

Public Joint Stock Company “M.video”

**Interim Condensed Consolidated
Financial Information (Unaudited)**
Half-Year Ended 30 June 2015

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

TABLE OF CONTENTS

	Pages
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED)	1
INDEPENDENT AUDITOR’S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED):	
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of profit or loss and other comprehensive income	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6-7
Notes to the interim condensed consolidated financial information	8-19

PUBLIC JOINT STOCK 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 2015 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of Public Joint Stock Company “M.video” (the “Company”) and its subsidiary (the “Group”) as at 30 June 2015, 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;
- 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 2015 was approved on 25 August 2015.



A. Tynkovan
Chief Executive Officer



N. Surikov
Chief Financial Officer

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

To: Shareholders and Board of Directors of Public Joint Stock Company "M.video"

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company "M.video" (the "Company") and its subsidiary (the "Group") as at 30 June 2015 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 2015 is not prepared, in all material respects, in accordance with IAS 34.

DELOITTE & TOUCHE

Moscow
25 August 2015

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)


	Notes	30 June 2015	31 December 2014
NON-CURRENT ASSETS:			
Property, plant and equipment	3	8 910	9 935
Intangible assets	4	4 408	4 310
Deferred tax assets, net		2 786	3 197
Other non-current assets		663	636
Total non-current assets		16 767	18 078
CURRENT ASSETS:			
Inventories	5	34 070	35 434
Accounts receivable and prepaid expenses	6	6 534	10 870
Income tax receivable		599	15
Other taxes receivable	7	1 080	1 100
Cash and cash equivalents	8	1 257	26 122
Other current assets		11	12
Total current assets		43 551	73 553
TOTAL ASSETS		60 318	91 631
EQUITY:			
Share capital	9	1 798	1 798
Additional paid-in capital		4 576	4 576
Treasury shares	18	(52)	(328)
Retained earnings		4 979	7 849
Total equity		11 301	13 895
NON-CURRENT LIABILITIES:			
Provisions		4	5
Other liabilities	18	42	-
Total non-current liabilities		46	5
CURRENT LIABILITIES:			
Trade accounts payable		32 784	57 428
Other payables and accrued expenses		6 527	6 894
Advances received	10	750	4 422
Dividends payable	9	4 848	-
Income tax payable		-	2 166
Other taxes payable	11	720	1 388
Deferred revenue	12	3 207	4 969
Provisions	21	135	464
Total current liabilities		48 971	77 731
Total liabilities		49 017	77 736
TOTAL EQUITY AND LIABILITIES		60 318	91 631

The Notes on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

Signed on 25 August 2015:



A. Tynkovan
Chief Executive Officer



N. Surikov
Chief Financial Officer


PUBLIC JOINT STOCK COMPANY “M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) *(in millions of Russian Rubles, except earnings per share)*

	Notes	For the half-year ended	
		30 June 2015	30 June 2014
REVENUE	13	70 460	68 848
COST OF SALES		<u>(51 498)</u>	<u>(51 619)</u>
GROSS PROFIT		18 962	17 229
Selling, general and administrative expenses	14	(16 650)	(16 692)
Other operating income	15	355	861
Other operating expenses		<u>(51)</u>	<u>(87)</u>
OPERATING PROFIT		2 616	1 311
Finance income, net	16	<u>405</u>	<u>148</u>
PROFIT BEFORE INCOME TAX EXPENSE		3 021	1 459
Income tax expense		<u>(715)</u>	<u>(337)</u>
NET PROFIT for the period, being			
TOTAL COMPREHENSIVE INCOME for the period		<u>2 306</u>	<u>1 122</u>
BASIC EARNINGS PER SHARE (in Russian Rubles)	17	12,89	6,29
DILUTED EARNINGS PER SHARE (in Russian Rubles)	17	12,89	6,25

The Notes on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

Signed on 25 August 2015:



A. Tynkovan
 Chief Executive Officer



N. Surikov
 Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
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	18	-	-	-	(12)	(12)
Dividends declared		-	-	-	(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
Balance as at 1 January 2015		1 798	4 576	(328)	7 849	13 895
Recognition of share-based payment for ordinary shares previously issued	18	-	-	-	28	28
Exercise of share-based payments	18	-	-	276	(356)	(80)
Dividends declared	9	-	-	-	(4 848)	(4 848)
Total comprehensive income for the period		-	-	-	2 306	2 306
Balance as at 30 June 2015		1 798	4 576	(52)	4 979	11 301

The Notes on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

Signed on 25 August 2015:

A. Tynkovan
Chief Executive Officer

N. Sunkov
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED)
(in millions of Russian Rubles)**

	Notes	For the half-year ended	
		30 June 2015	30 June 2014
OPERATING ACTIVITIES:			
Total comprehensive income for the period		2 306	1 122
<i>Adjustments for:</i>			
Income tax expense		715	337
Depreciation and amortization	14	1 642	1 385
Change in allowance for doubtful advances paid for rent, accounts receivable and prepaid expenses		66	(10)
Share-based payment expense	18	28	(12)
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		914	231
Interest income on bank deposits	16	(703)	(148)
Other non-cash reconciling items, net		(59)	65
Operating cash flows before movements in working capital		4 909	2 970
Decrease in inventories		426	5 228
Decrease in accounts receivable and prepaid expenses		4 151	2 262
Decrease in other taxes receivable		22	398
Decrease in trade accounts payable		(24 644)	(15 719)
Decrease in other payables and accrued expenses		(382)	(10)
Decrease in deferred revenue	12	(1 762)	(1 000)
Increase in other liabilities		42	-
Decrease in advances received	10	(3 672)	-
(Decrease)/increase in other taxes payable	11	(668)	196
Other changes in working capital, net		3	(49)
Cash used in operations		(21 575)	(5 724)
Income taxes paid		(3 056)	(1 118)
Interest paid		(1)	-
Net cash used in operating activities		(24 632)	(6 842)


PUBLIC JOINT STOCK COMPANY “M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

	Notes	For the half-year ended	
		30 June 2015	30 June 2014
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(257)	(940)
Proceeds from sale of property, plant and equipment		-	140
Purchase of intangible assets		(494)	(836)
Placement of deposits with an original maturity of more than 90 days	16	(1 487)	(59)
Withdrawal of deposits with an original maturity of more than 90 days	16	1 190	-
Interest received		820	149
Net cash used in investing activities		(228)	(1 546)
FINANCING ACTIVITIES:			
Proceeds from short-term loans and borrowings		1 823	1 115
Repayment of short-term loans and borrowings		(1 823)	(1 115)
Net cash used in financing activities		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(24 860)	(8 388)
CASH AND CASH EQUIVALENTS, at the beginning of the period		26 122	11 542
Impact of foreign exchange on cash and cash equivalents		(5)	(2)
CASH AND CASH EQUIVALENTS, at the end of the period		1 257	3 152

The Notes on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

Signed on 25 August 2015:



A. Tynkovan
Chief Executive Officer



N. Surikov
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) *(in millions of Russian Rubles)*

1. GENERAL INFORMATION

The interim condensed consolidated financial information of Public Joint Stock Company «M.video», before 2 July 2015 – Open Joint Stock Company «Company «M.video», («the Company») and its subsidiary (the “Group”) for the half-year ended 30 June 2015 was authorized for issue in accordance with the resolution of the Board of Directors on 25 August 2015.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The annual consolidated financial statements of PJSC “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 2015 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 2014.

Functional and presentation currency – The amounts in the interim condensed consolidated financial information are presented in Russian Rubles (“RUB”), which is functional currency 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.

Change in accounting estimate – useful lives of intangible assets

As discussed in the Group’s accounting policies, the Group reviews the estimated useful lives of intangible assets at the end of each reporting period. During the half-year ended 30 June 2015 management determined that the useful lives of certain items of software should be shortened, due to developments in technology.

The financial effect of this reassessment is to increase the depreciation expense in the half-year period ended 30 June 2015 by 47.

Significant accounting policies

Cash-settled share-based payments

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the reporting period.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

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 2014. The Group has adopted the following new and amended standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) in this interim condensed consolidated financial information:

- Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Employee Contributions;
- Annual Improvements 2010-2012 Cycle;
- Annual Improvements 2011-2013 Cycle.

The adoption of these new and revised standards and interpretations has not had a material impact on the interim condensed consolidated financial information of the Group for the half-year ended 30 June 2015.

Reclassifications

In 2015 the Group changed presentation of certain items of income and expense in the consolidated statement of profit or loss and other comprehensive income in order to enhance fair presentation of the interim condensed consolidated financial information. Particularly, starting 1 January 2015 the Group classifies income from delivery of goods to customers within “Revenue” and cost of delivery of goods to customers within “Cost of sales”. Also the Group recognizes amounts recovered from suppliers for shrinkage and damaged goods within “Cost of sales”.

