



NON-BINDING TRANSLATION

PRELIMINARILY APPROVED BY  
the Board of Directors of OJSC "Company "M.video"

APPROVED BY  
the Annual general meeting of shareholders of  
OJSC "Company "M.video"  
Minutes of the meeting № \_\_ dated June \_\_ 2008

# ANNUAL REPORT OF OJSC "Company "M.video" for the year **2007**

General Director of  
OJSC "Company "M.video"

Breev P.Y.

Chief Accountant of  
OJSC "Company "M.video"

Volkodav Y.V.

Москва, 2008

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## ***INTRODUCTION***

This Annual Report contains analysis of condition and performance of OJSC “Company “M.video” in the year 2007, plans and development prospects of the Company in Russian consumer electronics retail market, and potential risk assessment.

OJSC “Company “M.video” (hereinafter referred to as “Company”) is a holding company of the group of companies ensuring functioning of “M.video” retail network (hereinafter referred to as “Company”, “Group”, “Retail Network”). OJSC “Company “M.video” is a copyright holder of the principal trademark “M.video”. This Annual Report mainly contains information related to Company’s results in the year 2007. The Annual Report contains information as of December 31, 2007.

“M.video” Group is one of the leading electronic and household appliances retailers in the Russian Federation. The first “M.video” store was opened in Moscow in 1993. The Company operates 122 “M.video” stores in 48 cities of Russia and two online stores as of the end of 2007. The Company is also engaged in wholesale and supplies electronic and household appliances to other retailers.

“M.video” offers its customers approximately 20,000 SKUs of audio/video, digital, small and large home appliances, media and entertainment products as well as accessories. The Company sells well known brand name products as well as some exclusive and private label goods. “M.video” generally operates its stores under a uniform format and a specially designed store concept to provide customers with approximately 2,000 square meters of easy-to-navigate shopping space that also offers information about the products and upcoming trends.

In addition to providing an efficient retail store format and customer-friendly store concept aligned with the brand perception, the Company distinguishes itself by offering its customers a wide assortment of quality and innovative products and outstanding customer service whether through the product knowledge of the sales people, additional service agreement or our 24-hour customer care centre.

37 new “M.video” stores were opened in 2007. The Company modified its conception according to the new market trends, customers’ preferences using new visual solutions. An independent research conducted in April - May 2007 and based on service standards defined by “M.video”, revealed that 87% of the customers who made a purchase at “M.video” were willing to become repeat customers.

In November 2007 “M.video”, the first and the only company among domestic consumer electronics chains made an IPO on the major Russian stock exchanges RTS and MICEX. Russian and international investors became shareholders of 29.2% of the shares of the Company.

In 2007 “M.video” became a winner of the annual “People’s Choice/Brand №1 in Russia 2007” award as “The Best Trading Company” and also was awarded with the prestigious “Sales Business Award” in Electronic and Household Appliances.



## **I. GENERAL INFORMATION**

### **1.1. Commercial name of the Company.**

Full name – Open Joint-Stock Company “Company “M.video”

Abbreviated name - OJSC “Company “M.video”

### **1.2. Location.**

105066, Moscow, 40/12 Nizhnaya Krasnoselskaya str. bld. 20

### **1.3. Date of the state registration of the Company and registration number.**

Registered by the Federal Tax Service.

Certificate of state registration: series 77 №008748648.

Primary state registration number: 5067746789248.

Registering authority: Interregional Office №46 of the Federal Tax Service in Moscow.

Date of entry: September 25, 2006

### **1.4. Charter capital and shares of the Company.**

Charter capital of the Company is 1,797,682,270 (One billion seven hundred ninety seven million six hundred eighty two thousand two hundred and seventy) Rubles. The capital was formed by placing 179,768,227 (One hundred seventy nine million seven hundred sixty eight thousand two hundred twenty seven) registered ordinary non-documentary shares of 10 (ten) Rubles par value with shareholders.

The Company is entitled to place additionally maximum 30,000,000 (Thirty million) registered ordinary non-documentary shares of 10 (ten) Rubles par value.

### **1.5. Auditor of the Company:**

CJSC “Audit and Consulting Group “Business Systems Development”

Location: legal address – 107045 Moscow, 4/2 Ananyevsky per., bld. 1;  
mailing address – 115093 Moscow, 27 Lusinovskaya str., bld. 3.

Phone: (495) 967-68-38

Fax:

License:

License number: №E000440

Date of issue: 25.06.2002

Valid till: 25.06.2012

Licensing authority: Ministry of Finance of the Russian Federation

## **2. ORGANIZATIONAL STRUCTURE OF THE GROUP**

Open Joint-Stock Company “Company “M.video” was established on September 25, 2006 by reorganization of Limited Liability Company “Company “M.video”.

### **2.1. Structure of the Group**

OJSC “Company “M.video” is the sole participant of all companies of the Group conducting business in the Russian Federation. The following companies are the members of the Group as of 31.12 2007:

**LLC «M.video Management»**



Location: 125047, Moscow, 9/1 Miuskaya Square

General Director: Savelyev Fedor Alexandrovich

LLC «M.video Management» is the wholesale and retail trading operator performing product purchase in the territory of the Russian Federation and retail sales of the products in M.video stores. It is the owner of the products and retailer.

**LLC «M.video Torg»**

Location: 127030, Moscow, 21-23 Sushchevskaya str., bld. 1AББ

General Director: Lyalin Yury Nikolaevich

LLC «M.video Torg» is a trade equipment owner, leases the trade equipment to trading organizations (M.video stores).

**LLC «M.video Trade»**

Location: 127030, Moscow, 21-23 Sushchevskaya str., bld. 1AББ

General Director: Zhazhin Konstantin Evgenyevich

LLC «M.video Trade» operates a wholesale in the Group, it purchases products from foreign suppliers and manufacturers of electronic and household appliances under international purchase and sale contracts. It performs all import transactions required for importation of products in the territory of the Russian Federation and sells them to LLC «M.video Management» under a supply contract.

**LLC «Standard-Invest»**

Location: 107078, Moscow, 3/3 Sadovaya-Spasskaya str.

General Director: Kolomiets Rauziya Magsumovna

LLC «Standard-Invest» is the owner of a part of real estate of the Group. This company owns 7 shops (total area – 20.850 thousand sq.m.) which makes 42% of the total selling space owned by “M.video”.

**LLC «Sphera Invest»**

Location: 115054, Moscow, 27/14 Dubininskaya str.

General Director: Kolomiets Rauziya Magsumovna

LLC «Sphera Invest» is the owner of a part of real estate of the Group. This company owns 10 shops (total area – 27.703 thousand sq.m.) which makes 58% of the total selling space owned by “M.video”.

**LLC «M.video Finance»**

Location: 127055, Moscow, 18/1A Vadkovsky per.

General Director: Kravtsov Maxim Alexandrovich

LLC «M.video Finance» is engaged in investment activities, it issues bonds to attract financial resources for business expansion of the Group.

