

**Open Joint Stock Company
“Company “M.video”**

**Interim Condensed Consolidated
Financial Information (Unaudited)**
Half-Year Ended 30 June 2014

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

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OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2014 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of Open Joint Stock Company “Company “M.video” (the “Company”) and its subsidiary (the “Group”) as at 30 June 2014, and the consolidated results of its operations, cash flows and changes in equity for the half-year then ended, in compliance with International Accounting Standard 34 “Interim Financial Reporting”.

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance; and
- Making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards of Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the half-year ended 30 June 2014 was approved on 26 August 2014 on behalf of the Board of Directors by:



A. Tynkovan
President



C. Parks
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To: Shareholders and Board of Directors of OJSC "Company "M.video":

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Open Joint Stock Company "Company "M.video" (the "Company") and its subsidiary (the "Group") as at 30 June 2014 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the half-year then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information of the Group for the half-year ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34.

DELOITTE & TOUCHE

Moscow
26 August 2014

OPEN JOINT STOCK COMPANY "COMPANY "M.VIDEO"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014 (UNAUDITED) (in millions of Russian Rubles)

	Notes	30 June 2014	31 December 2013
NON-CURRENT ASSETS:			
Property, plant and equipment	3	9,346	9,696
Intangible assets	4	3,632	3,190
Advances paid for non-current assets		322	145
Deferred tax assets		2,577	2,643
Other non-current assets		610	562
Total non-current assets		16,487	16,236
CURRENT ASSETS:			
Inventories	5	28,726	34,215
Accounts receivable and prepaid expenses		1,079	1,151
Income tax receivable		305	18
Other taxes receivable	6	1,051	1,436
Cash and cash equivalents	7	3,152	11,542
Short-term investments	8	55	-
Other current assets		13	21
Total current assets		34,381	48,383
TOTAL ASSETS		50,868	64,619
EQUITY:			
Share capital	9	1,798	1,798
Additional paid-in capital		4,576	4,576
Treasury shares		(328)	(328)
Retained earnings		5,429	7,887
Total equity		11,475	13,933
NON-CURRENT LIABILITIES:			
Deferred tax liabilities		73	73
Provisions		7	10
Total non-current liabilities		80	83
CURRENT LIABILITIES:			
Trade accounts payable		25,622	39,159
Other payables and accrued expenses		4,634	4,548
Advances received		1,133	1,133
Dividends payable	9	3,568	-
Income tax payable		-	556
Other taxes payable		702	506
Deferred revenue	10	3,555	4,555
Provisions		99	146
Total current liabilities		39,313	50,603
Total liabilities		39,393	50,686
TOTAL EQUITY AND LIABILITIES		50,868	64,619

The Notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information signed on behalf of the Board of Directors on 26 August 2014.



A. Tynkovan
President



C. Parks
Chief Financial Officer

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2014 (UNAUDITED) *(in millions of Russian Rubles, except earnings per share)*

	Notes	30 June 2014	30 June 2013
REVENUE	11	68,623	66,514
COST OF SALES		<u>(51,234)</u>	<u>(49,782)</u>
GROSS PROFIT		17,389	16,732
Selling, general and administrative expenses	12	(17,128)	(16,009)
Other operating income	13	1,137	1,011
Other operating expenses		<u>(87)</u>	<u>(41)</u>
OPERATING PROFIT		1,311	1,693
Finance income, net	14	<u>148</u>	<u>44</u>
PROFIT BEFORE INCOME TAX EXPENSE		1,459	1,737
INCOME TAX EXPENSE		<u>(337)</u>	<u>(441)</u>
NET PROFIT for the period, being			
TOTAL COMPREHENSIVE INCOME for the period		<u>1,122</u>	<u>1,296</u>
BASIC EARNINGS PER SHARE (in Russian Rubles)	15	6.29	7.30
DILUTED EARNINGS PER SHARE (in Russian Rubles)	15	6.25	7.21