With this regards the Group made the following reclassifications to the prior year amounts to conform to the presentation of the current reporting period:

	As previously reported	Reclassification	After reclassification	Comment
Interim condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2014				
Revenue	68 623	225	68 848	• reclassification of income from delivery of goods to customers in the amount of 225 to “Revenue” from “Other operating income”;
Other operating income	1 137	(276)	861	• reclassification of cost of delivery of goods to customers in the amount of 436 to “Cost of sales” from “Selling, general and administrative expenses”;
Cost of sales	(51 234)	(385)	(51 619)	• reclassification of amounts recovered from suppliers for shrinkage and damaged goods in the amount of 51 to “Cost of sales” from “Other operating income”.
Selling, general and administrative expenses	(17 128)	436	(16 692)	

3. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 30 June 2015 the Group incurred expenditures in the amount of 222 (half-year ended 30 June 2014: 969) which are represented by leasehold improvements in the amount of 33 (half-year ended 30 June 2014: 292), trade equipment in the amount of 103 (half-year ended 30 June 2014: 358), and other fixed assets, namely computer, telecommunication and advertising equipment in the amount of 86 (half-year ended 30 June 2014: 319).

Assets with net book value of 18 were disposed of by the Group during the half-year ended 30 June 2015 (half-year ended 30 June 2014: 199). Loss on disposal of these items in the amount of 18 (half-year ended 30 June 2014: 59) was recognized within other operating expenses.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

4. INTANGIBLE ASSETS

During the half-year ended 30 June 2015 the Group incurred expenditures in the total amount of 511 (half-year ended 30 June 2014: 706) which for the most part relate to the development of the new “front-office / back-office” system, the new web site platform and additional functionality of the Group’s ERP system SAP R/3.

5. INVENTORIES

Inventories as at 30 June 2015 and 31 December 2014 consisted of the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Goods for resale	35 457	36 079
Other inventories	155	215
Less: allowance for obsolete and slow-moving inventories	<u>(1 542)</u>	<u>(860)</u>
Total	<u>34 070</u>	<u>35 434</u>

Cost of inventories recognized as an expense in the amount of 49 258 and 50 139 and inventory losses in the amount of 232 and 119 for the half-year periods ended 30 June 2015 and 30 June 2014, respectively, were recorded within cost of sales in the interim condensed consolidated statement of profit or loss and other comprehensive income.

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Accounts receivable and prepaid expenses as at 30 June 2015 and 31 December 2014 consisted of the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Bonuses receivable from suppliers	4 972	9 425
Other accounts receivable	1 122	996
Advances paid to suppliers and prepaid expenses	574	515
Advances paid to related parties (Note 19)	-	7
Less: allowance for doubtful accounts receivable and prepaid expenses	<u>(134)</u>	<u>(73)</u>
Total	<u>6 534</u>	<u>10 870</u>

As at 30 June 2015 and 31 December 2014 the Group did not have accounts receivable past due but not impaired.

7. OTHER TAXES RECEIVABLE

Other taxes receivable as at 30 June 2015 and 31 December 2014 consisted of the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
VAT recoverable	1 077	1 098
Other taxes receivable	<u>3</u>	<u>2</u>
Total	<u>1 080</u>	<u>1 100</u>

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2015 and 31 December 2014 consisted of the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Short-term bank deposits	117	23 433
Cash at banks	614	1 342
Cash in transit	329	985
Petty cash and cash in stores	197	362
Total	<u>1 257</u>	<u>26 122</u>

Cash at banks as at 30 June 2015 and 31 December 2014 includes 52 and 336, respectively, collected by the Group from its customers for further transfer through “Rapida” payment system. The Group cannot use this cash in its operating activities as it is due to be transferred to the recipients.

Short-term bank deposits as at 30 June 2015 and 31 December 2014 consisted of the following:

	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2015</u>	<u>31 December 2014</u>
Short-term bank deposit in USD	1,35%	July 2015	117	-
Short-term bank deposits in USD	3,40%-3,60%	January - March 2015	-	1 073
Short-term bank deposits in RUB	11,90%-24,50%	February 2015	-	22 018
Short-term bank deposit in EUR	3,15%	January 2015	-	342
Total			<u>117</u>	<u>23 433</u>

Short-term bank deposit as at 30 June 2015 was represented by the bank deposit in USD placed for the period from 2 April 2015 to 2 July 2015. On 1 July 2015 the Group signed an agreement where the placement period was extended to 2 October 2015 and interest rate was increased up to 1,45%.

