CTC MEDIA
ANNUAL REVIEW 2013

A NEW STRATEGY FOR A NEW AGE

media

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For more details on our strategy please see more pages 18-27

A NEW STRATEGY FOR A NEW AGE

Welcome to the 2013 Annual Review from CTC Media, Russia's leading independent broadcasting and content company.

Today, the Russian broadcasting industry stands on the brink of digitisation – an historic moment that is set to change the face of media. At CTC Media, we are responding to the demands of this revolution with a sweeping change and restructuring process that will make us truly fit for purpose in the years ahead. We will be a fully integrated media group, where all content is transmedia and multi-channel.

Our strategic goal is straightforward. We aim to be Russia's leading force in creating, managing and distributing high-quality and engaging content across a range of platforms, generating sustainable revenues via a range of diversified income streams.

So this document explains CTC Media's approach to the challenge of the years ahead, sharing the strategic vision and roadmap that we believe will enable us to maximise the opportunities we face. And it illustrates how we intend to achieve our goals through improving our organisational efficiency while optimising the returns we gain from our media assets.

It's important to us that you can share in our vision, and we hope that you find this document a useful and thought-provoking tool in helping you do so. Please do not hesitate to share your views on the industry and our position within it; the road ahead is an exciting one, and we want to share that excitement with as many people as possible.

A STRONG, DIVERSE PORTFOLIO

As Russia's digital age dawns, CTC Media's financial strength and economies of scale are enabling us to make all the investments required to gain and sustain a leading position in this fast-moving new media landscape.

But it's not just our financial position that makes us the natural first mover among Russia's broadcasting companies. The professionalism of our people, the strength of our brand and the support of our institutional shareholders are all key factors that set us apart.

And even as we grow our transmedia presence in the years ahead, our television activities will remain at the heart of our organisation as we move forward. So 2013's 7% revenue growth in rubles across our three main channels – CTC, Domashny and Peretz – is highly significant, representing a commercially successful and complementary portfolio that delivers the audience mix and reach that advertisers are looking for. And by understanding and meeting customer needs, we have a strong record of delivering additional value for which advertisers will happily pay a premium.

The creation in 2013 and launch in 2014 of our new cable and satellite channel, CTC Love, extends that choice and reach even further. And, provided the second multiplex is completed on time, our early adoption of digital distribution is set to effectively double our potential audience, when 98% of Russian households will be able to access our digital channels. Equally important, the mix of channels that are included in either the first or second multiplex is different from the current analog world and may lead to reduced competition for viewers and advertising budgets.

For more details please see pages 28-31

Our channels

CTC Media's three main channels are watched by a combined daily audience of 27.5 million viewers aged over four – they attract 13.9 million in our target demographic of everyone aged 10-45.

International channels

The CTC Channel

A family-oriented entertainment channel targeting all viewers aged 10-45

DAILY AUDIENCE NUMBERS

c.19.7m

AUDIENCE SHARE OF ALL 10-45 (2013)

11.3%

TOTAL REVENUE ('000) (2013)

$586,434

Domashny

A female oriented channel targeting women aged 25-59

DAILY AUDIENCE NUMBERS

c.10.7m

AUDIENCE SHARE OF WOMEN AGED 25-59 (2013)

3.5%

ADVERTISING REVENUE ('000) (2013)

$124,838

Peretz

An all-action channel targeting all viewers aged 25-49 with a focus on men

DAILY AUDIENCE NUMBERS

c.11.6m

AUDIENCE SHARE OF ALL 10-45 (2013)

2.4%

TOTAL REVENUE ('000) (2013)

$84,264

International

We currently have two international models in operation. First are the foreign assets we wholly or partially own, namely Channel 31 in Kazakhstan and TeleDixi in Moldova. These both performed well in 2013, with Channel 31's revenues growing by 14% in dollars during the year to deliver doubled profits. We have already created bespoke series for Kazakhstan, produced in our in-house production facilities there.

The second model is pay – TV, targeting Russian speaking audiences via CTC International and Peretz International channels in North America, Israel, Germany, the Baltic states, Kazakhstan, Kyrgyzstan, Armenia, Georgia, Azerbaijan and Thailand. This was also successful, and the year saw us launch Peretz International in Belarus.

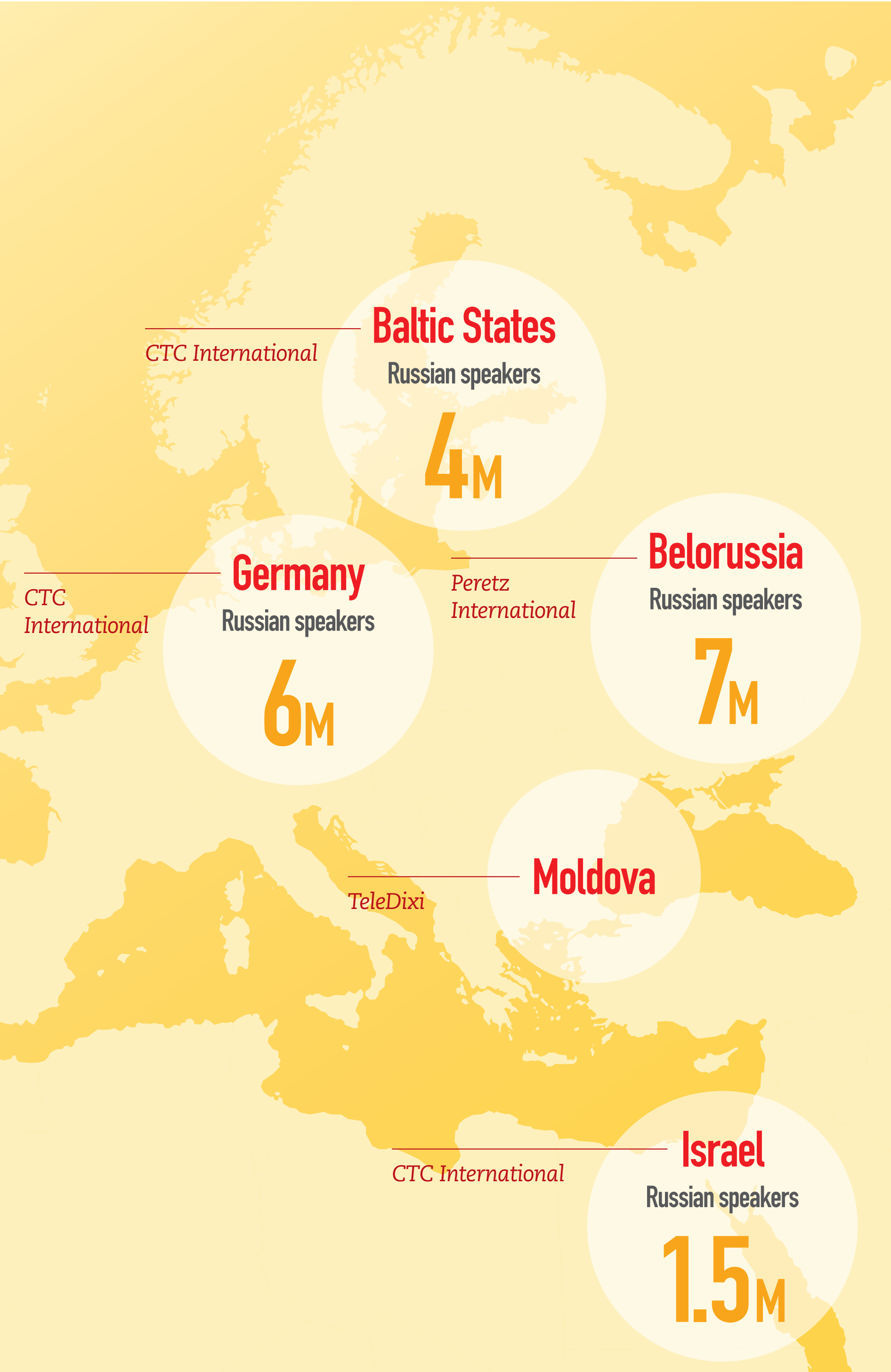
WHERE WE OPERATE

A GLOBAL DISTRIBUTION NETWORK

CTC Media currently operates in a range of highly attractive markets through the northern hemisphere. As well as being the largest independent free-to-air broadcaster in Russia, Europe's third-largest TV advertising market, we also target many of the world's most important pockets of Russian speakers through a mix of commercially driven free and pay TV services – from the USA to Israel, Germany to Thailand.

And our transformation into an owner and distributor of high-quality multi-platform content will radically increase our reach among Russian-speaking audiences both at home and across the world.

Wherever we operate, the strength of the CTC Media brand for Russian speakers is a key advantage. In Interbrand Moscow's 2013 report on the best Russian brands, CTC Media was the country's leading media organisation and one of just two media companies in the top 40. And as we develop and empower the brand yet further throughout 2014 and in years to come, so we will further strengthen the opportunity to realise the commercial potential provided by digital and other media in all our markets.

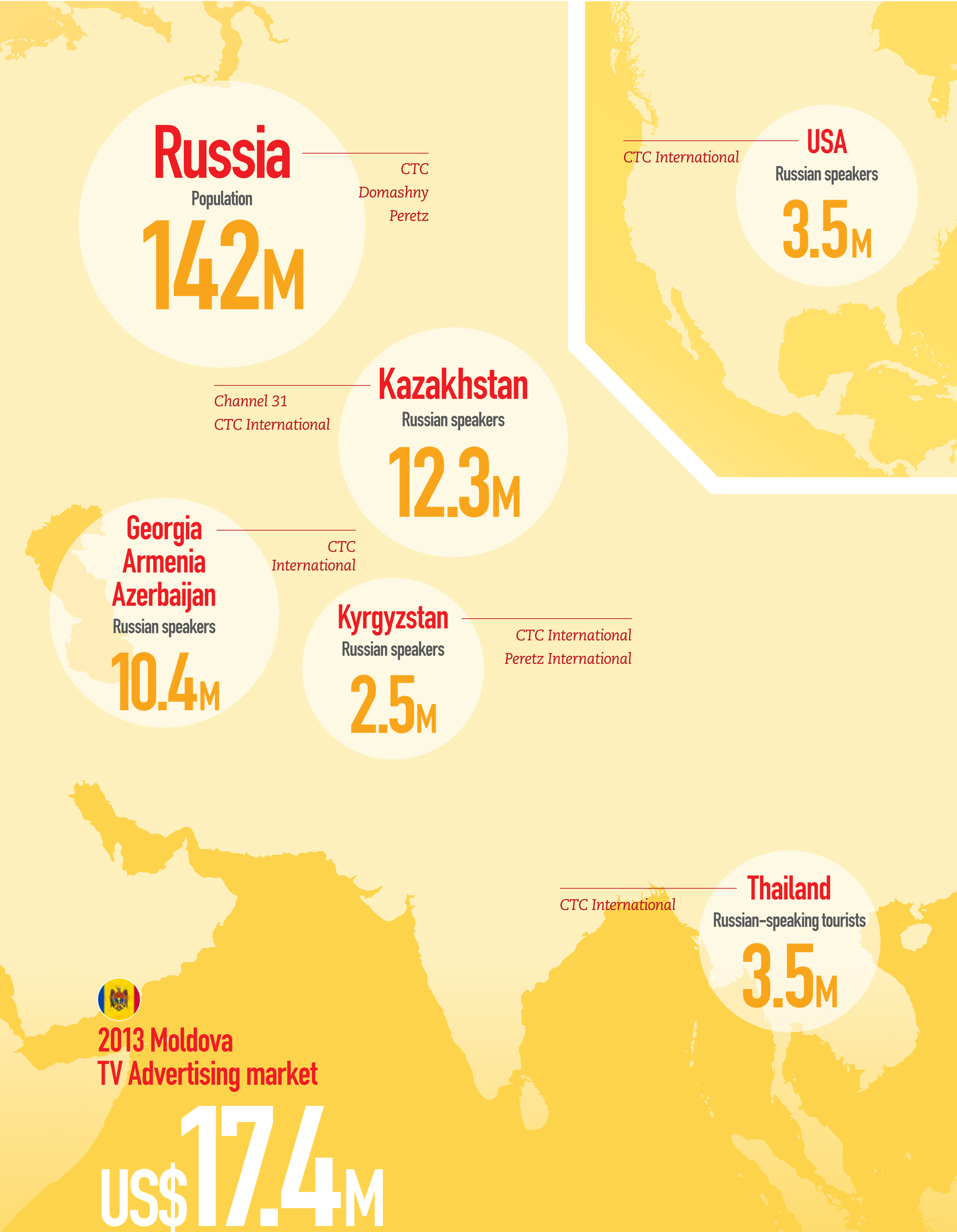


2013 Russian TV Advertising market

RUB156.2BLN

2013 Kazakh TV Advertising market

US$148.0M



Russia
Population
142M
CTC
Domashny
Peretz
USA
Russian speakers
3.5M
CTC International
Kazakhstan
Russian speakers
12.3M
Channel 31
CTC International
Georgia
Armenia
Azerbaijan
Russian speakers
10.4M
CTC
International
Kyrgyzstan
Russian speakers
2.5M
CTC International
Peretz International
Thailand
Russian-speaking tourists
3.5M
CTC International
2013 Moldova
TV Advertising market
US$17.4M

TIMELINE

A HISTORY OF EXPANSION AND INNOVATION

CTC Media has evolved from a private TV network to a public multi-platform content and media group.

1989

CTC Media is founded under the name Story First Communications

1994

We launch the CTC Network

2002

Highly respected Swedish media giant Modern Times Group becomes a shareholder in CTC Media

2005

The Domashny Network is launched as Russia's first specialist thematic TV channel, targeting women aged 25-59

2006

CTC Media debuts on NASDAQ with an Initial Public Offering

2008

The group makes two key acquisitions, first buying the DTV channel (which became Peretz in 2011) and then launching its international expansion with the purchase of Channel 31 in Kazakhstan and Channel Dixi in Moldova

2009

We launch our international pay TV offering, CTC-international, in the USA

2010

The expansion of CTC-international continues, with launch in Israel. We establish our in-house Everest Sales division and begin the shift towards a multi-faceted digital group with the launch on our online content portal, Videomore.ru

2011

CTC-international takes off in Germany, North America and the Baltics, and extend the reach of our women's brand by launching the Domashniy.ru portal

Telcrest Investment Limited acquired a 25% stake in CTC Media from Alfa Group.