**2.2. «M.video» stores as of December 31, 2007:**



№	Shop №	Address
1.	11	117556 Moscow, 3 Chongarsky boulevard
2.	14	105318 Moscow, 3/1 Izmaylovsky Val Street
3.	15	107061 Moscow, 1 Bolshaya Cherkizovskaya Street
4.	16	109652 Moscow, 169 Lublinskaya str.
5.	18	129085 Moscow, 91/1 Prospect Mira
6.	19	117342 Moscow, 34/63 Obrucheve str.
7.	20	105523 Moscow, 100 Shchelkovskoe Highway, bld. 101, 104, 1A
8.	21	142700 Moscow, MKAD 26 km, «WAYMART» Shopping Center
9.	22	115583 Moscow, 35 Generala Belova str.
10.	23	127562 Moscow, 12 Dekabristov str.
11.	24	123423 Moscow, 28/1 Narodnogo Opolcheniya str.
12.	25	107014 Moscow, 22 Rusakovskaya str.
13.	26	121352 Moscow, 13/1 Slavyansky boulevard
14.	27	109443 Moscow, 40 Zelenodolskaya str.
15.	28	141400 Moscow region, Khimki, 5 Leningradskoye highway
16.	29	107078 Moscow, 3/3 Sadovaya-Spasskaya str.
17.	30	119296 Moscow, 64/2 Leningradsky avenue
18.	32	143441 Moscow region, Putilkovo, MKAD 71 km, bld. 16A, "Waypark" Shopping Center
19.	34	127253 Moscow, 116 Dmitrovskoye highway, "Mosmart" Shopping Center
20.	35	141400 Moscow region, Khimki, urban district 8, bld. 1
21.	36	119602 Moscow, Olympic village, 3/1 Michurinsky avenue, «Festival» Shopping Center
22.	38	143900 Moscow region, Balashikha, Entuziastov Highway, bld. 36A
23.	39	115408 Moscow, Municipal Area Brateevo, Projected residential road № 5396 bld. 15, "Real" Shopping Center
24.	41	Moscow, MKAD 47 km, bld. 20, «Mosmart» Shopping Center
25.	42	113556 Moscow, Varshavskoe Highway, bld. 97, «Retail-Park» Shopping Center
26.	44	127543 Moscow, MKAD 87 km, bld. 8, «Chas Pik» Shopping Center
27.	45	113447 Moscow, Bolshaya Cheryomushkinskaya Street, bld. 1, «RIO» Shopping Center
28.	48	Moscow, Mitinskaya Street, bld. 36/1, «Kovcheg» Shopping Center
29.	50	Moscow, Altufevskoe Highway, bld. 8, «Altufevsky» Shopping Center
30.	51	111672 Moscow, Novokosinskaya Street, bld. 14
31.	53	109377 Moscow, Ryazansky Prospect, bld. 28/1, «Merkado» Shopping Center
32.	56	Moscow, Svobodny Prospect, bld. 33, «Perovsky» Shopping Center
33.	64	Moscow, Krasnaya Presnya Street, bld. 23B/1
34.	102	603074 Nizhni Novgorod, 15 Sormovskoye highway
35.	112	603024 Nizhni Novgorod, 61 Belinskogo
36.	122	603002 Nizhni Novgorod, 9 Revolutsii square

37.	146	607686 Nizhni Novgorod region, Kstovsk district , Fedyakovo village, "Mega" Shopping Center
38.	157	603016 Nizhni Novgorod, 26 Vedenyapina, "Парк Авеню" Shopping Center
39.	101	344010 Rostov-on-Don, 157 Krasnoarmeyskaya str.
40.	115	344068 Rostov-on-Don, 30 M. Nagibina Avenue
41.	173	344113 Rostov-on-Don, 28 Komarova boulevard, "Universam Severny" Shopping Center
42.	202	Rostov-on-Don, "Mega" Shopping Center, Rostov region, Aksay district, Aksay, 33 Novocherkasskoye highway
43.	103	443013 Samara, 1 Moskovskoye highway/ 90 Kommunisticheskaya str.
44.	106	443072 Samara, 18 <sup>th</sup> km of Moskovskoye highway, bld. 25A
45.	160	443011 Samara, ул. Ново-Садовая, 160м Novo-Sadovaya str. "Megacity" Shopping Center
46.	104	197348 St. Petersburg, 10A Kolomyazhsky avenue
47.	105	190013 St. Petersburg, 44 Moskovsky avenue
48.	111	195213 St. Petersburg, 67/2 Zanevsky avenue
49.	118	197374 St. Petersburg, 141 Savushkina str.
50.	119	197022 St. Petersburg, 5 Akademika Pavlova str.
51.	123	194421 St. Petersburg, 48/50 Prazhskaya str., "Yuzhny Polus" Shopping Center
52.	125	196140 St. Petersburg, 35 Pulkovskoye highway, ТЦ "Masshtab" Shopping Center
53.	129	194156 St. Petersburg, 33/1 Engelsa avenue
54.	134	194358 St. Petersburg, 154 Engelsa avenue, "Grand Canyon" Shopping Center
55.	175	195220 St. Petersburg, 41 Grazhdansky avenue, "Great" Shopping Center
56.	180	188660 St. Petersburg, intersection of KAD and Engelsa avenue, "Mega-Parnas" Shopping Center
57.	190	192281 St. Petersburg, 5 Balkanskaya square, "Nova Balkania" Shopping Center
58.	191	St. Petersburg, "Continent" Shopping Center, 14a Baykonurskaya str.
59.	107	454021 Chelyabinsk, 16 Moldavskaya str.
60.	114	454091 Chelyabinsk, 4 Stepana Razina str.
61.	141	454036 Chelyabinsk, 15 Cherkasskaya str., "KC" Shopping Center
62.	188	Chelyabinsk, "Chelyabinsky" Shopping Center, 64 Kaslinskaya str.
63.	108	620086 Ekaterinburg, 55 Radishcheva str.
64.	121	620014 Ekaterinburg, 10 Vaynera str.
65.	128	620034 Ekaterinburg, 55 Khalturina str. , "Carnaval" Shopping Center
66.	147	620131 Ekaterinburg, 87 Metallurgov str., "Mega" Shopping Center
67.	110	450001 Ufa, 4 Oktyabrya avenue
68.	182	Almetyevsk, "Panorama", Shopping Center, 100 Lenina str.
69.	209	Arkhangelsk, "Premier" Shopping Center, 52 Troitsky avenue
70.	113	614095 Perm, 41/1 Mira str.

71.	193	Perm, "Колизей-Синема" Shopping Center, ул. Куйбышева, 16
72.	289	Pskov, "Imperial" Shopping Center, 41 Kommunalnaya str.
73.	116	420029 Kazan, 5 Akademika Arbuzova str.
74.	117	420140 Kazan, 91 Pobedy avenue
75.	130	Kazan, "Svey" Shopping Center, 79 Dekabristov str.
76.	132	420100 Kazan, 141 Pobedy avenue
77.	203	420111 Kazan, 1 Peterburgskaya str., "Koltso" Shopping Center
78.	120	350005 Krasnodar, 100 Dzerzhinskogo str.
79.	150	350020 Krasnodar, 280 Kommunarov str.
80.	305	Kurgan, Trade center, 56A Kloj Myagotina str.
81.	255	Kursk, 4Б Shchepkina str.
82.	233	Lipetsk, "Perekrestok" Shopping Center, 11 Katukova str.
83.	206	Lipetsk, "MY" Shopping Center, 1006 Gagarina str.
84.	124	394030 Voronezh, 35 Koltsovskaya str.
85.	154	394088 Voronezh, 60 Generala Lizyukova str., "Aksioma" Shopping Center
86.	163	394051 Voronezh, 65A Geroev Sibiryakov str., "Armada" Shopping Center
87.	126	410065 Saratov, 3rd Dachnaya str., "Povolzhye" Shopping Center
88.	159	410030 Saratov, 18/40 Sokolovaya str.
89.	225	Astrakhan, "Admiralteysky" Shopping Center, 51 Admiralteyskaya str.
90.	198	Barnaul, "Europe" Shopping Center, 251 Pavlovsky highway
91.	200	241037 Bryansk, 26 Stanke Dimitrova avenue
92.	276	Vologda, "Luch" Shopping Center, 71 Leningradskaya str.
93.	151	355035 Stavropol, 1 <sup>st</sup> Promyshlennaya str. bld. 16
94.	218	Stavropol, "CUM" Shopping Center, 131 Dzerzhinskogo str.
95.	152	150030 Yaroslavl, 2 Gogolya str., "Faraon" Shopping Center
96.	224	Surgut, "PRosich" Shopping Center, 10 Geologicheskaya str.
97.	256	Taganrog, "Parus" Shopping Center, 15 B. Bulvarnaya str.
98.	269	Tomsk, "CUM" Shopping Center, 121 Lenina avenue/Operativny per.
99.	139	Tyumen, "Kolumb" Shopping Center, 118 Moskovsky highway
100.	189	625051 Tyumen, 80 Shirotnaya str.
101.	161	460021 Orenburg, 161 Turkestanskaya str.
102.	164	Izhevsk, "Stolitsa" Shopping Center, 3a Avtozavodskaya str.
103.	167	423822 Naberezhnye Chelny, 3 Mira avenue
104.	168	600035 Vladimir, 24A Kuybysheva str., "Trakt" Shopping Center
105.	169	390006 Ryazan, 2E Yesenina str., "Kruiz" Shopping Center
106.	176	390013 Ryazan, 5A Moskovskoye highway, "Bars" Shopping Center
107.	226	Nalchik, "Nalchik" Shopping Center, 2 Kulieva avenue
108.	184	445051 Samara region, Tolyatti, 6 Frunze str., "Passage" Shopping Center
109.	185	400005 Volgograd, 65K Lenina avenue, "Stroygrad" Shopping Center
110.	186	455038 Magnitogorsk, 153 Karla Marksa avenue