9. EQUITY

Share capital

As at 30 June 2015 and 31 December 2014 the Company had the following number of outstanding, issued and authorized ordinary shares:

	<u>Outstanding ordinary shares</u>	<u>Issued ordinary shares</u>	<u>Authorized ordinary shares</u>
Balance as at 31 December 2014	178 263 237	179 768 227	209 768 227
Shares transferred to participants of Long-term incentive plan – Series 3 (Note 18)	1 268 000	-	-
Balance as at 30 June 2015	<u>179 531 237</u>	<u>179 768 227</u>	<u>209 768 227</u>

Each share has a par value of 10 RUB per share. During the half-year ended 2015 there were no changes in the number of authorized and issued ordinary shares of the Company. All issued ordinary shares were fully paid. Number of outstanding ordinary shares increased in April 2015 by the number of shares transferred to the employees enrolled into Part 2 of Long-term incentive plan – Series 3 (“LTIP 3”) (Note 18).

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

Treasury shares

In September 2010 following the approval by the Board of Directors, the Group purchased 2,700,000 issued ordinary shares of the Company to be subsequently offered to the participants of the LTIP 3 (Note 18) in order to service the resulting subscription rights, for total cash consideration of 588. Of them 1,195,010 shares were transferred to the participants of LTIP 3 Part 1 upon exercise of the options in April 2013 and 1,268,000 shares were transferred to the participants of LTIP 3 Part 2 upon exercise of the options in April 2015. Accordingly, treasury shares in the amount of 52 reported as at 30 June 2015 represent the remaining 236,990 shares held as treasury shares at cost.

Dividends declared

On 16 June 2015 the Annual General Shareholders' Meeting approved dividends of 27 RUB per share in respect of 2014.

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 4 848.

10. ADVANCES RECEIVED

Advances received as at 30 June 2015 and 31 December 2014 consisted of the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Advances received for gift cards	626	884
Prepayments received for goods (i)	65	3 441
Other advances received	<u>59</u>	<u>97</u>
Total	<u>750</u>	<u>4 422</u>

- (i) Prepayments received for goods represent cash received for goods which have not yet been delivered to customers at the reporting date. These relate mostly to online sales and goods sold in stores for future delivery.

11. OTHER TAXES PAYABLE

Other taxes payable as at 30 June 2015 and 31 December 2014 consisted of the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
VAT payable	350	787
Payroll taxes	290	505
Other taxes payable	<u>80</u>	<u>96</u>
Total	<u>720</u>	<u>1 388</u>

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

12. DEFERRED REVENUE

Deferred revenue as at 30 June 2015 and 2014 consisted of the following:

	For the half-year ended 30 June 2015			For the half-year ended 30 June 2014		
	Customer loyalty programs	Other programs	Additional services	Customer loyalty programs	Other programs	Additional services
As at 1 January	1 201	1 131	2 637	788	1 146	2 621
Revenue deferred during the period	2 888	297	690	2 234	397	813
Revenue released to the interim condensed consolidated statement of profit or loss and other comprehensive income	(3 235)	(1 428)	(974)	(1 904)	(1 543)	(997)
As at 30 June	854	-	2 353	1 118	-	2 437

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

13. REVENUE

Revenue for the half-year periods ended 30 June 2015 and 2014 consisted of the following:

	For the half-year ended	
	30 June 2015	30 June 2014
Retail revenue	68 609	66 796
Additional services revenue	974	997
Other services	877	1 055
Total	70 460	68 848

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

Other services include revenue from services of installation, utilization, digital assistant and delivery fees.

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the half-year periods ended 30 June 2015 and 2014 consisted of the following:

	For the half-year ended	
	30 June 2015	30 June 2014
Payroll and related taxes (including share-based payments – Note 18)	4 862	5 120
Lease expenses, net of income from sublease (2015: 15, 2014: 15)	4 648	4 006
Depreciation and amortization	1 642	1 385
Advertising and promotional expenses, net	1 537	1 863
Warehouse services, including related lease expenses	975	1 070
Utilities expense	866	804
Bank charges	466	525
Repair and maintenance	448	406
Security	428	486
Consulting services	286	297
Communication	157	182
Release of provisions for taxes other than income tax (Note 21)	(300)	-
Other expenses	635	548
Total	16 650	16 692

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

Payroll and related taxes for the half-year ended 30 June 2015 include contribution to the state pension fund in the amount of 751 (half-year ended 30 June 2014: 795) and social and medical insurance in the amount of 289 (half-year ended 30 June 2014: 309).