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A. Tynkovan
President



C. Parks
Chief Financial Officer

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2014 (UNAUDITED) (in millions of Russian Rubles)

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
Balance as at 1 January 2013		1,798	4,576	(588)	4,906	10,692
Recognition of share-based payment for ordinary shares previously issued	16	-	-	-	27	27
Exercise of share based payments		-	-	260	(329)	(69)
Total comprehensive income for the period		-	-	-	1,296	1,296
Balance as at 30 June 2013		1,798	4,576	(328)	5,900	11,946
Balance as at 1 January 2014		1,798	4,576	(328)	7,887	13,933
Recognition of share-based payment for ordinary shares previously issued	16	-	-	-	(12)	(12)
Dividends declared	9	-	-	-	(3,568)	(3,568)
Total comprehensive income for the period		-	-	-	1,122	1,122
Balance as at 30 June 2014		1,798	4,576	(328)	5,429	11,475

The Notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information, signed on behalf of the Board of Directors on 26 August 2014.

A. Tynkovan
President

C. Parks
Chief Financial Officer

OPEN JOINT STOCK COMPANY "COMPANY "M.VIDEO"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2014 (UNAUDITED) (in millions of Russian Rubles)

	Notes	30 June 2014	30 June 2013
OPERATING ACTIVITIES:			
Total comprehensive income for the period		1,122	1,296
<i>Adjustments for:</i>			
Income tax expense		337	441
Depreciation and amortization	12	1,385	1,238
Change in allowance for doubtful advances paid for rent, accounts receivable and prepaid expenses		(10)	4
Share-based payment		(12)	27
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		231	334
Other non-cash reconciling items		282	275
Operating cash flows before movements in working capital		3,335	3,615
Decrease in inventories		5,228	5,038
Decrease in accounts receivable and prepaid expenses		80	437
Decrease in other taxes receivable		398	1,059
Decrease in trade accounts payable		(13,537)	(10,088)
Decrease in other payables and accrued expenses		(381)	(56)
Decrease in deferred revenue		(1,000)	(1,382)
Increase in advances received		-	444
Other changes in working capital, net		147	(249)
Cash used in operations		(5,730)	(1,182)
Income taxes paid		(1,118)	(1,250)
Interest paid		-	(26)
Forward contracts settlement		-	(32)
Net cash used in operating activities		(6,848)	(2,490)
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment		(940)	(1,208)
Proceeds from sale of property, plant and equipment		140	-
Short-term investments	8	(55)	981
Purchase of intangible assets		(836)	(556)
Interest received		149	91
Net cash used in investing activities		(1,542)	(692)
FINANCING ACTIVITIES:			
Proceeds from short-term loans and borrowings		1,115	3,511
Repayment of short-term loans and borrowings		(1,115)	(3,511)
Net cash used in financing activities		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,390)	(3,182)
CASH AND CASH EQUIVALENTS, at the beginning of the period		11,542	6,521
CASH AND CASH EQUIVALENTS, at the end of the period		3,152	3,339

The Notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information, signed on behalf of the Board of Directors on 26 August 2014.



A. Tynkovan
President



C. Parks
Chief Financial Officer

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) *(in millions of Russian Rubles)*

1. GENERAL INFORMATION

The interim condensed consolidated financial information of OJSC “Company “M.video” (the “Company”) and its subsidiary (the “Group”) for the half-year ended 30 June 2014 was authorized for issue in accordance with a resolution of the Board of Directors on 26 August 2014.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The annual consolidated financial statements of OJSC “Company “M.video” and its subsidiary are prepared in accordance with International Financial Reporting Standards (“IFRS”). This interim condensed consolidated financial information for the half-year ended 30 June 2014 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2013.

The amounts in the interim condensed consolidated financial information are presented in Russian Rubles (“RUB”), which is functional of the Group’s entities and presentation currency, unless expressly indicated otherwise.

