

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

**Interim Condensed Consolidated  
Financial Information (Unaudited)**  
Half-Year Ended 30 June 2009

# OJSC “COMPANY M.VIDEO” AND SUBSIDIARIES

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

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED)

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Management confirms its responsibility for the preparation of the interim condensed consolidated financial information that presents fairly the interim consolidated financial position of the Group as at 30 June 2009 and the interim condensed consolidated results of its operations, cash flows and changes in shareholders' equity for the half-year then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial information;
- Preparing the interim condensed consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group;
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information for the half-year ended 30 June 2009 was approved on 4 September 2009 by:



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**A. Tynkovan**  
Chief Executive



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**C. Parks**  
Chief Financial Officer

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

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2009 (UNAUDITED) (in millions of Russian Rubles)

	Notes	<u>30 June 2009</u>	<u>31 December 2008</u>
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	3	5,838	5,917
Intangible assets	4	331	335
Long-term loans and notes receivable		-	5
Deferred tax assets		957	915
Forward exchange contract		-	388
Other assets	15	114	114
<b>Total non-current assets</b>		<b><u>7,240</u></b>	<b><u>7,674</u></b>
CURRENT ASSETS:			
Inventories	5	10,456	14,115
Trade accounts receivable		43	138
Other accounts receivable and prepaid expenses	6	1,652	2,043
Value added tax recoverable and other taxes receivable	7	345	1,489
Income tax receivable		303	54
Other current assets	15	175	164
Forward exchange contract		-	433
Short-term investment	8	5	1,624
Cash and cash equivalents	9	424	5,448
<b>Total current assets</b>		<b><u>13,403</u></b>	<b><u>25,508</u></b>
<b>TOTAL ASSETS</b>		<b><u>20,643</u></b>	<b><u>33,182</u></b>

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

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2009 (UNAUDITED)

(in millions of Russian Rubles)

	Notes	30 June 2009	31 December 2008
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share capital	10	1,798	1,798
Additional paid-in capital		4,576	4,576
Retained earnings		1,886	1,615
<b>Total equity</b>		<b>8,260</b>	<b>7,989</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long-term loans and borrowings	11	690	3,114
Deferred tax liabilities		344	446
Provisions	15	117	119
<b>Total non-current liabilities</b>		<b>1,151</b>	<b>3,679</b>
<b>CURRENT LIABILITIES:</b>			
Trade accounts payable	12	7,370	14,878
Other payables and accrued expenses	13	820	1,309
Advances received from customers		425	318
Short-term loans and borrowings	14	2,160	3,943
Value added tax and other taxes payable		56	138
Income tax payable		-	263
Deferred revenue		217	505
Provisions	15	184	160
<b>Total current liabilities</b>		<b>11,232</b>	<b>21,514</b>
<b>Total liabilities</b>		<b>12,383</b>	<b>25,193</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,643</b>	<b>33,182</b>

Signed on behalf of the Board of Directors: 4 September 2009



**A. Tynkovan**  
Chief Executive



**C. Parks**  
Chief Financial Officer

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (in millions of Russian Rubles, except earning per share)

	Notes	For the half-year ended	
		30 June 2009	30 June 2008
REVENUE	16	34,036	30,509
COST OF SALES	17	(25,127)	(23,128)
GROSS PROFIT		8,909	7,381
Selling, general and administrative expenses	18	(7,951)	(6,886)
Other operating income*	19	259	420
Other operating expenses*		(65)	(56)
OPERATING PROFIT		1,152	859
Finance costs, net*	20	(718)	(175)
PROFIT BEFORE INCOME TAX		434	684
INCOME TAX EXPENSE	21	(187)	(287)
<b>NET PROFIT</b>		<b>247</b>	<b>397</b>
OTHER COMPREHENSIVE INCOME for the period, net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME for the period</b>		<b>247</b>	<b>397</b>
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC AND DILUTED EARNINGS PER SHARE (in millions)		180	180
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in rubles)		1.37	2.21

\* For information relating to prior period reclassification, refer to Notes 2, 19 and 20.

Signed on behalf of the Board of Directors: 4 September 2009



**A. Tynkovan**  
Chief Executive



**C. Parks**  
Chief Financial Officer

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

	Share capital	Additional paid- in capital	Retained earnings/ (Accumulated deficit)	Total
<b>Balance as at 1 January 2009</b>	1,798	4,576	1,615	7,989
Total comprehensive income	-	-	247	247
Recognition of share-based payment for ordinary shares previously issued	-	-	24	24
<b>Balance as at 30 June 2009</b>	<b>1,798</b>	<b>4,576</b>	<b>1,886</b>	<b>8,260</b>
<b>Balance as at 1 January 2008</b>	1,798	4,576	265	6,639
Total comprehensive income	-	-	397	397
Recognition of share-based payment for ordinary shares previously issued	-	-	43	43
Reversal of related income tax previously recognized in equity	-	-	7	7
<b>Balance as at 30 June 2008</b>	<b>1,798</b>	<b>4,576</b>	<b>712</b>	<b>7,086</b>

