consideration paid for acquisition of CJSC Global-Tel since this payment effectively settled the dispute between CJSC Global-Tel and its creditors and resolved the bankruptcy claim.

5. Business combinations (continued)

2015 transactions (continued)

The fair value of the identifiable assets and liabilities of CJSC Global-Tel as at the date of acquisition were:

	CJSC Global-Tel*
Fair value of identifiable assets and liabilities:	
Property, plant and equipment	3
Intangible assets	4
Cash and cash equivalents	60
Inventories	70
Accounts payable, provisions and accrued expenses	(464)
Deferred tax liability	(7)
Total identifiable net assets at fair value	**(334)**
Goodwill	442
Purchase consideration transferred (paid in cash)	**108**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	60
Cash paid	(108)
Net cash flow on acquisition	**(48)**

* *Certain amounts do not correspond to the amounts disclosed in the notes to the unaudited interim consolidated financial statements of the Group for the six-month period ended 30 June 2015 and reflect measurement period adjustments made to the provisional amounts of the Global-Tel as if the accounting for the business combination had been completed at the acquisition date. The finalization of the accounting for the business combination in December 2015 did not have material impact on the Global-Tel results of operations included in the Group's interim condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2015.*

The goodwill recognised is attributable primarily to the expected synergies from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes

From the date of acquisition until 30 June 2015, CJSC Global-Tel has contributed 21 to net profit from continuing operations of the Group and 73 of revenue. If the combination had taken place at the beginning of 2015, net profit from continuing operations of the Group would have been 8,210 and revenue would have been 143,878. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

FreshTel Group

In April 2015 the Company obtained control over FreshTel Group, which includes 100% stakes in LLC Interproekt, LLC Orion, LLC Progress and LLC Stolitsa, for a cash consideration of 210 from Comenetti Investments Limited. Cash consideration was equally divided and 100% share in each LLC was acquired for 52.5.

FreshTel provides services to over 14,000 subscribers in more than 38 Russian towns. It has a large frequency resource to provide wireless internet access in the 3.4GHz and 3.5GHz bands via WiMax technology.

The acquisition has been accounted using the acquisition method. The interim condensed consolidated financial statements for the six months ended 30 June 2015 includes results of LLC Interproekt, LLC Orion, LLC Progress and LLC Stolitsa for two months period from 1 May 2015.

5. Business combinations (continued)

2015 transactions (continued)

The agreements for acquisition of 100 % share in LLC Interproekt, LLC Orion, LLC Progress and LLC Stolitsa included the special condition which determined that cash consideration would be paid only after the restructuring of the debt payable to Vnesheconombank (the "Debt restructuring condition"), by each of the acquired company. The restructuring of the debt was completed in February 2016 and the consideration was paid in June 2016.

The fair value of the identifiable assets and liabilities acquired in a business combination as at the date of acquisition were:

	FreshTel Group*
Fair value of identifiable assets and liabilities:	
Property, plant and equipment	246
Intangible assets	379
Deferred tax assets	71
Trade and other accounts receivable	34
Cash and cash equivalents	4
Current investments	9
Inventories	31
Other current assets	61
Loans and borrowings	(1,739)
Accounts payable, provisions and accrued expenses	(485)
Deferred tax liabilities	(7)
Total identifiable net assets of FreshTel Group at fair value	**(1,396)**
Fair value of rights to use the favourable terms of credit line	1,330
Deferred tax liability	(266)
Goodwill arising on acquisition	542
Purchase consideration to be transferred (paid in June 2016)	**210**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	4
Cash paid in 2015	–
Net cash flow on acquisition in 2015	**4**

* *Certain amounts do not correspond to the amounts disclosed in the notes to the unaudited interim consolidated financial statements of the Group for the six-month period ended 30 June 2015 and reflect measurement period adjustments made to the provisional amounts of the FreshTel Group as if the accounting for the business combination had been completed at the acquisition date. The finalization of the accounting for the business combination in December 2015 did not have material impact on the FreshTel Group's results of operations included in the Group's interim condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2015.*