Seasonality of operations

Generally, the Group’s revenue is subject to seasonal fluctuations with higher demand in the second half of the year. Business seasonality results from a combination of higher sales in holiday periods (for example, New Year) and certain costs such as depreciation, some general and administrative expenses that do not precisely follow sales trends. The timing of new store openings, cost associated with restructuring or asset impairment, if any, as well as general economic conditions, may also affect the Group’s future results.

Income tax

Income tax in the interim periods is accrued using the effective tax rate that would be applicable to expected total annual earnings.

Significant accounting policies

Adoption of new standards and interpretations

The accounting policies adopted during the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2013. The Group has adopted the following new or revised standards and interpretations issued by IASB and IFRIC effective for financial years beginning on or after 1 January 2014:

- Amendments to IAS 32 “Financial Instruments: Presentation”: Offsetting Financial Assets and Financial Liabilities;
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements”: Investment Entities;
- Amendments to IAS 36 “Impairment of Assets”: Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”: Novation of Derivatives and Continuation of Hedge Accounting;
- IFRIC 21 “Levies”.

The adoption of these new and revised standards and interpretations has not had an impact on this interim condensed consolidated financial information of the Group.

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

3. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 30 June 2014 the Group incurred expenditures in the amount of 969 (half-year ended 30 June 2013: 1,156) which is mostly represented by leasehold improvements in the amount of 369 (half-year ended 30 June 2013: 345) trade equipment in the amount of 140 (half-year ended 30 June 2013: 164), and other fixed assets, namely computer, telecommunication and advertising equipment in the amount of 460 (half-year ended 30 June 2013: 647).

Assets with net book value of 199 were disposed of by the Group during the half-year ended 30 June 2014 (half-year ended 30 June 2013: 7). These were mostly represented by the sale of buildings under the stores that were closed by the Group in the past. Loss on disposal of these items of 59 was recorded within other operating expenses.

4. INTANGIBLE ASSETS

During the half-year ended 30 June 2014 the Group incurred expenditures in the total amount of 706 (half-year ended 30 June 2013: 390) which for the most part relate to the development of the new front-office / back-office system, the new web site platform, Predictix software and additional functionality of the Group's ERP system SAP R\3.

5. INVENTORIES

Inventories as at 30 June 2014 and 31 December 2013 consisted of the following:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Goods for resale	30,197	35,500
Other inventories	156	230
Less: allowance for obsolete and slow-moving inventories	<u>(1,627)</u>	<u>(1,515)</u>
Total	<u>28,726</u>	<u>34,215</u>

Cost of inventories recognized as an expense in the amount of 49,703 and 48,272 and inventory losses in the amount of 119 and 231 for the half-year periods ended 30 June 2014 and 2013, respectively, were recorded within cost of sales in the interim condensed consolidated statement of profit or loss and other comprehensive income.

6. OTHER TAXES RECEIVABLE

Other taxes receivable as at 30 June 2014 and 31 December 2013 consisted of the following:

	<u>30 June 2014</u>	<u>31 December 2013</u>
VAT recoverable	1,049	1,433
Other taxes receivable	<u>2</u>	<u>3</u>
Total	<u>1,051</u>	<u>1,436</u>

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2014 and 31 December 2013 consisted of the following:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Short-term bank deposits in RUB, less than 3 months	1,400	8,200
Short-term bank deposits in EUR, less than 3 months	35	-
Cash in transit	1,307	1,046
Cash at banks	239	1,927
Petty cash in stores	171	369
Total	<u>3,152</u>	<u>11,542</u>

Short-term bank deposits nominated in RUB earn interest ranging from 7.75% to 8.35% per annum (31 December 2013: from 5.50% to 7.00% per annum).

Short-term bank deposits nominated in EUR earn interest ranging from 0.31% to 0.40% per annum (31 December 2013: there were no deposits nominated in EUR).