2012

CTC-international uplinks to the HOT BIRD 8 satellite and expands into Kazakhstan, Kyrgyzstan, Armenia, Georgia, Azerbaijan and Thailand. Our CTC and Domashny channels both receive digital licences

2013

We announce our new integrated strategy for growth and success in the digital era. We enter an agreement with KupiVip on a ground-breaking e-commerce project, and Peretz International takes off in Belarus. We complete the development of our in-house creative production centre.

2013 — A YEAR OF RADICAL CHANGE

Financial highlights

REVENUES +7%

CTC Media drives up its revenues by 7% in ruble terms and 3% in dollar terms year-on-year to $832.1 million, achieving an improved adjusted OIBDA margin of 32.5% (up from 31.9% in 2012)

EARNINGS PER SHARE $1.16

Adjusted fully diluted earnings per share rise to $1.16, up by 16% over the previous year

OVER 99%

Our sales team sells over 99% of our national inventory across all three channels, driving up revenue from sponsorship (by 27%) and the internet (by 45%)

GROUP REVENUE ($M)

EARNINGS PER SHARE ($)

ADVERTISING INVENTORY SALES (%)

Strategic highlights

We radically improve the performance of the flagship CTC Channel, the only one of Russia's top six channels to grow its audience in 2013

Following a long-term programme of transition, we complete the CTC Channel's shift to the key 10-45 audience that advertisers value most highly

We complete the development of our in-house creative production centre.

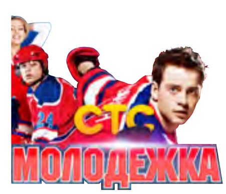
We become the first broadcaster in Russia to develop a digitally focused vision and route-map, designed to deliver competitive advantage

We create a single centralised content 'library' for all the concepts we conceive and create – a key step in ensuring better profitability and protecting rights into the future

We successfully launch our new Transmedia department, aligning it with our successful TV business to enable the simultaneous creation of content for different platforms

Our new cable channel targeting a young female audience – CTC Love was launched in April 2014

We launched the first e-commerce project by a Russian TV company, in April 2014, entering an agreement with KupiVip



New hit programme launches in 2013 include 'Molodezhka' (Youth Hockey League) and 'Vyzhit Posle' (Survival After), a new programming solution developed for CTC Channel's key 22.00 time slot

Peretz International launches in Belarus

CHIEF EXECUTIVE OFFICER'S Q&A

SHAPING OUR BUSINESS FOR THE FUTURE

YULIANA SLASHCHEVA
Chief Executive Officer

Q. In a nutshell, how would you describe the purpose behind the restructuring of CTC Media?

A. Our aim is straightforward – to bring about changes in structure and mindset that are necessary for us to move from being a pure-play broadcaster to become a future-focused content company that's known for creating and distributing good-quality content on all the platforms where it can be monetised. In other words, we are aiming to be much more than a broadcaster – we want to be present everywhere that a viewer can watch our video content.

Q. What are the main steps you are taking to transform the company?

A. Our new business model is at the heart of the changes we're making. In this, we're centralising a range of corporate functions, like marketing, corporate communications and programming, that used to be duplicated across our old channel-focused approach. Our centralised functions now support all our content creation and distribution activities, regardless of channel or platform.

The second really important change we've made is to merge our TV, transmedia and digital departments into one, so that content is developed for all platforms at the same time to maximise its reach and monetisation potential.

And third, we have launched a focused creative centre that develops ideas in-house, on which we retain the content rights. This involves other companies producing our concepts on our behalf, which is a far more cost-efficient and effective use of our resources.

Q. Are you yet seeing any improvements coming through from the implementation of the new strategy?

A. Yes, very much so. As one example, bringing all our marketing people together into a single expanded team has in just a few months revolutionised the quality and effectiveness of their output. This is a straightforward result of bringing all our best talent into the same place, giving them the opportunity to brainstorm ideas together.

Another example is that we've brought the cannibalisation of our audiences down to the absolute minimum by putting scheduling across all channels under the control of one person. So while we used to have some of our strongest output on air at the same time, appealing to similar audiences, we can now ensure that all our channels complement each other to attract the largest possible and most targeted combined audience.

Q. How confident are you about CTC Media's ability to transform into a true transmedia content company?

A. As one of the few Russian broadcasters with a successful track record in transmedia projects, we are quietly confident. For example, our recent 'Real Love' transmedia project had 30 million viewers on TV and an internet audience of 20 million. We know how to monetise this kind of audience, and received 190 million rubles in digital revenues in 2013. We are aiming to increase this by around 30% during 2014.

> "We are aiming to be much more than a broadcaster – we want to be present everywhere that a viewer can watch our video content"

Q. Can you outline the actions you are taking to improve the performance of your channel portfolio?

A. I've already touched on our complementary programming approach, which is central to this issue. Looking at the channels one by one, we are looking to grow the audience share of the CTC Channel in part by replacing Hollywood TV series with local series. We began this process in 2013, and are more than happy with the results to date. For example, in the autumn of 2013 we launched new series – Molodezhka and After Life – which both gained a higher share than the channel average.

We're happy with the audience share of our Domashny channel, but its new management team is looking to improve the quality of the audience to make it more attractive to advertisers and so improve revenues. We are launching a number of new projects with media people who came to the fore at the Sochi Olympics.

We are looking to reposition the Peretz channel somewhat, taking it closer to the True TV model. And with the launch of our new CTC Love channel, we now have a property for an audience that we did not previously cater for, the core 18-25 female audience.

Q. Can you describe how the company's approach to production has changed over the last few months?

A. One objective of our new business model is to reduce costs, which is why we have replaced our own production capacity with an in-house creative force that comes up with the stories that will engage our viewers; having such a resource is rare in the Russian TV industry. However, Russia is rich in companies with the technical capability of producing high-quality content, and we now aim to work with them rather than competing against them. To this end, we advertise tenders for companies to turn our concepts into programmes, to the best standards and at the best price.

We've also revised our programming rights management strategy, and are now insisting on getting the full transfer of rights to us. We are aiming to build a vast content library in this way for distribution via all available media, including our own Russian channels, our subsidiary channels in Kazakhstan and Moldova, our CTC International and Peretz International networks, our digital platforms and third-party portals including social networks.

Our mission

We make life brighter!

We create stories that inspire our viewers and promote vivid and positive emotions.

Our vision

A leading media company in Russia setting new standards in media entertainment

Our values

Innovation
We strive to be #1 in the development and implementation of ideas.

We set the benchmark with our state-of-the-art methods of studying audience needs, for which we adopt global best practices along with our own original methods.

We offer our viewers new vivid emotions in a modern and entertaining format.

Creativity
The most successful are those who think outside the box.

We constantly look for ways of being more creative, we remain on top of new trends and we create vivid and unforgettable images, while staying ahead of the game.

We come up with unique and original solutions to any type of problem.

Responsibility
Our daily work is guided by moral and ethical values.

Our business is based on honesty, transparency and sound ethics towards viewers, employees, partners, shareholders and authorities.

We increase our profits to improve the quality of our content for our viewers, to provide comfortable conditions for our employees and to generate higher returns on our shareholders' investments.

Enthusiasm
We love what we do and wish to share our enthusiasm with others.

We aim to inspire and raise spirits with our positive attitude.

We work with passion and dedication, always striving to be the best.

Our commitment to CTC Media and to what we do enables us to achieve our goals and have fun while doing it!

Q. Could you explain how you intend to diversify your revenue streams?

A. Yes – as I've already said, we received 190 million rubles in digital revenue last year, which reflected the second successive year of 45% growth in our digital advertising revenue. We are looking to grow digital revenues significantly as a proportion of our income, and while banner and video advertising will be an important element of this, it is far from the only revenue stream we are seeking to develop.

For example, we expect to grow sponsorship as a source of income, and our sales team is very active in developing new opportunities in this area.

We are also making the move into e-commerce, and our joint-project with the KupiVIP online shopping club is the first large-scale move into this area by a Russian broadcaster. Essentially, we are together launching a new clothing brand for women, available from an online store where stylists will help customers make the best choices. Our contribution to the project is mainly non-cash, such as promoting the new brand via our TV and internet resources. This is the first pilot of this sort for CTC Media, but e-commerce is set to be one of our priority markets.

> "Our centralised functions now support all our content creation and distribution activities, regardless of channel or platform"

Another area we are looking at is gaming, and we are set to launch a computer game based on one of our series. Looking at new revenue streams in this way is strategically vital for the company – our TV inventory sell-out rate is very high, and having other revenue streams can grow our income further while remaining competitive in our core market place.

Q. How do you see the short-term future of the TV advertising market in Russia?

A. We are confident that it will continue to grow at the lower end of the 5% and 8% range during 2014. Our Russian advertising revenue goal is to keep pace with this growth.

Q. What is your view on the dividend for 2014?

A. Quite simply, the Board's intention to set our 2014 dividend at $0.7 per share (approximately $109 million, and around 10% more than the full-year payment for 2013), subject to market conditions and our cash needs, which allow us to have the highest dividend yield among media companies in Europe. This is because we are determined to share our success fairly with our shareholders to thank them for their support as we enter an exciting new era for the company.

YULIANA SLASHCHEVA
Chief Executive Officer

MARKET REVIEW

OPPORTUNITIES IN THE RUSSIAN MEDIA LANDSCAPE

In setting and delivering our strategy as a diversified transmedia organisation whose content serves multiple platforms, we recognise that television is and will continue for some years to be CTC Media's core business. But we're moving ahead of the market to maximise the opportunities that digitisation brings us.

The Russian TV advertising market is facing serious challenges – macro-economic factors such as the slowdown in Russia's GDP, strengthening competitive forces, accelerating audience fragmentation and the increasing elusiveness of younger viewers are all testing factors.

But it is still undoubtedly an attractive place to be. The country is currently the third-largest market in Europe, behind the UK and Germany[1].

In addition, TV is also significantly the most widely used advertising medium in Russia today. As the only option with truly national reach, it is also the country's most important social and cultural platform. As a result, it accounted for nearly half (48%)[2] of all Russian media spend in 2013.

And it shows no signs as yet of the reduction in revenue that other sectors have experienced at the hands of the internet, which accounted in 2013 for 22% of all media spending. To date, in fact, internet growth has been mainly gained at the expense of press (down to 11% from 31% in 2004) and outdoor (down by 6% to 12% over the same timescale). During the same 2004-2013 period, the proportion spent on TV actually grew by 5%.

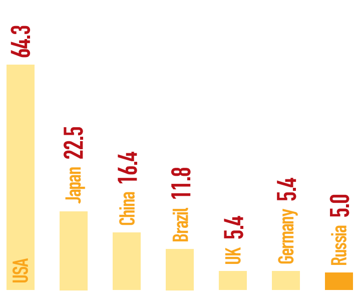
This lack of impact on TV by the internet is also supported when we look at TV usage statistics. In 2012, Russia was Europe's biggest internet market when measured by the number of users (68 million), ahead of Germany (67.5 million), the UK (52.7 million) and France (52.2 million). In addition, the internet advertising market grew by a staggering compound annual growth rate (CAGR) of 37% from 2007 to 2013, by when it was worth RUB 72 billion. Despite such figures, and the fact that average daily internet usage had risen to 66 minutes by 2013 (up from just five minutes in 2005), TV usage also actually rose in the same period from 228 to 251 minutes[3].

For all these reasons, we are cautiously optimistic about the future of TV advertising in Russia. But we're also very far from being complacent. The world is changing fast, and the media landscape of 2018 will be very different to that of today. This is why CTC Media is no longer exclusively a TV broadcaster – rather, we are a media content company whose programming is developed for use on multiple platforms from smart TV to online, mobile and social media.

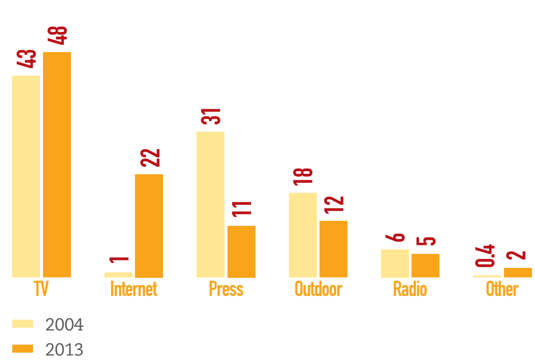
RUSSIAN TV AD MARKET

7TH IN THE WORLD

RUSSIAN TV AD MARKET 2013 (US$B)



AD SPEND IN RUSSIA BY MEDIA SEGMENT (%)



Today, digitisation is much the biggest challenge and opportunity facing CTC Media; with two channels (CTC and Domashny) successfully in the second wave of the Russian multiplex roll-out, the Group will be involved in the roll-out, by which time 98% national penetration will have been reached.

Mobile internet and smart TV will be the key drivers of the continuing growth of the internet audience. In Russia, mobile and smartphones represent around 10% of all the time spent online from all devices, compared with 15% in Europe and 27% worldwide. This highlights the latent growth potential. We believe that mobile internet will catch up with European and possibly even global markets. In fact, we saw a 93% increase in the number of viewers watching via mobile internet in 2013 alone. Smart TV usage also doubled in Russia in 2013, although its share is currently still small.

At CTC Media, our internet audience has grown to 10 million viewers. This audience is strongest among those aged 12-24 – while 56% are on-air viewers, a significant and fast-growing 41% watch video online. This is a sign of the future – and we will be there to greet them.

We're already making strong progress, with the development of strong, cross-platform formats to attract these younger viewers, create new advertising and licensing opportunities, strengthen viewer relationships and open up new gaming, merchandising, e-commerce and sponsorship opportunities.

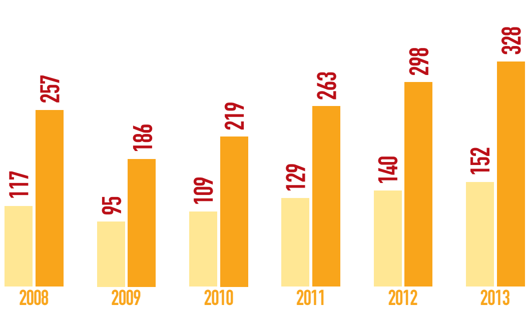
The Russian TV advertising market may be an attractive place to be. But the digital transmedia market that we are now entering is more attractive yet.