The goodwill recognised is attributable primarily to expected synergies from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition until 30 June 2015, LLC Interproekt, LLC Orion, LLC Progress and LLC Stolitsa has contributed 153 to decrease of net profit from continuing operations of the Group and 7 to increase of revenue. If the combination had taken place at the beginning of 2015, net profit from continuing operations of the Group would have been 7,313 and revenue would have been 143,867. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

5. Business combinations (continued)

2015 transactions (continued)

CJSC GNC-Alfa

According to the share purchase agreement of 2014, during the six-month periods ended 30 June 2016 and 2015 Group paid the contingent consideration of 49 and 37, respectively.

IQmen – Business Intelligence

On 1 December 2015 the Group acquired 75% stake in IQmen – Business Intelligence. The business combination was accounted in the 2015 financial statements of the Group at provisional values. The finalization of the accounting for the business combination in 2016 has not resulted in material impact on the Group's consolidated statement of financial position as of 31 December 2015.

6. Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with a cost of 19,325 (30 June 2015: 18,446), excluding 650 of property, plant and equipment of acquired subsidiaries (refer to Note 5).

Assets with a net book value of 374 were disposed of by the Group during the six months ended 30 June 2016 (30 June 2015: 359), resulting in a net gain on disposal of 1,042 (30 June 2015: 537).

Interest amounting to 1,261 and 644 was capitalized in property, plant and equipment for the six months ended 30 June 2016 and 2015, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization were 9.73% and 8.79%, respectively.

Property, plant and equipment with a carrying value of 199 and 42 were pledged in relation to loan agreements entered into by the Group as of 30 June 2016 and 31 December 2015, respectively.

7. Goodwill and other intangible assets

During the six months ended 30 June 2016, the Group acquired assets with a cost of 3,087 (30 June 2015: 1,939), excluding 1,523 of intangible assets of acquired subsidiaries (refer to Note 5).

Assets with a net book value of 90 were disposed of by the Group during the six months ended 30 June 2016 (30 June 2015: 52), resulting in a net loss on disposal of 11 (30 June 2015: 49).

Interest amounting to 141 and 105 was capitalized in intangible assets for the six months ended 30 June 2016 and 2015, respectively.

8. Shareholders' equity

Dividends

According to the charter of the Company a preferred share carries dividend amounting to the higher of 10% of the net income after taxation of the Company as reported in the Russian statutory accounts divided by 25% of total number of shares and the dividend paid on one ordinary share.

On 4 December 2015 the Board of Directors approved a new dividend policy of the Company according to which the Company pays dividends as a percentage of Free Cash Flow (hereinafter FCF, net cash from operating activities, reduced by the cash paid for acquisition of fixed assets and intangible assets, and increased by the proceeds from the sale of fixed assets and intangible assets). The payable dividend amount shall not be less than the level recommended by Rosimuschestvo for companies with state ownership interest.

In June 2016 the General Meeting of Shareholders approved the dividends for the year ended 31 December 2015 in the amount of 5.91547 roubles per ordinary share (2014: 3.34108 roubles per ordinary share) and 5.91547 roubles per preference share (2014: 4.05003 roubles per preference share).

Category of shares	Number of shares	Dividends per share, roubles	Total sum of dividends, mln. roubles
Declared and approved for 2015			
Preference shares	209,565,147	5.91547	1,240
Ordinary shares	2,574,914,954	5.91547	15,232
Total	**2,784,480,101**		**16,472**

The difference between the dividends declared and the dividends presented in the consolidated statement of changes in equity is for the account of dividends on treasury shares held by the subsidiaries of the Company.