8. SHORT-TERM INVESTMENTS

Short-term investments as at 30 June 2014 and 31 December 2013 consisted of the following:

	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2014</u>	<u>31 December 2013</u>
Short-term bank deposits in EUR	0.50%	July 2014	24	-
Short-term bank deposits in EUR	0.75%	July 2014	31	-
Total			<u>55</u>	<u>-</u>

9. EQUITY

Share capital

As at 30 June 2014 and 31 December 2013 the Company had the following number of authorized, issued and outstanding ordinary shares:

	<u>Outstanding ordinary shares</u>	<u>Issued ordinary shares</u>	<u>Authorized ordinary shares</u>
Balance as at 30 June 2014 and 31 December 2013	178,263,237	179,768,227	209,768,227

Each share has par value of 10 RUB. During the half-year ended 30 June 2014 there were no changes in the number of authorized and issued ordinary shares of the Company. All issued ordinary shares were fully paid.

Dividends declared

On 17 June 2014 the Annual General Meeting approved dividends of 20 RUB per share in respect of 2013.

Dividends attributable to the treasury shares were eliminated in full for the purpose of this interim condensed consolidated financial information. After the approval, dividends payable to the holders of outstanding ordinary shares of the Company were recognized as a reduction of shareholders' equity in this interim condensed consolidated financial information in the total amount of 3,568 including related taxes accrued.

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

10. DEFERRED REVENUE

Deferred revenue as at 30 June 2014 and 31 December 2013 consisted of the following:

	For the half-year ended 30 June 2014			For the half-year ended 30 June 2013		
	Customer loyalty program “M.video Bonus”	Other programs	Additional services	Customer loyalty program “M.video Bonus”	Other programs	Additional services
As at 1 January	788	1,146	2,621	1,465	900	2,322
Revenue deferred during the period	2,234	397	813	1,816	384	971
Revenue released to the interim condensed consolidated statement of profit or loss and other comprehensive income	(1,904)	(1,543)	(997)	(2,487)	(1,284)	(782)
As at 30 June	1,118	-	2,437	794	-	2,511

Other programs represent primarily issue of promotional gift cards to the Group’s customers.

11. REVENUE

Revenue for the half-year periods ended 30 June 2014 and 2013 consisted of the following:

	For the half-year ended	
	30 June 2014	30 June 2013
Retail revenue	66,796	65,086
Additional services revenue	997	782
Other services	830	646
Total	68,623	66,514

Retail revenue includes sales in stores, pick-up in stores and internet home-delivery.

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the half-year periods ended 30 June 2014 and 2013 consisted of the following:

	For the half-year ended	
	30 June 2014	30 June 2013
Payroll and related taxes	5,137	4,839
Lease expenses, net of income from sublease (2014: 15; 2013: 8)	4,006	3,502
Advertising and promotional expenses, net	1,863	1,849
Depreciation and amortization	1,385	1,238
Warehouse services, including related lease expenses	1,070	987
Utilities expense	804	756
Bank charges	525	461
Security	486	451
Transportation to customers	436	462
Repair and maintenance	406	410
Consulting services	374	293
Communication	182	206
Other expenses	454	555
Total	17,128	16,009

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

Payroll and related taxes for the half-year ended 30 June 2014 include 795 contribution to the state pension fund (half-year ended 30 June 2013: 749) and social and medical insurance in the amount of 309 (half-year ended 30 June 2013: 274).

During half-year ended 30 June 2014 the Group received 122 from its suppliers as a compensation of advertising and promotional expenses (half-year ended 30 June 2013: 114).

13. OTHER OPERATING INCOME

Other operating income for the half-year periods ended 30 June 2014 and 2013 includes commissions received from banks on loans provided to customers, income earned from suppliers for advertising materials placed in the Group's stores, goods delivery, income from leases and other items.

