

**Open Joint Stock Company**  
**“Company M.video”**

**Interim Condensed Consolidated  
Financial Information (Unaudited)**  
Half-Year Ended 30 June 2012

# OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

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## OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

### STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED)

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Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of Open Joint Stock Company “Company M.video” and subsidiaries (the “Group”) as at 30 June 2012 and the consolidated results of its operations, changes in equity and cash flows for the half-year then ended, in compliance with International Accounting Standard 34 “Interim Financial Reporting”.

In preparing the interim condensed consolidated financial information, management is responsible for:

- Selecting suitable accounting policies and applying them consistently;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance; and
- Making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with statutory legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information for the half-year ended 30 June 2012 was approved on 28 August 2012 on behalf of the Board of Directors by:



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**A. Tynkovan**  
President



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**C. Parks**  
Chief Financial Officer

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

To: Shareholders and Board of Directors of OJSC "Company M.video"

### Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Open Joint Stock Company "Company M.video" and subsidiaries as at 30 June 2012 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the half-year then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

DELOITTE & TOUCHE


Moscow  
28 August 2012

# OPEN JOINT STOCK COMPANY "COMPANY M.VIDEO"

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

	Notes	30 June 2012	31 December 2011
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	3	9,245	8,920
Intangible assets	4	1,408	1,261
Advances paid for non-current assets		101	98
Deferred tax assets		1,646	1,666
Other non-current assets	5	621	594
<b>Total non-current assets</b>		<b>13,021</b>	<b>12,539</b>
<b>CURRENT ASSETS:</b>			
Inventories	6	23,261	24,487
Accounts receivable and prepaid expenses	7	1,309	1,246
Income tax receivable		163	412
Other taxes receivable	8	947	1,239
Cash and cash equivalents	9	8,016	13,220
Other current assets		158	204
<b>Total current assets</b>		<b>33,854</b>	<b>40,808</b>
<b>TOTAL ASSETS</b>		<b>46,875</b>	<b>53,347</b>
<b>EQUITY:</b>			
Share capital	10	1,798	1,798
Additional paid-in capital		4,576	4,576
Treasury shares		(588)	(588)
Retained earnings		7,259	7,041
<b>Total equity</b>		<b>13,045</b>	<b>12,827</b>
<b>NON-CURRENT LIABILITIES:</b>			
Deferred tax liabilities		317	317
Provisions	14	56	100
<b>Total non-current liabilities</b>		<b>373</b>	<b>417</b>
<b>CURRENT LIABILITIES:</b>			
Short-term loans and borrowings	11	3,001	-
Trade accounts payable		21,109	32,673
Other payables and accrued expenses	12	2,899	2,334
Advances received		1,490	802
Dividends payable	10	953	-
Income tax payable		110	908
Other taxes payable		852	529
Deferred revenue	13	2,784	2,555
Provisions	14	228	282
Forward contracts		31	20
<b>Total current liabilities</b>		<b>33,457</b>	<b>40,103</b>
<b>Total liabilities</b>		<b>33,830</b>	<b>40,520</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>46,875</b>	<b>53,347</b>

The Notes on pages 7 to 16 form an integral part of this interim condensed consolidated financial information signed on behalf of the Board of Directors on 28 August 2012.

  
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**A. Tynkovan**  
President

  
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**C. Parks**  
Chief Financial Officer

## OPEN JOINT STOCK COMPANY "COMPANY M.VIDEO"

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) *(in millions of Russian Rubles, except earnings per share)*

	Notes	<u>30 June 2012</u>	<u>30 June 2011</u>
REVENUE	15	58,593	46,502
COST OF SALES	16	<u>(44,159)</u>	<u>(34,875)</u>
GROSS PROFIT		14,434	11,627
Selling, general and administrative expenses	17	(13,693)	(11,006)
Other operating income	18	819	575
Other operating expenses		<u>(52)</u>	<u>(55)</u>
OPERATING PROFIT		1,508	1,141
Finance income, net	19	<u>176</u>	<u>4</u>
PROFIT BEFORE INCOME TAX EXPENSE		1,684	1,145
INCOME TAX EXPENSE		<u>(476)</u>	<u>(379)</u>
<b>NET PROFIT</b> for the period, being <b>TOTAL COMPREHENSIVE INCOME</b> for the period		<u><b>1,208</b></u>	<u><b>766</b></u>
BASIC EARNINGS PER SHARE (in Russian Rubles)	20	6.82	4.33
DILUTED EARNINGS PER SHARE (in Russian Rubles)	20	6.72	4.26

The Notes on pages 7 to 16 form an integral part of this interim condensed consolidated financial information signed on behalf of the Board of Directors on 28 August 2012.