9. Financial instruments

The Group's principal financial instruments comprise cash and cash equivalents, loans issued and receivables, bank loans, bonds and promissory notes issued and finance leases liabilities. These instruments serve to finance the Group's operations and capital expenditures; its corporate financial transactions such as share repurchase and acquisition strategy; place available funds in course of cash management. Other financial assets and liabilities such as trade receivables and trade payables arise directly from the Group's operations. The following table presents the carrying amounts of financial assets and liabilities as at 30 June 2016 and 31 December 2015:

Classes	Categories	30 June 2016	31 December 2015
Cash and cash equivalents	Loans and receivables	3,640	7,165
Trade and other receivables	Loans and receivables	54,009	47,748
Available-for-sale financial assets at cost	Available-for-sale	140	97
Loans	Loans and receivables	5,781	6,238
Held-for-trading financial assets	Financial assets at fair value through profit and loss	1,436	–
Non-hedge derivative	Financial assets at fair value through profit or loss	–	5
Total financial assets		**65,006**	**61,253**
Bank and corporate loans	Liabilities at amortized cost	159,404	150,491
Bonds	Liabilities at amortized cost	32,714	35,448
Promissory notes	Liabilities at amortized cost	9	9
Vendor financing	Liabilities at amortized cost	54	52
Finance lease liabilities	Liabilities at amortized cost	453	463
Other borrowings	Liabilities at amortized cost	91	91
Trade and other payables	Liabilities at amortized cost	38,089	54,143
Non-hedge derivative	Financial liabilities at fair value through profit and loss	3,430	3,543
Total financial liabilities		**234,244**	**244,240**

The fair value of cash and cash equivalents, current receivables, trade payables, other current financial assets and liabilities approximate their carrying amount largely due to the short-term maturity of these instruments.

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for the following borrowings:

	30 June 2016		
	Fair value	**Book value**	**Difference**
Traded bonds	28,396	28,534	(138)
Bank loans	80,762	85,144	(4,382)
Total	**109,158**	**113,678**	**(4,520)**

The fair value of the Group's quoted Rouble bonds was determined based on Moscow Exchange quotes. The fair value of the Group's non-quoted bank loans was determined based on Central Bank's interest rate statistics. The market value of the Group's bank loans and non-traded bonds was determined based on the Central Bank rates.

9. Financial instruments (continued)

Available for sale financial assets accounted for at cost include unquoted equity investments whose value cannot be measured reliably. Quoted prices are not available for these investments due to the absence of an active market. It is also impracticable to derive fair value using the similar transaction method. The discounting cash flow method cannot be applied to such investments as there are no reliably determinable cash flows related to them.

Held-for-trading financial assets are accounted at fair value based on Moscow Exchange quotes.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	30 June 2016	31 December 2015
Financial assets at fair value through profit or loss		
Non-hedge derivatives		
Level 1	1,436	–
Level 2	–	5
Level 3	–	–
Total non-hedge derivatives	**1,436**	**5**
Financial liabilities at fair value through profit or loss		
Non-hedge derivatives		
Level 1	–	–
Level 2	3,430	3,543
Level 3	–	–
Total non-hedge derivatives	**3,430**	**3,543**

Level 1 financial assets at fair value through profit or loss arise as the result of Private Pension Fund Alliance acquisition (Note 5).

Management of the Group believes that the fair values of accounts receivable and accounts payable shown in the balance sheet approximate their carrying amounts.

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month periods ended 30 June 2016 and 30 June 2015.

9. Financial instruments (continued)

Financial instruments at fair value through profit or loss

In October 2013 the Group entered into agreement with Deutsche bank A.G. London branch and RDIF Investment management LLC for the purchase a call option on 36,093,684 Company's ordinary shares and sale a put option on 72,187,366 Company's ordinary shares. These options were classified as financial instruments at fair value through profit or loss, and included in Level 2 of the fair value measurement hierarchy (refer to the above tables). Fair values of options were determined using the Black-Scholes option pricing model. Expected volatility is based on the historical average Company's ordinary share price volatility.