1. Zenith Optimedia, April 2014, company estimates

2. Russian Association of Communication Agencies, Video International

3. TNS Gallup Media, Russia. Includes first year of accounting for 2+ TV sets per household

FREE-TO-AIR TV AD MARKET GROWTH



TV Ad Market
Total Ad Market

TV AD MARKET CAGR

+16%

2004–2013

TOTAL AD MARKET CAGR

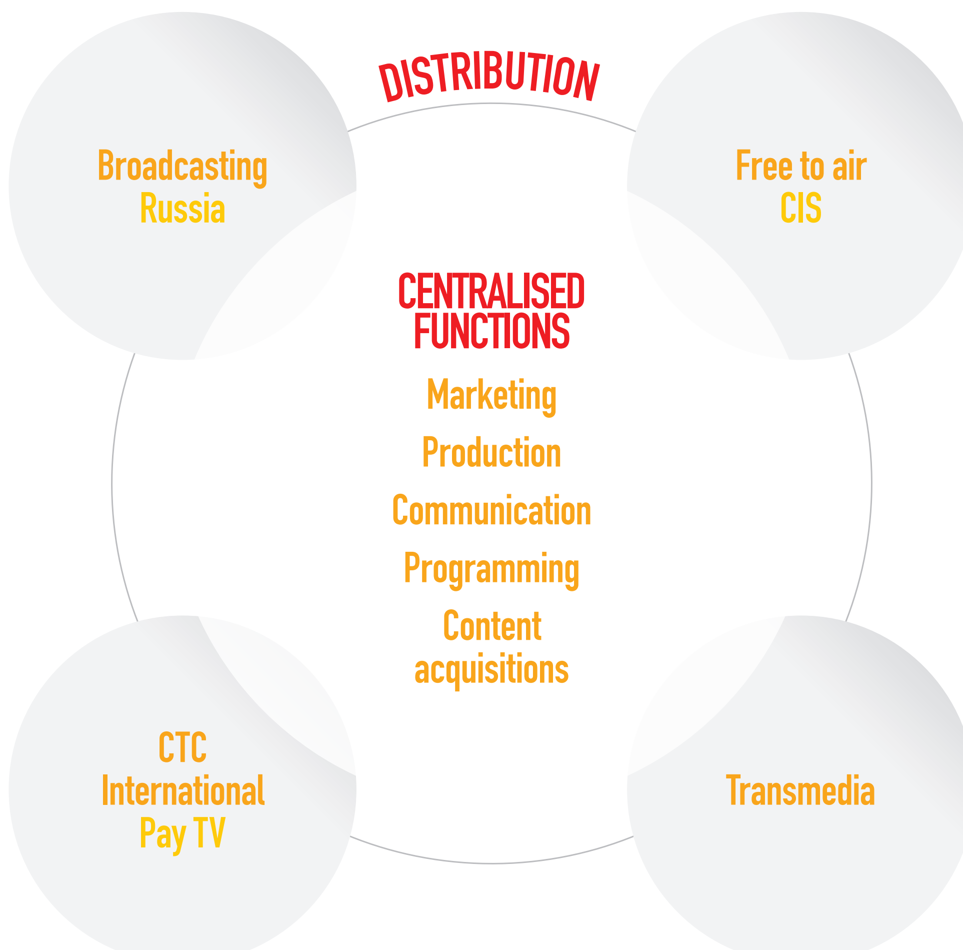
+15%

2004–2013

CHANGING THE WAY WE DO BUSINESS

Our business model is evolving as we reshape our business to be more streamlined and responsive in a changing media landscape.

We have shifted from a channel-focused model to a centralised model, with a range of corporate functions, like marketing, corporate communications and programming, that used to be duplicated across our old channel-focused approach, but are now to be run centrally regardless of channel or platform. This allows us to operate a coordinated approach, maximising efficiencies and opportunities, and generate maximum returns to shareholders.



OUR DIFFERENTIATORS

Brand

Content

People

Financial strength

Economies of scale

HOW WE CREATE VALUE

GROWTH

Operating in Europe's third-largest TV ad market

EFFICIENCY / PROFITABILITY

OIBDA margin of 32.5% in 2013, well above European TV broadcasters' average

Power ratio of 1.5x due to attractive audience profiles

Strong cash flow generation and net cash position

RETURN CASH TO SHAREHOLDERS

Over 50% cash dividend payout

More than 5% dividend yield in 2011, 2012 and 2013

STRATEGY

DELIVERING AGAINST OUR STRATEGY

To succeed in the new multi-platform entertainment era that we're entering demands a new strategy – one with the ultimate goal of leading the Russian media industry in the creation, management and distribution of content on all potentially monetisable platforms.

That's why CTC Media is the first Russian broadcaster to unveil its strategy for the digital age. A strategy that draws upon the power of our brand, our financial strength, our creative expertise and technical know-how to build a sustainable lead in the digital environment.

Here and over the next few pages we explain some of the rationale behind our new strategy – an approach with the aim of creating sustainable shareholder value, ahead of the market and for the long-term future.

STRATEGIC PRIORITIES	HOW WE PLAN TO ACHIEVE OUR PRIORITY
1 	• Focus on a broad-based brand and content-development strategy that enables CTC Media to leverage the full value of our intellectual properties across platforms
2 	• Enhanced programme quality across three channels (CTC, Domashny, Peretz) will deliver improved audience demographics and share • Launch of CTC Love is set to improve scope and balance of our portfolio, with complementary channels that do not cannibalise one another's audience
3 	• Launching more service offerings online will bring our umbrella, channel and content brands to a new, wider and younger audience that's increasingly difficult to reach via TV alone
4 	• We're aiming to increase the contribution of non-core (primarily digital) activities to Group revenues and OIBDA.

PERFORMANCE HIGHLIGHTS

- We're improving efficiency through centralising functions such as marketing, communications, production and programming to support all channels and platforms
- A focus on high-quality content drives audience share and value for advertisers
- Distributing content across the range of smart TV, online and mobile digital platforms improves reach and economies of scale
- Growing our brands on new platforms and among new audience segments improves opportunities to monetise our properties

CTC is Russia's strongest media brand

All our content is transmedia and multi-platform

- The draw of the key 10-45 demographic for advertisers provides key goal for CTC Channel (to be number one for this audience by 2018)
- Domashny and Peretz to enhance loyalty among core target audiences through more dynamic and relevant home-produced content
- The presence of two channels on the second multiplex set to double potential audiences

We are pioneering second screen technology

We have established a new in-house creative team

- Content will be distributed via own portals, trusted partners and leading Russian aggregators
- CTC Media has the advantage of very attractive content that internet platforms are fighting for
- The cross-media expertise of our production professionals is developing fast to build a lead in the Russian market
- CTC Media's digital content library will protect margins and licensing rights

We are creating mobile versions of our hit shows

We are creating multi-platform content

- Growing audiences organically through the power of our brands will jumpstart our development of the digital space, enabling us to monetise our content
- The mobile and smart TV markets are growing fast – monetisation will follow for the best content
- As viewers get used to watching CTC content on CTC Media resources, audiences will grow organically
- Partnering with digital leaders and distributors will accelerate our ownership of the digital space

Sponsorship income

+27%

Revenue from internet advertising

+45%

1

PRIORITISE CONTENT AND SYNERGIES

We are creating a centralised model, where content can be shared and delivered across multiple platforms

The power of the brand

CTC is already Russia's strongest media brand, capable of rapidly opening up the digital space to deliver tangible monetisation opportunities

Delivering our vision

Our 'centralised' business model means we can achieve new operational efficiencies while sharing sought-after content across multiple platforms.

Our former channel-based strategy helped make us Russia's leading independent TV broadcaster. Now, with a focus on taking our brand properties to new audiences via digital platforms, we aim to become Russia's leading transmedia content company.

We're already doing this by creating and adapting our programming streams for simultaneous distribution on all available platforms. We're opening up new markets and opportunities that no other Russian media group has yet addressed, maximising the value of our unique content. And by centralising our corporate support functions, we're delivering new efficiencies to maximise profitability and shareholder value.

A fully integrated content company

All our content is transmedia and multi-platform, driving economies of scale and maximising opportunities to see across devices and platforms

Where content is king...

We base our competitive positioning on high-quality content, creating properties people will engage with and companies pay to be part of

2

GROW COMBINED AUDIENCE SHARE

We are improving the content and processes of all our channels to reach new audiences

Greater emphasis on creativity

Our newly created in-house creative team has a brief to conceive new concepts that will replace the use of Hollywood output in our grid

The second-screen trailblazers

In a radical first for Russia, we're set to pioneer the introduction of 'second screen' technology for our hit series Molodyozhka (Youth Hockey League) to enabling a more immersive and interactive viewer experience

Unique transmedia project

Full details will shortly be available of a highly innovative transmedia project set for launch later in 2014, aimed at simultaneously attracting traditional TV and younger web audiences

Our multi-genre approach

The CTC Channel is moving beyond comedy alone to provide a more rounded line-up, including fantasy, mystery and adventure programming

Delivering our vision

The quality of our content is our prime differentiator – and we are focused on further improvement to strengthen our competitive advantage.

Our new strategy recognises that television is still our core business and that our channels and content are our most valuable media assets. That's why we have set targets to grow the combined audience share of our existing channels.

So we have major improvement projects underway for all our channels, aimed at maximising the pulling power of our complementary channel portfolio. Looking ahead, the centralisation of all support functions will further facilitate the creation of high-quality content for our smaller channels. And the extension of our portfolio will improve our ability to meet advertiser needs.

3

EXPAND DIGITAL OFFERINGS

We are expanding our online offerings, to grow the reach of our brand

Accessing CTC resources

Our own ctc.ru becomes the main gateway to CTC entertainment, providing additional services through partnerships and driving revenue through video and banner advertising

Building the Domashny brand online

We're moving Domashny.ru from a portal to a destination in its own right: expert tips, exclusive new content and partner services

Leveraging vertical markets

Using CTC and Domashny content to create multi-platform solutions on topics from food to travel, beauty to décor

Mobilising our assets

From games and apps based on our hit shows to mobile versions of our channels

Delivering our vision

By expanding our online service offerings, we're capitalising upon and growing the power of our existing brands.

Our synergistic approach to content creation is a highly effective way of maximising its reach and impact – creating relationships with new, younger audiences who are not heavy TV users. And to achieve this all-important synergy, our creative team constantly consider how to reach their audience and how to monetise their content.

So making existing programming available on digital platforms is only one approach. We're also creating and launching new concepts, breaking new ground in the Russian market place and adding new dimensions to existing successful formats. And we're transforming our Videomore.ru aggregator resource into a content-distribution platform that allows users to watch all our content on our destinations and other digital platforms alike.

4

DIVERSIFY REVENUE STREAMS

We are looking for new sources of revenue, to match our expanded offerings

TV advertising still the focus

Russian TV sales forecast to continue growth in high single digits as the fastest-growing TV advertising market in Europe

Ability to grasp new opportunities

Digitisation widens the potential for new sales offerings, from innovative sponsorship formats to interesting multi-platform campaigns including social media

Widest application of the advertising model

Building on the expertise and professionalism of our market-leading sales team

Russia's first media-for-equity e-commerce deal

We're breaking new ground by launching a new branded range of women's clothing in partnership with KupiVIP.

Delivering our vision

83% of all media interactions in Russia are screen-based, as mobile and internet usage continues to drive down the consumption of print media and radio.

A core medium-term goal of our new strategy is to grow those revenues made via sources other than TV advertising to 10% of the Group total. Some of this is TV-related, leveraging emergent digital functionality to create new sponsorship and product-placement opportunities, for example, as well as exploring merchandising and licensing opportunities. In 2013, our sponsorship income grew by 27% year-on-year, while revenue from internet advertising increased by 45%.

The focus is also on unlocking the inherent value of e-commerce in Russia. So we're pursuing many avenues, including exclusive video content, gaming concepts and a range of new formats for smart TV, the web and mobile – the eyeballs are already there, and monetisation is following.

And as the financial contribution of digital platforms grows in years ahead, the investments we are making now will deliver the organic audience growth we need to support a more sustainable business for the long term.

BUSINESS REVIEW

STRONG PERFORMANCE THROUGH THE BUSINESS

2013 was a year of far-reaching improvement for CTC Media, in key areas including programming, content development and securing its digital future.

One of CTC Media's most important achievements among many in 2013 was the agreement in March by our CTC and Domashny channels with the Russian Television and Radio Network (RTRS) that will now support our future as a digital broadcaster. Under the agreement, RTRS will provide all the services the channels need to broadcast their signals in digital format to nearly 142 million people across Russia.

This achievement provides some context for the company's new strategy, which is transforming us into a content company that reaches its viewers with rich video content wherever they may be and whatever device they are using – smart TV, PC, tablet or mobile.

For this reason, 2013 was a year of transition for CTC Media, with a new CEO, a new business model, a new approach to production, a new focus on creativity and a new route-map to delivering on our vision. Despite this, we successfully delivered strong commercial results during the year, based on our close to 100% sell-out of our TV inventory at a quality-based premium.

In 2013, we repurchased 2.5 million shares of common stock, at an average price of $11.89 per share for a total of $29.7 million, the full amount of the previously announced share repurchase programme for use under the company's 2013 Equity Incentive Plan.

Overall, the company saw its operating revenues rise by 7% in ruble terms and 3% in dollar terms year-on-year to $832.1 million. This was driven by a 7% rise in advertising revenues, which totalled $806.5 million, a satisfactory result in the context of the macro-economic issues affecting the Russian business landscape. Thanks to our continuing careful cost management, adjusted OIBDA grew by 10% in ruble terms year-on-year to deliver a 32.5% margin.

These were positive financial results, with the 2014 dividend of $0.7 per share the highest dividend yield of any European media company. But it is for other factors that 2013 will be remembered longest. Chief among these is the creation, announcement and launch of our new business model and content-focused strategy, which are explained in pages 16 to 27 of this report.

We are already making strong progress across all four pillars of our strategy – prioritising content and synergies, growing combined audience share, diversifying revenue and expanding our digital offering.

Key examples of this progress are the foundation of our new creative production centre, where new programme ideas and formats are conceived; while these will be made by independent production companies, we will seek to retain full rights to our ideas across all platforms.

Full year financial highlights

GROUP REVENUE ($M)

FREE CASH FLOW ($M)

GROUP ADJUSTED NET INCOME ($M)

Launch of CTC Love

An example of our strategy to utilise Group-wide synergies is the launch of CTC Love, a brand-new CTC Media channel aimed at girls and young women. This represents a key expansion of our offering at low cost, and with a high impact.