**A. Tynkovan**  
President



**C. Parks**  
Chief Financial Officer

## OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
<b>Balance as at 1 January 2011</b>	1,798	4,576	(588)	4,279	10,065
Recognition of share-based payment for ordinary shares previously issued	-	-	-	44	44
Dividends declared	-	-	-	(691)	(691)
Total comprehensive income for the period	-	-	-	766	766
<b>Balance as at 30 June 2011</b>	<b>1,798</b>	<b>4,576</b>	<b>(588)</b>	<b>4,398</b>	<b>10,184</b>
<b>Balance as at 1 January 2012</b>	<b>1,798</b>	<b>4,576</b>	<b>(588)</b>	<b>7,041</b>	<b>12,827</b>
Recognition of share-based payment for ordinary shares previously issued	-	-	-	37	37
Dividends declared (Note 10)	-	-	-	(1,027)	(1,027)
Total comprehensive income for the period	-	-	-	1,208	1,208
<b>Balance as at 30 June 2012</b>	<b>1,798</b>	<b>4,576</b>	<b>(588)</b>	<b>7,259</b>	<b>13,045</b>

The Notes on pages 7 to 16 form an integral part of this interim condensed consolidated financial information, signed on behalf of the Board of Directors on 28 August 2012.



**A. Tynkovan**  
President




**C. Parks**  
Chief Financial Officer


# OPEN JOINT STOCK COMPANY "COMPANY M.VIDEO"

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

	Notes	30 June 2012	30 June 2011
<b>OPERATING ACTIVITIES:</b>			
Total comprehensive income for the year		1,208	766
<i>Adjustments for:</i>			
Income tax expense		476	379
Depreciation and amortization	17	1,009	765
Change in allowance for doubtful accounts receivable and prepaid expenses		7	(36)
Share-based payment		37	44
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses	16	199	335
Other non-cash reconciling items		172	80
<b>Operating cash flows before movements in working capital</b>		<b>3,108</b>	<b>2,333</b>
Decrease in inventories		1,026	3,650
(Increase)/decrease in accounts receivable and prepaid expenses		(51)	211
Decrease in other taxes receivable		322	677
Decrease in trade accounts payable		(11,562)	(9,530)
Increase in other payables and accrued expenses		112	155
Increase/(decrease) in deferred revenue		229	(896)
Increase/(decrease) in advances received		688	(2)
Other changes in working capital, net		181	136
<b>Cash used in operations</b>		<b>(5,947)</b>	<b>(3,266)</b>
Income taxes paid		(1,006)	(1,061)
Interest paid		-	(21)
Forward contracts settlement		(87)	-
<b>Net cash used in operating activities</b>		<b>(7,040)</b>	<b>(4,348)</b>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment		(1,159)	(1,020)
Purchase of intangible assets		(182)	(207)
Interest received		177	24
<b>Net cash used in investing activities</b>		<b>(1,164)</b>	<b>(1,203)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from short-term loans and borrowings		3,250	2,788
Repayment of short-term loans and borrowings		(250)	(1,838)
<b>Net cash generated by financing activities</b>		<b>3,000</b>	<b>950</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(5,204)</b>	<b>(4,601)</b>
<b>CASH AND CASH EQUIVALENTS, at the beginning of the period</b>		<b>13,220</b>	<b>7,183</b>
<b>CASH AND CASH EQUIVALENTS, at the end of the period</b>		<b>8,016</b>	<b>2,582</b>

The Notes on pages 7 to 16 form an integral part of this interim condensed consolidated financial information, signed on behalf of the Board of Directors on 28 August 2012.

  
A. Tynkovan  
President

  
C. Parks  
Chief Financial Officer



# OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) *(in millions of Russian Rubles)*

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### 1. GENERAL INFORMATION

The interim condensed consolidated financial information of OJSC “Company M.video” (the “Company”) and subsidiaries (the “Group”) for the half-year ended 30 June 2012 was authorized for issue in accordance with a resolution of the Board of Directors on 28 August 2012.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Preparation**

The annual consolidated financial statements of OJSC “Company M.video” and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”). This interim condensed consolidated financial information for the half-year ended 30 June 2012 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2011.