111.	187	392000 Tambov, 194 Sovetskaya str.
112.	212	Kemerovo, "Laplandiya" Shopping Center, 34 Oktyabrsky avenue
113.	204	Kostroma, Karavaevo village, "Kollage" Shopping Center, 1 Krasnoselskoye highway
114.	192	630087 Novosibirsk, 142 Nemirovicha-Danchenko str.
115.	197	Novosibirsk, "Yupiter" Shopping Center, 15 Gogolya str.
116.	196	Novosibirsk, "MEGA" Shopping Center, 99 Vatutina str.
117.	208	Omsk, "Gertsen-Plaza" Shopping Center, 2/9 Chernyshevskogo str.
118.	274	Orel, "Grinn" Shopping Center, 4 Kromskoye highway
119.	313	Nizhnevartovsk, "Canyon" Shopping Center, block A, 44 Lenina str.
120.	223	Novokuznetsk, "Nika" Shopping Center, 11 Pavlovskaya str.
121.	232	Novorossiysk, "Team" Shopping Center, 211 Dzerzhinskogo avenue
122.	228	Khanty-Mansisk, "Avangard" Shopping Center, 43 Engelsa str.

### 3. SECURITIES AND SHARE CAPITAL

#### 3.1. Shareholders and structure of the charter capital

The reverse split was completed in September 2007 according to a resolution of the General Meeting of shareholders. 149,768,227 registered ordinary non-documentary shares of 10 (ten) Rubles par value were issued. Original issue shares were cancelled.

In November 2007 shares of OJSC "Company "M.video" were admitted to stock exchange trading on the major Russian stock exchanges RTS and MICEX.

The major shareholders of the Company as of December 31, 2007:

1. Private company limited by shares SVECE LIMITED» (Cyprus): **69,9626%**
2. CJSC «Depositary and Clearing Company» - nominee shareholder: **18,49%**

#### 3.2. Issues of Company securities

#### ISSUED SECURITIES (as of 31.12.2007)

Type of the share issued	State registration number	Date of the state registration	Par value (Rubles)	Number (pieces)
<b>Ordinary registered non-documentary shares</b>	1-02-11700-A	23.08.2007	10.00	149,768,227
<b>Ordinary registered non-documentary shares</b>	1-02-11700-A-001D	25.10.2007	10.00	30,000,000
<b>TOTAL</b>				179,768,227

#### 3.3. Trading statistics



As a result of offer of the shares on the Russian stock exchanges OJSC “Company “M.video” and its shareholders raised USD 365. The offering share price was USD 6.95.

From the total amount raised, the Company received USD 203 million which is to be used primarily for expansion of the store network. The shareholders of the Company received the balance of the IPO funds. All shares offered during IPO were provided by an M.video shareholder (SVECE Ltd.) who spent a part of the funds raised for acquisition of 30,000,000 additional shares through a closed subscription.

The IPO shares were bought by Russian and international investors from Great Britain and other European countries which decided to invest in the dynamically developing retail sector of Russian economy.

#### Initial offer results

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Date of the offer	November 1, 2007
Stock exchange	RTS, MICEX
Ticker	MVID
Global coordinator / Joint bookrunner	Deutsche Bank
Joint bookrunner	Renaissance Capital
Type of shares	Ordinary shares
Number of offered shares	52.5 mln.
Share of the offered shares in charter capital	29.2049%
Offering price	USD 6.95
Total capital raised as a result of IPO	USD 365 mln.
Total capital raised as a result of placement through closed subscription	USD 203 mln.
Purpose of capital raising	Financing of opening of new stores, modernization of supply channels and trade infrastructure, IT systems development, real estate purchase, capital structure optimization and general corporate purposes.

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#### **4. GOVERNING AND CONTROL BODIES OF THE COMPANY**

The Company's supreme governing body is General Meeting of shareholders.



The Board of Directors of the Company is responsible for general oversight and strategic guidance of the Company.

#### 4.1. Board of Directors

The Board of Directors elected during the Extraordinary General Meeting of shareholders held on February 26, 2007 includes 9 persons, the following 4 independent directors among them: Gyoerffy Peter, Hamid David, Helander Ilpo and Leighton Stuart.

During the Annual General Meeting of shareholders held on June 29, 2007, the Board of Directors of the same composition was elected. No further changes occurred among members of the Board of Directors during the reporting period.

#### Members of the Board of Directors of OJSC “Company “M.video” as of 31.12.2007

Name	Date of birth	Education	Positions	Shareholding in the Company
Breev Pavel Yurievich	22.04.1967	Moscow Aviation Engine Building Technical School	General Director of OJSC “Company “M.video”	none
Zayonts Alexander Leonidovich	10.01.1967	D.N.Mendeleev Russian Chemical Technological University	Deputy General Director of LLC “M.video Management”	none
Tynkovan Alexander Anatolievich	14.06.1967	Moscow Energy Institute	Executive Director of LLC M.video Management, President of OJSC “Company “M.video”	none
Tynkovan Mikhail Anatolievich	01.07.1971	Moscow Energy Institute	Deputy General Director of LLC “M.video Management”	none
Gyoerffy Peter	12.05.1959	University of Economics (Austria)	Managing Director of CONplementation Business Consulting Vienna	none
Hamid David	11.12.1951	University of Bradford (UK)	Partner in Merchant Equity Partners	none
Helander Ilpo	12.06.1942	University of Technology in Helsinki (Finland)	Partner in Boardman Oy	none
Leighton Stuart	17.06.1968	Napier Polytechnic (UK), BA Accounting	Financial Director in Aidahar Group	none
Parks Christopher	12.08.1963	Simon Fraser University (Canada)	Financial Director, LLC M.video Management	none

Powers of Chairman of the Board of Directors were performed until February 26, 2007 by Tynkovan A.A. After election of new members of the Board of Directors on February 26, 2007 powers of Chairman of the Board of Directors were performed during the reporting period by Peter Gyoerffy.

Breev P.Y. acted as secretary of the Board of Directors until February 26, 2007. After that date, the new members of the Board of Directors elected corporate secretary of the Company –



Ivanova Tatiana Alexandrovna, who acted as secretary of the Board of Directors and General Meeting of shareholders during the reporting period.

#### **4.2. Sole executive body**

Breev Pavel Yurievich, General Director of the Company, acts as the sole executive body of the Company.

#### **4.3. Revision Commission**

The Extraordinary General Meeting of shareholders held on February 26, 2007 elected the Revision commission including the following members:

Name	Positions
Bolyakina Irina Ivanovna	Deputy head of control and inventory department of LLC "Bars"
Karikh Yuri Ivanovich	Category II Inspector of control and inventory department of LLC "Bars"
Shestukhin Andrey Leonidovich	Category II Inspector of control and inventory department of LLC "Bars"

The composition of the Revision commission was not changed during the reporting period.

#### **4.4. The criteria of determining and amount of remuneration and compensation paid or payable to the person acting as General Director of OJSC "Company "M.video", and members of the Board of Directors OJSC "Company "M.video" in respect of the reporting year's results.**

Under resolution of Annual General Meeting held on June 29, 2007, and Extraordinary General Meeting of Shareholders held on July 30, 2007, and also personnel arrangements of OJSC "Company "M.video", overall remuneration and compensation payable to all members of the Board of Directors and the person acting as the sole executive body paid in the reporting year is equal to **24 482 414 rubles**.

### ***5. INFORMATION OF THE COMPANY'S COMPLIANCE WITH THE CORPORATE CONDUCT CODE***

In 2007, OJSC "Company "M.video" made significant efforts to build a corporate governance system complying with recommendations of the Russian Corporate Conduct Code.

The Charter approved by the General Meeting of shareholders is in compliance with the requirements of Russian law and takes into account recommendations of the Corporate Conduct Code regarding provision to shareholders of access to information of the Company, shareholders' participation in general meetings of shareholders, nomination by the shareholders of candidates to the Company's governing and control bodies and proposing items to agenda of annual meetings of shareholders. The Charter of the Company stipulates that notice of an Annual General Meeting of shareholders should be given at least 30 days before the meeting, and the Company complies with this requirement in its activities.