Signed on behalf of the Board of Directors: 4 September 2009



**A. Tynkovan**  
Chief Executive



**C. Parks**  
Chief Financial Officer

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

	For the half-year ended	
	30 June 2009	30 June 2008
<b>OPERATING ACTIVITIES:</b>		
Net profit for the half-year	247	397
Adjustments for:		
Income tax expense recognized in profit or loss	187	287
Interest expense on loans	272	255
Interest income	(46)	(109)
Coupon yield expense	-	6
Loss on sale or disposal of property, plant and equipment	9	1
Depreciation, amortization and impairment loss	547	373
Net foreign exchange loss/(gain)	182	(4)
Change in allowance for doubtful trade accounts receivable	-	9
Shared-based payment	24	43
(Reversal)/accrual of allowance for doubtful notes receivable	-	(1)
Accrual of allowance for doubtful advances paid	9	
Change in fair value of forward contracts	279	38
Change in provision for goods returns	(7)	-
Change in provision for obsolete and slow-moving goods	(66)	-
	<hr/>	<hr/>
Operating cash flows before movements in working capital	1,637	1,295
Decrease/(increase) in inventories	3,702	(756)
Decrease in trade accounts receivable	110	22
Decrease/(increase) in other accounts receivable and prepaid expenses	396	(158)
Decrease in value added tax recoverable and other taxes receivable	1,144	359
Decrease in trade accounts payables	(7,517)	(2,752)
(Decrease)/increase in other payables and accrued expenses	(532)	183
Increase in advances received from customers	107	181
Decrease in warranty provision	(3)	-
(Decrease)/increase in value added tax and other taxes payable	(82)	3
Decrease in deferred revenues	(288)	(288)
	<hr/>	<hr/>
Cash generated by operations	(1,326)	(1,911)
Income taxes paid	(835)	(849)
Interest paid	(241)	(232)
Forward contracts settlement	542	(58)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(1,860)</b>	<b>(3,050)</b>



**OPEN JOINT STOCK COMPANY "COMPANY M.VIDEO" AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

**FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED)**

*(In millions of Russian Rubles)*

	For the half-year ended	
	30 June 2009	30 June 2008
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment (including construction in progress)	(431)	(786)
Short-term investments with banks	1,770	(480)
Increase in advances paid for property, plant and equipment	-	38
Purchase of intangible assets	(37)	(65)
Receipts from settlement of loans and notes receivable	-	14
Interest received	51	54
<b>Net cash received from/(used in) investing activities</b>	<b>1,353</b>	<b>(1,225)</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from long-term borrowings	690	2,467
Proceeds from short-term borrowings	1,146	7,804
Repayment of borrowings	(6,504)	(7,200)
<b>Net cash (used in)/ received from financing activities</b>	<b>(4,668)</b>	<b>3,071</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,175)</b>	<b>(1,204)</b>
<b>NET FOREIGN EXCHANGE DIFFERENCE</b>	<b>151</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the period</b>	<b>5,448</b>	<b>2,380</b>
<b>CASH AND CASH EQUIVALENTS, end of the period</b>	<b>424</b>	<b>1,176</b>

Signed on behalf of the Board of Directors: 4 September 2009



**A. Tynkovan**  
Chief Executive



**C. Parks**  
Chief Financial Officer

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (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 2009 was authorized for issue in accordance with a resolution of the Board of Directors on 4 September 2009.

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

#### **Basis of Preparation**

The annual consolidated financial statements of OJSC “Company M.Video” are prepared in accordance with International Financial Reporting Standards (“IFRS”). This interim condensed consolidated financial information for the half-year ended 30 June 2009 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 financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2008.

The amounts in the interim condensed consolidated financial information are presented in Russian Rubles (“RUB”) 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 method of accounting for fixed costs such as depreciation, some general and administration expense that are not significantly affected by business seasonality. The timing of new store openings, cost associated with restructuring or assets impairments, if any, as well as general economic conditions may also affect our future quarterly results.

#### **Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008, except for the following new or revised standards and interpretations issued by IASB and IFRIC effective for financial years beginning on or after 1 January 2009:

#### ***Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements”***

The amendments to IFRS 1 allow an entity to determine the “cost” of investment in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the statement of the comprehensive income in the separate financial statement. The revision to IAS 27 will have to be applied prospectively. The new requirement affects only the parent’s separate financial statement and does not have an impact on the consolidated financial statements.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) *(In millions of Russian Rubles)*

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

#### Significant accounting policies (continued)

##### *IFRS 2 “Share-based Payment” (revised)*

Amended IFRS 2 contains clarification for the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The adoption of this amendment did not have an impact of the financial position or performance of the Group as no events occurred that this clarification relates to.