CTC Love will complement our existing CTC, Domashny, and Peretz Channels, with a target audience of all viewers 11-34, and a core audience of women 18-25. This is an attractive market as the proportion of female audience is higher and is continuing to grow in advertiser budgets. Its offering will reinforce the overall CTC Media brand.

We're able to deliver this exciting new channel by building extensively on our existing high-quality local and foreign content library, and promote the channel alongside our wider online offering.

ADVERTISING REVENUES ($M)

$806.5

+7%

2014 DIVIDEND

$0.7

PER SHARE

Another important highlight was the foundation of our Transmedia Projects Department, which is now responsible for ensuring that our content initiatives have the greatest possible impact on all platforms. The year was also notable for the conception of a ground-breaking e-commerce joint venture, the first such initiative from a Russian media company.

We are particularly pleased that, in the face of ongoing audience fragmentation, the CTC Channel was the only one of Russia's top six to show continuing growth in its audience share (up from 11% to 11.3%). Critically, this was driven by the quality of its content, which bodes well for the future of our content-based strategy. This was thanks to our new channel strategy of replacing Hollywood-produced content, which has lost much of its pulling power in recent times, with high-quality home-produced content.

Other achievements included the year-on-year increases in the technical penetration of our CTC, Domashny and Peretz networks to 95.3% (2012: 95.1%), 90.1% (2012: 88.5%), and 85.5% (2012: 83.8%), respectively. We also completed a successful upgrade of our CTC.ru and Domashny.ru websites and launched a range of channel apps.

OPERATING CASH FLOW ($M)

ADJUSTED OIBDA PROFITABILITY (%)

Extending our audience across channels

Our biggest new hit was Molodezhka, which drew a 16.2% average share and 18% for its last 20 episodes. The final episode attracted every fourth TV viewer in Russia. But its success did not end with free-to-air TV broadcasting – we also monetised the programme online, the series achieving 600,000 daily views on our digital platforms, which included a dedicated app. This achieved almost 40 million views in total. The VKontakte Molodezhka group has almost 1 million members, and in its second season the show will have a dedicated second-screen offering.

Again, this highlights the strategic purpose behind our focus on playing to the competitive strengths of our content.

CTC Channel

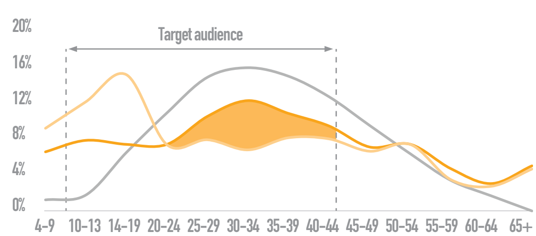
In 2013, CTC was alone among Russia's top six channels in growing its audience share, from 11.0% in 2012 to 11.3% – a remarkable achievement in an era of audience fragmentation.

This growth is directly attributable to our efforts to raise programming quality during the year, increasing home-grown concepts, experimenting with genres and reducing our reliance on bought-in programmes and Hollywood movies.

It's an approach that has helped us to strengthen CTC's position as the third most watched channel by the key 'all 10-45' audience, the most sought after by Russian advertisers. And it will support our campaign to become the number one destination for this group by 2018.

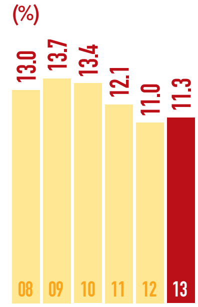
Today, the CTC Channel's excellent distribution backbone gives it a total potential audience of over 100 million viewers.

CTC AUDIENCE DEMOGRAPHIC PROFILE (%)



Advertisers' demand
CTC audience demographic profile FY 2013
CTC audience demographic profile FY 2008

CTC AUDIENCE SHARE IN 10 – 45 DEMOGRAPHIC (%)



CTC AUDIENCE SHARE

11.3%

Domashny

When we launched Domashny in 2005, it was the first time a Russian broadcaster had created a specialist, thematic channel targeting a female audience. That audience was women aged 25 to 59, and the aim of the venture was to serve an audience that was much in demand by advertisers but under-served by broadcasters.

Today, the Domashny channel is the leading Russian second-tier broadcaster among its target audience. Despite a slight decline in its target audience share in 2013, from 3.6% to 3.5%, Domashny continues to strengthen its demographic profile and grow its core female audience.

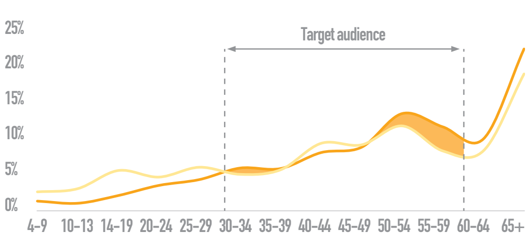
As a result, Domashny successfully attracted new advertisers in 2013, including some new to TV, and grew its revenues in rubles by 13% during the year. And under the direction of a new head of channel, with new self-made content and a determination to further improve audience quality, the aim is for the Domashny brand to fulfil its potential in 2014 and the years ahead.

Peretz

The male-oriented Peretz channel, bought under the DTV name in 2008, aims to launch some 20 new shows in 2014, following a profitable year which saw its revenues grow in ruble terms by 6% year on year.

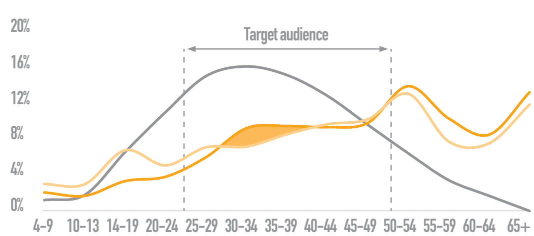
This growth was thanks to increased federal sales and sponsorship income, partially offset by a slight decline in share resulting from continued audience fragmentation. During 2014 and beyond, CTC Media aims to subtly reposition the channel to enhance its growth prospects in terms of both audience share and revenue.

DOMASHNY AUDIENCE DEMOGRAPHIC PROFILE (%)



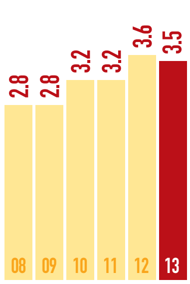
Domashny audience demographic profile FY 2013
Domashny audience demographic profile FY 2008

PERETZ AUDIENCE DEMOGRAPHIC PROFILE (%)



Advertisers' demand
Peretz audience demographic profile FY 2013
Peretz audience demographic profile FY 2008

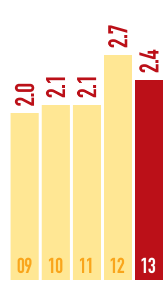
DOMASHNY AUDIENCE SHARE (%)



DOMASHNY AUDIENCE SHARE

3.5%

PERETZ AUDIENCE SHARE (%)



PERETZ AUDIENCE SHARE

2.4%

MANAGING OUR RISKS RESPONSIBLY

The effective identification and management of risks is vital to the achievement of our strategic objectives. Our robust approach relies on effective communication.

Every business organisation inevitably faces risk. Indeed, operating in a creative industry where innovation is of exceptional value, calculated risk is an essential means of gaining advantage.

What separates a successful organisation from the rest is its ability first to recognise the risks that it faces, and then to develop the policies and practices that mitigate or defuse those risks.

At CTC Media, we review the risk factors affecting our business on a regular basis, including those related to:

- our business and industry (e.g. macro-economic factors, audience share, the costs of digital migration, technology and audience measurement criteria);
- doing business in Russia (e.g. legal and political considerations, the banking system and shareholder liabilities);
- doing business in the CIS (e.g. risks related to operations in emerging markets).

Through our approach to corporate and risk governance and our need to comply with the requirements of our NASDAQ listing, we constantly monitor and evaluate such risks and implement strategies to address and mitigate them. For example, we believe that the main external risks we currently face are:

Risks	Mitigation	Change in 2013
Macro-economic resulting from the slow-down in Russian GDP, the decline in value of the ruble against the US dollar and the geo-political situation	to centralise corporate resources for heightened efficiency; to focus on industry-leading customer care for advertisers to recoup added value; to ensure financial prudence and governance through strong internal systems and use of best practice; to maximise revenue opportunities through leveraging all available platforms	↑
Creative resulting from the lack of assurance that new development projects will all be hits	to employ and develop the best available creative talent; to deeply understand the requirements and motivations of our various audiences; to schedule our channels so that our own programmes do not compete with one another in the same time-slots	↓
Competitive resulting from the actions of competing broadcasters, content developers and media sales organisations	to monitor their successes and analyse what they are doing differently or better; to ensure that our operations have the flexibility to respond rapidly to competitive pressures; to strive always to be the best and most efficient in our industry through the selection and development of our people	→

Internal control

Other forms of risk also affect all businesses, such as the risk of failure to ensure the effectiveness and efficiency of operations, to maintain appropriate financial control and reporting standards, and to comply with applicable laws and regulations.

At CTC Media, our Internal Control and Risk Management Department addresses such issues through the day-to-day administration of our internal control framework.

With the goal of making risk management an integral part of our company culture and processes, the framework ensures we:

- make internal control processes accountable across the organisation
- make employees aware of their responsibilities
- maintain and update documentation for key risk-management and control processes
- monitor objectives and activities, identify shortcomings, and test and evaluate control effectiveness.

Risk governance structure diagram

Board oversight

Overall responsibility for the Group's system of internal control and risk management. Approves overall Group risk appetite

Audit Committee

Reviews the adequacy and effectiveness of the Group's internal control system

Reviews reports on significant risks and controls

Receives and reviews reports from internal audit

Internal Control and Risk Management

Day-to-day administration of the internal control framework

Risk profiling

Risk profiling exercises are conducted by management to identify, assess and control business risks

OUR APPROACH TO ACTING RESPONSIBLY

The operations of our organisation can affect a wide range of stakeholder groups – from our viewers and advertisers to our employees and the communities with which we work.

We strive to fully align ourselves with best practice standards in all aspects of corporate social responsibility, from the openness of our communications with all audiences to providing development opportunities to our employees, engaging with national and regional government and complying with standards of health and safety.

Our approach to Corporate Responsibility is supported by our Code of Ethics and Business Conduct, which defines for our staff and management the standards of behaviour with which we must all comply. The areas this covers range from handling conflicts of interest and confidentiality to gifts and gratuities, bribes and kickbacks, accounting and auditing matters and compliance with laws, rules and regulations.

NUMBER OF EMPLOYEES

1,129

Code of Ethics and Business Conduct

CTC Media has adopted a Code of Ethics and Business Conduct where legal and ethical standards of behaviour for employees are defined.

The Code is designed to prevent any offences of law and ensure that the Company is running its business in accordance with the appropriate laws and regulations.

Special attention in the Code is drawn to the following aspects:

- Compliance with laws, rules and regulations
- Conflict of interests
- Insider trading
- Confidentiality
- Honest and ethical conduct and fair dealing
- Protection and proper use of corporate assets
- Gifts and gratuities
- Bribes and kickbacks
- Accuracy of books, records and public reports
- Concerns regarding accounting or auditing matters
- Dealings with independent auditors

The Code can be found in full on the CTC Media website: www.ctcmedia.ru

We also do our best to abide by a range of specific promises and commitments made to individual audiences, particularly our priority stakeholders, which we have identified as our customers, employees, regulators, and the wider community:

Customers

We are only successful because we place high value on our customers, treating our viewers with respect and tailoring our content to their preferences and varying interests. In doing so, we also provide an appropriate environment for our advertisers, sponsors and other clients to reach their target audiences efficiently and cost-effectively.

Employees

We foster an environment of participation, respect and appreciation within which our employees have opportunities to develop their skills and progress their careers. We also do our best to uphold the values of respect for the individual while supporting the importance of teamwork. We go to great lengths to ensure a healthy and safe working environment for all.

Regulators

We understand our responsibilities to both the public and private sectors, and ensure that we fully comply with the national, regional and local regulations to which we and our work are subject. We maintain due impartiality in all our broadcasting, both locally and nationally.

Community

We always seek to respond to the interests of the communities where we work and which carry our programmes. As a powerful media organisation with the ability to reach and influence many millions of people, we constantly keep in mind our responsibilities as citizens. We also seek to contribute to the resolution of critical social issues, to which end our channels have supported many social advertising campaigns in recent years. All our channels are also involved in supporting cultural life locally and nationally by carrying information on major events.

COMMITTED TO GOOD GOVERNANCE

As the only publicly traded media company in the US with most assets and principal place of business in Russia, we pride ourselves on the high standards of corporate governance that CTC Media has achieved.

Our Board believes that good corporate governance is important so that the Group is managed for the long-term benefit of its shareholders.

We are fully committed to comprehensive financial discipline and are determined to be transparent through the disclosure of as much information as possible. To this end, we have an independent internal auditor in place as well as Ernst & Young LLC, which acts as our independent auditor. We are also open with all our shareholders regarding our finances and strategy, via quarterly results press releases and analyst conference calls, shareholder conferences and our Annual Report.

We have two major shareholders, Modern Times Group and Telcrest Investment Limited, who together control 63% of our shares. They are also represented on our Board. Their presence brings the company as a whole the benefits of their experience and professionalism, in terms of both corporate management and the federal and international media industries. In addition, the majority of our Board is made up of independent directors, who have full and free access to management.

We also work hard to build strong and productive relationships with other stakeholders and influencers. These include regulators such as the Securities and Exchange Commission in the US and the government bodies and regional partners responsible for transmission that we work with in Russia.

Company policies

In addition, we have a comprehensive set of policies in place that enable us to comply with corporate governance standards and with all laws in the countries where we operate. These policies include our Code of Ethics and Business Conduct, our Reporting policy, our Corporate Governance Guidelines and our Related Party and Conflict of Interest, Insider Trading and Disclosure policies.