The Company has formed the Board of Directors, in which four members of the Board of Directors comply with independence requirements as defined in the Russian Corporate Conduct



Code and Russian stock exchange listing rules. The Chairman of the Board of Directors is an independent director.

The Board of Directors of the Company has two committees, the Audit Committee and the Nomination and Remuneration Committee.

Members of the Audit Committee are Stuart Leighton and Ilpo Helander. The two members of the Audit Committee are independent directors complying with independence criteria under the Russian Corporate Conduct Code. Chairman of the Audit Committee, Stuart Leighton, is a member of the Certified Accountants Institute of England and Wales.

The exclusive functions of the Audit Committee are assessment of nominated auditors of the Company, assessment of auditor's conclusion, assessment of efficiency of the Company's internal control procedures and preparing proposals as to improvement thereof. Assessment of the Company auditor's conclusion prepared by the Audit Committee is provided among other materials to the Annual General Meeting of shareholders of the Company.

In the reporting year, members of the Nomination and Remuneration Committee were Peter Gyoerffy, David Hamid and A.L.Zayonts. Peter Gyoerffy and David Hamid are independent directors complying with independence criteria under the Russian Corporate Conduct Code. David Hamid was elected Chairman of the Nomination and Remuneration Committee.

The main functions of the Nomination and Remuneration Committee are determining the criteria for nomination of general director, heads of the principal structural units of the Company and its subsidiaries, development of criteria for determining wages, bonuses, the system of benefits and compensations payable to top managers and key employees.

The Company has the Corporate Secretary position. This officer is responsible for advising the Company and governing bodies on the procedures of preparation and holding General Meeting of shareholders and meetings of the Board of Directors. The Corporate Secretary is appointed by the Board of Directors.

If the Company carries out any activities capable of leading to material corporate changes, the Company ensures shareholders' ability to comment on and/or challenge the implementation thereof through establishment of a transparent and fair procedure. The Charter contains the requirement to approve transactions connected with acquisition, transfer or possible transfer by the Company, directly or indirectly, of the property of a value being 5 or more per cent of the balance sheet value of the Company's and its subsidiaries' assets determined in accordance with the most recent consolidated statements, except transactions relating to placement of the Company's shares and arm's-length transactions. The Board of Directors determines positions of the Company's representatives, as regards implementation of the right to vote provided by the Company's shares/interests in authorized (equity, reserve) capitals of other entities; and also decides on transfer or encumbrance of the Company's shares/interests in authorized (equity, reserve) capitals of other entities.

For efficient control of the Company's financial and business activities, a special body was elected, the Revision commission. None of the members of the Revision commission are employees of the Company. The Revision commission does not include any persons which were found guilty in any economic crimes or crimes against the governmental authorities.

The Board of Directors of the Company has approved the Regulation on Insider Information of OJSC "Company "M.video" regulating the use of information of the Company's business, the



Company's securities and transactions with them, which information is not generally available and, if disclosed, could affect materially the market price of the Company's securities.

The Company's Regulation on Insider Information, Regulation on the Sole Executive Body of the Company and Regulation on the Board of Directors of the Company are providing for duties of members of the Board of Directors and the person acting as the sole executive body to disclose information of holding the Company's securities, and also sale and/or purchase of the Company's securities. The said persons observe these rules.

The Company endeavors to follow the basic principles of disclosing information of the Company and the Group as a whole, ensuring regularity and efficiency of providing information, availability of such information for shareholders and other persons concerned, reliability and completeness thereof, observation of a reasonable balance between openness and protection of commercial interests. The Company fully observes the requirements of law and listing rules of Russian stock exchanges, as regards public disclosure of information. The Company discloses information in its news, on its web site and publishes information of the Group's business on a regular basis in the mass media.

## ***. 6. THE COMPANY'S POSITION IN THE SECTOR***

OJSC "Company "M.video" is not engaged in any operational or trade activities. The Company's main business is participation in authorized capitals of subsidiaries and management thereof.

The main business of M.video trade network is retail trade of household appliances and home electronics.

Overall economic situation in Russia is now favorable for development of retail trade as a whole, including the market of household appliances and home electronics.

Economic growth and, more important, higher purchasing power of individuals led to an expansion of the consumer market, and Russian consumers now have access to more elaborate and higher quality goods. The potential of home electronics and household appliances market in Russia is considered as high, and further growth of sales is expected, with the growth of purchasing power of individuals and further expansion to Russia's regional medium-size cities.

A significant incentive to the development of the home electronics and household appliances market in Russia is the growth of consumer lending and the expansion of the credit products line. Increasing competition between banks in recent years has resulted in a steady reduction of interest rates on loans, and an ever growing number of consumers now use the advantages of readily available credit for purchase of home electronics and household appliances.

Organized trade networks are now the main group of players holding a considerable share of household appliances retail trade market. Moreover, the shift to organized trade networks is characteristic to not only the home electronics and household appliances segment, but also the Russian retail trade market as a whole. The active development of trade networks is fuelling the growth of the retail trade market as a whole.

According to forecasts of investment bank Credit Suisse (Switzerland), the total amount of the home electronics and household appliances market in Russia in 2007-2012, as expressed in money, will be equal to about 51 billion USD. From this amount, non-consumer goods are estimated at over 57% or US\$29 billion.



In 2007, according to the Russian Ministry of Economic Development and Trade, the growth of income of the population amounted to 22.4%, and the consumer spending grew by 23.5%. The Ministry of Economic Development and Trade estimates that Russia's population spends about 70% of their income for purchase of goods and services.

According to the various studies of the marketing groups, in 2007 Russia was the 4th in Europe, as regards trade turnover of the retail trade sector, after Germany, France and UK. According to the mentioned studies, while West European markets grow, in USD terms, 10-12% each year, the growth rate of the Russian market is 2-3 times higher (25-30% in 2004-2007). In 2008, it will grow by 27.5%, and in each of the next 2-3 years it is forecasted to grow by at least 20%.

According to Credit Suisse, in 2007 home electronics and household appliances market share within the total retail trade in Russia was equal to 11.3%.

The M.video network is actively growing in the Russian retail market of home electronics and household appliances. As of December 31, 2007, the Company had 122 stores for home electronics in 48 Russia's cities.

## ***7. REPORT OF THE BOARD OF DIRECTORS OF OJSC “COMPANY “M.VIDEO” ON THE RESULTS OF ITS DEVELOPMENT IN THE PRIORITY LINES OF ITS BUSINESS***

The Board of Directors, whose responsibilities are defined in the Charter, guides the development of the Company's strategy, and defines general governance of the Company's business. The Board of Directors controls the activities of executive bodies, discusses on a regular basis reports from the directors and management and approves the Company's financial statements.

Members of the Board of Directors take an active part in meetings of the Board of Directors, held either as meetings attended by members, or voting in absentia. 16 meetings of the Board of Directors were held in 2007, of which 6 meetings were held as meetings attended by all members of the Board of Directors.

In 2007, the Board of Directors of the Company discussed 54 items. The most important resolutions taken by the Board of Directors of the Company in 2007 were connected with establishment of the standard base regulating the Company's corporate governance; improvement of existing internal documents of the Company and approval of new ones, complying with international corporate governance standards; establishment of a corporate governance structure, establishment of specialized committees of the Board of Directors; approval of the Group's budget and control of performance thereof; preparation of Annual and extraordinary general meetings of shareholders; preparation and conducting IPO at Russian stock exchanges RTS and MICEX.

