

**OPEN JOINT-STOCK COMPANY
MOSCOW EXCHANGE
MICEX-RTS**

**Consolidated Interim Condensed Financial Statements
For the Six-Month Period Ended June 30, 2014**

MOSCOW EXCHANGE GROUP

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Consolidated Interim Condensed Statement of Profit or Loss for the Six-Month Period Ended June 30, 2014 (in thousands of Russian rubles)

	Notes	Three-month period ended June 30,		Six-month period ended June 30,	
		2014 (unaudited)	2013 (unaudited)	2014 (unaudited)	2013 (unaudited)
Fee and commission income	6	3 521 949	3 287 908	7 038 973	6 146 662
Interest and other finance income	7	2 993 650	2 833 245	5 375 498	5 311 364
Interest expense		(307 703)	(725)	(377 152)	(1 120)
Net loss on financial assets available-for-sale	8	(213 500)	(66 169)	(348 199)	(84 150)
Foreign exchange gains less losses	9	746 706	228 177	1 175 360	407 333
Other operating income	10	12 148	20 787	399 206	40 627
Operating Income		6 753 250	6 303 223	13 263 686	11 820 716
Administrative and other operating expenses	11	(1 078 052)	(1 125 494)	(2 307 038)	(2 163 332)
Personnel expenses	12	(1 286 542)	(1 042 045)	(2 621 452)	(2 069 942)
Operating Profit		4 388 656	4 135 684	8 335 196	7 587 442
Interest expense in respect of written put option over own shares		-	-	-	(199 686)
Share of profits of associates		(1 848)	19 638	7 508	41 330
Profit before Tax		4 386 808	4 155 322	8 342 704	7 429 086
Income tax expense	13	(913 173)	(854 115)	(1 698 917)	(1 565 478)
Net Profit		3 473 635	3 301 207	6 643 787	5 863 608
Attributable to:					
Equity holders of the parent		3 471 908	3 302 139	6 693 886	5 866 192
Non-controlling interest		1 727	(932)	(50 099)	(2 584)
Earnings per share					
Basic earnings per share, rubles	29	1,58	1,49	3,01	2,66
Diluted earnings per share, rubles	29	1,58	1,49	3,00	2,66



Chairman of the Executive Board
Afanasiev A.K.

August 26, 2014
Moscow



Chief Financial Officer
Fetisov E.E.

August 26, 2014
Moscow

The notes on pages 9-29 form an integral part of these consolidated interim condensed financial statements.

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Consolidated Interim Condensed Statement of Other Comprehensive Income for the Six-Month Period Ended June 30, 2014

(in thousands of Russian rubles)

	Notes	Three-month period ended June 30,		Six-month period ended June 30,	
		2014 (unaudited)	2013 (unaudited)	2014 (unaudited)	2013 (unaudited)
Net profit		3 473 635	3 301 207	6 643 787	5 863 608
Other comprehensive income that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(36 584)	32 847	(152 789)	43 253
Net loss resulting from revaluation of investments available-for-sale		(239 814)	(317 971)	(1 026 663)	(256 559)
Net loss on investments available-for-sale reclassified to profit or loss	8	213 500	66 169	348 199	84 150
Income tax relating to items that may be reclassified		5 263	50 343	135 693	34 464
Other comprehensive income that may be reclassified subsequently to profit or loss					
		(57 635)	(168 612)	(695 560)	(94 692)
Total comprehensive income		3 416 000	3 132 595	5 948 227	5 768 916
Attributable to:					
Equity holders of the parent		3 437 380	3 117 139	6 072 499	5 749 830
Non-controlling interest		(21 380)	15 456	(124 272)	19 086
Total comprehensive income		3 416 000	3 132 595	5 948 227	5 768 916

The notes on pages 9-29 form an integral part of these consolidated interim condensed financial statements.

MOSCOW EXCHANGE GROUP

Consolidated Interim Condensed Statement of Financial Position as at June 30, 2014

(in thousands of Russian rubles)

	Notes	June 30, 2014 (unaudited)	December 31, 2013
ASSETS			
Cash and cash equivalents	14	662 953 216	255 041 610
Financial assets at fair value through profit or loss	15	13 728 454	16 199 725
Due from financial institutions	16	27 982 164	28 930 254
Central counterparty financial assets	17	135 087 694	47 008 536
Assets held for sale		-	2 723 667
Investments available-for-sale	18	70 831 220	74 252 052
Investments in associates	19	42 885	93 149
Property and equipment	20	6 073 044	6 262 365
Intangible assets	21	18 330 684	18 782 590
Goodwill	22	15 971 420	16 071 458
Current tax prepayments		111 731	210 547
Deferred tax asset	13	285 521	186 564
Other assets	23	2 030 451	702 104
TOTAL ASSETS		953 428 484	466 464 621
LIABILITIES			
Balances of market participants	24	690 878 283	322 192 809
Central counterparty financial liabilities	17	135 087 694	47 008 536
Distributions payable to holders of securities		12 002 237	3 670 761
Loans payable	25	20 024 700	50 858
Liabilities related to assets held for sale		-	5 864 695
Deferred tax liability	13	3 814 137	3 824 032
Current tax payables		426 591	76 305
Other liabilities	26	8 408 654	1 982 474
TOTAL LIABILITIES		870 642 296	384 670 470
EQUITY:			
Share capital	27	2 498 144	2 597 997
Share premium	27	32 530 641	38 953 810
Treasury shares	27	(3 448 398)	(10 194 083)
Foreign currency translation reserve		(71 137)	7 479
Investments revaluation reserve		(823 453)	(280 682)
Share-based payments		408 022	367 972
Retained earnings	28	51 382 753	49 999 048
Total equity attributable to owners of the parent		82 476 572	81 451 541
Non-controlling interest		309 616	342 610
TOTAL EQUITY		82 786 188	81 794 151
TOTAL LIABILITIES AND EQUITY		953 428 484	466 464 621

The notes on pages 9-29 form an integral part of these consolidated interim condensed financial statements.

