

Public Joint Stock Company “M.video”

**Interim Condensed Consolidated
Financial Information (Unaudited)**
Half-Year Ended 30 June 2016

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

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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 2016 (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 2016, 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.

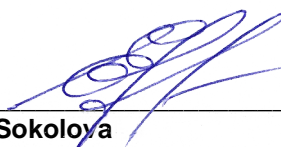
Management is also responsible for:

- 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 2016 was approved on 22 August 2016.



A. Tynkovan
Chief Executive Officer



E. Sokolova
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 2016 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 2016 is not prepared, in all material respects, in accordance with IAS 34.

DELOITTE & TOUCHE

Moscow
22 August 2016

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

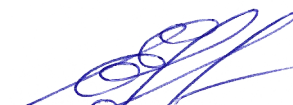
	Notes	30 June 2016	31 December 2015
NON-CURRENT ASSETS:			
Property, plant and equipment	3	7 939	8 880
Intangible assets	4	5 130	4 974
Deferred tax assets, net		3 090	3 556
Other non-current assets		644	649
Total non-current assets		16 803	18 059
CURRENT ASSETS:			
Inventories	5	40 099	43 913
Accounts receivable and prepaid expenses	6	7 804	10 161
Income tax receivable		233	21
Other taxes receivable	7	2 418	2 864
Cash and cash equivalents	8	3 367	11 779
Short-term investments	9	-	800
Other current assets		5	10
Total current assets		53 926	69 548
TOTAL ASSETS		70 729	87 607
EQUITY:			
Share capital	10	1 798	1 798
Additional paid-in capital		4 576	4 576
Treasury shares	10	(52)	(52)
Retained earnings		6 293	7 673
Total equity		12 615	13 995
NON-CURRENT LIABILITIES:			
Provisions		5	5
Other liabilities	19	32	67
Total non-current liabilities		37	72
CURRENT LIABILITIES:			
Trade accounts payable		42 035	58 162
Other payables and accrued expenses		6 899	6 546
Advances received	11	826	2 069
Dividends payable	10	3 591	-
Income tax payable		-	846
Other taxes payable	12	873	834
Deferred revenue	13	3 716	4 801
Provisions		137	282
Total current liabilities		58 077	73 540
Total liabilities		58 114	73 612
TOTAL EQUITY AND LIABILITIES		70 729	87 607

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

Signed on 22 August 2016:



A. Tynkovan
Chief Executive Officer



E. Sokolova
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 2016 (UNAUDITED) (in millions of Russian Rubles, except earnings per share)

	Notes	For the half-year ended	
		30 June 2016	30 June 2015 (restated*)
REVENUE	14	83 579	70 460
COST OF SALES		(63 648)	(51 498)
GROSS PROFIT		19 931	18 962
Selling, general and administrative expenses	15	(17 870)	(16 344)
Other operating income	16	562	355
Other operating expenses		(61)	(51)
OPERATING PROFIT		2 562	2 922
Finance income	17	354	703
Finance expense	17	-	(298)
PROFIT BEFORE INCOME TAX EXPENSE		2 916	3 327
Income tax expense		(705)	(785)
NET PROFIT for the period, being			
TOTAL COMPREHENSIVE INCOME for the period		2 211	2 542
BASIC EARNINGS PER SHARE (in Russian Rubles)	18	12,32	14,21
DILUTED EARNINGS PER SHARE (in Russian Rubles)	18	12,32	14,16

* Comparative information for half-year ended 30 June 2015 has been adjusted due to the change in accounting policy with respect to accounting for leases which was adopted by the Group in 2015 and applied retrospectively (Note 2).