The most important issues discussed by the Board of Directors in 2007:

<i>Meeting date</i>	<i>Issues discussed</i>
25.04.2007	Resolution on holding the Annual General Meeting of Shareholders
25.04.2007	Recommendation to approve an independent auditor to Annual General Meeting of Shareholders
25.04.2007	Approval of Regulation on Audit Committee of the Board of Directors of OJSC

	M.video
28.06.2007	Recommendation to Annual General Meeting of Shareholders to decide on consolidation of shares of OJSC “Company “M.video”
29.06.2007	Election of Chairman of the Board of Directors of OJSC “Company “M.video”, deputy Chairman of the Board of Directors, Corporate Secretary
29.06.2007	Election of members of audit committee and remuneration and nomination committee of the Board of Directors of OJSC “Company “M.video”
29.06.2007	Resolution on Extraordinary General Meeting of Shareholders
13.07.2007	Resolution on issuing shares in the Company allocated through converting upon consolidation
03.08.2007	Recommendation to Extraordinary General Meeting of Shareholders to take resolution on the number, par value, category of authorised shares of OJSC “Company “M.video” and rights granted by such shares
03.08.2007	Recommendation to Extraordinary General Meeting of Shareholders to take resolution on increasing the charter capital of OJSC “Company “M.video”
03.08.2007	Taking resolution on an Extraordinary General Meeting of Shareholders
27.08.2007	Approval of Prospectus of securities of OJSC “Company “M.video”
11.09.2007	Approval of registrar of OJSC “Company “M.video”
24.09.2007	Approval of Resolution on additional issue of securities – ordinary registered non-documentary shares of OJSC “Company “M.video” to be placed through a closed subscription
04.10.2007	Approval of financial statements of OJSC “Company “M.video” for 2006 and the first half of 2007, executed in accordance with International Financial Reporting Standards
31.10.2007	Determining the price of placement of additional ordinary registered non-documentary shares of OJSC “Company “M.video” placed through a closed subscription
12.12.2007	Recommendation to Extraordinary General Meeting of Shareholders to take resolution on amending the Charter and the Regulation on General Meeting of Shareholders of OJSC “Company “M.video”
12.12.2007	Resolution on holding an Extraordinary General Meeting of Shareholders
12.12.2007	Determining the amount payable for the services of the Company's outside auditor
12.12.2007	Approval of the budget of M.video Group for 2008

During the accounting period, the Board of Directors of OJSC “Company “M.video” also discussed the issues connected with determining position of OJSC “Company “M.video” representative, as concerns exercise of the right to vote granted by the Company's shares/interests in charter (equity, reserve) capitals of other entities.

## **8. REPORT ON PAYMENT OF DIVIDEND STATED (ACCRUED) ON SHARES OF THE COMPANY**

No resolution on payment (announcement) of dividends in respect of shares in the Company for 2006, first quarter, half-year and nine months of 2007 fiscal year was taken by the Company's government body.

## **9. DESCRIPTION OF MAIN RISK FACTORS RELATED TO COMPANY'S ACTIVITIES**

As far as main activity line of OJSC “Company “M.video” is participation in charter capital of affiliates and their management and main activity of M.video trade network is retail trade with



household appliances and electronics we shall review both risks related to activities of OJSC “Company “M.video” and actual current risks related to activity of M.video trade network.

### *Industry risks*

M.video trade network as a whole carries out its activity within territory of the Russian Federation and does not export rendered services (works, goods). In connection with this risk related to trade network activity mainly originates from activities at domestic market, which is specific for major part of entrepreneurs working within territory of the Russian Federation.

The most important risks related to trade with household appliances and electronics at the Russian market include the following:

- risks associated with inflation and the value of the Russian currency
- risks related to entry of large foreign competitors into the Russian market (specialized trade networks with household appliances and electronics) and their pricing policies for the purpose of gaining market share;
- risks related to general reversal of the economic situation in the country and resulting decrease of purchasing power and discretionary spending;
- risks related to possible changes of prices for services used by the trade network in its activity;
- risks related to possible changes of prices for goods and/or services of the trade network;
- risks associated with the banking sector and the banking system.

M.video trade network has been carrying out expansion into different regions of the country for several years. At present M.video trade network has a base of loyal clients in different regions of the country.

At present M.video trade network does not forecast significant price changes for purchased goods (except for risk related to significant changes of customs legislation as specified below), because all purchases are made at competitive market of leading manufacturers of electronics and household appliances.

Wage inflation as well as fuel/energy costs rises are generally higher than the base inflation rate due to the low base and to the growing demand in Russia. M.video is using technologies, training and Supply Chain management to increase efficiency and to control the effects of these increases.

### *Country and regional risks.*

In recent years Government of the Russian Federation has been consistently implementing reforms that lead to stabilization of macroeconomic situation and improvement of investment climate in the country. At present significant political and economic changes are taking place in Russia to stabilization of economy and economic growth.

OJSC “Company “M.video” and its affiliates have been registered as taxpayers in Central Federal District of the Russian Federation (Moscow). At the same time majority of outlets owned by M.video trade network are located in different regions of Russia.

Government of the Russian Federation and Administration of Moscow City impact activities of OJSC “Company “M.video” and M.video trade network by means of legislative and regulative



measures and it can significantly influence financial status and operating results of the Company and the trade network as a whole.

The most significant risks related to country and regional risks influencing activities of OJSC “Company “M.video” and M.video trade network include the following:

- risks related to geographic peculiarities of the country and region(s) where OJSC “Company “M.video” and M.video trade network operate, including heightened danger of natural hazards, potential transport stoppage in connection with remoteness and/or inaccessibility, etc.
- risks related to political and economical peculiarities of the country and region(s) where OJSC “Company “M.video” and M.video trade network operate;
- risks related to possible military conflicts, introduction of emergency state, strikes in the country and region(s) where OJSC “Company “M.video” and M.video trade network operate;

Climatic conditions in the Russian Federation and also in regions of OJSC “Company “M.video” and M.video trade network operation are characterized as a whole as favorable. Transport infrastructure is developing thus potential business interruption form transport stoppages due to remoteness and/or inaccessibility of such regions and or due to natural hazards or similar events is reducing year to year.

At the same time the economy of the Russian Federation has many characteristics of an emerging market, in particular inconvertibility of the Russian ruble in majority of countries and a relatively high inflation rate. Existing Russian tax, currency and customs legislation allows different interpretations and also subject to frequent changes.

Economic development level of the Russian Federation and some regions in many ways depends on efficiency of measures, financial mechanisms and monetary policy implemented by the Russian Government and also on development of fiscal, legal and political systems.

Negative changes of the economic situation in Russia as a whole or in individual region(s) that can impact adversely operations and economic status of OJSC “Company “M.video” and M.video trade network are not expected in the nearest future.

Risk of military conflict and introduction of emergency state is evaluated as low.

#### *Financial risks.*

Among the most significant risks influencing financial status of OJSC “Company “M.video” and M.video trade network there are the following:

- risks of attracting new borrowings to finance expansion;
- risks related to changes of interest rates;
- risks related to exposure of financial status, liquidity, financing sources, results of operations, etc to exchange rate changes (currency risks);
- risks related to influence of inflation rate.

M.video trade network uses both short-term and long-term credits at reasonable interest rates for financing of its operations and expansion. Any changes to lending policies of banks or



significant increases in interest rates would result in the Company being less profitable and/or needing to reduce the expansion.

In case of significant growth of foreign exchange rates (USD, Euro) in conditions of earnings received in rubles from main business activity payments on commitments nominated in foreign currency will grow and it can negatively influence financial status of OJSC “Company “M.video” and M.video trade network. Nevertheless, in the view of existing tendency on USD and Euro rate decrease in relation to ruble availability of exchange commitments and increase of ruble earnings volume influence positively on financial status, liquidity and results of operations.

Deflation at economic growth maintenance will contribute to further increase of real income of population and as a consequence will lead to growth in demand of goods sold by M.video trade network. On the contrary, growth of price rate increase can lead to decline in sales and escalation of expenses incurred by M.video trade network, increase of borrowed funds cost and it can also lead to decline in profitability indices. Significant rates of inflation escalation can lead to fast growth of interest rates for free financial resources and it can make unprofitable investments of borrowed funds attracted both by floating of bonds and by bank crediting. Increase of inflation rate growth can also lead to escalation of the network’s expenses (due to price rise of fixed assets, materials, works and services of external organizations) and as a consequence to decrease of profitability and efficiency indices.

#### *Legal risks.*

The most significant risks influencing status and business activity of OJSC “Company “M.video” and M.video trade network in the area of current legislation include the following:

- tax risks related to imperfection of legislative basis regulating economic relations;
- risks related to changes of current legislation in business accounting;
- risks related to changes of current exchange control;
- risks related to changes of current tax legislation;
- risks related to changes of current regulations for customs control and duties;
- risks related to changes of court practice regarding issues related to activities of OJSC “Company “M.video” and M.video trade network
- risks related to the Company’ leases’ rights which may be challenged in court by the third parties;
- risks related to the Company’s ownership rights which may be challenged in court by the third parties.

Tax authorities may periodically audit OJSC “Company “M.video” and its affiliates. Due to some uncertainty in tax legislation fines (penalties) and obligation for additional tax payments may be imposed on the Company.