MOSCOW EXCHANGE GROUP

Consolidated Interim Condensed Statement of Cash Flows for the Six-Month Period Ended June 30, 2014 (in thousands of Russian rubles)

	Notes	Six - month period ended June 30, 2014 (unaudited)	Six - month period ended June 30, 2013 (unaudited)
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES:			
Profit before tax		8 342 704	7 429 086
Adjustments for:			
Depreciation and amortization charge	11	790 065	779 369
Interest expense on written put option on own shares		-	199 686
Fair value adjustment on securities at fair value through profit or loss		225 452	(135 751)
Revaluation of derivatives		(565 896)	(34 406)
Share-based payment expense		125 139	168 504
Unrealized loss / (gain) on foreign exchange operations		39 066	(230 784)
Share of profits of associates		(7 508)	(41 330)
Loss on disposal of investments available-for-sale	8	348 199	84 150
Net change in interest accruals		141 863	(436 581)
Net loss / (gain) on disposal of property and equipment and intangible assets	10, 11	7 621	(4 767)
Gain from revaluation of previously held equity interest in the acquiree	5	(38 664)	-
Impairment of goodwill and other intangible assets	10, 11	180 970	-
Impairment of other assets		2 142	2 328
Bargain gain	5	(18 596)	-
Gain on disposal of non-current assets held for sale	10	(313 560)	-
Changes in operating assets and liabilities:			
Due from financial institutions		1 077 634	(4 577 353)
Financial assets at fair value through profit or loss		2 765 523	12 416 078
Central counterparty financial assets		(88 079 158)	(13 187 318)
Other assets		(1 319 230)	(636 771)
Balances of market participants		353 621 906	9 157 630
Central counterparty financial liabilities		88 079 158	13 187 318
Distributions payable to holders of securities		8 331 476	(251 328)
Loans received		19 953 947	-
Other liabilities		1 106 963	(915 769)
Cash flows from operating activities before taxation		394 797 216	22 971 991
Income tax paid		(1 245 060)	(1 071 405)
Cash flows from operating activities		393 552 156	21 900 586

The notes on pages 9-29 form an integral part of these consolidated interim condensed financial statements.

MOSCOW EXCHANGE GROUP

Consolidated Interim Condensed Statement of Cash Flows for the Six-Month Period Ended June 30, 2014

(continued)

(in thousands of Russian rubles)

	Notes	Six - month period ended June 30, 2014 (unaudited)	Six - month period ended June 30, 2013 (unaudited)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES:			
Purchase of investments available-for-sale		(22 309 943)	(26 052 168)
Proceeds from disposal of investments available-for-sale		24 898 245	10 521 021
Purchase of property and equipment and intangible assets		(194 130)	(246 500)
Proceeds from redemption of investments held-to-maturity		-	460 495
Proceeds from disposal of property and equipment and intangible assets		3 652	19 257
Proceeds from sale of investments in associates		593 890	-
Acquisition of subsidiaries, net of cash acquired	5	5 857	-
Disposal of subsidiaries, net of cash disposed		440 000	-
Cash flows from (used in) investing activities		3 437 571	(15 297 895)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES:			
IPO proceeds, net of transaction costs paid		-	5 781 560
Acquisition of treasury shares		-	(1 527 896)
Loans received		-	20 041
Proceeds from issue of ordinary shares		-	5 822
Sale of treasury shares		137 574	-
Acquisition of non-controlling interest in subsidiaries		(56)	(80)
Cash flows from financing activities		137 518	4 279 447
Effect of changes in foreign exchange rates on cash and cash equivalents		8 765 484	11 709 543
Net increase in cash and cash equivalents		405 892 729	22 591 681
Cash and cash equivalents, beginning of period	14	257 060 487	193 356 484
Cash and cash equivalents, end of period	14	662 953 216	215 948 165

Interest received by the Group during the three-month period ended June 30, amounted to RUB 5 758 272 thousand (June 30, 2013: RUB 4 949 555 thousand).

Interest paid by the Group during the three-month period ended June 30, amounted to RUB 357 257 thousand (June 30, 2013: RUB 704 thousand).

The notes on pages 9-29 form an integral part of these consolidated interim condensed financial statements.

MOSCOW EXCHANGE GROUP

Consolidated Interim Condensed Statement of Changes in Equity for the Six-Month Period Ended June 30, 2014

(in thousands of Russian rubles)