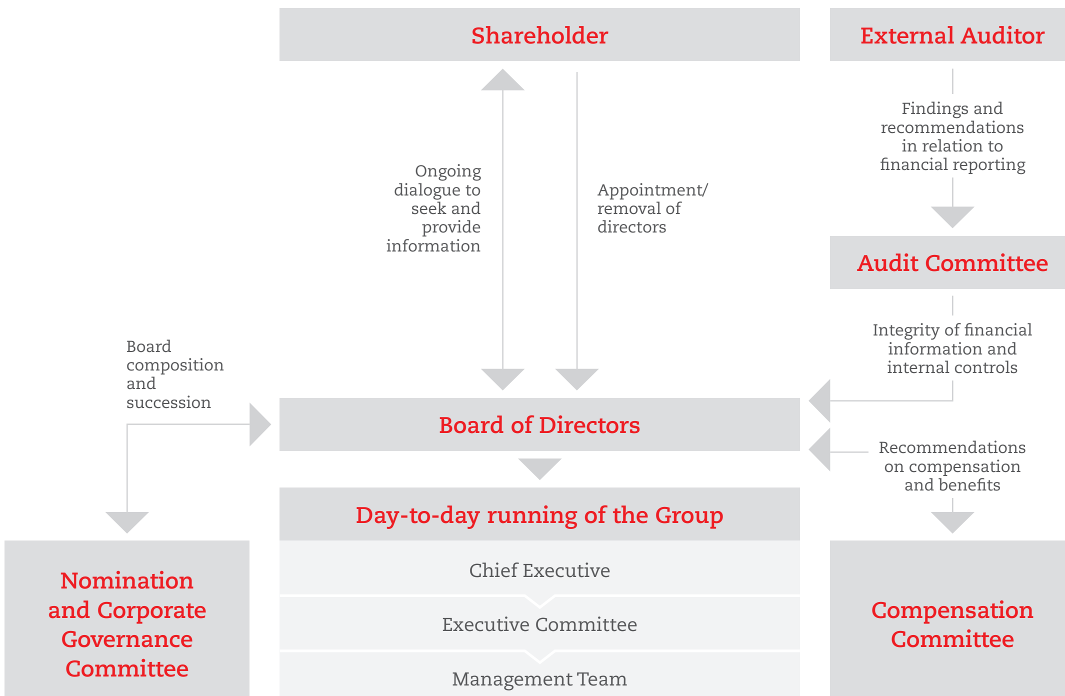
Board committees

The Board has also established a set of committees responsible for different aspects of the company's governance. The members of each committee are appointed by the Board and serve one-year terms. The principal committees are:

The Audit Committee: assists the Board in ensuring the integrity of the company's financial statements, and the independence, qualifications and performance of the independent auditor. It also has direct responsibility for the appointment, compensation, retention and oversight of our independent auditor. In addition, it reviews and discusses with management and the independent auditor our annual and quarterly financial statements and related disclosures. The Audit Committee must approve any related-party transaction that the company enters, and monitors our internal control over financial reporting, disclosure controls and procedures, and our Code of Ethics and Business Conduct.

The Compensation Committee: reviews and makes recommendations on the compensation and benefits awarded to our executive officers and key managers. The committee also administers awards made under our stock plans, as well as setting and reviewing policies on employee compensation and benefits. It also prepares any report on executive compensation required by the rules and regulations of the US Securities and Exchange Commission (SEC).

Corporate governance framework



The Nomination and Corporate Governance Committee: recommends people to be nominated for election as directors or to fill Board vacancies. It also recommends people for appointment to Board committees, as well as recommending our corporate governance principles and guidelines.

For a more complete description of the responsibilities of our Board committees and corporate governance activities, please see the Corporate Governance section of our website at www.ctcmedia.ru.

Audit Committee
Tamjid Basunia (Chairman)
Jean-Pierre Morel
Werner Klatten

Compensation Committee
Angelo Codignioni
Lorenzo Grabau
Jean-Pierre Morel (Chairman)

Nomination and Corporate Governance Committee
Angelo Codignioni
Lorenzo Grabau
Werner Klatten (Chairman)

BOARD OF DIRECTORS

ANGELO CODIGNONI
Director (since June 2011) and Co-Chairman (elected December 2011)

Mr Codignoni has nearly 30 years' experience in television, media and advertising, including the creation and management of TV networks in Europe and Asia. Between 1996 and 2006, he was President and CEO of EUROSPORT SA, Europe's largest sports network. He serves on the boards of several companies, and is an economics graduate from Milan's Universita Cattolico del Sacro Cuore.

LORENZO GRABAU
Director and Co-Chairman (since April 2013)

Mr Grabau has served as CEO of Investment Kinnevik AB since April 2014 and has been a non-executive director of Modern Times Group MTG AB since 2011, when he was also appointed as a non-executive director at SoftKinetic BV and Rouge Partners Sarl. He is a former partner and Managing Director of Goldman Sachs, where leadership positions included Head of Media and Head of Consumer Retail in the Investment Banking Division. He is a graduate of Universita degli Studi di Roma.

TAMJID BASUNIA
Director (appointed June 2006)

Mr Basunia was a partner at PricewaterhouseCoopers for over 20 years, where he worked in the Russian Federation for 11 years and also spent time in London, Eastern Europe and the Middle East. He also chaired the supervisory board of Eastern European operations and audit committee for over 10 years. A fellow of the Institute of Chartered Accountants in England and Wales, he also chaired the regulatory group established by the principal accounting firms in the Russian Federation.

IRINA GOFMAN
Director (appointed July 2008)

Ms Gofman is CEO of Modern Times Group Russia and CIS. Before joining MTG in 2008, she was CEO of Moscow-based internet media and services group Rambler Media, where she led an IPO and listing on the London Alternative Investment Market (AIM). She also worked for MTG from 2002 to 2004 as COO of the Russian TV network DTV. She holds a PhD in Philology from Moscow State University and an MBA from Babson College.

WERNER KLATTEN
Director (appointed June 2006)

Mr Klatten is currently chairman of the supervisory board of Deutsche Sporthilfe and vice chairman of the supervisory board of Constantin Medien AG, a German publicly traded media and marketing company focused on sports and entertainment. He joined Martin Brinkmann AG in 1977 as senior legal advisor, becoming chairman of the board in 1985. In 1988, Mr Klatten moved to become chief executive officer of the television channel Sat. 1. In 1994, he moved to Spiegel-Verlag as management executive in charge of markets and revenue. Ultimately, he assumed management of Spiegel TV and, in September 2000, he became the chairman of the board of directors of SpiegelNet AG.

ALEXANDER PENTYA
Director (appointed November 2013)

Mr Pentya is Vice President and Head of Management Reporting and Investment Projects at ABR Management, part of the Bank Rossiya Group, which he joined in 2008. He was previously an auditor at PricewaterhouseCoopers, and is an economics graduate of St Petersburg State University.

JØRGEN MADSEN LINDEMANN
Director (appointed April 2013)

Mr Lindemann was appointed President and CEO of Modern Times Group MTG AB in September 2012, before which he was Executive Vice President of MTG Group's Nordic Broadcasting operations from October 2011 and CEO of MTG Denmark from 2002. He has worked for the MTG Group since 1994, initially as Head of Sponsorship for TV3, then as Head of Viasat Sport in Denmark and as Head of Viasat Sport for the Nordic region.

JEAN-PIERRE MOREL
Director (appointed April 2012)

Currently a partner at EKWATA Consulting and Acceleration, Mr Morel also served in a wide range of capacities at French TV channel TF1 between 1990 and 2008. Roles included deputy general manager (2007-2008), CFO and general manager for finance administration and IT at TF1 Publicité (1997-2007), and deputy general manager and CFO for TF1 (1990-2007). He was chairman of EuroSport from 1993 to 2000. A chartered accountant, he holds an MBA from ESCP Europe and a degree from the Kellogg School of Management.

TIMUR WEINSTEIN
Director (appointed January 2013)

Mr Weinstein is chairman of the WeiT Media production company he founded in 2009 and which partnered with international TV production and distribution company Endemol in 2010. He has produced and directed the national cinema award ceremony (Nika) since 2000 and the national sports award ceremony (Slava) since 2003. He founded the Lean-M Company in 2000, in which Sony Pictures Television International (SPTI) bought a controlling interest in 2006 and bought Mr Weinstein's share in 2009. He holds degrees in psychiatry and TV direction and is a member of the Russian Academy of Television, the Russian Academy of Cinematographic Art and the Russian Producers Association.

FINANCIAL AND OPERATING STATEMENTS

Consolidated Balance Sheet
(in thousands of US dollars, except share and per share data)

	December 31, 2012	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	55,181	30,574
Short term investments	131,449	180,337
Trade accounts receivable, net of allowance for doubtful accounts (December 31, 2012 – $1,136; December 31, 2013 – $483) (including accounts receivable from related parties: 2012 – $227; 2013 – $368)	30,549	36,875
Taxes reclaimable	29,855	22,929
Prepayments (including prepayments to related parties: 2012 – nil; 2013 – $3,012)	68,078	57,536
Programming rights, net	153,076	172,197
Deferred tax assets	31,355	30,400
Other current assets	1,860	4,373
TOTAL CURRENT ASSETS	501,403	535,221
PROPERTY AND EQUIPMENT, net	47,201	36,874
INTANGIBLE ASSETS, net		
Broadcasting licences	82,276	59,676
Cable network connections	25,616	20,422
Trade names	5,708	5,332
Other intangible assets	5,739	4,876
Net intangible assets	119,339	90,306
GOODWILL	177,950	135,276
PROGRAMMING RIGHTS, net	102,216	121,802
INVESTMENTS IN AND ADVANCES TO INVESTEES	5,743	5,524
PREPAYMENTS	11,522	27,602
DEFERRED TAX ASSETS	20,200	18,371
TOTAL ASSETS	**985,574**	**970,976**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank overdraft and loans	13,181	3,390
Accounts payable (including accounts payable to related parties: 2012 – $22; 2013 – nil)	80,871	105,849
Accrued liabilities (including accrued liabilities to related parties: 2012 – $2,008; 2013 – $115)	23,445	20,449
Taxes payable	37,524	33,630
Deferred revenue (including deferred revenue from related parties: 2012 – $134; 2013 – $61)	9,048	10,223
Deferred tax liabilities	39,021	49,770
TOTAL CURRENT LIABILITIES	203,090	223,311
DEFERRED TAX LIABILITIES	19,558	13,549
COMMITMENTS AND CONTINGENCIES	–	
STOCKHOLDERS' EQUITY		
Common stock; $0.01 par value; shares authorised 175,772,173; shares issued: December 31, 2012 – 158,160,719; December 31, 2013 – 158,210,719)	1,582	1,582
Additional paid in capital	491,925	494,122
Retained earnings	333,003	386,575
Accumulated other comprehensive loss	(68,187)	(124,339)
Less: Common stock held in treasury, at cost (December 31, 2013 – 2,500,000 shares)	–	(29,727)
Non controlling interest	4,603	5,903
TOTAL STOCKHOLDERS' EQUITY	762,926	734,116
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**985,574**	**970,976**

Refer to 10-k for details

Consolidated Statements of Income
(in thousands of US dollars, except share and per share data)

	Year Ended December 31,		
	2011	2012	2013
REVENUES			
Advertising	747,451	775,806	806,499
Sublicensing and other revenues (including revenue from related parties of $265, $514 and $719 in 2011, 2012 and 2013, respectively)	18,909	29,140	25,604
Total operating revenues	766,360	804,946	832,103
EXPENSES:			
Direct operating expenses (exclusive of programming expenses, shown below; exclusive of depreciation and amortisation of $13,201, $20,393 and $29,024 in 2011, 2012 and 2013, respectively; and exclusive of stock based compensation expense of $6,242, $763 and $846 in 2011, 2012 and 2013, respectively)	(43,684)	(45,357)	(46,658)
Selling, general and administrative (exclusive of depreciation and amortisation $4,448, $3,625 and $4,092 in 2011, 2012 and 2013, respectively; exclusive of stock based compensation expense of $12,076, $4,016 and $988 in 2011, 2012 and 2013, respectively)	(165,176)	(181,266)	(174,224)
Stock based compensation expense	(18,318)	(4,779)	(1,834)
Programming expenses	(292,466)	(317,136)	(338,703)
Depreciation and amortisation	(17,649)	(24,018)	(33,116)
Impairment loss	(106,382)	(82,503)	(29,869)
Total operating expenses	(643,675)	(655,059)	(624,404)
OPERATING INCOME	122,685	149,887	207,699
FOREIGN CURRENCY GAINS	2,034	1,762	1,658
INTEREST INCOME (including interest income from related parties of $1,629, nil and nil in 2011, 2012 and 2013, respectively)	7,222	9,522	11,615
INTEREST EXPENSE (including interest expense from related parties of $109, nil and nil in 2011, 2012 and 2013, respectively	(542)	(749)	(768)
OTHER NON OPERATING INCOME, net	4,667	2,852	26
EQUITY IN INCOME OF INVESTEE COMPANIES	853	1,415	1,266
Income before income tax	136,919	164,689	221,496
INCOME TAX EXPENSE	(76,403)	(64,873)	(61,335)
CONSOLIDATED NET INCOME	60,516	99,816	160,161
LESS: INCOME ATTRIBUTABLE TO NON CONTROLLING INTEREST	(7,398)	(6,753)	(7,821)
NET INCOME ATTRIBUTABLE TO CTC MEDIA, INC. STOCKHOLDERS	53,118	93,063	152,340
Net income per share attributable to CTC Media, Inc. stockholders – basic	0.34	0.59	0.97
Net income per share attributable to CTC Media, Inc. stockholders – diluted	0.34	0.59	0.97
Weighted average common shares outstanding – basic	157,224,782	157,995,346	156,889,533
Weighted average common shares outstanding – diluted	158,011,659	158,062,250	156,932,452
Dividends declared per share	0.82	0.52	0.63

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income (in thousands of US dollars)

	Year Ended December 31,		
	2011	2012	2013
Net Income	60,516	99,816	160,161
Other Comprehensive income (loss):			
Foreign Currency Translation Adjustment	(47,698)	43,616	(56,258)
Total Other Comprehensive income (loss)	(47,698)	43,616	(56,258)
Comprehensive income	**12,818**	**143,432**	**103,903**
Less: Comprehensive income attributable to the non controlling interest	(7,392)	(6,802)	(7,715)
Comprehensive income attributable to CTC Media, Inc. stockholders	**5,426**	**136,630**	**96,188**

Consolidated Statements of Cash Flows (in thousands of US dollars)