The amounts in the interim condensed consolidated financial information are presented in Russian Rubles (“RUB”), which is the Company’s functional and presentation currency, unless expressly indicated otherwise.

#### **Seasonality of operations**

Generally, the Group’s revenue is subject to seasonal fluctuations with higher demand in the second half of the year. Business seasonality results from a combination of higher sales in holiday periods (for example, New Year) and certain costs such as depreciation, some general and administrative expenses that do not precisely follow sales trends. The timing of new store openings, cost associated with restructuring or asset impairment, if any, as well as general economic conditions, may also affect the Group’s future results.

#### **Income tax**

Income tax in the interim periods is accrued using the effective tax rate that would be applicable to expected total annual earnings.

#### **Significant accounting policies**

##### ***Adoption of new standards and interpretations***

The accounting policies adopted during the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2011. The Group has adopted the following new or revised standards and interpretations issued by IASB and IFRIC effective for financial years beginning on or after 1 January 2012:

- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Enhanced Derecognition Disclosure Requirements;
- Amendments to IAS 12 “Income Taxes” – Deferred Tax: Recovery of Underlying Assets.

The adoption of these new and revised standards and interpretations has not had an impact on this interim condensed consolidated financial information of the Group.

## OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

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#### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Changes in the presentation of the Group’s consolidated financial statements*

In 2012 the Group has changed presentation of its consolidated financial statements with respect to classification of certain expenses in the consolidated statement of comprehensive income.

Specifically, starting 1 January 2012 the Group classifies transportation expenses associated with moving merchandise inventories from central distribution warehouses to the Group’s retail stores as part of Cost of Sales. In prior periods the Group reported these expenses within Selling, General and Administrative expenses. The Group has made this change in classification in order to enhance fair presentation of expenses incurred in getting merchandise inventories to the points of sales.

##### **Reclassifications**

As noted above, in the half-year period ended 30 June 2012 the Group changed presentation of certain items of expenses as against comparable period of 2011 in order to enhance fair presentation of the annual consolidated financial statements and this interim condensed consolidated financial information. With this regard the Group made the following reclassifications to the prior period’s amounts to conform to the presentation of the current reporting period:

	<b>As previously reported</b>	<b>Reclassifi- cation</b>	<b>After reclassifi- cation</b>	<b>Comments</b>
<b>Consolidated Statement of Comprehensive Income for the half-year ended 30 June 2011</b>				
Cost of sales	(34,116)	(759)	(34,875)	Reclassification of cost of transporting the goods from the Company’s warehouses to the retail stores in the amount of 780 from “Selling, general and administrative expenses” to “Cost of sales”; reclassification of commissions paid for gift cards distribution in the amount of 21 from “Cost of sales” to “Selling, general and administrative expenses”
Selling, general and administrative expenses	(11,765)	759	(11,006)	

#### 3. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 30 June 2012 the Group incurred expenditures in the amount of 1,240 which is mostly represented by leasehold improvements in the amount of 277 (half-year ended 30 June 2011: 258), trade furniture in the amount of 148 (half-year ended 30 June 2011: 236) and other fixed assets, namely computer, conditioning and heating equipment, in the amount of 505 (half-year ended 30 June 2011: 158).

Assets with net book value of 31 were disposed of by the Group during the half-year ended 30 June 2012 (half-year ended 30 June 2011: 12).

# OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

### 4. INTANGIBLE ASSETS

During the half-year ended 30 June 2012 the Group incurred expenditures in the total amount of 272 (half-year ended 30 June 2011: 212) which for the most part relate to implementation of additional functionality of the Group's ERP system SAP R/3 and to development of a new front office-back office system.

### 5. OTHER NON-CURRENT ASSETS

Other non-current assets as at 30 June 2012 and 31 December 2011 consisted of the following:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Long-term advances paid for rent	517	500
Long-term loans and notes receivable	94	43
Long-term part of warranty asset – in respect of Additional Service Agreements (“ASA”, Note 14)	52	95
Less: allowance for doubtful long-term advances paid for rent	<u>(42)</u>	<u>(44)</u>
<b>Total</b>	<b><u>621</u></b>	<b><u>594</u></b>

### 6. INVENTORIES

Inventories as at 30 June 2012 and 31 December 2011 consisted of the following:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Goods for resale	24,266	25,429
Other inventories	61	74
Less: allowance for obsolete and slow-moving inventories	<u>(1,066)</u>	<u>(1,016)</u>
<b>Total</b>	<b><u>23,261</u></b>	<b><u>24,487</u></b>

For information relating to the cost of inventory recognized as an expense during the half-year periods ended 30 June 2012 and 30 June 2011 refer to Note 16.