	Share capital	Share premium	Treasury shares	Written put option over own shares	Investments revaluation reserve	Share-based payments	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
December 31, 2012	2 416 918	27 403 927	(2 860 714)	(21 054 656)	(1 951)	179 166	(10 321)	38 674 893	44 747 262	328 140	45 075 402
Net profit (unaudited)	-	-	-	-	-	-	-	5 866 192	5 866 192	(2 584)	5 863 608
Other comprehensive income (unaudited)	-	-	-	-	(137 945)	-	21 583	-	(116 362)	21 670	(94 692)
Total comprehensive income for the period	-	-	-	-	(137 945)	-	21 583	5 866 192	5 749 830	19 086	5 768 916
Transactions with owners											
Issue of shares (unaudited)	181 079	13 113 763	(13 289 020)	-	-	-	-	-	5 822	-	5 822
Sale of treasury shares in IPO (unaudited)	-	(1 588 097)	7 367 316	-	-	-	-	-	5 779 219	-	5 779 219
Expiration of IPO-related written put option (unaudited)	-	-	-	21 054 656	-	-	-	2 463 796	23 518 452	-	23 518 452
Repurchase of treasury shares (unaudited)	-	-	(1 527 896)	-	-	-	-	-	(1 527 896)	-	(1 527 896)
Dividends declared (unaudited)	-	-	-	-	-	-	-	(2 726 452)	(2 726 452)	-	(2 726 452)
Share-based payments (unaudited)	-	-	-	-	-	168 504	-	-	168 504	-	168 504
Acquisition of non-controlling interest (unaudited)	-	-	-	-	-	-	-	19	19	(99)	(80)
Total transactions with owners	181 079	11 525 666	(7 449 600)	21 054 656	-	168 504	-	(262 637)	25 217 668	(99)	25 217 569
June 30, 2013 (unaudited)	2 597 997	38 929 593	(10 310 314)	-	(139 896)	347 670	11 262	44 278 448	75 714 760	347 127	76 061 887
December 31, 2013	2 597 997	38 953 810	(10 194 083)	-	(280 682)	367 972	7 479	49 999 048	81 451 541	342 610	81 794 151
Net profit (unaudited)	-	-	-	-	-	-	-	6 693 886	6 693 886	(50 099)	6 643 787
Other comprehensive income (unaudited)	-	-	-	-	(542 771)	-	(78 616)	-	(621 387)	(74 173)	(695 560)
Total comprehensive income for the period	-	-	-	-	(542 771)	-	(78 616)	6 693 886	6 072 499	(124 272)	5 948 227
Transactions with owners											
Cancellation of treasury shares (unaudited)	(99 853)	(6 416 523)	6 516 376	-	-	-	-	-	-	-	-
Share-based payments (unaudited)	-	(6 646)	229 309	-	-	40 050	-	-	262 713	-	262 713
Acquisition of subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	91 326	91 326
Dividends declared (unaudited)	-	-	-	-	-	-	-	(5 310 139)	(5 310 139)	(34)	(5 310 173)
Acquisition of non-controlling interest (unaudited)	-	-	-	-	-	-	-	(42)	(42)	(14)	(56)
Total transactions with owners	(99 853)	(6 423 169)	6 745 685	-	-	40 050	-	(5 310 181)	(5 047 468)	91 278	(4 956 190)
June 30, 2014 (unaudited)	2 498 144	32 530 641	(3 448 398)	-	(823 453)	408 022	(71 137)	51 382 753	82 476 572	309 616	82 786 188

The notes on pages 9-29 form an integral part of these consolidated interim condensed financial statements.

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014

(in thousands of Russian rubles, unless otherwise indicated)

1. Organization

Open Joint-Stock Company Moscow Exchange MICEX-RTS (Moscow Exchange) is a stock exchange based in Moscow, Russian Federation. It was established as closed joint-stock company “Moscow Interbank Currency Exchange” (MICEX) in 1992. In December 2011 the company was reorganized into the form of open joint-stock company and renamed to Open Joint-Stock Company MICEX-RTS. In July 2012 the name of the company was changed to Open Joint-Stock Company Moscow Exchange MICEX-RTS.

The legal address of Moscow Exchange: 13 Bolshoy Kislovsky per., Moscow, the Russian Federation.

Moscow Exchange Group (“the Group”) is an integrated exchange structure that provides financial market participants with a full set of competitive trading, clearing, settlement, depository and information services. The Group operates on the following markets: foreign currencies exchange market, government securities and money market, market of derivative financial instruments, equities market, corporate and regional bonds market, commodities market.

Moscow Exchange is the parent company of the Group, which includes the following entities:

Name	Principal activities	June 30, 2014	December 31, 2013
		Voting rights, %	Voting rights, %
CJSC MICEX Stock Exchange (MICEX SE)	Stock exchange operations	100%	100%
NCO CJSC National Settlement Depository (NSD)	Depository, clearing and settlement services	99,997%	99,997%
CJSC National Clearing Center (NCC)	Banking and clearing operations	100%	100%
CJSC Clearing Center RTS (CC RTS)	Financial activities	100%	100%
Non-banking Credit Organisation Settlement Chamber RTS CJSC (SC RTS)	Settlement services	100%	100%
CJSC Depository Clearing Company (DCC)	Depository services	99,995%	99,995%
Open Joint-Stock Company “Evraziyskaia Trading System” Commodity Exchange (ETS)	Commodity exchange operations	60,82%	60,82%
LLC MICEX Finance (MICEX Finance)	Financial activities	100%	100%
LLC MICEX Cyprus (MICEX Cyprus)	Financial activities	100%	100%
CJSC PFTS Stock Exchange (PFTS SE)	Stock exchange operations	50,02%	50,02%
LLC ME Technology (former LLC E-Stock)	Technical support of exchange activities, IT services	100,00%	100,00%
CJSC National Mercantile Exchange (NAMEX)	Stock exchange operations	58,73%	36,51%

MICEX SE provides services for Securities Market Sections of the Group.

NSD is the central securities depository of the Russian Federation. NSD is the Russian national numbering agency and the substitute numbering agency for the Commonwealth of Independent States (CIS), authorized to assign the international ISIN and CFI codes. NSD holds licenses for depository, clearing and settlement operations issued by the Central Bank of the Russia (CBR).

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

1. Organization (continued)

NCC performs functions of a clearing organization and central counterparty on the financial market. NCC has a license for clearing activities.

PFTS SE is a stock exchange, which has a stock exchange license in Ukraine and facilitates spot trading.

MICEX Finance and MICEX (CYPRUS) LTD are established for facilitating financial activities of the Group.

Until December 2012 CC RTS provided clearing services for Derivatives Market and Securities Market ("Standard" sector) Sections of the Group. In the end of 2012 this line of business was transferred to NCC. In August 2014 CC RTS was merged to NCC.

SC RTS is a non-banking credit institution. SC RTS has a licence to perform settlement services issued by the CBR. In August 2014 SC RTS was merged to NCC.

DCC provides depository services. DCC has license to perform depository activities.

LLC ME Technology provides technical support of exchange activities and IT services to Moscow Exchange clients.

ETS is a commodity exchange, which has a license for organisation of trading in commodities in Kazakhstan.

In 2014 the Group obtained control over CJSC National Mercantile Exchange (NAMEX), which is a commodity exchange operating in Russia (refer to Note 5).

In 2014 the Group sold its stake in its subsidiary MICEX-IT.