Data of the model	**Call**	**Put**
Grant date share price, USD	3.2842	3.2842
Exercise price, USD	4.2695	3.2842
Expected volatility	27.97%	27.97%
Remaining option life, years	1.42	1.42
Dividend yield	3.6%	3.6%
Risk-free interest rate	10.3%	10.3%
Fair value as at 30 June 2016 (asset/(liability))	0	(3,430)

In 2015 the Group settled the options with RDIF by payment of 4,812. Options agreement with Deutsche bank A.G. London branch was renegotiated and prolonged until 1 December 2017.

For the six months period ended 30 June 2016 the Group recognised a gain in the amount of 108 due to the changes of fair value of the options in Other investing and financial (loss)/gain (6 months ended 30 June 2015: a loss of (567).

10. Borrowings

As of 30 June 2016 and 31 December 2015, interest bearing loans are denominated in the following foreign currencies:

	30 June 2016 (unaudited)	**31 December 2015**
US dollars (USD)	829	2,851
Other	13	41
Foreign currency denominated loans	**842**	**2,892**
Russian roubles denominated loans	191,883	183,662
Total borrowings	**192,725**	**186,554**

10. Borrowings (continued)

	RUB	USD	Other	Carrying amount
Balance as of 1 January 2016	**183,662**	**2,851**	**41**	**186,554**
New issues				
Bank and corporate loans	324,245	(998)	124	323,371
incl. The restructuring of the debt payable by FreshTel Group that was completed in February 2016 (Note 5)	*998*	*(998)*	–	–
Finance lease liabilities	58	–	–	58
Foreign exchange loss/(gain)	–	(582)	(3)	(585)
Interest payable	9,715	(268)	3	9,450
incl. The restructuring of the debt payable by FreshTel Group that was completed in February 2016 (Note 5)	*292*	*(292)*	–	–
Other	6	–	–	6
Repayments				
Bank and corporate loans	(313,685)	(150)	(149)	(313,984)
Bonds	(2,734)	–	–	(2,734)
Vendor financing	(5)	–	–	(5)
Finance lease liabilities	(73)	–	–	(73)
Interest payable	(9,306)	(24)	(3)	(9,333)
Balance as of 30 June 2016	**191,883**	**829**	**13**	**192,725**

11. Revenue

Revenue comprised the following for the six months ended 30 June 2016 and 2015:

	Six-month period ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Fixed Telephony	44,894	50,957
Broadband Internet	33,004	31,475
TV services	11,341	9,336
Wholesale Services	37,955	36,557
VAS & Clouds	7,348	5,188
Other telecommunication services*	6,348	7,057
Other non-telecommunication services	3,330	3,240
Mobile communication services	38	30
Total revenue	**144,258**	**143,840**

* *Revenue from other telecommunication services includes sales of customer-premises equipment 1,774 and 1,835 for the six moths ended 30 June 2016 and 30 June 2015 respectively.*

11. Revenue (continued)

During six months ended 30 June 2016 and 2015 the Group generated revenue by the following major customer groups:

Customer Groups	Six-month period ended 30 June 2016 (unaudited)	2015 (unaudited)
Residential customers	66,449	67,847
Corporate customers	25,638	26,881
Governmental customers (Note 13)	24,524	22,657
Interconnected operators	27,647	26,455
Total revenue	**144,258**	**143,840**

12. Segment information

From 1 January 2015 Rostelecom Management Board which is the chief operating decision maker ("CODM") started to analyse operating results of PJSC Rostelecom by macroregional branches on consolidated basis together with subsidiaries allocated to the branches. Consequently, the Group has determined its macroregional branches with subsidiaries as operating segments.

Starting 2016 the Group has nine reportable segments, which are the Group's strategic business units. While differentiated geographically, the strategic business units offer mainly the same services to the customers.