14. FINANCE INCOME, NET

Finance income/(costs) for the half-year periods ended 30 June 2014 and 2013 consisted of the following:

	For the half-year ended	
	30 June 2014	30 June 2013
Interest expense on bank loans	-	(26)
Interest income on bank deposits	148	70
Total	148	44

15. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the half-year ended	
	30 June 2014	30 June 2013
Net profit attributable to equity holders of the Company	1,122	1,296
Weighted average number of ordinary share in issue (millions of shares)	178.26	177.62
Effect of share options granted to employees (millions of shares)	1.16	2.15
Basic earnings per share (in Russian rubles)	6.29	7.30
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)	179.42	179.77
Diluted earnings per share (in Russian rubles)	6.25	7.21

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

16. SHARE-BASED PAYMENTS

Employee share option plan

The Group had one equity-settled share option scheme in operation during the half-year periods ended 30 June 2014 and 2013.

Long-term incentive plan Series 3 (“LTIP 3”)

On 9 December 2009 the Board of Directors approved the adoption of Series 3 of the LTIP for selected members of the Group’s management team. 56 positions were enrolled in the plan and 3,170,000 of the shares were designated for LTIP 3. The shares will be granted by the Group to the participants of the plan at the appropriate vesting dates provided that the participants are employed to exercise his or her right unless the Board of Directors waives this condition. Consideration given to this non-market vesting condition requires the management to estimate the number of shares that will eventually vest and to adjust accordingly the number of shares included in the measurement of the transaction amount. Based on existed accumulated data on staff turnover at the moment of approval of LTIP 3 the management best estimate of the number of shares eventually expected to vest was 2,615,010.

Summary of the arrangements in existence as at 30 June 2014 and 31 December 2013

The following table contains details of the arrangements that were in existence as at 30 June 2014 and 31 December 2013:

Option series	Number of options as at 30 June 2014	Number of options as at 31 December 2013	Grant date	Vesting date	Expiry date	Exercise price (RUB)	Fair value at grant date (RUB)
LTIP 3							
Issued 9 December 2009	1,160,000	1,395,000	9 December 2009	1 April 2015	30 April 2015	-	118.49

Movements in share options during the period

The following reconciles the outstanding share options granted under the employee share plan at the beginning and end of the half-year period ended 30 June 2014 and year ended 31 December 2013:

	LTIP 3	
	Number of options expected to vest	Weighted average exercise price (RUB)
Balance as at 1 January 2013	2,615,010	-
Forfeited during the period	(25,000)	-
Exercised during the period	(1,195,010)	-
Balance as at 31 December 2013	1,395,000	-
Balance as at 1 January 2014	1,395,000	-
Forfeited during the period	(235,000)	-
Balance as at 30 June 2014	1,160,000	-

The weighted average remaining contractual life of the share options granted under LTIP 3 outstanding as at 30 June 2014 is 275 days (31 December 2013: 640 days).

OPEN JOINT STOCK COMPANY “COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

16. SHARE-BASED PAYMENTS (CONTINUED)

Share-based payments expense

The summary of expenses recognized by the Group in respect of share-based payments in the half-year periods ended 30 June 2014 and 2013 is as follows:

Option series	For the half-year ended	
	30 June 2014	30 June 2013
LTIP 3	(12)	27
Total	(12)	27

The amount for the half-year period ended 30 June 2014 represents an expense of 9 less a true up adjustment of 21 relating to reversal of expenses previously recognised for the shares forfeited during the half-year period ended 30 June 2014. The above expense has been included into “Selling, general and administrative expenses” in the line item “Payroll and related taxes” (Note 12).

17. RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, and entities over which the Group has significant influence. The following table provides the total amount of transactions, which have been entered into with related parties during the half-year periods ended 30 June 2014 and 2013 and the outstanding balances owed by/to related parties as at 30 June 2014 and 31 December 2013, respectively:

Entities under common control	For the half-year ended 30 June 2014		30 June 2014		For the half-year ended 30 June 2013		31 December 2013	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Transservice Group of Companies	-	192	22	87	-	204	25	20
LLC “Private Security Agency “Bars-SB”	1	129	-	26	1	121	-	1
Avtoritët Group of Companies	1	35	-	1	1	36	-	1
LLC “Avto-Express”	-	21	-	3	-	39	-	5
LLC “Noviy Format”	-	14	-	3	-	14	-	3
LLC “TechnoVideoService”	-	6	-	1	-	4	-	1
LLC “MV. Stil”	-	-	-	-	1	-	-	-
Total	2	397	22	121	3	418	25	31

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the half-year periods ended 30 June 2014 and 2013 was as follow:

	For the half-year ended	
	30 June 2014	30 June 2013
Short-term benefits*	179	153
Share-based payments	(2)	9
Total	177	162

*Short-term benefits include salaries, bonuses and annual leave, medical and relocation expenses.

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17. RELATED PARTIES (CONTINUED)

As at 30 June 2014 there is 68 outstanding payable to key management personnel (31 December 2013: 113).

As at 30 June 2014 the number of key management positions was 17 (31 December 2013: 17).

The Group did not provide any material post-employment, termination, or other long-term benefits to key management personnel during the period other than contributions to state pension fund and the social funds as a part of payments of social security contributions (“SSC”) on salaries and bonuses. SSC relating to compensation of key management personnel amounted to 13 for the half-year period ended 30 June 2014 (SSC in half-year period ended 30 June 2013: 15) and is included in the amounts stated above.

18. OPERATING LEASE AGREEMENTS

The Group enters into long-term leases for the stores for periods from 7 to 18 years. Some of these leases are not able to be fully registered and thus legally enforceable until the landlord is able to produce all valid ownership papers and therefore are arranged as 11-month rolling leases; at the same time some of the long-term lease contracts contain cancellation clauses. The Group classifies all of these store leases as non-cancelable as it is the intent, and experience, that these leases will be kept until the expiration of the agreed term.

Future minimum rentals payable under non-cancellable operating leases for premises occupied as at 30 June 2014 and 31 December 2013 are as follows:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Within one year	6,599	6,191
After one year but not more than five years	23,669	22,754
More than five years	<u>18,788</u>	<u>17,813</u>
Total	<u>49,056</u>	<u>46,758</u>

Future minimum rental payments will be subject to VAT.

19. COMMITMENTS AND CONTINGENCIES

Operating environment

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group’s operating results.

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

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19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In April 2014, an international credit agency Standard & Poor’s downgraded Russia’s long-term foreign currency sovereign rating from BBB to BBB- with a negative outlook. Fitch credit agency has also revised Russia’s creditworthiness outlook from stable to negative. These developments, particularly if sanctions are further extended, may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Ruble and other negative economic consequences. The impact of these developments on future operations and financial position of the Group is at this stage difficult to determine.

License Agreements

As at 30 June 2014, the Group had a total commitment of approximately 2.9–3.2 mln EUR per annum (or 132.9–146.6 mln RUB per annum using exchange rate published on the Central Bank website of 45.8251 RUB/ EUR as at 30 June 2014) for technical support services with respect to existing SAP licenses and software during the period from 2014 to 2017 (31 December 2013: approximately 2.7–2.9 mln EUR per annum, or 121.4–130.4 million RUB per annum using exchange rate published on the Central Bank web site of 44.9699 RUB/ EUR as at 31 December 2013). The Group uses SAP software for finance, supply chain and human resources functions.

Financial guarantees

In the normal course of its operating activity the Group from time-to-time enters into financial guarantee contracts with banks. Under these contracts the banks provide guarantees in favour of the Group’s suppliers and the Group may be required to pay under those contracts only if it fails to make timely payments to its suppliers. As at 30 June 2014 the Group entered into such guarantee contracts for the total amount of 1,287 (31 December 2013: 1,254). The Group has not pledged any inventories (31 December 2013: nil) as collateral under these guarantee contracts.

20. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 16 July 2014 the Group made a dividend payment to its shareholders thus redeeming the respective liability that was recognized in the interim condensed consolidated statement of financial position as at 30 June 2014.