	Year Ended December 31,		
	2011	2012	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated net income	60,516	99,816	160,161
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred tax (benefit) expense	(6,866)	(741)	6,191
Depreciation and amortisation	17,649	24,018	33,116
Programming expenses	292,466	317,136	338,703
Stock based compensation expense	18,318	4,779	1,834
Equity in income of unconsolidated investees	(853)	(1,415)	(1,266)
Foreign currency gains	(2,034)	(1,762)	(1,658)
Impairment loss	106,382	82,503	29,869
Changes in operating assets and liabilities:			
Trade accounts receivable	15,498	(10,885)	(3,799)
Prepayments	(6,852)	(817)	(1,646)
Other assets	(4,161)	(2,972)	4,370
Accounts payable and accrued liabilities	(616)	12,637	1,406
Deferred revenue	(5,073)	890	2,231
Other liabilities	(10,205)	(2,338)	(5,798)
Dividends received from equity investees	841	1,056	1,124
Settlement of SARs and exercises of equity based incentive awards	(598)	(35)	(242)
Acquisition of programming and sublicensing rights	(358,621)	(364,156)	(378,034)
Net cash provided by operating activities	115,791	157,714	186,562
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment and intangible assets	(19,780)	(15,646)	(6,336)
Acquisitions of businesses, net of cash acquired	(25,033)	(3,998)	(461)
Investments in deposits, net	(9,830)	(6,847)	(56,601)
Net cash used in investing activities	(54,643)	(26,491)	(63,398)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchases of common stock	–	–	(29,727)
Proceeds from exercise of stock options	5,352	4,616	454
Proceeds from (settlement of) overdraft and loans, net	17,553	(5,519)	(9,469)
Acquisition of non controlling interest	(2,927)	–	–
Dividends paid to stockholders	(128,930)	(82,244)	(98,768)
Dividends paid to non controlling interest	(6,072)	(5,756)	(6,415)
Net cash used in financing activities	(115,024)	(88,903)	(143,925)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6,642	530	(3,846)
Net increase/(decrease) in cash and cash equivalents	(47,234)	42,850	(24,607)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	59,565	12,331	55,181
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12,331	55,181	30,574
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	81	603	639
Income tax paid	89,042	58,828	66,724

Unaudited Segment Financial Information continued (in thousands of US dollars)

12 months ended December 31, 2012

	Operating revenue from external customers	Intersegment revenue	Advertising revenue from external customers	Operating income/(loss)	Depreciation and amortisation	Programming expenses	Impairment loss	OIBDA[1]	OIBDA adjusted[2] for impairment loss
CTC Channel	577,034	1,382	556,039	199,035	(8,024)	(220,229)	(19,523)	207,059	226,582
Domashny Channel	113,290	530	111,956	5,277	(4,013)	(52,490)	(16,224)	9,290	25,514
Peretz Channel	81,184	93	80,656	(35,933)	(9,266)	(30,242)	(43,795)	(26,667)	17,128
31 Channel	22,595	–	22,067	2,647	(999)	(12,128)	(2,961)	3,646	6,607
All other	10,843	1,787	5,088	(21,139)	(1,716)	(2,047)	–	(19,423)	(19,423)
Business segment results	804,946	3,792	775,806	149,887	(24,018)	(317,136)	(82,503)	173,905	256,408
Eliminations	–	(3,792)	–	–	–	–	–	–	–
Consolidated results	804,946	–	775,806	149,887	(24,018)	(317,136)	(82,503)	173,905	256,408

12 months ended December 31, 2013

	Operating revenue from external customers	Intersegment revenue	Advertising revenue from external customers	Operating income/(loss)	Depreciation and amortisation	Programming expenses	Impairment loss	OIBDA[1]	OIBDA adjusted[2] for impairment loss
CTC Channel	586,434	1,186	568,715	215,976	(9,033)	(234,234)	–	225,009	225,009
Domashny Channel	124,838	190	123,573	25,633	(7,792)	(55,753)	–	33,425	33,425
Peretz Channel	84,264	10	83,241	6,358	(11,773)	(34,828)	–	18,131	18,131
31 Channel	25,821	–	24,262	5,072	(2,931)	(12,694)	–	8,003	8,003
All other	10,746	140	6,708	(45,340)	(1,587)	(1,194)	(29,869)	(43,753)	(13,884)
Business segment results	832,103	1,526	806,499	207,699	(33,116)	(338,703)	(29,869)	240,815	270,684
Eliminations	–	(1,526)	–	–	–	–	–	–	–
Consolidated results	832,103	–	806,499	207,699	(33,116)	(338,703)	(29,869)	240,815	270,684

1. OIBDA is defined as operating income before depreciation and amortization. OIBDA margin is defined as OIBDA divided by total operating revenues. Both OIBDA and OIBDA margin are non-GAAP financial measures.
2. All adjusted numbers are non-GAAP financial measures reported before impairment losses. Adjusted numbers exclude a $82.5 million charge arising from the impairment of analog broadcasting licenses in the Q3 2012 and a $29.9 million charge arising from the impairment of production unit goodwill in the Q4 2013. Please see the accompanying financial tables at page 59 for a reconciliation of adjusted OIBDA to OIBDA, adjusted net income to GAAP reported net income and adjusted diluted earnings per share to GAAP reported earnings per share.

CTC Channel

	Year ended December 31,		% of total segment operating revenues		Change period to period	
	2012	2013	2012	2013	2013-2012	
	(in thousands)		% USD	% USD	% USD	% RUR
Operating revenues	**577,034**	**586,434**	**100%**	**100%**	**2%**	**5%**
Including:						
Advertising revenues	556,039	568,715	96%	97%	2%	5%
Operating expenses	**(377,999)**	**(370,458)**	**66%**	**63%**	**(2)%**	**1%**
Including:						
Direct operating expenses	(16,946)	(17,141)	3%	3%	1%	4%
Selling, general and administrative expenses	(113,277)	(110,050)	20%	19%	(3)%	0%
Programming expenses	(220,229)	(234,234)	38%	40%	6%	9%
Depreciation and amortisation	(8,024)	(9,033)	1%	2%	13%	15%
Impairment loss	(19,523)	–	3%	–	(100)%	(100)%
Operating income	**199,035**	**215,976**	**34%**	**37%**	**9%**	**13%**

Revenues

When comparing 2013 to 2012 advertising revenues of CTC channel increased by 5% in ruble terms, mainly due to an overall increase in advertiser demand, largely reflecting the increase in the overall Russian television advertising market of approximately 8.8% in ruble terms and increased audience share of 3%, partially offset by the effect on our ratings of a decrease in overall television viewership among 10 45 year old viewers. CTC channel's audience share increased by 3% year on year in 2013, which was primarily due to performance of the channel's high rating content, new premiers and the success of the programming schedule in daytime slots, partially offset by the effect of audience fragmentation.

CTC channel's audience share decreased year on year in 2012, primarily as a result of audience fragmentation, a decreased amount of first run content, as well as the relative underperformance of certain of our programming. The decrease in audience share was partially compensated by increases in ratings due to 9% increase in overall viewership in 2012.

All larger national free to air TV channels in Russia were negatively impacted by increased competition from smaller non free to air and local TV channels viewership among 10 to 45 year olds, which increased from 15.9% in 2011 to 16.2% in 2012 to 18.6% in 2013.

Sublicensing and other revenues at CTC channel decreased by 12% in ruble terms when comparing 2013 to 2012, primarily due to the decrease in the amount of CTC prime time products sublicensed in Ukraine and Russia. Sublicensing revenues of CTC channel represent 3% from its total operating revenues in 2013. In light of the current instability in Ukraine, our ability to sublicense programming to broadcasters in Ukraine may be adversely affected in the near to medium term.

Expenses

Total operating expenses of CTC channel increased by 1% in ruble terms when comparing 2013 to 2012, and were impacted by a non cash impairment losses of $19.5 million recorded in 2012. Net of the effect of impairment losses, CTC channel's total operating expenses increased by 6% in ruble terms when comparing 2013 to 2012, of which increases of 6pp, related to an increase in programming expenses (discussed below).

Direct operating expenses of CTC channel as a percentage of this segment's total operating revenues were 3% in 2012 and 2013. Direct operating expenses increased by 4% in ruble terms when comparing 2013 to 2012, reflecting the joint effect of a 6pp increase in transmission and maintenance costs for our digital broadcasting infrastructure and digital transmission costs for CTC in connection with the roll out plan of the second multiplex starting from March 2013, and increases in technical penetration, partially offset by lower satellite fees due to the switch to new satellite systems, and a 3pp decrease in integrated sponsorship costs, mainly due to a decreased volume of integrated sponsorship.

Selling, general and administrative expenses of the CTC channel as a percentage of this segment's total operating revenues were 20% and 19% in 2012 and 2013, respectively. Selling, general and administrative expenses remained flat in ruble terms when comparing 2013 to 2012, reflecting the joint effect of a decrease of 4pp related to compensation expenses payable to Video International due to the exclusion of certain services from compensation fees in 2013 and an increase of 3pp in salaries and benefits costs due to annual raises and transfers of some employees from other segments to the CTC channel in the middle of 2012.

Programming expenses of the CTC channel as a percentage of this segment's total operating revenues were 38% and 40% in 2012 and 2013, respectively. This increase in programming expenses was mainly due to a more expensive programming mix (discussed below), which was not fully offset by the increase in advertising revenues. Programming expenses increased by 9% in ruble terms when comparing 2013 to 2012, primarily due to increased airing of more expensive foreign content, partially offset by airing a higher volume of less expensive locally produced hit content to support target audience share.

Depreciation and amortization expenses of the CTC channel as a percentage of this segment's total operating revenues were approximately flat in 2012 and 2013. When comparing 2013 to 2012, depreciation and amortization expenses increased by 15%, primarily due to the amortization of our analog broadcasting licenses for a full year in 2013. Starting from October 1, 2012, we commenced amortization of our analog licenses due to a reassessment of their useful lives from indefinite to finite as a result of the planned transition to digital broadcasting.

Domashny Channel

	Year ended December 31,		% of total segment operating revenues		Change period to period	
	2012	2013	2012	2013	2013-2012	
	(in thousands)		% USD	% USD	% USD	% RUR
Operating revenues	**113,290**	**124,838**	**100%**	**100%**	**10%**	**13%**
Including:						
Advertising revenues	111,956	123,573	99%	99%	10%	13%
Operating expenses	**(108,013)**	**(99,205)**	**95%**	**79%**	**(8)%**	**(6)%**
Including:						
Direct operating expenses	(10,184)	(11,212)	9%	9%	10%	13%
Selling, general and administrative expenses	(25,102)	(24,448)	22%	20%	(3)%	0%
Programming expenses	(52,490)	(55,753)	46%	45%	6%	9%
Depreciation and amortisation	(4,013)	(7,792)	4%	6%	94%	99%
Impairment loss	(16,224)	–	14%	–	(100)%	(100)%
Operating income	**5,277**	**25,633**	**5%**	**21%**	**386%**	**399%**

Revenues

Advertising revenues of Domashny channel increased by 13% in ruble terms when comparing 2013 to 2012, due to an overall increase in advertiser demand, which was reflected in increased sales of the channel's inventory on a federal level, and increased sponsorship revenues. The structural qualitative changes in the Domashny audience attracted new advertisers to the channel in 2013, including those that historically did not allocate their advertising budgets to television. The overall increase in advertising demand largely reflects the increase in the overall Russian television advertising market of approximately 8.8% in ruble terms in 2013. Domashny's audience share decreased by 3% when comparing 2013 to 2012 due to decreases in audience share in the first half of 2013, as the channel changed its programming grid to focus on younger audiences and enhance the commercial attractiveness of its demographic profile, increased competition from other channels and audience fragmentation.

Expenses

Total operating expenses of Domashny channel decreased by 6% in ruble terms when comparing 2013 to 2012, and were impacted by non cash impairment losses of $16.2 million recorded in 2012. Net of the effect of impairment losses, Domashny channel's total operating expenses increased by 11% in ruble terms when comparing 2013 to 2012, of which increases of 5pp related to increased programming expenses and increases of 4pp related to increased depreciation and amortization expenses (discussed below).

Direct operating expenses of Domashny channel as a percentage of this segment's total operating revenues remained approximately flat in 2012 and 2013, mainly due to increased channel revenues. Direct operating expenses of Domashny channel increased by 13% in ruble terms when comparing 2013 to 2012, of which 8pp related to an increase in transmission and maintenance costs in connection with the rollout plan of the second multiplex starting from March 2013 and increases in technical penetration, partially offset by lower satellite fees due to the switch to new satellite systems, and an increase of 2pp related to salaries and benefits costs due to annual raises and increased headcounts.

Selling, general and administrative expenses of Domashny channel as a percentage of this segment's total operating revenues were 22% and 20% in 2012 and 2013, respectively. Decreases in selling, general and administrative expenses of Domashny channel as a percentage of this segment's total operating revenues were primarily due to increased channel revenues. When comparing 2013 to 2012, selling, general and administrative expenses remained flat in ruble terms.

Programming expenses of Domashny channel as a percentage of this segment's total operating revenues decreased from 46% to 45% when comparing 2013 to 2012 due to increased channel revenues. Programming expenses increased by 9% in ruble terms when comparing 2013 to 2012, due to airing of more expensive Russian content and increased volume of foreign series to support Domashny's target audience share.

Depreciation and amortization expenses of Domashny channel as a percentage of this segment's total operating revenues were 4% and 6% in 2012 and 2013, respectively. In ruble terms depreciation and amortization expenses increased by 99% when comparing 2013 to 2012, primarily due to the amortization of our analog broadcasting licenses. Starting from October 1, 2012, we commenced the amortization of our analog licenses due to a reassessment of their useful lives from indefinite to finite as a result of the planned transition to digital broadcasting.

Peretz Channel

	Year ended December 31,		% of total segment operating revenues		Change period to period	
	2012	2013	2012	2013	2013-2012	
	(in thousands)		% USD	% USD	% USD	% RUR
Operating revenues	**81,184**	**84,264**	**100%**	**100%**	**4%**	**6%**
Including:						
Advertising revenues	80,656	83,241	99%	99%	3%	6%
Operating expenses	**(117,117)**	**(77,906)**	**144%**	**92%**	**(33)%**	**(32)%**
Including:						
Direct operating expenses	(10,466)	(10,832)	13%	13%	3%	6%
Selling, general and administrative expenses	(23,348)	(20,473)	29%	24%	(12)%	(10)%
Programming expenses	(30,242)	(34,828)	37%	41%	15%	18%
Depreciation and amortisation	(9,266)	(11,773)	11%	14%	27%	30%
Impairment loss	(43,795)	–	54%	–	(100)%	(100)%
Operating income (loss)	**(35,933)**	**6,358**	**44%**	**8%**	**(118)%**	**(118)%**

Revenues

Advertising revenues of Peretz channel increased by 6% in ruble terms when comparing 2013 to 2012, reflecting the increase in the overall Russian television advertising market of approximately 8.8% in ruble terms, which was reflected in increased sales of the channel's inventory on a federal level, and increased sponsorship revenues, partially offset by a decrease in target audience share of 11%. The decreases in Peretz audience share in the periods under review were primarily due to underperformance of certain programming during 2013, increased competition from other channels and audience fragmentation. Peretz channel is continuing to develop its positioning and programming grid to be more modern, dynamic and thrilling with a focus on edgy and action content.