Change of the composition of reportable segments in 2016 is due to an organizational change resulting in the merger of Center and Moscow strategic business units of the Group. Comparative segment information is restated in these interim condensed consolidated financial statements to conform the current period presentation.

Management of the Group assesses the performance of the operating segments based on the IFRS data on consolidated basis. A measure of segment profit or loss reported to the management of the company is operating income before depreciation and amortization and long-term employee motivation program expenses (OIBDA).

Total assets are not allocated to operating segments and are not analysed by the CODM.

The tables below illustrate financial information of reportable segment reviewed by management for the year ended 30 June 2016 and 30 June 2015.

The following table illustrates information about reportable segment revenue and OIBDA for the six months ended 30 June 2016:

6m2015	Corp. Center	North-West	Center	South	Volga	Ural	Sibir	Far East	Other operations and reconci-liation	Total segments
Revenue										
Third party revenue	16,049	17,698	36,104	14,130	19,815	14,603	15,506	10,214	139	**144,258**
Inter-segment revenue	8,403	202	742	171	567	188	112	137	(64)	**10,458**
OIBDA	**(6,972)**	**7,647**	**14,907**	**6,094**	**8,508**	**5,809**	**7,102**	**4,241**	**55**	**47,391**

12. Segment information (continued)

The following table illustrates reconciliation of reportable segment OIBDA to profit before income tax for the six months ended 30 June 2016:

OIBDA of reportable segments	**47,336**
OIBDA of other segments	**55**
Adjustments	
Depreciation, amortization and impairment losses	(29,481)
Share of profit (loss) in equity accounted investees	(3,501)
Finance costs and other investing and financial gain	(7,609)
Foreign exchange loss, net	388
Share-based remuneration	(1,108)
Other adjustments	(29)
Profit before income tax	**6,051**

The following table illustrates information about reportable segment revenue and OIBDA for the six months ended 30 June 2015:

6m2015	Corp. Center	North-West	Center	South	Volga	Ural	Sibir	Far East	Other operations and reconci-liation	Total segments
Revenue										
Third party revenue	14,561	17,957	35,522	14,108	19,864	15,655	15,568	10,468	137	**143,840**
Inter-segment revenue	4,933	212	308	92	1,068	15	98	173	15	**6,914**
OIBDA	**(6,280)**	**8,594**	**15,612**	**6,286**	**8,607**	**5,927**	**6,782**	**4,371**	**(14)**	**49,885**

The following table illustrates reconciliation of reportable segment OIBDA to profit before income tax for the six months ended 30 June 2015:

OIBDA of reportable segments	**49,899**
OIBDA of other segments	**(14)**
Adjustments	
Depreciation, amortization and impairment losses	(29,635)
Share of profit (loss) in equity accounted investees	(1,161)
Finance costs and other investing and financial gain	(7,001)
Foreign exchange loss, net	(461)
Share-based remuneration	(827)
Other adjustments	(39)
Profit before income tax	**10,761**

13. Related party transactions

(a) The Government as a shareholder

As indicated in Note 1, the Government of the Russian Federation controls the Company by indirect holding of 53% of the Company’s ordinary shares through Vnesheconombank and Federal Agency of State properties management. It is a matter of the Government policy to retain a controlling stake in sectors of the economy, such as telecommunications, that it views as strategic.

13. Related party transactions (continued)

(b) Interest of the Government in the telecommunications sector in the Russian Federation and the protection of that interest

Effective telecommunications and data transmission are of great importance to Russia for various reasons, including economic, social, strategic and national security considerations. The Government has exercised and may be expected to exercise significant influence over the operations of the telecommunications sector and consequently, the Group. The Government, acting through the Federal Tariff Service and the Federal Telecommunications Agency, has the general authority to regulate certain tariffs. In addition to the regulation of tariffs, the telecommunication legislation requires the Group and other operators to make certain revenue-based payments to the Universal service fund, which is controlled by the Federal Telecommunications Agency. Moreover, the Ministry of Telecom and Mass Communications of the Russian Federation has control over the licensing of providers of telecommunications services.