During half-year ended 30 June 2015 the Group received 147 from its suppliers as a compensation of advertising and promotional expenses (half-year ended 30 June 2014: 122).

Starting 1 January 2015 the Group recognizes outsourcing expenses and remuneration of the Board of Directors within the “Other expenses” line of selling, general and administrative expenses. With this regard the Group made the following reclassifications to the prior period’s amounts to conform to the presentation of the current reporting period: payroll and related taxes were decreased by 17 with regards to remuneration of the Board of Directors, consulting services were decreased by 77 with regard to outsourcing expenses, other expenses were increased by 94 respectively.

15. OTHER OPERATING INCOME

Other operating income for the half-year periods ended 30 June 2015 and 2014 includes commissions received from banks on loans provided to customers, income from leases, income earned from suppliers for advertising materials placed in the Group’s stores and other items.

16. FINANCE INCOME, NET

Finance income/(costs) for the half-year periods ended 30 June 2015 and 2014 consisted of the following:

	For the half-year ended	
	30 June 2015	30 June 2014
Foreign exchange losses on investments (i)	(297)	-
Interest expense on bank loans	(1)	-
Interest income on bank deposits	703	148
Total	405	148

- (i) On 30 January 2015 the Group placed foreign currency deposits with banks in the amount of USD 16 million and EUR 5 million with maturity on 29 January 2016. The interest rates on these deposits were 5,55% and 4,70% respectively. These deposits were withdrawn in June 2015 ahead of their maturities. Foreign exchange loss incurred on these deposits was 297.

17. 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.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

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 2015	30 June 2014
Net profit attributable to equity holders of the Company	2 306	1 122
Weighted average number of ordinary share in issue (millions of shares)	178,85	178,26
Effect of share options granted to employees (millions of shares)	-	1,16
Basic earnings per share (in Russian Rubles)	12,89	6,29
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)	178,85	179,42
Diluted earnings per share (in Russian Rubles)	12,89	6,25

18. SHARE-BASED PAYMENTS

The Group had one equity-settled share option scheme – Long-term incentive plan – Series 3, and one cash-settled share-based payment scheme – Long-term incentive plan – Series 4, in operation during the half-year periods ended 30 June 2015 and 2014.

Long-term incentive plan – Series 3

On 9 December 2009 the Board of Directors approved the adoption of the LTIP 3 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 had been granted by the Group to the participants of the plan at the appropriate vesting dates provided that the participants were 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.

On 25 March 2015 the Board of Directors approved amendments to the LTIP 3 where each participant of the scheme was granted with additional 10% shares starting from 1 April 2015 out of those awards that were previously forfeited with participants leaving the scheme. In total 116 000 shares were designated to the participants with this amendment. Additional awards were classified as equity-settled share-based payments and were recognized at their fair value at the grant date of 28 which was calculated as average share price of the Company at the date of LTIP 3 settlement.

Summary of the arrangements in existence as at 30 June 2015 and 31 December 2014

The following table contains details of the arrangements that were in existence as at 30 June 2015 and 31 December 2014:

Option series	Number of options as at 30 June 2015	Number of options as at 31 December 2014	Grant date	Vesting date	Expiry date	Exercise price (RUB)	Fair value at grant date (RUB)
LTIP 3							
Issued on 9 December 2009	-	1 160 000	9 December 2009	1 April 2015	30 April 2015	-	118,49

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

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 2015 and year ended 31 December 2014:

	LTIP 3	
	Number of options expected to vest	Weighted average exercise price (RUB)
Balance as at 1 January 2014	1 395 000	-
Forfeited during the period	(235 000)	-
Balance as at 31 December 2014	1 160 000	-
Balance as at 1 January 2015	1 160 000	-
Forfeited during the period	(8 000)	-
Granted during the period	116 000	-
Exercised during the period	(1 268 000)	-
Balance as at 30 June 2015	-	-

On 7 April 2015 LTIP 3 Part 2 was exercised by its participants which resulted in the transfer of 1,268,000 shares to the option holders. This resulted in credit to treasury shares of 276 and corresponding debit to retained earnings.

Long-term incentive plan – Series 4 (“LTIP 4”)

On 25 March 2015 the Group’s Board of Directors approved LTIP 4 for selected members of the management team for the period of 2015-2019. 49 participants were enrolled to the plan. The plan stipulates three share-based payments based on results for 2014, 2015 and 2016 to be paid in course of 2016-2019.