Moscow Exchange and all subsidiaries are located in Russia, except for ETS, PFTS SE and MICEX (CYPRUS) LTD. ETS is located in Kazakhstan, PFTS SE is located in Ukraine and MICEX (CYPRUS) LTD is registered in Cyprus.

The Group has 1 649 employees as at June 30, 2014 (December 31, 2013: 1 692 employees).

2. Basis of Presentation

Statement of compliance

These Consolidated Interim Condensed Financial Statements of the Group have been prepared in accordance with the International Financial Reporting Standard IAS 34 "Interim Financial Statements".

Basis of presentation

Moscow Exchange and its subsidiaries registered in the Russian Federation maintain their accounting records in accordance with Russian Accounting Standards ("RAS"). Foreign subsidiaries of the Group maintain their accounting records in accordance with the accounting standards of the countries in which they operate. These Consolidated Financial Statements have been prepared on basis of the statutory accounting records and have been adjusted to conform to IFRS.

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

2. Basis of Presentation (continued)

Inflation accounting

The Russian economy was considered hyperinflationary until December 31, 2002. As such, the Group applied IAS 29 *Financial Reporting in Hyperinflationary Economies*. The effect of applying IAS 29 is that non-monetary items, including components of equity, were restated to the measuring units current at December 31, 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

3. Significant Accounting Policies

The accounting policies adopted by the Group in the preparation of these Consolidated Interim Condensed Financial Statements are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended December 31, 2013.

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for reporting periods ending on June 30, 2014.

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of receivables

The Group regularly reviews its receivables to assess for impairment. The Group's receivables impairment provisions are established to recognize incurred impairment losses in its portfolio of receivables.

The Group uses Management's judgment to estimate the amount of any impairment loss in cases where the debtor has financial difficulties and there are few available sources of historical data relating to similar debtors. Similarly, the Group estimates changes in future cash flows based on past performance, past counterparty behavior, observable data indicating an adverse change in the payment status, and national or local economic conditions that correlate with defaults on assets in the group.

As at June 30, 2014, the gross receivables totalled RUB 454 034 thousand (December 31, 2013: RUB 420 075 thousand) and allowance for impairment losses amounted to RUB 31 187 thousand (December 31, 2013: RUB 29 045 thousand).

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Valuation of financial instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

Impairment of goodwill

Goodwill is tested for impairment annually (as at December 31) and when there is an indication that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each cash-generating unit (CGU) or group of CGUs to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

5. Business Combination

On January 1, 2014, the Group obtained control over CJSC National Mercantile Exchange (NAMEX), which is a commodity exchange operating in Russia. The acquisition was made following the Group's strategy to develop its commodity market.

The fair value of identifiable assets and liabilities of NAMEX at the date of acquisition were:

ASSETS	
Cash and cash equivalents	28 911
Due from financial institutions	128 910
Intangible assets	103 063
Current tax prepayments	2 521
Other assets	8 742
Total assets	272 147
LIABILITIES	
Balances of market participants	22 329
Deferred tax liability	19 480
Other liabilities	9 048
Total liabilities	50 857
Net identifiable assets and liabilities	221 290
Non-controlling interest	(91 326)
Fair value of previously held equity interest in the acquiree	(88 314)
Gain from a bargain purchase (included in other operating income)	(18 596)
Consideration transferred	23 054
Cash flow on acquisition	
Consideration paid by cash	(23 054)
Cash acquired with the subsidiary	28 911
Net cash flow on acquisition (included in cash flows from investing activities)	5 857

The Group has elected to measure the non-controlling interest in the acquiree at the non-controlling interests's proportionate share of the acquiree's identifiable net assets.

The Group recognised a gain of RUB 38 664 thousand as a result of remeasuring to fair value the equity interest in NAMEX held by the Group before the business combination.

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

6. Fee and Commission Income

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Foreign exchange	1 542 642	1 123 881
Depository and settlement services	1 468 345	1 061 582
Securities market	1 456 434	1 462 767
Money market	1 291 802	1 171 748
Derivatives	768 998	832 875
Sale of software and technical services	252 272	220 628
Information services	241 673	170 710
Other	16 807	102 471
Total fee and commission income	7 038 973	6 146 662

Income from securities market comprises fees and commissions from equities trading, bonds trading, listing and service fees:

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Equities	904 885	729 308
Bonds	457 898	641 596
Listing and other service fees	93 651	91 863
Total income from securities market	1 456 434	1 462 767

7. Interest and Other Finance Income

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Income on securities at fair value through profit or loss		
Interest income	491 570	315 995
Net loss on securities at fair value through profit or loss	(260 806)	(75 188)
Total income on securities at fair value through profit or loss	230 764	240 807
Interest income on financial assets other than at fair value through profit or loss		
Interest income on investments available-for-sale	2 791 319	2 419 063
Interest on cash and cash equivalents and due from financial institutions	2 353 415	2 641 065
Interest on investments held-to-maturity	-	10 429
Total interest income on financial assets other than at fair value through profit or loss	5 144 734	5 070 557
Total interest and other finance income	5 375 498	5 311 364

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Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

8. Net Loss on Financial Assets Available-for-Sale

In the six-month period ended June 30, 2014 the Group recognized a net loss on financial assets available-for-sale of RUB 348 199 thousand (six-month period ended June 30, 2013: loss of RUB 84 150 thousand). The loss resulted from sale of high yield bonds held by the Group. Interest income received on these bonds exceeded the losses from sale.

9. Foreign Exchange Gains Less Losses

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Foreign exchange SWAPs	1 170 889	360 922
Net other foreign exchange gain	4 471	46 411
Total foreign exchange gains less losses	1 175 360	407 333

The Group enters into foreign exchange SWAPs for the purposes of short-term investments and liquidity management.