(c) Associates and joint ventures

On 1 April 2014 the Group obtained significant influence over T2 RTK Holding as a result of the reorganization. Transactions with companies of T2 RTK Holding were as follows:

	Six-month period ended 30 June	
	2016	**2015**
Revenue	5,040	4,521
Interest income	152	186
Purchase of telecommunication services	(2,119)	(2,331)
Purchase of other services	(85)	(53)

The amounts of receivables and payables due from companies of T2 RTK Holding were as follows:

	30 June 2016	**31 December 2015**
Accounts receivable	3,999	4,375
Allowance for doubtful receivables	(244)	(267)
Accounts payable and accrued expenses	(492)	(428)
Loans and borrowings	–	(90)

The Group is also involved in various telecommunication services with entities in which it has investments, including associates over which it exerts significant influence. A summary of these transactions is as follows:

	Six-month period ended 30 June	
	2016	**2015**
Revenue	35	77
Interest income	14	3
Purchase of telecommunication services	(111)	(176)
Purchase of other services	(18)	(28)

The amounts of receivables and payables due from these entities were as follows:

	30 June 2016	**31 December 2015**
Accounts receivable	57	126
Financial assets	307	248
Allowance for doubtful receivables	(1)	(2)
Accounts payable and accrued expenses	(27)	(7)

13. Related party transactions (continued)

(d) Transactions with other government-related entities

In January 2009, PJSC Rostelecom in partnership with mobile operator PJSC Megafon won a tender for sponsorship of the XXII Winter Olympic Games and the XI Winter Paralympic Games 2014 in Sochi in a category "Telecommunications". According to the agreement with the Organisation committee of XXII Winter Olympic Games and the XI Winter Paralympic Games 2014 in Sochi the sponsorship contribution amounts to USD 260 million and should be contributed by each sponsor in the amount of USD 130 million. Half of this amount shall be paid in cash and the other half shall be contributed in free services. In return, each partner has obtained exclusive rights to use the Olympic logo in its advertising and other activity. There is a joint responsibility of the Group and Megafon in respect of non-cash contributions. The total charge of sponsorship contribution to profit and loss for the six months ended 30 June 2016 amounted to 75 (six months ended 30 June 2015: 176).

The Group considers this transaction as a transaction with a related party because the Group treats the Organisation committee as a government-related entity. The reason for this is that the Federal Government was one of the founders of the Organisation committee and government executives are on the Oversight Board of this Organisation.

Decree of the Government of the Russian Federation № 453- dated 21 March 2011 PJSC Rostelecom appointed sole executor of works as part of the state program of the Russian Federation "Information Society 2011-2018". PJSC Rostelecom shall provide the following tasks:

a) Creation of a common infrastructure to support the decisions of state tasks, ensuring the provision of services for various branches of the public sector.

b) Create a national platform of distributed computing to provide solutions as services to federal, regional and municipal authorities.

   This task the operator has already performed a significant amount by implementing standard solutions for e-government in the regions under Saas. Services based on cloud computing will enjoy both government agencies and commercial customers.

c) The development of institutions of electronic signature in Russia. The system of certification centers create a common space of trust, in which every citizen of Russia will be able to obtain an electronic signature and electronic signature can be identified in any region of Russia.

During the six months ended 30 June 2016 the Group recognized revenue for the individually essential project concluded with the Ministry of Communications and Mass Communications of the Russian Federation, under the contract to operate the infrastructure of e-government in the amount of 862 (six months ended 30 June 2015: 862). For other individually immaterial contracts Group's revenue for the six months ended 30 June 2016 amounted to 2,252 (six months ended 30 June 2015: 1,018).