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

Signed on 22 August 2016:

A. Tynkovan
Chief Executive Officer

E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
Balance as at 1 January 2015 (restated)		1 798	4 576	(328)	8 302	14 348
Recognition of share-based payment for ordinary shares previously issued	19	-	-	-	28	28
Exercise of share based payments	19	-	-	276	(356)	(80)
Dividends declared	10	-	-	-	(4 848)	(4 848)
Total comprehensive income for the period (restated)		-	-	-	2 542	2 542
Balance as at 30 June 2015 (restated)		1 798	4 576	(52)	5 668	11 990
Balance as at 1 January 2016		1 798	4 576	(52)	7 673	13 995
Dividends declared	10				(3 591)	(3 591)
Total comprehensive income for the period					2 211	2 211
Balance as at 30 June 2016		1 798	4 576	(52)	6 293	12 615

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

Signed on 22 August 2016:

A. Tynkovan
Chief Executive Officer

E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

	Notes	For the half-year ended	
		30 June 2016	30 June 2015 (Restated *)
OPERATING ACTIVITIES:			
Total comprehensive income for the period		2 211	2 542
<i>Adjustments for:</i>			
Income tax expense		705	785
Depreciation and amortization	15	1 922	1 642
Change in allowance for doubtful advances paid for rent, accounts receivable and prepaid expenses	6	3	66
Share-based payment expense	19	-	28
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		(690)	914
Interest income on bank deposits	17	(354)	(703)
Other non-cash reconciling items, net		(14)	(59)
		3 783	5 215
Operating cash flows before movements in working capital			
Decrease in inventories		4 389	426
Decrease in accounts receivable and prepaid expenses		2 331	4 151
Decrease in other taxes receivable		448	22
Decrease in trade accounts payable		(16 127)	(24 644)
Increase/(decrease) in other payables and accrued expenses		345	(688)
Decrease in deferred revenue		(1 085)	(1 762)
(Decrease)/increase in other liabilities		(35)	42
Decrease in advances received		(1 243)	(3 672)
Increase/(decrease) in other taxes payable		39	(668)
Other changes in working capital, net		8	3
		(7 147)	(21 575)
Income taxes paid		(1 299)	(3 056)
Interest paid		-	(1)
		(8 446)	(24 632)
Net cash used in operating activities			

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

	Notes	For the half-year ended	
		30 June 2016	30 June 2015 (Restated *)
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(399)	(257)
Purchase of intangible assets		(742)	(494)
Placement of deposits with an original maturity of more than 90 days	17	-	(1 487)
Withdrawal of deposits with an original maturity of more than 90 days	17	800	1 190
Interest received		376	820
Net cash received from/(used in) investing activities		35	(228)
FINANCING ACTIVITIES:			
Proceeds from short-term loans and borrowings		189	1 823
Repayment of short-term loans and borrowings		(189)	(1 823)
Net cash cash received from/(used in) financing activities		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8 411)	(24 860)
CASH AND CASH EQUIVALENTS, at the beginning of the period		11 779	26 122
Impact of foreign exchange on cash and cash equivalents		(1)	(5)
CASH AND CASH EQUIVALENTS, at the end of the period		3 367	1 257

* Comparative information for half-year ended 30 June 2015 has been adjusted due to the change in accounting policy with respect to accounting for leases which was adopted by the Group in 2015 and applied retrospectively (Note 2).

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

Signed on 22 August 2016:



A. Tynkovan
Chief Executive Officer



E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) *(in millions of Russian Rubles)*

1. GENERAL INFORMATION

The interim condensed consolidated financial information of Public Joint Stock Company “M.video” (“the Company”) and its subsidiary (the “Group”) for the half-year ended 30 June 2016 was authorized for issue in accordance with a resolution of the Board of Directors on 22 August 2016.

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 2016 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 2015.

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.

Significant accounting policies

Adoption of New Standards and Interpretations

The accounting policies applied by the Group are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2015, except for the adoption of the new standards and interpretations described below.

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”) of this IASB in the interim condensed consolidated financial information:

- Disclosure Initiative (Amendments to IAS 1);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Annual Improvements 2012-2014 Cycle.

The adoption of these standards and interpretations has not had a significant impact on the interim condensed consolidated financial information of the Group for the half-year ended 30 June 2016.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

Change in Accounting Policy, adopted in 2015

As it was disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015, in 2015 the Group has opted to change its accounting policy on recognition of expenses under operating lease contracts on a straight-line basis.