Expenses

Total operating expenses of Peretz channel decreased by 32% in ruble terms when comparing 2013 to 2012, and were impacted by non cash impairment losses of $43.8 million recorded in 2012. Net of the effect of impairment loss, total operating expenses of the Peretz channel increased by 9% in ruble terms when comparing 2013 to 2012, of which 8pp related to increased programming expenses (discussed below), 4pp related to increased depreciation and amortization expenses (discussed below), partially offset by 3pp related to decreased selling, general and administrative expenses.

Direct operating expenses of Peretz channel as a percentage of this channel's total operating revenues remained flat when comparing 2013 to 2012, primarily due to increased channel revenues. In ruble terms, when comparing 2013 to 2012, direct operating expenses of Peretz channel increased 6%, which related to an increase in transmission and maintenance costs due to increases in technical penetration, annual raises and increased maintenance costs related to our digital broadcasting infrastructure.

Selling, general and administrative expenses of Peretz channel as a percentage of this segment's total operating revenues decreased from 29% to 24%, primarily due to legal expenses and, to a lesser extent, due to increased channel revenues, when comparing 2013 to 2012.

In ruble terms, when comparing 2013 to 2012, selling, general and administrative expenses decreased by 10%, reflecting a 9pp decrease in legal expenses.

Programming expenses of the Peretz channel as a percentage of this segment's total operating revenues increased from 37% to 41% when comparing 2013 to 2012 due to more expensive programming mix (discussed below).

In ruble terms, when comparing 2013 to 2012, programming expenses increased by 18%, primarily due to increases in cost and volume of locally produced sketchcoms to support the Peretz channel's focus on comedy programming.

Depreciation and amortization expenses of Peretz channel as a percentage of this segment's total operating revenues were 11% and 14% in 2012 and 2013, respectively. In ruble terms, depreciation and amortization expenses increased by 30% when comparing 2013 to 2012, primarily due to the amortization of our analog broadcasting licenses. Starting from October 1, 2012, we commenced the amortization of our analog licenses due to a reassessment of their useful lives from indefinite to finite as a result of the planned transition to digital broadcasting.

Channel 31

	Year ended December 31,		% of total segment operating revenues		Change period to period
	2012	2013	2012	2013	2013-2012
	(in thousands)		% USD	% USD	% USD
Operating revenues	**22,595**	**25,821**	**100%**	**100%**	**14%**
Including:					
Advertising revenues	22,067	24,262	98%	94%	10%
Operating expenses	**(19,948)**	**(20,749)**	**88%**	**80%**	**4%**
Including:					
Direct operating expenses	(1,419)	(1,448)	6%	6%	2%
Selling, general and administrative expenses	(2,441)	(3,676)	11%	14%	51%
Programming expenses	(12,128)	(12,694)	54%	49%	5%
Depreciation and amortisation	(999)	(2,931)	4%	11%	193%
Impairment loss	(2,961)	–	13%	–	(100)%
Operating income (loss)	**2,647**	**5,072**	**12%**	**20%**	**92%**

Revenues

Advertising revenues of Channel 31 increased by 10% in US dollar terms when comparing 2013 to 2012, principally due to increased sellout and increases in regional revenues, resulting from estimated overall television advertising market growth in Kazakhstan of 8% in USD dollar terms, partially offset by a 10% decreases in target audience share when comparing 2013 to 2012, reflecting increased competition from other channels and fragmentation.

Expenses

Total operating expenses of Channel 31 increased by 4% in US dollar terms when comparing 2013 to 2012, and were impacted by non cash impairment loss of $3.0 million recorded in 2012. Net of the effect of impairment loss, total operating expenses of Channel 31 increased by 22% in US dollar terms, when comparing 2013 to 2012, of which increases of 11pp and 7pp related to increased depreciation and amortization expenses and selling, general and administrative expenses, respectively.

Direct operating expenses of Channel 31 as a percentage of this channel's total operating revenues remained flat at 6%, when comparing 2013 to 2012. In US dollar terms, when comparing 2013 to 2012, direct operating expenses increased by 2%.

Selling, general and administrative expenses of Channel 31, as a percentage of this segment's total operating revenues, increased from 11% to 14% when comparing 2013 to 2012, reflecting the joint effect of increased salaries and benefits costs (discussed below), decreases in reversals of tax contingencies and increased revenues. In US dollar terms, when comparing 2013 to 2012, selling, general and administrative expenses increased by 51%, of which an increase of 34pp related to reversals of tax contingencies recorded due to a lapse in the statute of limitations, an increase of 9pp related to an increase in benefits costs in the first half of 2013 and an increase of 3pp related to the channel's brand loyalty research costs.

Programming expenses of Channel 31 as a percentage of this segment's total operating revenues decreased to 49% in 2013, primarily due to increased channel revenues. In US dollar terms, when comparing 2013 to 2012 programming expenses increased by 5%, primarily due to content inflation.

Depreciation and amortization expenses of Channel 31 as a percentage of this segment's total operating revenues were 4% and 11% in 2012 and 2013, respectively. In US dollar terms, depreciation and amortization expenses increased by 193% when comparing 2013 to 2012, primarily due to the amortization of our analog broadcasting licenses. Starting from October 1, 2012, we commenced amortization of our analog licenses due to a reassessment of their useful lives from indefinite to finite as a result of the planned transition to digital broadcasting in Kazakhstan.

All Other

	Year ended December 31,		% of total segment operating revenues		Change period to period	
	2012	2013	2012	2013	2013-2012	
	(in thousands)		% USD	% USD	% USD	% RUR
Operating revenues	10,843	10,746	100%	100%	(1)%	3%
Operating expenses	(31,982)	(56,086)	295%	522%	75%	83%
Including:						
Selling, general and administrative expenses	(20,026)	(16,011)	185%	149%	(20)%	(18)%
Stock based compensation expenses	(4,779)	(1,834)	44%	17%	(62)%	(61)%
Impairment loss	–	(29,869)	–	278%	100%	100%
Other expenses	(7,177)	(8,372)	66%	78%	17%	21%
Operating income (loss)	(21,139)	(45,340)	195%	422%	114%	124%

Operating revenues in the All Other segment primarily represent revenues earned by our CTC International and digital media businesses. In 2012 and 2013, operating revenues from CTC International amounted to $3.8 million and $3.7 million, respectively, and operating revenues from our digital media businesses amounted to $5.1 million and $5.9 million, respectively.

Selling, general and administrative expenses consist principally of the general and administrative expenses of our corporate headquarters and digital media businesses. When comparing 2013 to 2012, selling, general and administrative expenses decreased by 18% in ruble terms, primarily due to decreases in salaries and benefits costs in our corporate headquarters and CTC International business, reflecting the departure of several top managers and transfer of some employees to CTC channel, as well as decreases in rent and utilities expenses as the result of reallocation of certain costs to other channels in 2013.

Other expenses consist principally of direct operating, programming and depreciation and amortization expenses. Other expenses increased by 21% in ruble terms when comparing 2012 to 2013, primarily due to increases in direct operating and programming expenses as the result of higher investments in our digital media businesses.

Our stock based compensation expenses for the year ended December 31, 2013, mainly represent expenses recognized in connection with the 2013 Equity Incentive Plan approved by our stockholders at the 2013 Annual Meeting. Our stock based compensation expenses for the year ended December 31, 2012, related to stock options and equity based cash incentive awards granted to our executives and employees under our 2009 Stock Incentive Plan.

Impairment loss of $29.9 million in 2013 relates to goodwill allocated to our in house production unit, reflecting downward revisions of our long term cash flow projection in respect of this unit due to reduction in the expected volume of in house production, an expected increase in production costs and projections of a decreased rate of growth in the Russian TV advertising market. See "—Impairment loss" below and "—Item 8. Financial Statements and Supplementary Data—Note 10, Impairment loss".

Stockholders' Equity

As of December 31, 2012 and 2013, the company's issued and outstanding share capital was as follows:

Type	December 31, 2012	December 31, 2013
Common stock issued	158,160,719	158,210,719
Less: Common stock held in treasury	–	(2,500,000)
Common stock outstanding	158,160,719	155,710,719

Stock repurchase program

On March 4, 2013, the Board of Directors approved an open market stock repurchase program, pursuant to which the Company was authorized to repurchase up to 2.5 million shares of common stock in the market for use under the Company's 2013 Equity Incentive Plan (the "Plan"). During the period ended December 31, 2013, the Company repurchased 2,500,000 shares of its common stock at an average price of $11.89 per share for a total of $29,727. Treasury stock is accounted for under the cost method.

The Company's certificate of incorporation authorizes the Company to issue 175,772,173 shares of common stock and, as of December 31, 2013, 155,710,719 shares were issued and outstanding. Each holder of common stock is entitled to one vote for each share of common stock held of record on all matters on which stockholders generally are entitled to vote.

During 2012 and 2013, the Company's former and current employees exercised options to purchase an aggregate of 840,649 and 50,000 shares of common stock, respectively, for aggregate consideration of $4,616 and $454, respectively. See details opposite.

Dividends

The Board's philosophy is to distribute excess cash to stockholders, subject to the Company's earnings, financial position and cash requirement.

In 2013, the following dividends were declared and paid:

Declaration date	Per share dividend	Aggregate dividend	Record date	Payment date
March 5, 2013	$0.15	$23,724	March 20, 2013	March 26 and April 8, 2013
April 30, 2013	$0.16	$25,216	June 3, 2013	June 26, 2013
August 2, 2013	$0.16	$24,914	September 2, 2013	September 26, 2013
November 5, 2013	$0.16	$24,914	December 2, 2013	December 27, 2013

In 2012, the following dividends were declared and paid:

Declaration date	Per share dividend	Aggregate dividend	Record date	Payment date
February 24, 2012	$0.13	$20,561	March 15, 2012	March 30, 2012
April 27, 2012	$0.13	$20,561	June 1, 2012	June 27 – 28, 2012
July 31, 2012	$0.13	$20,561	September 1, 2012	September 27, 2012
November 1, 2012	$0.13	$20,561	December 1, 2012	December 27, 2012

Stock based compensation
During 2011, 2012 and 2013 the Company granted options, stock appreciation rights ("SAR") and restricted stock units ("RSUs") to its employees pursuant to its 2009 Stock Incentive Plan/Equity Based Incentive Program (the "2009 Plan") and 2013 Equity Incentive Plan (the "2013 Plan"), as well as pursuant to individual option agreements that are described in more detail below.

The 2009 Stock Incentive Plan
In April 2009, the Company's stockholders approved the 2009 Stock Incentive Plan. The 2009 Stock Incentive Plan provided for the authorization of awards covering an aggregate of 7,800,000 shares of common stock.

In 2009, the Compensation Committee approved the grant of options to purchase up to 5,995,000 shares of common stock to Company executives and employees. In addition, in 2010, 2011 and 2012, the Compensation Committee approved an additional grant of options to purchase up to 734,375, 1,373,125 and 1,179,375 shares of common stock to employees of the Company. The exercise price per share was equal to or greater than the fair market value of common stock on the date of grant as determined pursuant to the terms of the Company's 2009 Stock Incentive Plan.

These options were divided equally into two tranches: options that vested over four years and were subject only to passage of time (with 25% of options vesting on the first anniversary and the remainder vesting on a quarterly basis over the following three years) (the "Time based Tranche") and options that were subdivided in four equal sub tranches that vest upon the achievement of certain performance criteria set by the Board of Directors annually for each year (the "Performance based Tranche"). The grant dates of the Time based Tranches discussed above were the dates when these grants were approved by the Compensation Committee. The grant dates for Performance based sub tranches were the dates when performance criteria for the relevant year were set.

In March 2013, the Company's Board of Directors approved the Company's 2013 Equity Incentive Plan, described below. As a condition to the receipt of an award under the 2013 Equity Incentive Plan, any employee that held an outstanding option award under the Company's 2009 Stock Incentive Plan was required to forfeit the unvested portion of such award; the vested portion of outstanding option awards remained unaffected by the new program.

The 2009 Equity Based Incentive Program
At the end of 2009, the Company's Board of Directors approved the terms of the Company's 2009 Equity Based Incentive Program (the "Program"). Pursuant to the original terms of the Program, the Company was authorized to grant cash bonuses ("SARs") to certain of its employees, including the Company's principal financial officer and certain named executives. On February 24, 2010, the Compensation Committee amended the Program. As amended, each recipient of an option granted in October 2009 (including both Time based and Performance based tranches) will have the right to receive potential cash payments in respect of any appreciation of the Company's share price above $14.00 per share, capped at $16.80 per share, and tied to both the vesting and exercise of the corresponding stock options.

The Company remeasures these awards at each reporting date at their fair value until settlement, to the extent that this value does not exceed the maximum benefit available to option holders. The fair value of unsettled awards is recognized in liabilities. The following table summarizes the assumptions used for valuation of fair value as of December 31, 2013.

The 2009 Equity Based Incentive Programme

	December 31, 2013
Risk free interest rate	1.27%
Expected option life (years)	3.4
Expected dividend yield	4.62%
Volatility factor	41.19%
Weighted average grant date fair value (per share)	2.32
Equity based incentive awards vested and exercisable	1,571,319
Liability as of December 31, 2013 (in thousands)	3,652

Former CEO Stock Options

On July 29, 2013, Boris Podolsky, the Company's former CEO, resigned from the Company. The Company and Mr. Podolsky entered into a separation agreement in connection with such resignation, and the Company agreed that as of the separation date an aggregate of 650,000 shares that were vested and unexercised would remain exercisable pursuant to the terms of the option agreement until December 31, 2014, notwithstanding any provision of the option agreement to the contrary, after which the option to purchase any vested shares that then remain unexercised will terminate and lapse.