Under the Decree of the Government of the Russian Federation № 437-r dated 26 March 2014 Rostelecom has the responsibility for the provision of universal communication services starting from 1 April 2014. In May of 2014 the Federal Communications Agency and Rostelecom signed a contract for the provision of universal communication services for 10 years and the total amount of financial support of RUB 163 billion.

13. Related party transactions (continued)

(d) Transactions with other government-related entities (continued)

In accordance with the federal law *On communication* Rostelecom, as a single universal service provider for the entire territory of the Russian Federation, shall ensure the functioning of:

a) telephone services using payphones, multifunction devices, information kiosks (informants) and similar devices;

b) data services and provide access to the “Internet” information and telecommunication network using multiple access means;

c) before the end of 2018 it is planned to provide data services and provide access to the “Internet” information and telecommunications network with access points.

The total volume of income recognized by the Company under this contract for the six months ended 30 June 2016 amounted to: 5,794 (six months ended 30 June 2015: 6,646).

To provide universal telecommunication services Rostelecom contracted FSUE Mail of Russia as an agent facilitating data services and providing access to the Internet information and telecommunication network using multiple (public) access points without a use of an end-user equipment. FSUE Mail of Russia is a budgetary organization, associated with Russia state, operations of which are individually significant for disclosure purposes. For the six months ended 30 June 2016 the cost of agency contracts amounted to 929. For the six months ended 30 June 2015 corresponding expenses amounted to 918.

The Group received loans from government-related banks PJSC Sberbank, PJSC Bank VTB, PJSC Sviaz-bank, PJSC Vnesheconombank, PJSC Russian regional development bank, JSC Gazprombank and others. The outstanding balances from these banks amounted to 144,309 as at 30 June 2016 (30 June 2015: 126,141). Interest rate of these loans varies from 7.62% to 12.5% (30 June 2015: from 6.69% to 23.11%). During six months ended 30 June 2016 the Group obtained loans from these banks in amount of 256,938 (six months ended 30 June 2015: 171,101), acquisition through business combinations amounted to nill (six months ended 30 June 2015: 2,140), made repayments in amount of 252,300 (six months ended 30 June 2015: 186,491). Interest expense accrued on those loans during six months ended 30 June 2016 amounted to 6,854 (six months ended 30 June 2015: 5,672).

In 2014, the Company received a borowing from the state-related special project company (Infrastructure investment-4 LLC) for 4 years for implementation of the investment project “Bridging the Digital Divide in the sparsely populated areas of Russia”. The balance of the borowing on 30 June 2016: 8,303 (30 June 2015: 9,518). During six months ended 30 June 2016 the Group made repayments in amount of 1,217 (six months ended 30 June 2015: 1,399). Interest expense accrued on this loan during the six months ended 30 June 2016 amounted to 610 (six months ended 30 June 2015: 787).

The Group has collectively but not individually significant transactions with other government-related entities including but not limited to providing telecommunication services, consuming services having both production and miscellaneous nature, depositing and borrowing money. All these transactions are carried out in the course of normal day-to-day business operations on the terms comparable to those with other entities which are not government-related. Management assesses these transactions as individually insignificant, except government-related banking deposits.

The amount of funds placed on deposits with government-related banks for the six months ended 30 June 2016 is 4,428 (six months ended 30 June 2015: 8,601) with related income recognised in profit and loss of 186 (six months ended 30 June 2015: 652) and amounts repaid back to the Company’s account of 3,914 (six months ended 30 June 2015: 2,245).

13. Related party transactions (continued)

(d) Transactions with other government-related entities (continued)

The amount of the Group's cash and cash equivalents kept on the accounts opened with the government-related banks on 30 June 2016 is 2,559 (31 December 2015: 5,896).

(e) Remuneration of key management personnel

The key management personnel for the purpose of these consolidated financial statements comprises Management Board's members, the Board of Directors' members and Vice-Presidents.