The comparative information has been adjusted since the new accounting policy was applied by the Group retrospectively. The effect of retrospective application for the half-year ended 30 June 2015 was as follows:

Interim condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2015	As previously reported	Effect of change in accounting policy	Restated
Selling, general and administrative expenses	(16 650)	306	(16 344)
Income tax expense	(715)	(70)	(785)
Net profit for the period, being total comprehensive income for the period	2 306	236	2 542
Basic earnings per share	12,89	1,32	14,21
Diluted earnings per share	12,84	1,32	14,16

Consolidated statement of cash flows for the half-year ended 30 June 2015	As previously reported	Effect of change in accounting policy	Restated
Total comprehensive income for the period	2 306	236	2 542
Income tax expense	715	70	785
Decrease in other payables and accrued expenses	(382)	(306)	(688)

Change in accounting estimates – net realizable value of inventories

According to the Group's accounting policy management periodically reviews the inventory balances to determine if inventories can be sold at amounts greater than or equal to their carrying amounts plus costs to sell and makes an allowance for any items considered to be obsolete. The allowance is estimated by the Group based on obsolescence rates determined for particular groups of inventories based on analysis of historical performance of the inventories, current operational plans for the inventories as well as industry and customer specific trends.

During the half-year ended 30 June 2016 the management analysed the most recent and relevant information regarding sales of the inventories at a price below their carrying amounts plus costs to sell for the last three financial years and made a decision to revise the obsolescence rates based on results of this review. Management believes the revised obsolescence rates better reflect the historical performance of inventories, operational plans of the Group as well as existing consumer behavior patterns.

The revision of the inventory obsolescence rates had the following effect on the amount of allowance for obsolete and slow-moving inventories as at 30 June 2016:

	Amount before the change in accounting estimate	Effect of the change in accounting estimate	Amount after the change in accounting estimate
Allowance for obsolete and slow-moving inventories	(1 839)	1 625	(214)

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

3. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 30 June 2016 the Group incurred expenditures in the amount of 404 (half-year ended 30 June 2015: 222) which are mostly represented by leasehold improvements in the amount of 91 (half-year ended 30 June 2015: 33), trade equipment in the amount of 108 (half-year ended 30 June 2015: 103), and other fixed assets, namely computer, telecommunication and advertising equipment in the amount of 205 (half-year ended 30 June 2015: 86).

Assets with net book value of 14 were disposed of by the Group during the half-year ended 30 June 2016 (half-year ended 30 June 2015: 18). Loss on disposal of these items in the amount of 14 (half-year ended 30 June 2015: 18) was recognised within other operating expenses.

4. INTANGIBLE ASSETS

During the half-year ended 30 June 2016 the Group incurred expenditures in the total amount of 749 (half-year ended 30 June 2015: 511) 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 2016 and 31 December 2015 consisted of the following:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Goods for resale	40 598	45 294
Other inventories	170	182
Less: allowance for obsolete and slow-moving inventories	<u>(669)</u>	<u>(1 563)</u>
Total	<u>40 099</u>	<u>43 913</u>

Cost of inventories recognized as an expense in the amount of 63 041 and 49 258 and inventory losses in the amount of 204 and 232 for the half-year periods ended 30 June 2016 and 30 June 2015, 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 2016 and 31 December 2015 consisted of the following:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Bonuses receivable from suppliers	6 511	8 360
Other accounts receivable	751	1 280
Advances paid to suppliers and prepaid expenses	692	656
Advances paid to related parties (Note 20)	-	15
Less: allowance for doubtful accounts receivable and prepaid expenses	<u>(150)</u>	<u>(150)</u>
Total	<u>7 804</u>	<u>10 161</u>

As at 30 June 2016 and 31 December 2015 the Group did not have accounts receivable past due but not impaired.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

7. OTHER TAXES RECEIVABLE

Other taxes receivable as at 30 June 2016 and 31 December 2015 consisted of the following:

	<u>30 June 2016</u>	<u>31 December 2015</u>
VAT recoverable	2 415	2 861
Other taxes receivable	<u>3</u>	<u>3</u>
Total	<u>2 418</u>	<u>2 864</u>

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2016 and 31 December 2015 consisted of the following:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Short-term bank deposits	2 400	8 663
Cash in transit	428	1 429
Cash at banks	328	1 295
Petty cash and cash in stores	<u>211</u>	<u>392</u>
Total	<u>3 367</u>	<u>11 779</u>

Cash at banks as at 30 June 2016 and 31 December 2015 includes 55 and 125, 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.

Cash in transit represents acquiring and cash collected from the Group’s stores and not yet deposited into the bank accounts at the period end.

Short-term bank deposits as at 30 June 2016 and 31 December 2015 consisted of the following:

	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2016</u>	<u>31 December 2015</u>
Short-term bank deposit in RUB	8,72%-9,75%	July 2016	2 400	-
Short-term bank deposit in RUB	3,42%-11,5%	January-March 2016	-	8 580
Short-term bank deposit in USD	0,75%	February 2016	<u>-</u>	<u>83</u>
Total			<u>2 400</u>	<u>8 663</u>

9. SHORT-TERM INVESTMENTS

Short-term investments as at 30 June 2016 and 31 December 2015 consisted of the following:

	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2016</u>	<u>31 December 2015</u>
Short-term bank deposits in RUB	10,44%	March 2016	-	500
Short-term bank deposits in RUB	10,30%	March 2016	<u>-</u>	<u>300</u>
Total			<u>-</u>	<u>800</u>

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

10. EQUITY

Share capital

As at 30 June 2016 and 31 December 2015 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 30 June 2016 and 31 December 2015	<u>179 531 237</u>	<u>179 768 227</u>	<u>209 768 227</u>

Each share has par value of 10 RUB per share. During the half-year ended 30 June 2016 there were no changes in the number of authorized and issued ordinary shares of the Company. All issued ordinary shares were fully paid.

Treasury shares

As at 30 June 2016 and 31 December 2015 the Group owned 236 990 treasury shares held at cost of 52.

Dividends declared

On 20 June 2016 the Annual General Shareholders' Meeting approved dividends of 20 RUB per share in respect of 2015.

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 3 591.

11. ADVANCES RECEIVED

Advances received as at 30 June 2016 and 31 December 2015 consisted of the following:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Advances received for gift cards	611	701
Prepayments received for goods (i)	128	1 276
Other advances received	87	92
Total	<u>826</u>	<u>2 069</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.

12. OTHER TAXES PAYABLE

Other taxes payable as at 30 June 2016 and 31 December 2015 consisted of the following:

	<u>30 June 2016</u>	<u>31 December 2015</u>
VAT payable	401	508
Payroll taxes	356	287
Other taxes payable	116	39
Total	<u>873</u>	<u>834</u>

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

13. DEFERRED REVENUE

Deferred revenue for half-year periods ended 30 June 2016 and 30 June 2015 consisted of the following:

	For the half-year ended 30 June 2016			For the half-year ended 30 June 2015		
	Customer loyalty programs	Other programs	Additional services	Customer loyalty programs	Other programs	Additional services
As at 1 January	1 340	1 068	2 393	1 201	1 131	2 637
Revenue deferred during the period	2 783	629	902	2 888	297	690
Revenue released to the interim condensed consolidated statement of profit or loss and other comprehensive income	(2 903)	(1 605)	(891)	(3 235)	(1 428)	(974)
As at 30 June	1 220	92	2 404	854	-	2 353

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

14. REVENUE

Revenue for the half-year periods ended 30 June 2016 and 30 June 2015 consisted of the following:

	For the half-year ended	
	30 June 2016	30 June 2015
Retail revenue	81 671	68 609
Other services	1 017	877
Additional services revenue	891	974
Total	83 579	70 460

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.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2016 (UNAUDITED) (in millions of Russian Rubles)