### ***10. LIST OF TRANSACTIONS MADE IN 2007 TO BE ACKNOWLEDGED IN COMPLIANCE WITH FEDERAL LAW ON JOINT STOCK COMPANIES AS INTERESTED-PARTY TRANSACTIONS***

Transactions to be acknowledged in compliance with Federal Law on Joint Stock Companies as interested-party transactions and transactions requiring approval of Company’s government bodies have not been effected within the reporting period.



## **11. LIST OF TRANSACTIONS MADE IN 2007 TO BE ACKNOWLEDGED IN COMPLIANCE WITH FEDERAL LAW ON JOINT STOCK COMPANIES AS LARGE-SCALE TRANSACTIONS**

Large-scale transactions have not been made in the reporting period.

## **12. ECONOMIC INDICATORS OF OJSC “COMPANY “M.VIDEO” BY OPERATING RESULTS IN 2007**

**12.1. Manpower and personnel:** average number of Company’s employees in 2007 is 9 persons.

### **12.2. Company’s balance sheet (absolute values)**

<b>Balance sheet items</b>	<b>2007, thous. rubles</b>
<b>Fixed assets:</b>	<b>6,394,591</b>
Intangible assets	754
Other fixed assets	1 180
Long-term financial investments	6,392,657
<b>Current assets:</b>	<b>108,626</b>
Inventory stocks	3,181
VAT on acquired valuables	148
Accounts receivable	58,116
Short-term financial investments	40,000
Monetary funds	7,181
<b>TOTAL ASSETS</b>	<b>6,503,218</b>
<b>Capital and reserves:</b>	<b>6,168,216</b>
Charter capital	1,497,682
Additional capital	4648903
Reserve capital	1 074
Undistributed profits (uncovered loss)	20,557
<b>Long-term obligations</b>	<b>-</b>
<b>Short-term obligations:</b>	<b>335,002</b>
Loans and credits	-
Accounts payable	335,002
<b>TOTAL LIABILITIES</b>	<b>6,503,218</b>

### Fixed assets

In 2007 fixed assets have not been acquired. There are no real estate property units or transportation vehicle on the balance of OJSC “Company “M.video”.

### Intangible assets

In balance sheet as of 2007 in the item “Intangible assets” exclusive rights are specified in money terms less accumulated depreciation of intangible assets.

### Long-term financial investments

In the item “Long-term financial investments” shares in charter capitals of affiliates acquired in 2006 and 2007 are specified, which are not used for current market value determination.



### Deferred expenses

In 2007 the following Company's expenses have been recorded as deferred expenses:

- Costs of connection to Internet (domains registration);
- Expenses for liability insurance of the Company's Board of Directors and officers.

Accounts receivable as of the end of the reporting period were equal to 58,116 thous. rubles, including advance payments to suppliers and contractors – 22,20 thous. rubles.

### Charter capital

Total amount of the charter capital registered under the RF legislation is 1,497,682,270 (One billion four hundred ninety seven million six hundred eighty two thousand two hundred seventy) rubles. In compliance with decision about increase of the Company's charter capital by means of additional shares placing taken by extraordinary General Meeting of Shareholders in September 2007 the charter capital has been increased per cost of 30,000,000 ordinary registered non-documentary shares with nominal value of 10 (Ten) ruble to total amount of 300,000,000 (Three hundred million) rubles. Issued additional shares have been completely paid in 2007 but as far as registration of changes in constituent documents of the Company was performed only on 15.02.2008 business operation on charter capital increase will be recorded in statements of 2008.

Accounts payable as of the end of the reporting period were equal to 335,002 thous. rubles, including trade liability of 1,063 thous. rubles and indebtedness against the shareholder for acquired and paid stake in the Company's charter capital.

Conclusion on financial and accounting statements in 2007 has been submitted by the Company's Auditor – CJSC "Auditing and Consulting Group "Business System Development".

As per Auditor's conclusion all financial (accounting) statements of the Company reflect results of the Company's financial and economic activities.

## **13. COMPANY'S FINANCIAL RESULTS AND FINANCIAL PERFORMANCE BY OPERATING RESULTS IN 2007**

### Profit and Loss Statement

	<b>2007, thous. rubles</b>
Proceedings of goods, products, services sales	51,283
Own costs of sold goods, products, services	(28,439)
Total profit	22,844
Sales profit (loss)	22,844
Income from participation in other entities	56 000
Interest payable	(1,081)
Other income	96
Other costs	(84,435)
Deferred tax assets	(517)
Current income tax	(11,275)
Net profit (loss) of the reporting period	21,475

Income on main business activity in 2007 is 51,283 thous. rubles; the amount has been received for granting of rights of the Company's proprietary articles (trademarks) use.



Other income in 2007 is 95,940 thous. rubles, including dividends received from affiliates to the amount of 56,000 thous. rubles and interest rates for use of granted loans to the amount of 39,844 thous. rubles.

Expenses on main business activity in 2007 amounted 28,439 thous. rubles.

Profit (loss) of the reporting period

By results of 2007 the Company received profit to the amount of 21,475 thous. rubles.

#### **14. COMPANY'S AFFILIATES**

Affiliated persons of the Company:

1. LLC "M.Video Management";
2. LLC "M.Video Trade";
3. LLC "M.Video Torg";
4. LLC "M.Video Finance";
5. LLC "Sfera Invest";
6. LLC "Standart-Invest";
7. Limited Liability Company "SVECE LIMITED";
8. Limited Liability Company "M.VIDEO HOLDING (CYPRUS) LIMITED";
9. Limited Liability Company "M.VIDEO INVESTMENT LIMITED";
10. Limited Liability Company "GOODHALL LIMITED" (CYPRUS);
11. Limited Liability Company "VELGA LIMITED" (CYPRUS);
12. Tynkovan Aleksander Anatolyevich;
13. Tynkovan Mikhail Anatolyevich;
14. Breyev Pavel Yuryevich;
15. Zajonts Aleksandr Leonidovich;
16. Gyoerffy Peter;
17. Hamid David;
18. Helander Ilpo;
19. Leighton Stuart;
20. Parks Christopher Allan;
21. Savelyev Fyodor Aleksandrovich;
22. Kolomiyets Rauzia Magsumovna;
23. Zhazhin Konstantin Yevgenyevich;
24. Lyalin Yuri Nikolayevich;
25. Kravtsov Maxim Aleksandrovich;



26. Maria Pitta;
27. Charalambos Michaelides;
28. Panayota Papademetriou;
29. Sophia Ioannu;
30. Stela Rauna.

## ***15. PRIORITY LINES OF ACTIVITY AND PERSPECTIVES OF COMPANY'S DEVELOPMENT***

OJSC "Company "M.video" in long-term perspective will perform exclusively functions of a holding company and a licensor under license agreements in regard to legal persons included into M.Video group.

In its own turn further development of M.Video trade network will be defined by regional expansion in compliance with general tendencies at the market.

M.Video management sees the main target of the Company as increase of shareholders value by increase of earnings and profitability and also increase of market share through use of main competitive advantages of M.Video brand in Russia in cities where the Company's stores are located.

To achieve these goals M.Video implements corporate strategy with the following key elements:

### ***1. Market share growth due to successful format.***

M.Video Company intends to increase number of own outlets, to open new stores with acceptable level of profitability in regions of presence and other regions having potential of growth. This plan includes, in particular:

- Fast expansion to other cities;
- Market share increase in cities where stores of the network are available;
- Sales increase in existing stores;
- Use of unified format of stores;
- Selection of the best location for network's stores.

### ***2. Strengthening of main brand advantages.***

M.Video trade network strives to strengthen brand and its clients' loyalty in order to increase number of customers visiting outlets of the network and to convert growing number of visits into real sales volume. For this purpose M.Video trade network intends to:

- make its trading outlets the best place for product innovations and ready solutions purchase;
- to perfect customers' servicing;
- to perfect trading outlets concept.

### ***3. Profitability focus.***

M.Video Company is intended to continue work on increase of its business operational efficiency paying attention first of all to the following issues:



- economy on scale;
- management of assortment of goods to maintain profitability;
- improvement of logistic chains management and logistics strengthening;
- continuation of investments into IT-system;
- personnel as the key business asset;
- introduction of highly profitable services.