10. Other operating income

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Gain on sale of MICEX-IT (Note 1)	313 560	-
Revaluation of previously owned share in NAMEX (Note 5)	38 664	-
Bargain gain on acquisition of NAMEX (Note 5)	18 596	-
Income from lease	10 416	16 426
Gain on disposal of property, equipment and intangible assets	-	4 767
Other income	17 970	19 434
Total other operating income	399 206	40 627

11. Administrative and Other Operating Expenses

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Amortisation of intangible assets	538 138	511 043
Professional services	293 972	325 773
Depreciation of property and equipment	251 927	268 326
Equipment and intangible assets maintenance	229 715	161 402
Rent and office maintenance	210 242	198 297
Taxes, other than income tax	201 121	296 443
Impairment of goodwill and other intangible assets (Notes 21, 22)	180 970	-
Advertising and marketing costs	154 461	144 288
Market makers fees	152 545	166 701
Business trip expenses	30 876	28 897
Charity	27 544	6 639
Security expenses	17 067	15 555
Loss on disposal of property, equipment and intangible assets	7 621	-
Other	10 839	39 969
Total administrative and other operating expenses	2 307 038	2 163 332

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Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

11. Administrative and Other Operating Expenses (continued)

During the six-month period ended June 30, 2014 the Group recognised impairment of goodwill and other intangible assets related to the Ukrainian business at the amount of RUB 180 970 thousand.

Professional services comprise consulting, audit, information and telecommunication, insurance, legal services and other.

The Group has made several changes in presentation of the administrative expenses for the six month period ended June 30, 2013 in order to improve the understanding of the Group's operations:

	As previously reported	Presentation of membership fees as advertising costs	Presentation of IT services as intangible assets maintenance	Presentation of premises servicing as office maintenance	Reclassification of VAT on information services	As presented in this Report
Professional services	417 952	(27 806)	(11 253)		(53 121)	325 773
Equipment and intangible assets maintenance	173 376		11 253	(23 227)		161 402
Rent and office maintenance	175 070			23 227		198 297
Advertising and marketing costs	116 482	27 806				144 288
Taxes, other than income tax	243 322				53 121	296 443

12. Personnel Expenses

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Short-term benefits except for share-based payments	2 149 980	1 632 909
Payroll related taxes	346 333	268 529
Share-based payment expense	125 139	168 504
Total personnel expenses	2 621 452	2 069 942

The Group grants equity-settled share options to senior management and some employees. The options give to holders a choice either to purchase the full number of shares at exercise price or to get shares in amount of fair value of the option at exercise date for free. A majority of the options vest when the employee continues to be employed by the Group at the vesting date. The maximum contractual term of the options is four years. The fair value of the options is measured at the grant date using a binomial model taking into account the terms and conditions upon which the instruments were granted.

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Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

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12. Personnel Expenses (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options:

	Number	WAEP
Outstanding at 1 January 2013	42 027 058	47,53
Granted	4 500 001	46,90
Forfeited	(950 001)	46,90
Outstanding at 30 June 2013	45 577 058	47,48
Outstanding at 1 January 2014	43 323 724	47,53
Exercised	(3 513 778)	46,90
Forfeited	(133 334)	46,90
Expired	(1 652 888)	46,90
Outstanding at 30 June 2014	38 023 724	47,59

WAEP for exercised options in the table above is calculated based on the contractual exercise price.

The weighted average share price for share options exercised in the six-month period ending June 30, 2014 at the date of exercise was RUB 46,90.

The weighted average remaining contractual life for the share options outstanding as at June 30, 2014 was 0,71 years (December 31, 2013: 0,97 years). There were no options granted during the six-month period ended June 30, 2014. The weighted average fair value of options granted during the six-month period ended June 30, 2013 was RUB 11,13 per 1 option. Exercise prices for options outstanding as at June 30, 2014 were RUB 46,9 – RUB 55 (December 31, 2013: RUB 46,9 – RUB 55).

13. Income Tax

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group operates and which may differ from IFRS.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences relate mostly to different methods of income and expense recognition, as well as to recorded values of certain assets.

The tax rate used for the reconciliations between tax expense and accounting profit is the corporate tax rate of 20% payable by corporate entities in the Russian Federation on taxable profits under the tax law in that jurisdiction.

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

13. Income Tax (continued)

Temporary differences comprise:

	Consolidated statement of financial position		Consolidated income statement	
	June 30, 2014	December 31, 2013	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Tax effect from deductible temporary differences				
Cash and cash equivalents	-	-	-	9 471
Financial assets at fair value though profit or loss	61 566	9 507	52 059	(29 750)
Investments in associates and investments available-for-sale	160 424	17 227	102 753	(49 852)
Property and equipment and intangible assets	13 068	13 731	(663)	(1 606)
Other assets	8 101	8 785	1 922	(592)
Tax loss carried forward	46 823	46 991	(168)	21 554
Other liabilities	161 508	207 748	(47 373)	(151 328)
Total tax effect from deductible temporary differences	451 490	303 989	108 530	(202 103)
Tax effect from taxable temporary differences				
Cash and cash equivalents	(758)	(276)	(482)	(170)
Financial assets at fair value though profit or loss	(77 824)	(7 507)	(70 317)	(3 264)
Central counterparty financial assets	(4 572)	(152)	(4 420)	2 791
Assets held for sale	-	(44 807)	44 807	-
Investments in associates and investments available-for-sale	(44 109)	(7 544)	(36 565)	(93 615)
Property and equipment and intangible assets	(3 825 601)	(3 878 865)	73 877	84 085
Other assets	(26 457)	(719)	(25 738)	499
Other liabilities	(785)	(1 587)	802	1 442
Total tax effect from taxable temporary differences	(3 980 106)	(3 941 457)	(18 036)	(8 232)
Deferred tax income / (expense)			90 494	(210 335)
Deferred income tax assets	285 521	186 564		
Deferred income tax liabilities	(3 814 137)	(3 824 032)		

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

13. Income Tax (continued)

Reconciliation of income tax expense and accounting profit for the three-month period ended June 30, 2014 and 2013, are explained below:

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Profit before income tax	8 342 704	7 429 086
Tax at the statutory tax rate (20%)	1 668 541	1 485 817
Non-deductible expenses for tax purposes	101 463	131 481
Tax effect of income taxed at rates different from the prime rate	(53 116)	(58 880)
Non-taxable gain on acquisition of subsidiary	(10 734)	-
Deferred tax from a previously unrecognised temporary difference of a prior period	(6 140)	7 060
Adjustments in respect of current income tax of previous years	(1 097)	-
Income tax expense	1 698 917	1 565 478
Current income tax expense	1 789 411	1 355 143
Deferred taxation movement due to origination and reversal of temporary differences	(90 662)	231 889
Deferred taxation movement due to tax losses carried forward	168	(21 554)
Income tax expense	1 698 917	1 565 478
	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Beginning of the period – deferred tax assets	186 564	103 178
Beginning of the period – deferred tax liabilities	(3 824 032)	(3 884 784)
Change in deferred income tax balances recognized in profit or loss	90 494	(210 335)
Changes in deferred income tax balances recognized in other comprehensive income	40 444	42 059
Deferred income tax liabilities arising from business combinations (Note 5)	(19 480)	-
Effect of movements in exchange rates	(2 606)	302
Deferred income tax transferred to assets of disposal group held for sale	-	(35 866)
Deferred income tax recognized directly in equity	-	11 267
End of the period - deferred tax assets	285 521	70 502
End of the period - deferred tax liabilities	(3 814 137)	(4 044 681)

14. Cash and Cash Equivalents

	June 30, 2014	December 31, 2013
Balances with the CBR	106 596 736	15 930 165
Correspondent accounts and overnight deposits with banks	556 346 216	239 107 706
Cash on hand	10 264	3 739
Total cash and cash equivalents	662 953 216	255 041 610
Cash and cash equivalents attributable to Assets of disposal group held for sale	-	2 018 877
Cash and cash equivalents for the purpose of Consolidated Statement of Cash Flows	662 953 216	257 060 487

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

15. Financial Assets at Fair Value Through Profit or Loss

	June 30, 2014	December 31, 2013
Bonds issued by Russian Federation	13 097 246	16 131 684
Derivative financial instruments at fair value through profit or loss	570 938	5 042
Shares issued by Russian companies	60 270	62 999
Total financial assets at fair value through profit or loss	13 728 454	16 199 725

16. Due from Financial Institutions

	June 30, 2014	December 31, 2013
Interbank loans and term deposits	25 749 171	27 050 050
Mandatory cash balances with the CBR (restricted)	2 230 518	1 557 523
Short-term reverse repo receivable from financial institutions	-	319 283
Receivables on broker and clearing operations	2 475	3 398
Total due from financial institutions	27 982 164	28 930 254

17. Central Counterparty Financial Assets and Liabilities

	June 30, 2014	December 31, 2013
Repo transactions	131 733 675	44 706 755
Currency transactions	3 354 019	2 301 781
Total central counterparty financial assets and liabilities	135 087 694	47 008 536

CCP financial assets are receivables under currency and repo transactions and CCP financial liabilities are payables under offsetting transactions, which the Group entered with market participants as a CCP.

CCP financial assets and liabilities under currency transactions represent fair values of overnight currency deals.

As at June 30, 2014 and December 31, 2013 none of these assets were past due.

18. Investments Available-for-Sale

	June 30, 2014	December 31, 2013
Bonds issued by Russian Federation	24 670 824	29 660 287
Bonds issued by Russian companies	21 618 176	22 512 072
Bonds issued by Russian banks	16 642 610	12 099 104
Bonds issued by foreign companies	7 792 958	9 779 971
Bonds issued by Russian Federation subjects and Municipal bonds	72 915	113 494
Shares issued by foreign companies	20 823	46 019
Shares issued by Russian companies	12 914	41 105
Total investments available-for-sale	70 831 220	74 252 052

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Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

19. Investments in Associates

As at June 30, 2014 investments in associates are presented as follows:

	June 30, 2014				
	Ownership interest	Principal place of business	Country of incorporation	Nature of activities	Carrying value
Open Joint-Stock Company "Ukrainian Exchange" (UEX)	43,08%	Ukraine	Ukraine	Stock exchange operations	42 885
Total investments in associates					42 885

As at December, 31, 2013 investments in associates are presented as follows:

	Ownership interest	Principal place of business	Country of incorporation	Nature of activities	Carrying value
CJSC National Mercantile Exchange (NAMEX)	36,51%	Russian Federation	Russian Federation	Commodity exchange operations	49 650
Open Joint-Stock Company "Ukrainian Exchange" (UEX)	43,08%	Ukraine	Ukraine	Stock exchange operations	43 499
Total investments in associates					93 149

In 2014 the Group purchased 22,22% stake of NAMEX and acquired control (refer to Note 5).

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

20. Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Total
Cost				
December 31, 2012	221 147	5 874 838	3 118 677	9 214 662
Additions	-	33 535	110 745	144 280
Disposals	-	-	(48 217)	(48 217)
Reclassification to assets held for sale	-	-	(1 277)	(1 277)
Effect of movements in exchange rates	849	5 176	1 138	7 163
June 30, 2013	221 996	5 913 549	3 181 066	9 316 611
December 31, 2013	221 834	5 983 368	3 360 291	9 565 493
Additions	-	-	82 476	82 476
Acquisition through business combination (Note 5)	-	-	6	6
Disposals	-	-	(86 109)	(86 109)
Effect of movements in exchange rates	(1 866)	(11 628)	(3 013)	(16 507)
June 30, 2014	219 968	5 971 740	3 353 651	9 545 359
Accumulated depreciation				
December 31, 2012	-	871 952	1 987 477	2 859 429
Charge for the period	-	59 626	208 700	268 326
Disposals	-	-	(34 842)	(34 842)
Reclassification to assets held for sale	-	-	(364)	(364)
Effect of movements in exchange rates	-	292	448	740
June 30, 2013	-	931 870	2 161 419	3 093 289
December 31, 2013	-	993 327	2 309 801	3 303 128
Charge for the period	-	60 602	191 325	251 927
Disposals	-	-	(79 953)	(79 953)
Effect of movements in exchange rates	-	(978)	(1 809)	(2 787)
June 30, 2014	-	1 052 951	2 419 364	3 472 315
Net book value				
December 31, 2013	221 834	4 990 041	1 050 490	6 262 365
June 30, 2014	219 968	4 918 789	934 287	6 073 044

As at June 30, 2014, historical cost of fully depreciated property and equipment amounts to RUB 1 408 078 thousand (December 31, 2013: RUB 1 337 452 thousand).