As at 30 June 2012 inventories with the carrying amount of 3,315 (31 December 2011: 759) were pledged as collateral under loan and financial guarantee contracts entered into by the Group (Note 23 and Note 11).

### 7. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Trade and other accounts receivable and prepaid expenses as at 30 June 2012 and 31 December 2011 consisted of the following:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Advances paid to suppliers and prepaid expenses	1,095	740
Other accounts receivable	346	687
Trade accounts receivable	94	29
Advances paid to related parties (Note 21)	31	38
Less: allowance for doubtful accounts receivable	<u>(257)</u>	<u>(248)</u>
<b>Total</b>	<b><u>1,309</u></b>	<b><u>1,246</u></b>

## OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

#### 8. OTHER TAXES RECEIVABLE

Other taxes receivable as at 30 June 2012 and 31 December 2011 consisted of the following:

	<u>30 June 2012</u>	<u>31 December 2011</u>
VAT recoverable	927	1,220
Other taxes receivable	20	19
<b>Total</b>	<b><u>947</u></b>	<b><u>1,239</u></b>

#### 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2012 and 31 December 2011 consisted of the following:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Short-term bank deposits	6,590	9,195
Cash at banks	459	1,470
Cash in transit	763	2,295
Petty cash and cash in stores	204	260
<b>Total</b>	<b><u>8,016</u></b>	<b><u>13,220</u></b>

Short-term bank deposits earn interest ranging from 3.0% to 8.61% per annum (31 December 2011: from 3.5% to 8.61% per annum).

#### 10. EQUITY

##### Share capital

At 30 June 2012 and 31 December 2011 the Company had the following number of authorized, issued and outstanding ordinary shares:

	<u>Outstanding ordinary shares</u>	<u>Issued ordinary shares</u>	<u>Authorized ordinary shares</u>
<b>Balance as at 30 June 2012 and 31 December 2011</b>	<b>177,068,227</b>	<b>179,768,227</b>	<b>209,768,227</b>

Each share has par value of 10 RUB per share. During 2012 and 2011 there were no changes in the number of authorized and issued ordinary shares of the Company. All issued ordinary shares were fully paid.

##### Dividends declared

On 22 June 2012 the Annual General Meeting approved dividends of 5.80 RUB per share in respect of 2011. Dividends attributable to the treasury shares were eliminated in full for the purpose of this interim condensed consolidated financial information. After the approval, dividends payable to the holders of outstanding ordinary shares of the Company were recognized as a reduction of shareholders' equity in this interim condensed consolidated financial information in the total amount 1,027. Out of this amount 953 were payable by the Group as at 30 June 2012.

# OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

### 11. SHORT-TERM LOANS AND BORROWINGS

Short-term loans and borrowings as at 30 June 2012 and 31 December 2011 consisted of the following:

	Interest rate	30 June 2012	31 December 2011
Secured third parties credit facilities (RUB)	8.00%	3,000	-
<b>Total principal amount of short-term loans</b>		<b>3,000</b>	<b>-</b>
Interest payable		1	-
<b>Total</b>		<b>3,001</b>	<b>-</b>

#### Sberbank

The short-term debt to Sberbank is represented by loan received in June 2012 in the amount 3,000. The loan is denominated in RUB and matures in September 2012. Interest rate is 8.0% per annum. The loan is secured by the Group's inventory with the carrying amount of 3,250.

### 12. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses as at 30 June 2012 and 31 December 2011 consisted of the following:

	30 June 2012	31 December 2011
Accounts payable and accruals for rent and utilities	1,303	1,083
Accounts payable and accruals for salaries and bonuses	523	605
Accounts payable for property, plant and equipment	342	137
Accrued unused vacation	144	108
Accounts payable for cost of services	102	33
Accounts payable for repair and maintenance	76	32
Accounts payable for security services	72	41
Other current liabilities to related parties (Note 21)	68	35
Accounts payable and accruals for consulting fees	65	37
Accounts payable for packaging and raw materials	41	63
Other payables and accrued expenses	163	160
<b>Total</b>	<b>2,899</b>	<b>2,334</b>

Accounts payable and accruals for rent and utilities include accrued liabilities for lease payments calculated on a straight line basis over the lease term in the amount of 1,034 (31 December 2011: 821).