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the half-year periods ended 30 June 2016 and 30 June 2015 consisted of the following:

	For the half-year ended	
	30 June 2016	30 June 2015 (Restated)
Payroll and related taxes (including share-based payments – Note 19)	5 249	4 862
Lease expenses, net of income from sublease (2016: 26, 2015: 15)	4 465	4 036
Depreciation and amortisation	1 922	1 642
Advertising and promotional expenses, net	1 510	1 537
Maintenance and other property operating costs	918	985
Warehouse services	634	709
Bank charges	607	466
Utilities expense	491	453
Security	471	428
Repairs and servicing	447	448
Consulting services	357	286
Communication	154	157
Taxes other than income tax	76	98
Release of provisions for taxes other than income tax	-	(300)
Other expenses	569	537
Total	17 870	16 344

Payroll and related taxes for the half-year ended 30 June 2016 include 799 contribution to the state pension fund (half-year ended 30 June 2015: 751) and social and medical insurance in the amount of 305 (half-year ended 30 June 2015: 289).

During half-year ended 30 June 2016 the Group received 162 from its suppliers as a compensation of advertising and promotional expenses (half-year ended 30 June 2015: 147).

Starting 1 January 2015 the Group recognizes expenses related to the lease of warehouses within the “Lease expenses, net of income from sublease” line of selling, general and administrative expenses and presents “Maintenance and other property operating costs” within the separate 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: expenses related to the lease of warehouses in the amount of 196 were excluded from “Warehouse services” and included in “Lease expenses, net of income from sublease” within selling, general and administrative expenses; “Maintenance and other property operating costs” were excluded from “Lease expenses, net of income from sublease” in the amount of 502, “Warehouse services” in the amount of 70 and “Utilities” in the amount of 413 and included in “Maintenance and other property operating costs” within selling, general and administrative expenses in total amount of 985.

16. OTHER OPERATING INCOME

Other operating income for the half-year periods ended 30 June 2016 and 2015 includes commissions received from banks on loans provided to customers, income earned from suppliers for advertising materials placed in the Group’s stores, non-commission income from mobile operators, income from lease of commercial space owned by the Group and other items.

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17. FINANCE INCOME AND EXPENSE

Finance income/(expense) for the half-year periods ended 30 June 2016 and 2015 consisted of the following:

	For the half-year ended	
	30 June 2016	30 June 2015
Interest income on bank deposits	354	703
Interest expense on bank loans	-	(1)
Foreign exchange losses on investments (i)	-	(297)
Total	354	405

(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.

18. 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 2016	30 June 2015
Net profit attributable to equity holders of the Company	2 211	2 542
Weighted average number of ordinary share in issue (millions of shares)	179,53	178,95
Effect of share options granted to employees (millions of shares)	-	0,58
Basic earnings per share (in Russian Rubles)	12,32	14,21
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)	179,53	179,53
Diluted earnings per share (in Russian Rubles)	12,32	14,16

19. SHARE-BASED PAYMENTS

During the half-year ended 30 June 2016 the Group had cash-settled share option plan – Long-term incentive plan – Series 4

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

On 25 March 2015 the Group's Board of Directors approved LTIP 4 for 49 members of the management team for the period of 2015-2019 with the grant date being 1 April 2015.

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The plan stipulates three awards based on results for 2014, 2015 and 2016. The awards will vest if:

- The Group meets EBITDA (earnings before interest, tax, depreciation and amortization) targets established at the beginning of each year;
- The plan participants hold their employment within the Group.

Each award is to be paid in tranches during 2016-2019. The settlement will be made in cash where the amount of each payment is to be calculated based on the quantity of shares allocated to particular participants within each tranche, and average share price of the Company calculated for the week preceding the payment. 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 as at 30 June 2016 at its fair value.