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Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

21. Intangible Assets

	Software and licences	Client base	Total
Cost			
December 31, 2012	1 663 931	19 503 594	21 167 525
Additions	102 220	-	102 220
Disposals	(7 264)	-	(7 264)
Reclassification to assets held for sale	(4 831)	-	(4 831)
Effect of movements in exchange rates	8 800	-	8 800
June 30, 2013	1 762 856	19 503 594	21 266 450
December 31, 2013			
Acquisition through business combination (Note 5)	-	103 063	103 063
Additions	111 654	-	111 654
Impairment (Note 11)	(99 706)	-	(99 706)
Disposals	(34 120)	-	(34 120)
Effect of movements in exchange rates	(28 037)	-	(28 037)
June 30, 2014	1 875 913	19 606 657	21 482 570
Accumulated depreciation			
December 31, 2012	511 348	1 192 401	1 703 749
Charge for the period	120 971	390 072	511 043
Disposals	(6 149)	-	(6 149)
Reclassification to assets held for sale	(2 025)	-	(2 025)
Effect of movements in exchange rates	677	-	677
June 30, 2013	624 822	1 582 473	2 207 295
December 31, 2013			
Charge for the period	146 005	392 133	538 138
Disposals	(29 003)	-	(29 003)
Effect of movements in exchange rates	(4 375)	-	(4 375)
June 30, 2014	787 208	2 364 678	3 151 886
Net book value			
December 31, 2013	1 251 541	17 531 049	18 782 590
June 30, 2014	1 088 705	17 241 979	18 330 684

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Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

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22. Goodwill

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
As at January 1	16 071 458	16 066 094
Effect of movements in exchange rates	(18 775)	6 338
Impairment (Note 11)	(81 264)	-
As at June 30	15 971 420	16 072 432

23. Other Assets

	June 30, 2014	December 31, 2013
Other financial assets:		
Receivables on services rendered and other operations	454 034	420 075
Less allowance for impairment	(31 187)	(29 045)
Total other financial assets	422 847	391 030
Other non-financial assets:		
Precious metals	1 335 746	57 752
Prepaid expenses	197 629	182 631
Taxes receivable other than income tax	66 478	56 392
Other	7 751	14 299
Total other assets	2 030 451	702 104

24. Balances of Market Participants

	June 30, 2014	December 31, 2013
Accounts of clearing participants	609 291 723	272 695 597
Other current and settlement accounts	77 774 034	45 805 803
Risk-covering funds	3 812 526	3 691 409
Total balances of market participants	690 878 283	322 192 809

Accounts of clearing participants include margins deposited by clearing participants to cover risks arising from open positions and to guarantee payment of commissions. The purpose of margins is to support clearing settlements on the market and to cover risks arising from open positions of market participants, including operations of market participants, where the Group acts as a central counterparty. If an initial margin requirement exceeds the collateral posted by a market participant in the guarantee fund, the participant is required to cover the deficit by posting additional margin for the unsettled trades or to reduce the open position to an appropriate level. The margins is payable to a market participant when it closes its positions. The Group places margins amounts on current accounts and deposits with reputable banks or short-term repo receivables (Notes 14, 16).

Market participants also pledge traded securities to the guarantee fund as collateral for their obligations. These securities are blocked at the participants' custody accounts in NSD and DCC. These securities are not assets of the Group and are not recognised in the Consolidated Statement of the Financial Position.

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Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

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24. Balances of Market Participants (continued)

The risk-covering funds comprise contributions deposited by market participants. The purpose of these funds is to provide additional insurance to the market participants in respect of the ability of the Group to guarantee proper settlements of open positions in case of a market participant default. The minimum contribution amount per one participant is determined by the NCC Supervisory Board and it is approved by the Derivatives Market Committee, the Currency Market Committee, the Securities Market Committee and the Securities Lending & REPO Committee. Risk-covering funds amounts are only used to cover the deficit if a margin posted by a trading participant is not sufficient to cover its losses. The Group places cash received from the market participants in the risk-covering funds with top-rated banks (Notes 14, 16).

25. Loans payable

	June 30, 2014	December 31, 2013
Amounts payable under direct repurchase agreement with CBR	20 020 685	-
Term deposits	4 015	50 858
Total loans payable	20 024 700	50 858

26. Other Liabilities

	June 30, 2014	December 31, 2013
Other financial liabilities		
Dividends payable	5 310 173	-
Payables to employees	956 236	1 194 828
Trade payables	426 805	412 380
Total other financial liabilities	6 693 214	1 607 208
Other non-financial liabilities		
Accounts in precious metals	1 335 747	57 752
Advances received	225 962	202 582
Taxes payable, other than income tax	153 512	114 857
Other	219	75
Total other liabilities	8 408 654	1 982 474

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27. Share Capital and Share Premium

The share capital of Moscow exchange comprises ordinary shares with a par value of RUB 1 each:

	Authorized shares (number of shares)	Ordinary shares issued and fully paid (number of shares)	Treasury shares (number of shares)
December 31, 2012	2 578 200 000	2 197 409 846	(58 135 826)
Issue of additional shares	-	181 079 307	(181 000 000)
Sale of treasury shares during IPO	-	-	109 090 910
Purchase of treasury shares	-	-	(27 943 570)
June 30, 2013	2 578 200 000	2 378 489 153	(157 988 486)
December 31, 2013	2 578 200 000	2 378 489 153	(156 207 433)
Cancellation of treasury shares	-	(99 852 660)	99 852 660
Exercised options (Note 12)	-	-	3 513 778
June 30, 2014	2 578 200 000	2 278 636 493	(52 840 995)

Share premium represents an excess of contributions received over the nominal value of shares issued.