The awards will be paid in cash where the amount of each payment is to be calculated based on the quantity of shares allocated to each participant and average share price of the Company calculated for the week preceding the payment. The quantity of phantom shares underlying the award based on 2014 results (“Tranche 1”) is 2 450 000, and underlying the award based on 2015 (“Tranche 2”) – 2 450 000.

The awards will vest if the Group meets EBITDA (earnings before interest, tax, depreciation and amortization) targets established at the beginning of each year. Each tranche is payable in several instalments over a few years after reporting year and is contingent upon continued employment of the plan participants.

The Group classified LTIP 4 as cash-settled share-based payment and consequently recognized a liability in the interim condensed consolidated statement of financial position at 30 June 2015 at its fair value. The fair value at 30 June 2015 being 93 was calculated using the Black-Scholes pricing model. Short-term portion of liabilities being 51 was reflected within “Other payables and accrued expenses” and the long-term portion being 42 – within “Other long-term liabilities”.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

Share-based payments expense

During the half-year periods ended 30 June 2015 and 2014 the Group recognized an expense with regards to its share-based payments:

Series	Half-year ended	
	30 June 2015	30 June 2014
LTIP 3	28	(12)
LTIP 4	93	-
Total	121	(12)

The above expenses were reported within “Selling, General and Administrative Expenses” as “Payroll and related taxes” (Note 14).

19. RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, entities under the control of key management 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 2015 and 2014 and the outstanding balances owed by/to related parties as at 30 June 2015 and 31 December 2014, respectively:

	For the half-year ended 30 June 2015		30 June 2015		For the half-year ended 30 June 2014		31 December 2014	
	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
Entities under common control (unless indicated otherwise)								
Transservice Group of Companies	-	132	-	10	-	192	7	62
LLC “Private Security Agency “Bars-SB”	1	127	-	22	1	129	-	5
Avtorit Group of Companies	1	20	-	2	1	35	-	20
LLC “Avto-Express”	-	14	-	1	-	21	-	3
LLC “TechnoVideoService”	-	4	-	1	-	6	-	-
LLC “Noviy Format”	-	2	-	-	-	14	-	6
LLC “MV. Stil”	1	-	-	-	-	-	-	-
Total	3	299	-	36	2	397	7	96

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 2015 and 2014 was as follow:

	For the half-year ended	
	30 June 2015	30 June 2014
Short-term benefits*	164	179
Share-based payments **	43	(2)
Total	207	177

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

**Amounts relate to the participation of the key management personnel in the share-based incentive scheme posted in the interim condensed consolidated statement of profit or loss and other comprehensive income (Note 18).

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

As at 30 June 2015 there is 79 outstanding payable to key management personnel (31 December 2014: 74).

As at 30 June 2015 the number of key management positions was 15 (31 December 2014: 15). 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 23 for the half-year period ended 30 June 2015 (SSC in half-year period ended 30 June 2014: 13) and is included in the amounts stated above.

20. OPERATING LEASE AGREEMENTS

The Group enters into long-term leases for the stores for periods from 1 to 20 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-cancelable operating leases for premises occupied as at 30 June 2015 and 31 December 2014 are as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Within one year	8 338	8 944
After one year but not more than five years	29 123	30 547
More than five years	<u>20 025</u>	<u>22 783</u>
Total	<u>57 486</u>	<u>62 274</u>

Future minimum rental payments will be subject to VAT.

21. 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 recent downturn in the Russian economy and general slowdown 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, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Group’s financial position.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2015 (UNAUDITED) (in millions of Russian Rubles)

Starting from March 2014, sanctions have been imposed in several packages by the U.S., E.U. and other governments on certain Russian officials, businessmen and companies. International credit agencies downgraded Russia's long-term foreign currency sovereign rating. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. During 2015 the economic situation is more stable, although the above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences.

The impact of further economic developments in Russia on future operations and financial position of the Group is at this stage difficult to determine.

Russian Federation tax and regulatory environment

Following the completion of the field tax audit for 2012-2013 in the half-year period ended 30 June 2015 the Group released the tax provision for VAT of 300. Respective income was included into Selling, General and Administrative expenses (Note 14) in this interim condensed consolidated financial information.

License agreements

As at 30 June 2015, the Group had a total commitment of approximately 147,8-172,2 per annum for technical support services with respect to existing SAP licenses during the period from 2015 to 2017 (31 December 2014: 135,5-172,2 per annum).

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 2015 the Group entered into such guarantee contracts for the total amount of 2 764 (31 December 2014: 1 425).

22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 2 July 2015 and 23 July 2015 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 2015 (Note 9).