The 2013 Equity Incentive Plan

On March 4, 2013, the Company's Board of Directors approved the Company's 2013 Equity Incentive Plan, which was approved by the Company's stockholders on April 30, 2013 at the 2013 Annual Meeting of Stockholders. The Plan provides for the grant of a variety of forms of awards to acquire up to an aggregate of 2.5 million shares of common stock. The Compensation Committee of the Board has approved an initial round of awards to the Company's employees in the form of restricted stock units ("RSUs") to acquire up to 2.0 million shares of common stock. Such awards will entitle the grantees to receive shares of common stock, at no cost, upon the satisfaction of 2013, 2014 and 2015 performance based vesting conditions and will become exercisable on a staggered basis over a period of four years from grant. Performance criteria are to be set by the Board of Directors for each of 2013, 2014 and 2015. The grant date for each sub tranche of the awards will be the date when performance criteria for the relevant year are set and communicated to employees.

Exercise is also subject to the condition that the closing price of the Company's common stock has exceeded $12.00 per share on at least ten trading days prior to exercise; this condition has been satisfied. As a condition to the receipt of an award under the Plan, any employee that held an outstanding option award under the Company's 2009 Equity Incentive Plan was required to forfeit the unvested portion of such award; the vested portion of outstanding option awards remained unaffected by the new program. The Company expects to settle employee RSU exercises out of treasury stock.

The Company's Board of Directors approved performance criteria for the 2013 sub tranche in respect of 637,800 RSUs with a weighted average per unit grant date fair value of $10.53. As of December 31, 2013, the performance criteria in respect of only one third of the 2013 sub tranche had been achieved.

Fair value of Stock Based Compensation

Under the provisions of ASC 718, the fair value of stock based awards that are expected to vest is estimated on the grant date using the Black Scholes option pricing model and recognized ratably over the requisite service period. The calculation of compensation cost requires the use of several significant assumptions which are calculated as follows:

- *Expected forfeitures*. ASC 718 requires that compensation cost only be calculated on those instruments that are expected to vest in the future. The number of stock based awards that actually vest will usually differ from the total number issued because employees forfeit awards when they do not meet the service or performance conditions stipulated in the agreement. For the forfeitures resulting from failure to meet service conditions, we have calculated the forfeiture rate by reference to the historical employee turnover rate. For the forfeitures resulting from failure to meet performance conditions, we have calculated the forfeiture rate by reference to the proportion of performance conditions not met.
- *Expected volatilities*. Expected volatilities are based on historical volatility of the Company's stock and by considering the volatility of the stock of other public companies in the media industry.
- *Expected term*. The expected life of stock based awards has been calculated using the "shortcut" method (in cases when the Company's options meet the definition of "plain vanilla") or the "lattice" model.
- *Risk free interest rate*. The risk free interest rates for the periods within the expected term of these awards are based on the US Treasury yield curve in effect at the grant date.

The assumptions used in the option pricing models for grants in accordance with the 2009 and 2013 Plans made in the years ending December 31, 2011, 2012 and 2013 were as follows:

	2011 (2009 Plan)	2012 (2009 Plan)	2013 (2013 Plan)
Risk free interest rate	0.02%–2.37%	0.38%–1.20%	0.11%–1.07%
Expected option life (years)	0.25–5.0	2.5–5.5	0.67–4.00
Expected dividend yield	2.87%–7.15%	5.4%–6.28%	5.32%–5.66%
Volatility factor	39.37%–87.88%	51.44%–84.69%	36.36%–53.63%
Weighted average grant date fair value (per share)	$7.88	$2.24	$10.53

The following table summarises common stock options, equity based incentive awards and restricted stock units activity for the company:

	Restricted stock units	Common stock options		Equity based incentive awards	
	Quantity	Quantity	Weighted average exercise price	Quantity	Weighted average exercise price
Outstanding as of December 31, 2012	–	3,578,707	18.58	2,200,552	14.00
Granted	637,800	30,000	9.07	–	–
Exercised	–	(50,000)	9.07	(86,250)	14.00
Forfeited	(103,337)	(576,566)	15.05	(266,252)	14.00
Expired	–	(577,073)	19.85	(276,731)	14.00
Outstanding as of December 31, 2013	534,463	2,405,068	19.20	1,571,319	14.00

The following table summarises information about nonvested common stock options, equity based incentive awards and restricted stock units:

	Restricted stock units	Common stock options		Equity based incentive awards	
	Quantity	Quantity	Weighted average grant date fair value	Quantity	Weighted average grant date fair value
Nonvested as of December 31, 2012	–	782,502	7.53	319,688	2.80
Granted	637,800	30,000	0.77	–	–
Vested	–	(187,184)	6.64	(53,436)	2.80
Forfeited	(103,337)	(576,566)	7.90	(266,252)	2.80
Nonvested as of December 31, 2013	534,463	48,752	2.43	–	2.80

The following table summarizes information about vested common stock options, equity based incentive awards and restricted stock units:

	Restricted stock units	Common stock options			Equity based incentive awards		
	Quantity	Quantity	Weighted average exercise price	Weighted average remaining contractual term	Quantity	Weighted average exercise price	Weighted average remaining contractual term
December 31, 2013	–	2,356,316	19.41	5.4	1,571,319	14.00	5.8

The intrinsic value of the company's common stock options and equity based incentive awards outstanding and exercisable as of December 31, 2013 amounted to nil.

The following table summarises information about the intrinsic value of company's common stock options, SAR and equity based incentive awards exercised during 2011, 2012 and 2013:

	2011	2012	2013
Total intrinsic value of options exercised	$2,575	$4,624	$122
Total intrinsic value of equity based incentive awards exercised	$598	$35	$242

As of December 31, 2013, all vested options and equity based incentive awards under the 2009 Plan were exercisable. In the periods ended December 31, 2011, 2012 and 2013, the company recognised expenses under the 2009 Plan of $18,318, $4,779 and $798, respectively.

In the period ended December 31, 2013, the company also recognised $1,035 of expense attributable to RSUs under the 2013 Plan. The company estimates that the total compensation expense related to awards approved under the 2013 Plan not yet recognized as of December 31, 2013 approximates $11.7 million, of which $1.1 million relates to RSU granted in 2013 and $10.6 million relates to RSU for which performance criteria for the 2014 and following years are not set, which is expected to be expensed over a weighted average period of 3.3 years.

Reconciliation of Consolidated OIBDA to Consolidated Operating Income

	Three months ended December 31,		Twelve months ended December 31,	
(US$ 000's)	2012	2013	2012	2013
OIBDA	$103,809	$80,076	$173,905	$240,815
Depreciation and amortization	(8,967)	(8,143)	(24,018)	(33,116)
Operating income	**$94,842**	**$71,933**	**$149,887**	**$207,699**

Reconciliation of Consolidated OIBDA Margin to Consolidated Operating Income Margin

	Three months ended December 31,		Twelve months ended December 31,	
	2012	2013	2012	2013
OIBDA margin	**39.3%**	**30.8%**	**21.6%**	**28.9%**
Depreciation and amortization as a % of total operating revenues	(3.4%)	(3.1%)	(3.0%)	(3.9%)
Operating income margin	**35.9%**	**27.7%**	**18.6%**	**25.0%**

Reconciliation of Consolidated Adjusted OIBDA and Other Adjusted Financial Measures to Consolidated OIBDA and Other Corresponding Consolidated GAAP Financial Measures, Respectively

(US$ 000's except per share data)	OIBDA	Total operating expenses	Operating income/ (loss)	Income before income tax and non-controlling interest	Income tax expense	Net income (loss) attributable to CTC Media, inc. stockholders	Fully diluted earnings per share
Twelve Months Ended December 31, 2012							
Adjusted non-US GAAP results	$270,684	$(594,535)	$237,568	$251,365	$(61,335)	$182,209	1.16
Impact of impairment loss	(29,869)	(29,869)	(29,869)	(29,869)	—	(29,869)	(0.19)
Results as reported (under US GAAP, except for OIBDA which is a non-US GAAP financial measure)	$240,815	$(624,404)	$207,699	$221,496	$(61,335)	$152,340	0.97

GLOSSARY

Audience share – the percentage of all people watching television at a given time who are watching CTC, Domashny, or Peretz.

Information on audience numbers is gathered through the use of TNS's "Peoplemeters," which are physically installed in households in selected locations, based on sampling techniques and census data designed to capture a statistically significant sample of the desired population. Peoplemeters are installed in a panel of selected cities. The panel cities are chosen from among those Russian cities with more than 100,000 residents, which together account for approximately 50% of the total population of Russia.

Analogue distribution – Our TV channels are currently distributed by means of free-to-air terrestrial broadcasting in analog format. Our signals are broadcast by the owned-and-operated stations and unmanned repeater transmitters according to local analog broadcast licenses and universal licenses for analog frequencies in the respective regions, as well as by our independent affiliate stations and local cable operators (in the regions where we currently do not have licenses for analog frequencies). In exchange for the right to broadcast our signal, we allow our affiliates to broadcast local advertising during designated time windows, from which they derive revenues.

Digital broadcasting – The Russian government has launched a federal program to introduce digital broadcasting throughout Russia. Government authorities have indicated that the existing analog broadcasting system will be switched off in stages during the rollout period. The government's plan called for digital broadcasting to be introduced in stages, with several packages of digital signals, or "multiplexes", to be launched over time. The government determined the channels that would be included in the first multiplex (Channel One, Rossiya 1, Rossiya 2, Rossiya 24, Rossiya K, Channel 5, NTV, Karousel, TVC and Public TV of Russia (OTR)), announced milestones for the transition to this multiplex, and indicated that the infrastructure for this first multiplex will be funded by the government. In December 2012, a total of 10 channels, including our CTC and Domashny channels, were selected for inclusion in the second digital multiplex.

Electronic commerce (E-commerce) – Trading in products or services conducted via computer networks such as the Internet.

Free-to-air (FTA) – Refers to channels and broadcasters providing content for which no subscription is expected, even though they may be delivered to the viewer/listener by another carrier for which a subscription is required, e.g. cable, satellite or the Internet. These carriers may be mandated (or opt) in some geographies to deliver FTA channels even if a premium subscription is not present (providing the necessary equipment is still available).

Free cash flow – Cash flow from operating activities – less acquisition of property and equipment and intangible assets.

Inventory – Gross rating points (GRP) – measure the size of an audience reached by a specific media or schedule. Specifically, GRPs quantify impressions as a percentage of the population reached rather than in absolute numbers reached.

Media for equity – This is an alternative investment model which succeeds in economies where venture capital is in short supply. Media companies which have unsold advertising space in their publications or other media trade this space to start-up companies, which don't have money to spend on advertising, in exchange for stock in the companies/products they offer.

Multiplex – A multiplex is a grouping of channels to be rolled out over the new digital broadcasting infrastructure. The current digitisation process involves two multiplexes.

Net cash position – Net cash position is defined as cash, cash equivalents and short-term investments less interest bearing liabilities.

OIBDA – Operating income before depreciation and amortization. OIBDA margin is defined as OIBDA divided by total operating revenues. Both OIBDA and OIBDA margin are non-GAAP financial measures and are subject to reconciliations to GAAP measurement such as operating income and operating income margin.

Power ratio – National TV advertising market share divided by audience share in "all 4+" age group. Power ratio demonstrates relative effectiveness of audience monetization.

Programming expenses/amortization of programming rights – Our largest operating expense consists of the amortization of the cost of programming rights. Programming rights are stated at the lower of their unamortized cost or estimated net realizable value. We report an asset and liability for the rights acquired and obligations incurred at the commencement of the licensing period when the cost of the programming is known or reasonably determinable, the program material has been accepted and the programming is available for airing.

Ratings – The percentage of the total population that is watching CTC, Domashny or Peretz at a given time.

Second screen – Refers to the use of a computing device (normally a mobile device, such as a tablet or smart phone) to provide an enhanced viewing experience for content on another device, such as a TV.

Sponsorship – Form of TV advertising, mentioning an advertiser and its product with logo in a specific program which he sponsors.

Transmedia – Transmission of content across multiple platforms and formats using current digital technologies.

Transmission – From our broadcasting center in Moscow our networks send their signals digitally via a dedicated fiber optic cable to a transmission center, from which they are transmitted to satellite uplinks and then by satellite retransmitted throughout the territory of Russia. Our broadcasts are time-shifted for four different time zones so that programs are aired at the appropriate local times in each of Russia's far-flung population centers across nine time zones, with a maximum of a one-hour time shift from our standard daily programming schedule in some areas. In order to reach areas across Russia, the signals are uplinked separately to three separate satellite systems.

Technical penetration – The proportion of households located in cities of more than 100,000 residents that had the technical ability to receive CTC's broadcast signal. The signals of all our three Russian channels are currently broadcast in each of the 77 cities in the TNS panel in which audience shares are currently measured.

Use of Non-GAAP Financial Measures

To supplement its consolidated financial statements, which are prepared and presented in accordance with US GAAP, the Company uses the following non-GAAP financial measures: OIBDA (on a consolidated and segment basis) and OIBDA margin. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the financial tables included at the end of the Company's press release dated March 6, 2014. The Company uses these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. The Company believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and liquidity by excluding certain expenses that may not be indicative of its recurring core business operating results. These metrics are used by management to further its understanding of the Company's operating performance in the ordinary, ongoing and customary course of operations. The Company also believes that these metrics provide investors and equity analysts with a useful basis for analysing operating performance against historical data and the results of comparable companies. OIBDA and OIBDA margin. OIBDA is defined as operating income before depreciation and amortization. OIBDA margin is defined as OIBDA divided by total operating revenues. The most directly comparable GAAP measures to OIBDA and OIBDA margin are operating income and operating income margin, respectively. Unlike operating income, OIBDA excludes depreciation and amortization. The purchase of programming rights is the Company's most significant expenditure that enables it to generate revenues, and OIBDA includes the impact of the amortization of these rights. Expenditures for capital items such as property, plant and equipment have a materially less significant impact on the Company's ability to generate revenues. For this reason, the Company excludes the related depreciation expense for these items from OIBDA. Moreover, a significant portion of the Company's intangible assets were acquired in business acquisitions. The amortization of intangible assets is therefore also excluded from OIBDA.

Forward-Looking and Cautionary Statements

Certain statements contained in this document may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any forward-looking statement in this document speaks only as of the date on which it is made; the company assumes no obligation to update or revise any such statements. Forward-looking statements are based on the company's current assumptions regarding future business and financial performance; these statements, by their nature, address matters that are uncertain to different degrees. Forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to be materially different, as discussed more fully elsewhere in this document and in the company's filings with the Securities and Exchange Commission (SEC), including the company's 2013 Form 10-K filed on March 6, 2014.

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