The fair value of liability was calculated using the Black-Scholes pricing model. Where relevant, the model reflected management’s best estimate of the expected dividend yield, expected staff turnover and other. At 30 June 2016 the fair value of liability to the participants of LTIP 4 was 133 (as at 31 December 2015: 139). Short-term portion of liability being 101 was reflected within “Other payables and accrued expenses” (as at 31 December 2015: 72) and the long-term portion being 32 – within “Other long-term liabilities” (as at 31 December 2015: 67).

Share-based payments expense

During the half-year periods ended 30 June 2016 and 30 June 2015 the Group recognized an expense with regards to its share-based payments:

Series	Half-year ended	
	30 June 2016	30 June 2015
LTIP 3	-	28
LTIP 4	86	93
Total	86	121

The above expenses were reported within “Selling, General and Administrative Expenses” as “Payroll and related taxes” (Note 15).

5 April 2016 the first tranche in amount of 91 (including 12 of social security contributions) of the LTIP 4 was transferred to the participants.

20. 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.

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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 2016 and 30 June 2015 and the outstanding balances owed by/to related parties as at 30 June 2016 and 31 December 2015, respectively:

	For the half-year ended 30 June 2016		30 June 2016		For the half-year ended 30 June 2015		31 December 2015	
	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	-	127	-	20	-	132	15	-
LLC “Private Security Agency “Bars-SB”	1	134	-	22	1	127	-	8
Avtoritët Group of Companies	1	32	-	2	1	20	-	6
LLC “Avto-Express”	-	17	-	3	-	14	-	2
LLC “FAST-I” LLC “TechnoVideoService”	-	6	-	2	-	-	-	1
LLC “AITI Serice”	-	5	-	-	-	4	-	-
LLC “Noviy Format”	-	1	-	-	-	-	-	-
LLC “MV. Stil”	-	-	-	-	1	-	-	-
Total	2	322	-	49	3	299	15	17

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 2016 and 30 June 2015 was as follow:

	For the half-year ended	
	30 June 2016	30 June 2015
Short-term benefits*	360	164
Share-based payments**	22	43
Total	382	207

*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 19).

As at 30 June 2016 there is 175 outstanding payable to key management personnel (31 December 2015: 175).

As at 30 June 2016 the number of key management positions was 17 (31 December 2015: 14).

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 47 for the half-year period ended 30 June 2016 (SSC in half-year period ended 30 June 2015: 23) and is included in the amounts stated above.

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21. OPERATING LEASE AGREEMENTS

The Group enters into long-term leases for the stores for the 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 and some of the short-term lease contracts contain prolongation clauses. The Group assesses non-cancellable lease period at the inception or modification of each operating lease agreement. The assessment considers legal factors and economic factors. The assessment requires exercise of the management’s judgment. Once determined, the non-cancellable lease period is used in the calculation of lease payments to be recognized as an expense on a straight-line basis as well as in the estimation of depreciation period of leasehold improvements which cannot exceed the non-cancellable lease period of the relevant premises.

Certain lease contracts stipulate terms requiring the Group to pay the higher of minimum lease payments or a percentage of revenue. The amounts paid in excess of the minimum lease payments are disclosed as contingent rentals below. The Group does not have an option to purchase the leased premises at the expiration of the lease period.

Future minimum rentals payable under non-cancellable operating leases for premises occupied as at 30 June 2016 and 31 December 2015 are as follows:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Within one year	8 214	7 652
After one year but not more than five years	29 164	26 598
More than five years	<u>18 303</u>	<u>17 934</u>
Total	<u>55 681</u>	<u>52 184</u>

Future minimum rental payments will be subject to VAT.

22. 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. During 2014-2015 and the 1st quarter of 2016 the oil price decreased significantly, which led to substantial decrease of the Russian Ruble exchange rate.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

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In addition in the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences.

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

License agreements

As at 30 June 2016, the Group had a total commitment of approximately 172,6-172,8 per annum for technical support services with respect to existing SAP licenses during the period from 2016 to 2017 (31 December 2015: 147,8-172,2 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 2016 the Group entered into such guarantee contracts for the total amount of 3 117 (31 December 2015: 3 660)

23. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 5 July 2016 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 2016 (Note 10).