## **16. INFORMATION TO SHAREHOLDERS**

### **16.1. Information about contact telephones of the Company, e-mail address and address in internet**

Denis Davydov  
Director on Relations with Investors  
Tel.: +7 (495) 644-2848 ext. 7064  
E-mail: [ir@mvideo.ru](mailto:ir@mvideo.ru)

Tatiana Ivanova  
Corporate Secretary  
Tel.: +7 (495) 644-2848 ext. 7522  
E-mail: [ir@mvideo.ru](mailto:ir@mvideo.ru)

Internet address: [www.mvideo.ru](http://www.mvideo.ru)

### **16.2. Company's registrar**

OJSC "Central Moscow Depository"  
Location: 107078, Moscow, Orlikov per. 3, bld. C  
Actual address: 105082, Moscow, ul. Bolshaya Pochtovaya 34, bld. 8  
Postal address: 105066, Moscow, P.O. 145, OJSC "Central Moscow Depository"  
Telephone, fax: +7 (495) 221 1335, +7 (495) 221 1333  
E-mail: [mcdepo@dol.ru](mailto:mcdepo@dol.ru)

## **17. ANNEXES TO ANNUAL REPORT**

## **ANNEX 1**

**Auditor's conclusion of CJSC "Audit and Consulting Group "Business Systems Development" on financial (accounting) statements of OJSC "Company "M.Video" for the period since January 1, 2007 till December 31, 2007.**

**Auditor's Opinion**  
**On the Financial Statements (RAS) of the OJSC "Company "M.video"**  
**For the Period January 01 – December 31, 2007**

1. We have audited the accompanying financial statements of the OJSC "Company "M.video" for the period from January 01, 2007 till December 31, 2007 inclusively. The financial statements of the OJSC "Company "M.video" include:

- Forms No.1 "Balance Sheet";
- Forms No.2 "Profits & Losses Statement";
- Forms No.3 "Statement of Changes in Equity"
- Forms No.4 "Cash Flow Statement";
- Forms No.5 "Balance Sheet Supplement";
- Notes to the Financial Statements.

The financial statements have been prepared by the executive body of the OJSC "Company "M.video" in accordance with the norms set out in the following legal acts:

- Federal Law of RF dated 21.11.1996 No.129-FZ "On Financial Accounting" (with recent amendments and additions);
- Regulations on accounting and accounting reporting in RF adopted by the Order of the Ministry of Finance of RF dated 29.07.1998 No.34n (with recent amendments and additions);
- Regulations on accounting "Financial accounting in an organization" PBU 4/99 (adopted by the Order of the Ministry of Finance of RF dated 06.07.1999 No.43n);
- Order of the Ministry of Finance of RF dated 22.06.2003 No.67n "On the forms of financial accounting of organizations".

The financial statements of the OJSC "Company "M.video" should be considered as the Forms and the Notes to the Financial Statements in the aggregate.

2. The executive body of the OJSC "Company "M.video" is responsible for the preparation and presentation of the financial statements. Our responsibility is on the basis of the audit performed to express an opinion whether the financial statements are reliable in all material respects and Russian law is observed in accounting practices.

3. We have audited in accordance with the following legal acts:

- Federal Law of RF dated 07.08.2001 No.119-FZ "On audit activity" (with recent amendments and additions);
- Federal standards of audit activity adopted by the Resolution of the Government of RF dated 23.09.2002 No.696 (with recent amendments and additions);
- Standards of audit activity of CJSC "AKG "RBC".

4. The audit was planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatements. An audit involved selected procedures:

- An audit of performing procedures to obtain audit evidence about amounts and disclosures in the financial statements;
- Evaluation of observance of accounting standards and rules used;
- Evaluation of main accounting estimates made by management;
- Evaluation of the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient to provide our audit opinion about reliability of the financial statements and Russian law observance in accounting practices.

6. In our opinion, the financial statements of the OJSC “Company “M.video” provide in all material respects a fair presentation of the Company’s financial position as of December 31, 2007 and results of operations for the period from January 01, 2007 till December 31, 2007 inclusively.

**Attachments:**

1. Balance Sheet (Forms No.1) – 2 pages.
2. “Profits & Losses Statement” (Forms No.2) – 2 pages.
3. “Statement of Changes in Equity” (Forms No.3) – 3 pages.
4. “Cash Flow Statement” (Forms No.4) – 2 pages.
5. “Balance Sheet Supplement” (Forms No.5) – 6 pages.
6. Notes to the Financial Statements – 7 pages.

**Date of the Audit Opinion:** March 31, 2008

**Head of the Audit Department:** A.A. Efremova

**Head of the audit:** A.A. Shevchenko

## **ANNEX 2**

**Accounting statements of OJSC “Company “M.Video” (forms 1-2)**

Приложение  
к Приказу Минфина РФ  
от 22.07.2003 № 67н  
(с кодами показателей бухгалтерской  
отчетности, утвержденными Приказом  
Госкомстата РФ № 475, Минфина РФ № 102н  
от 14.11.2003)

## БУХГАЛТЕРСКИЙ БАЛАНС / BALANCE SHEET STATEMENT

на 31 декабря 200 7 г.

Организация ОАО "Компания М.видео" Форма № 1 по ОКУД  
Идентификационный номер налогоплательщика \_\_\_\_\_ Дата (год, месяц, число) \_\_\_\_\_ по ОКПО  
Вид деятельности Услуги по управлению \_\_\_\_\_ ИНН \_\_\_\_\_ по ОКВЭД  
Организационно-правовая форма/форма собственности Открытое \_\_\_\_\_ по ОКОПФ/ОКФС  
акционерное общество / частная собственность \_\_\_\_\_ по ОКЕИ  
Единица измерения: тыс. руб./млн. руб. (ненужное зачеркнуть) \_\_\_\_\_ по ОКЕИ  
Местонахождение (адрес) 107066, г.Москва, ул.Нижняя Красносельская, д.40/12, стр.20

КОДЫ	
0710001	
71630621	
7701602010/770101001	
74.15	
47	34
384	

Дата утверждения

28.03.2007

Дата отправки (принятия)

28.03.2007

АКТИВ / ASSETS	Код показателя	На начало отчетного года	На конец отчетного периода
1	2	3	4
<b>ВНЕОБОРОТНЫЕ АКТИВЫ / I. NON-CURRENT ASSETS</b>			
Нематериальные активы / Intangible assets	110	1047	754
Основные средства / Fixed assets	120		
Незавершенное строительство / Construction in progress	130		
Доходные вложения в материальные ценности / Income bearing investments in tangible assets	135		
Долгосрочные финансовые вложения / Long term financial investments	140	1501084	6392657
Отложенные налоговые активы / Deferred tax assets	145	517	
Прочие внеоборотные активы / Other non-current assets	150	343	1180
<b>ИТОГО по разделу I / Total section I</b>	<b>190</b>	<b>1502991</b>	<b>6394591</b>
<b>II. ОБОРОТНЫЕ АКТИВЫ / II. CURRENT ASSETS</b>			
Запасы / Inventories	210	4	3181
в том числе: / including			
сырье, материалы и другие аналогичные ценности / raw materials	211		
животные на выращивании и откорме / live stock	212		
затраты в незавершенном производстве / work in progress	213		
готовая продукция и товары для перепродажи / finished goods	214		
товары отгруженные / goods despatched	215		
расходы будущих периодов / expenses related to future periods	216	4	3181
прочие запасы и затраты / other expenses	217		
Налог на добавленную стоимость по приобретенным ценностям / Value added tax on purchased goods	220	57	148
Дебиторская задолженность (платежи по которой ожидаются более чем через 12 месяцев после отчетной даты) / Accounts receivable (Payments expected beyond 12 months after the reporting date)	230		
в том числе покупатели и заказчики / including buyers and orderers	231		
Дебиторская задолженность (платежи по которой ожидаются в течение 12 месяцев после отчетной даты) / Accounts receivable (Payments expected within 12 months after the reporting date)	240	9290	58116
в том числе покупатели и заказчики / including buyers and orderers	241	338	35
Краткосрочные финансовые вложения / Short term investment	250		40000

Денежные средства / Monetary assets	260	<b>670</b>	<b>7181</b>
Прочие оборотные активы / Other current assets	270		
ИТОГО по разделу II / Total section II	290	<b>10021</b>	<b>108626</b>
<b>БАЛАНС / Total sections I and II</b>	300	<b>1513012</b>	<b>6503218</b>