### 13. DEFERRED REVENUE

Deferred revenue as at 30 June 2012 and 31 December 2011 consisted of the following:

	For the half-year ended 30 June 2012			For the year ended 31 December 2011		
	Customer loyalty program “M.video Bonus”	Other programs	Additional services	Customer loyalty program “M.video Bonus”	Other programs	Additional services
As at 1 January	1,077	797	681	1,074	611	-
Revenue deferred during the period	1,772	-	1,094	3,077	797	725
Revenue released to the consolidated statement of comprehensive income	(1,553)	(797)	(287)	(3,074)	(611)	(44)
<b>As at the end of the period</b>	<b>1,296</b>	<b>-</b>	<b>1,488</b>	<b>1,077</b>	<b>797</b>	<b>681</b>

## OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

#### 13. DEFERRED REVENUE (CONTINUED)

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

#### 14. PROVISIONS

Provisions as at 30 June 2012 and 31 December 2011 consisted of the following:

	Non-current		Current	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Warranty provision – in respect of ASA (Note 5)	52	95	150	196
Provision for goods return	-	-	67	76
Warranty provision – repair of goods	4	5	11	10
<b>Total</b>	<b>56</b>	<b>100</b>	<b>228</b>	<b>282</b>

#### 15. REVENUE

Revenue for the half-year periods ended 30 June 2012 and 2011 consisted of the following:

	For the half-year ended	
	30 June 2012	30 June 2011
Retail revenue (including internet sales)	58,306	45,607
ASA revenue	287	895
<b>Total</b>	<b>58,593</b>	<b>46,502</b>

#### 16. COST OF SALES

Cost of sales for the half-year periods ended 30 June 2012 and 2011 consisted of the following:

	For the half-year ended	
	30 June 2012	30 June 2011
Cost of goods and services	43,151	33,760
Transportation to the retail stores	809	780
Inventory losses, net of surpluses, and change in allowance for obsolete and slow-moving inventories	199	335
<b>Total</b>	<b>44,159</b>	<b>34,875</b>

## OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

#### 17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the half-year periods ended 30 June 2012 and 2011 consisted of the following:

	For the half-year ended	
	30 June 2012	30 June 2011
Payroll and related taxes	4,197	3,301
Lease expense, net of income from sublease	3,030	2,262
Advertising and promotional expenses, net	1,618	1,550
Depreciation and amortization	1,009	765
Warehouse services, including related lease expenses	749	641
Utilities expense	660	545
Security	415	347
Repair and maintenance	394	341
Bank charges	342	231
Transportation to customers	319	229
Consulting services	219	146
Taxes other than income tax	175	159
Communication	156	111
Other expenses	410	378
<b>Total</b>	<b>13,693</b>	<b>11,006</b>

Payroll and related taxes for the half-year ended 30 June 2012 include 652 contribution to the state pension fund (half-year ended 30 June 2011: 540) and social and medical insurance in the amount of 237 (half-year ended 30 June 2011: 172).

During half-year ended 30 June 2012 the Group received 126 from its suppliers as a compensation of advertising and promotional expenses (half-year ended 30 June 2011: 71).

Lease expenses for the half-year ended 30 June 2012 include loss on change in fair value of currency forward contracts of 68 (half-year ended 30 June 2011: nil).

#### 18. OTHER OPERATING INCOME

Other operating income for the half-year periods ended 30 June 2012 and 30 June 2011 includes commissions received from banks on loans provided to customers, goods delivery, income from leases, income earned from suppliers for advertising materials placed in the Group's stores, and other items.

#### 19. FINANCE INCOME, NET

Finance income/(costs) for the half-year periods ended 30 June 2012 and 2011 consisted of the following:

	For the half-year ended	
	30 June 2012	30 June 2011
Interest income	177	26
Interest expense on bank loans	(1)	(22)
<b>Total</b>	<b>176</b>	<b>4</b>

## OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

#### 20. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the half-year ended	
	30 June 2012	30 June 2011
Net profit attributable to equity holders of the Company	1,208	766
Weighted average number of ordinary share in issue (millions of shares)	177.07	177.07
Effect of share options granted to employees (millions of shares)	2.70	2.70
<b>Basic earnings per share (in Russian rubles)</b>	<b>6.82</b>	<b>4.33</b>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)	179.77	179.77
<b>Diluted earnings per share (in Russian rubles)</b>	<b>6.72</b>	<b>4.26</b>