28. Retained Earnings

During the six-month period ended June 30, 2014 and June 30, 2013, the Group declared dividends for the year ended December 31, 2013, to the owners of the parent of RUB 5 310 139 thousand (June 30, 2013: RUB 2 726 452 thousand). The amount of dividends per share is RUB 2.39 per ordinary share (June 30, 2013: 1.23 per ordinary share).

The Group's distributable reserves are limited to the amount of reserves reported in the statutory financial statements of the Group members. Non-distributable reserves comprise a reserve fund, which is created according to the statutory regulations, to cover risks, including future losses and other unforeseen risks and contingencies.

29. Earnings per Share

The calculation of earnings per share is based on the profit for the year attributable to shareholders of the Group and the weighted average number of ordinary outstanding during the year, calculated as shown below.

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Net profit attributable to ordinary equity holders of the parent	6 693 886	5 866 192
Weighted average number of shares	2 224 491 951	2 205 308 976
Effect of dilutive share options	8 784 020	3 595 284
Weighted average number of shares adjusted for the effect of dilution	2 233 275 971	2 208 904 260
Basic earnings per share, RUB	3,01	2,66
Diluted earnings per share, RUB	3,00	2,66

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Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

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30. Transactions with Related Parties

Intragroup transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Transactions with key management

Key management personnel comprises members of the Executive Board and the Board of Directors. The total remuneration paid to key management personnel includes short-term benefits (salary, bonuses, payroll related taxes, insurance, health care, etc.) and share-based payment expense.

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Short-term employee benefits	167 314	119 460
Share-based payment expense	44 056	94 623
Total remuneration of key management personnel	211 370	214 083

(b) Transactions with government-related entities

As at June 30, 2014 the entities controlled by the Russian Federation together held more than 50% of voting shares of Moscow Exchange. Accordingly, the Russian Federation exercised control over Moscow Exchange.

The Group considers government-related entities as related parties if Russian Federation has control, joint control or significant influence over the entity. In the ordinary course of business the Group provides stock exchange services to government-related entities, places funds with government-related banks and bonds issued by the Russian Federation and government-related entities.

(c) Transactions with associates

Included in the Consolidated Statement of Financial Position were the following amounts that arose on transactions with associates:

	June 30, 2014	December 31, 2013
Investments in associates	42 885	93 149
Other assets	420	2 662
Balances of market participants	-	9 539
Loans payable	-	50 790
Other liabilities	303	449

Included in the Consolidated Income Statement are the following amounts that arose due to transactions with associates:

	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
Share of profits of associates	7 508	21 692
Fee and commission income and other operating income	782	19 556
Foreign currency difference	14	905
Administrative and other operating expenses	1 062	10 435

MOSCOW EXCHANGE GROUP

Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

31. Fair Value Measurements

The Group performs a fair value assessment of its financial assets and liabilities, as required by IFRS 7 Financial Instruments: Disclosures. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm's length transaction, other than in forced or liquidation sale.

The Group measures fair values for financial assets recorded on the statement of financial position at fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The foreign currency forward contracts are measured based on observable spot exchange rates and the yield curves of the respective currencies.

The fair value of the unquoted debt securities has been determined using a discounted cash flow model, by reference to quoted market prices for similar instruments.

The fair value of unquoted equity instruments has been determined based on market approach using price/net assets ratio for similar companies.

The table below analyses financial assets and liabilities measured at fair value at June 30, 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	13 097 246	570 938	60 270	13 728 454
Central counterparty financial assets and liabilities (currency transactions)	3 354 019	-	-	3 354 019
Investments available-for-sale	69 243 438	1 554 045	33 737	70 831 220

Financial assets and liabilities measured at fair value at December 31, 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	16 131 684	5 042	62 999	16 199 725
Central counterparty financial assets and liabilities (currency transactions)	2 301 781	-	-	2 301 781
Investments available-for-sale	71 047 470	3 117 458	87 124	74 252 052

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Notes to the Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended June 30, 2014 (Continued)

(in thousands of Russian rubles, unless otherwise indicated)

31. Fair Value Measurements (continued)

The following table shows a reconciliation for the six-month period ended June 30, 2014 and June 30, 2013, for fair value measurements in Level 3 of the fair value hierarchy:

	FVTPL	AFS
Balance at December 31, 2012	66 960	167 913
Loss recognized in net loss on financial assets at fair value through profit or loss	(2 346)	-
Level 3 securities sold	-	(20 058)
Foreign exchange gain	-	99
Balance at June 30, 2013	64 614	147 954
Balance at December 31, 2013	62 999	87 124
Loss recognized in net loss on financial assets at fair value through profit or loss	(2 729)	-
Level 3 securities purchased	-	25 876
Level 3 securities sold	-	(78 563)
Foreign exchange loss	-	(700)
Balance at June 30, 2014	60 270	33 737

Transfers between level 1 and 2

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows total amount of transfers of financial assets between level 1 and level 2. Transfers from level 2 to level 1 (June 30, 2013: from level 1 to level 2) occurred due to fact that markets for certain financial assets became (June 30, 2013: ceased to be) active during the period.

	Transfers between Level 1 and Level 2	
	Six - month period ended June 30, 2014	Six - month period ended June 30, 2013
<i>From Level 1 to Level 2</i>		
Investments available-for-sale	-	24 058
<i>From Level 2 to Level 1</i>		
Investments available-for-sale	596 979	-

32. Subsequent events

On 2 July 2014, the Central Bank of Russia sold an 11,7% stake in Moscow Exchange to the market. The sale is in line with the Central Bank's obligation to completely exit the shareholder capital of Moscow Exchange by 1 January 2016. As the result of the sale, the entities controlled by the Russian Federation together hold less than 50% of voting shares of Moscow Exchange.

In August 2014 CC RTS and SC RTS were merged to NCC.