ПАССИВ / EQUITY AND LIABILITIES	Код показателя	На начало отчетного года	На конец отчетного периода
1	2	3	4
<b>I. КАПИТАЛ И РЕЗЕРВЫ / III. EQUITY AND RESERVES</b>			
Уставный капитал / Charter capital	410	<b>6035</b>	<b>1497682</b>
Собственные акции, выкупленные у акционеров Treasury shares	411	( )	( )
Добавочный капитал / Additional capital	420		<b>4648903</b>
Резервный капитал / Legal reserves	430		<b>1074</b>
в том числе: / including резервы, образованные в соответствии с законодательством / reserves and provisions formed in accordance with legislation	431		
резервы, образованные в соответствии с учредительными документами reserves formed in accordance with foundation documents	432		<b>1074</b>
Нераспределенная прибыль (непокрытый убыток) Retained earnings (uncovered loss)	470	<b>155</b>	<b>20557</b>
<b>ИТОГО по разделу III / Total section III</b>	<b>490</b>	<b>6190</b>	<b>6168216</b>
<b>СРОЧНЫЕ ОБЯЗАТЕЛЬСТВА / IV. NON-CURRENT LIABILITIES</b>			
Займы и кредиты / Borrowings	510		<b>0</b>
Отложенные налоговые обязательства Deferred tax liabilities	515		
Прочие долгосрочные обязательства Other non-current liabilities	520		
<b>ИТОГО по разделу IV / Total section IV</b>	<b>590</b>		<b>0</b>
<b>КОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА / V. CURRENT LIABILITIES</b>			
Займы и кредиты / Borrowings	610	<b>11481</b>	<b>0</b>
Кредиторская задолженность / Accounts payable	620	<b>1495341</b>	<b>335002</b>
в том числе: / including поставщики и подрядчики / supplies and contractors	621	<b>12</b>	<b>1063</b>
задолженность перед персоналом организации salaries payable	622	<b>13</b>	<b>13</b>
задолженность перед государственными внебюджетными фондами / payable to state non-budget funds	623	<b>7</b>	
задолженность по налогам и сборам / taxes payable	624	<b>1289</b>	<b>133</b>
прочие кредиторы / other creditors	625	<b>1494019</b>	<b>333792</b>
Задолженность перед участниками (учредителями) по выплате доходов / Dividends payable to participants (shareholders)	630		
Доходы будущих периодов / Income of future periods	640		
Резервы предстоящих расходов / Reserves for future expenses and payments	650		
Прочие краткосрочные обязательства / Other current liabilities	660		
<b>ИТОГО по разделу V / Total section V</b>	<b>690</b>	<b>1506822</b>	<b>335002</b>
<b>БАЛАНС / Total sections III, IV, V</b>	<b>700</b>	<b>1513012</b>	<b>6503218</b>
<b>Справка о наличии ценностей, учитываемых на забалансовых счетах / Certificate of materials taking into off-balance accounts presence</b>			
Арендованные основные средства / Fixed assets leased	910	<b>1531</b>	<b>9200</b>
в том числе по лизингу / including	911		
Товарно-материальные ценности, принятые на ответственное хранение / Inventory holdings accepted in responsible deposit	920		
Товары, принятые на комиссию Goods accepted in comission	930		

Списанная в убыток задолженность неплатежеспособных дебиторов Accounts unreceivable written off at loss	940		
Обеспечения обязательств и платежей полученные Liabilities and payments supports received	950		
Обеспечения обязательств и платежей выданные Liabilities and payments supports handed	960		<b>1983457</b>
Износ жилищного фонда / Housing resources wear	970		
Износ объектов внешнего благоустройства и других аналогичных объектов / Outside improvement and other objects wear	980		
Нематериальные активы, полученные в пользование Intangible assets in usage	990		

Руководитель \_\_\_\_\_  
(подпись) (расшифровка подписи)

Главный бухгалтер \_\_\_\_\_  
(подпись) (расшифровка подписи)

" \_\_\_\_ " \_\_\_\_\_ 200 \_\_\_\_ г.

Приложение  
к Приказу Минфина РФ  
от 22.07.2003 № 67н  
(в ред. Приказа Минфина РФ  
от 18.09.2006 № 115н)

## ОТЧЕТ О ПРИБЫЛЯХ И УБЫТКАХ / PROFIT AND LOSS REPORT

за 12 месяцев 200 07 г.

Организация ОАО "Компания М.видео" Форма № 2 по ОКУД  
Идентификационный номер налогоплательщика \_\_\_\_\_ Дата (год, месяц, число)  
Вид деятельности Услуги по управлению по ОКПО  
Организационно-правовая форма/форма собственности Открытое по ОКВЭД  
акционерное общество / частная собственность по ОКОПФ/ОКФС  
Единица измерения: тыс. руб./млн. руб. (ненужное зачеркнуть) по ОКЕИ

КОДЫ		
0710002		
2007	12	31
71630621		
7701602010/770101001		
74.15		
47		34
384		

Показатель / Showing		За отчетный период	За аналогичный период предыдущего года
наименование/ parameter	код		
1	2	3	4
<b>Доходы и расходы по обычным видам деятельности / Income and expenses from ordinary activities</b> услуг (за минусом налога на добавленную стоимость, акцизов и аналогичных обязательных платежей) / Sale of goods, products, work, services (less VAT, excise tax and other several mandatory payments)		51,283	17,827
Себестоимость проданных товаров, продукции, работ, услуг / Cost of goods, products, work, services sold		( 28,439 )	( 19,108 )
Валовая прибыль / Gross profit		22,844	-1,281
Коммерческие расходы / Selling expenses		( 0 )	( 0 )
Управленческие расходы / Administrative expenses		( 0 )	( 0 )
Прибыль (убыток) от продаж / Profit (loss) from operations		22,844	-1,281
<b>Прочие доходы и расходы / Other income and expenses</b>			
Проценты к получению / Interest income		39,844	
Проценты к уплате / Interest expenses		( 1,081 )	( 797 )
Доходы от участия в других организациях / Income from investment in other companies		56,000	0
Прочие доходы / Other income		96	1,134
Прочие расходы / Other expenses		( 84,435 )	( 1,942 )
<b>Прибыль (убыток) до налогообложения / Profit (loss) before taxes</b>		33,267	-2,886
Отложенные налоговые активы / Deferred tax assets		( 517 )	517
Отложенные налоговые обязательства / Deferred tax liabilities		0	
Текущий налог на прибыль / Current profit tax		( 11,275 )	( 0 )
<b>Чистая прибыль (убыток) отчетного периода / Net profit (loss)</b>		21,475	-2,369
СПРАВОЧНО / Help file			
Постоянные налоговые обязательства (активы) / Permanent tax liabilities (assets)		12,214	176
Базовая прибыль (убыток) на акцию / Basic earnings (loss) per share		0	
Разводненная прибыль (убыток) на акцию / Watered earnings (loss) per share		0	

**ИФРОВКА ОТДЕЛЬНЫХ ПРИБЫЛЕЙ И УБЫТКОВ / SEPARATE PROFIT AND EXPENSES DEC**

Показатель / Showing		За отчетный период		За аналогичный период предыдущего года	
наименование / parameter	код	прибыль	убыток	прибыль	убыток
Штрафы, пени и неустойки, признанные или по которым получены решения суда (арбитражного суда) об их взыскании / Penalties, fines, forfeits considered or inflicted penalty on by court (court of arbitration)			5		1
Прибыль (убыток) прошлых лет / Profit (loss) of past			488		
Возмещение убытков, причиненных неисполнением или ненадлежащим исполнением обязательств Compensation of loss inflicted by default on or improper performance of					
Курсовые разницы по операциям в иностранной валюте / Course differences of foreign currency		4	23,376	1,119	1,516
Отчисления в оценочные резервы / Assessments to evaluative working balances		X		X	
кредиторских задолженностей, по которым истек срок исковой давности Amortisation of accounts receivable and payable limitation period of which is due					

Руководитель \_\_\_\_\_ **Бреев П.Ю.**  
 (подпись) (расшифровка подписи)

Главный бухгалтер \_\_\_\_\_ **Волкодав Ю.В.**  
 (подпись) (расшифровка подписи)

" \_\_\_\_ " \_\_\_\_\_ 200 \_\_\_\_ г.