#### 21. RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, and entities over which the Group has significant influence. The following table provides the total amount of transactions, which have been entered into with related parties during the half-year periods ended 30 June 2012 and 2011 and the outstanding balances owed by/to related parties as at 30 June 2012 and 31 December 2011, respectively:

Entities under common control	For the half-year ended				For the half-year ended			
	30 June 2012		30 June 2012		30 June 2011		31 December 2011	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
LLC “Universal service” Transservice Group of Companies	-	66	27	6	7	134	23	1
LLC “Avto-Express” Avtoritet Group of Companies	-	104	4	28	6	141	15	16
LLC “Noviy Format”	-	42	-	7	-	44	-	11
LLC “MV. Stil”	-	37	-	6	-	32	-	3
LLC “Private Security Agency Bars-SB”	-	14	-	3	-	26	-	3
LLC “TechnoVideoService”	1	-	-	-	-	-	-	-
LLC “Private Security Agency Bars-SB”	1	116	-	17	1	111	-	1
LLC “TechnoVideoService”	-	3	-	1	-	-	-	-
<b>Total</b>	<b>2</b>	<b>382</b>	<b>31</b>	<b>68</b>	<b>14</b>	<b>488</b>	<b>38</b>	<b>35</b>



# OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

### 21. RELATED PARTIES (CONTINUED)

#### Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the half-year periods ended 30 June 2012 and 30 June 2011 was as follow:

	For the half-year ended	
	30 June 2012	30 June 2011
Short-term benefits*	146	110
Share-based payments	14	17
<b>Total</b>	<b>160</b>	<b>127</b>

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

As at 30 June 2012 the number of key management positions was 15 (31 December 2011: 17).

The Group did not provide any material post-employment, termination, or other long-term benefits to key management personnel during the period other than contributions to state pension fund and the social funds as a part of payments of social security contributions (“SSC”) on salaries and bonuses. SSC paid relating to compensation of key management personnel amounted to 10 for the half-year period ended 30 June 2012 (SSC paid in half-year ended 30 June 2011: 1) and is included in the amounts stated above.

### 22. OPERATING LEASE ARRANGEMENTS

Future minimum rentals payable under non-cancellable operating leases for premises occupied as at 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012	31 December 2011
Within one year	4,935	4,676
After one year but not more than five years	18,193	15,899
More than five years	8,953	7,868
<b>Total</b>	<b>32,081</b>	<b>28,443</b>

Future minimum rentals payable under committed, non-cancellable future store operating leases for premises as at 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012	31 December 2011
Within one year	764	660
After one year but not more than five years	2,724	3,551
More than five years	923	1,586
<b>Total</b>	<b>4,411</b>	<b>5,797</b>

Future minimum rental payments will be subject to VAT.

# OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2012 (UNAUDITED) (in millions of Russian Rubles)

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### 23. COMMITMENTS AND CONTINGENCIES

#### Operating environment

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser growth than in prior years or no growth. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. In 2012 the Russian Government continues to take measures to support the economy in order to overcome the consequences of the global financial crisis. Consequently, there continues to be uncertainty regarding further economic growth, access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects. Although any further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable, the management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

#### License Agreements

As at 30 June 2012, the Group had a total commitment of approximately 2.5-2.8 mln EUR (or 103.4 – 114.1 mln RUB per annum using exchange rate published on the Central Bank website of 41.3230 RUB/ EUR as at 30 June 2012) for technical support services with respect to existing SAP licenses and software during the period from 2012 to 2016 (31 December 2011: approximately 1.5-1.8 mln EUR per annum, or 63.3-71 mln RUB per annum using exchange rate published on the Central Bank website of 41.6714 RUB/ EUR as at 31 December 2011). The Group uses SAP software for finance, supply chain and human resources functions.

#### Financial guarantees

In the normal course of its operating activity the Group from time-to-time enters into financial guarantee contracts with banks. Under these contracts the banks provide guarantees in favour of the Group's suppliers and the Group may be required to pay under those contracts only if it fails to make timely payments to its suppliers. At 30 June 2012 the Group entered into such guarantee contracts for the total amount of 636 (31 December 2011: 1,226). The Group has pledged its inventories with the carrying amount of 65 (31 December 2011: 759) as collateral under these guarantee contracts.

### 24. EVENTS AFTER THE BALANCE SHEET DATE

As at the date when this interim condensed consolidated financial information was authorized for issue, no events after the balance sheet date have taken place that would require disclosure in the interim condensed consolidated financial information.