Remuneration to the key management personnel for the six months ended 30 June 2016 amounted to 387 (for six months ended 30 June 2015: 388). Remuneration includes salaries, bonuses, payments for participation in the work of management bodies and other short-term benefits.

Also in 2014 the Company introduced a long-term motivation programme for executives and senior employees of the Company (Note 15). The amount of employee benefits expense related to the programme and attributed to the Management Board's members, the Board of Directors' members and Vice-Presidents for the six months ended 30 June 2016 is 148 (six months ended 30 June 2015: 314).

During the six months ended 30 June 2016 the Group made a contribution of nill to the non-state pension fund (six months ended 30 June 2015: 4) for its key management personnel. The plans provide for payment of retirement benefits starting date employee complies with terms of acting non-state pension program.

The remuneration amounts are stated exclusive of social taxes.

14. Commitments and contingencies

The Group is subject to a number of proceedings arising in the course of the normal conduct of its business. There were no changes in contingencies since the date of issuance of the condensed consolidated financial statements of the Group as of and for the six months ended 30 June 2016.

Management believes that the ultimate resolution of these matters will not have a material adverse effect on the results of operations or the financial position of the Company or the Group.

As of 30 June 2016 and of 31 December 2015, contractual commitments of the Group for the acquisition of property, plant and equipment amounted to 19,724 and 18,254 respectively.

15. Share-based payments

In March 2014 the Board of Directors approved the employee motivation program. The program established a plan under which the participants were granted a right to purchase at a fixed price ordinary shares of the Company using proceeds from the annual bonus, which is paid depending on achievement of the KPI's, based on Free Cash Flow (FCF), net profit and Return on Invested Capital (ROIC).

The duration of the program is three years, starting from 2014. About 200 individuals are expected to take part in the program – senior and middle managers, including directors of regional branches.

15. Share-based payments (continued)

The total Target package for all participants of the program consists of ordinary shares equivalent to 1.5% of the share capital of the Company. The maximum size of the package depends on meeting the KPI requirements and is limited to the 200% of the target shares in the event of a significant overperformance of KPI's. In the event of a significant non-compliance with the KPI's in a particular year, the participants lose the right to receive remuneration under the program for that year.

The rights to purchase shares were granted to participants in 2014 and have gradual vesting for the tranches as follows: 30% tranche is vesting by the end of 2014, the second 30% tranche is vesting by the end of 2015, the third 40% tranche is vesting by the end of 2016. For participants who take part in the program in 2015 gradual vesting for the tranches will be as follows: 40% tranche is vesting by the end of 2015 and 60% by the end of 2016. The Target package is subject to periodic adjustment to reflect achieved level of KPI's in each year and to account for the anticipated changes of the KPI's performance for the remaining years of the program.

Vested and exercised rights under each tranche will be paid to the participant of the program in two stages: 50% within a two months period following the announcement of the particular year's KPI's and 50% within the 12 months thereafter.

To facilitate the program, the Company established a closed unit shares investment fund (RTK-Razvitie) managed by a fund operator VTB-Capital AM.

Total amounts of 1,108 and 827 (including related social and personal income taxes gross-up) related to the motivation program were recognized as an expense in wages, salaries, other benefits and payroll taxes in the interim consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016 and 30 June 2015 respectively.

No new grants under the program were made during the six months period ended 30 June 2016.

During the six months period ended 30 June 2016 and 30 June 2015 the program participants exercised their rights for the 12,119,814 and 6,397,732 shares, respectively. The share prices at the date of exercise for the six months period ended 30 June 2016 were:

Number of shares	Exercise price, RUB
11,153,736	87.01
225,802	89.95
7,708	93.59
732,568	94.59

The share prices at the date of exercise for the six months period ended 30 June 2015 were:

Number of shares	Exercise price, RUB
6,171,906	87.01
225,826	89.95

16. Subsequent events

There were no post balance date events that need to be disclosed in the financial statements for the six months period ended 30 June 2016.