##### *IFRS 8 “Operating Segments”*

IFRS 8 replaces IAS 14 “Segment Reporting” (“IAS 14”) upon its effective date. Management concluded that the Group operates within one reportable segment; therefore adoption of the standard did not affect the Group’s consolidated financial statements except for addition of certain mandatory disclosures.

##### *IAS 1 “Presentation of Financial Statements” (revised)*

The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the Statement of comprehensive income: it presents all items of recognized income and expenses, either in one single statement, or in two linked statements. On adoption of the Standard the Group chose to present all items of income and expenses recognized in a period in a single statement of comprehensive income.

##### *IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements” – Puttable Financial Instruments and Obligations Arising on Litigations*

The amendments to IAS 32 and IAS 1 provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The amendments to the standards did not have impact on the financial position or performance of the Group, as the Group has not issued such instruments.

##### *IAS 32 “Financial Instruments: Presentation”*

The amendment to the Standard relates to the financial instruments issued by an entity that are (i) puttable financial instruments, or (ii) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro-rata share of net assets of the entity only on liquidation. The amendment did not have an impact on the financial position or performance of the Group, as the Group has not entered into such transactions.

##### *Improvements to IFRSs*

In May 2008 IASB issued its first omnibus of amendments to some of its standards, primarily with a view to removing inconsistencies and clarifying wording. All such amendments did not have effect on the Group’s financial statements.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

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

#### Significant accounting policies (continued)

##### *IFRIC 15 “Agreement for the Construction of Real Estate”*

The interpretation clarifies when and how revenue and related expenses from sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 “Construction Contracts” or IAS 18 “Revenue”. IFRIC 15 did not have an impact on the consolidated interim financial statements because the Group does not conduct such activity.

##### *IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”*

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risk that qualify for hedge accounting in the hedge of a net investment, where within the group hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The interpretation did not have an impact of the consolidated financial statements because the Group does not perform transactions to which it relates.

#### Reclassifications

The Company reclassified the gain on exchange difference arising from foreign currency borrowings incurred during half-year ended 30 June 2008 in the amount of 15 from “Other operating income” to “Finance cost, net” (Notes 19 and 20). And then remaining loss on exchange difference in the amount of 19 was reclassified from “Other operating income” to “Other Operating expenses”.

### 3. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group incurred expenditures on lease hold improvements and acquisition of assets (trade equipment etc.) in the amount of 431 (2008: 793).

Assets with a net book value of 4 were disposed of by the Group during the six months ended 30 June 2009 (2008: 1). With this respect the Group also restored VAT payable in the amount of 5 what resulted in a net loss from disposal of 9 (2007: 1).

As at 30 June 2009 the Group did not have any property, plant and equipment pledged as collateral for Group borrowings (31 December 2008: nil).

### 4. INTANGIBLE ASSETS

During the half-year ended 30 June 2009 the Group incurred expenditures in the total amount of 37 which for the most part relate to implementation of additional functionality of the Company’s ERP SAP R/3 (2008: 65).

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

### 5. INVENTORIES

Inventories as at 30 June 2009 and 31 December 2008 consisted of the following:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Goods for resale	11,528	14,646
Other inventories	370	977
Less: allowance for obsolete and slow-moving goods	<u>(1,442)</u>	<u>(1,508)</u>
<b>Total</b>	<b><u>10,456</u></b>	<b><u>14,115</u></b>

For information relating to the cost of inventory recognized as an expense during the six months periods ended 30 June 2009 and 30 June 2008 refer to Note 17.

As at 30 June 2009 the value of inventory pledged as collateral for borrowings from banks was 5,539 (31 December 2008: 10,063).

### 6. OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Other accounts receivable and prepaid expenses as at 30 June 2009 and 31 December 2008 consisted of the following:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Advances paid to suppliers and prepaid expenses	1,425	1,870
Other accounts receivable from third parties	115	209
Advances paid to related parties	211	54
Less: allowance for doubtful accounts	<u>(99)</u>	<u>(90)</u>
<b>Total</b>	<b><u>1,652</u></b>	<b><u>2,043</u></b>

### 7. VALUE ADDED TAX RECOVERABLE AND OTHER TAXES RECEIVABLE

Value added tax recoverable and other taxes receivable as at 30 June 2009 and 31 December 2008 consisted of the following:

	<u>30 June 2009</u>	<u>31 December 2008</u>
VAT recoverable	345	1,484
Other taxes receivable	<u>-</u>	<u>5</u>
<b>Total</b>	<b><u>345</u></b>	<b><u>1,489</u></b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

### 8. SHORT-TERM INVESTMENTS

Short-term investments as at 30 June 2009 and 31 December 2008 consisted of the following:

	Interest rate	Maturity	30 June 2009	31 December 2008
		February - March		
Short-term deposit in bank	4%-8.5%	2009	-	1,624
Short portion of loan to third party	2%	May 2010	5	-
<b>Total</b>			<b>5</b>	<b>1,624</b>

### 9. CASH AND CASH EQUIVALENTS

For the purpose of interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	30 June 2009	31 December 2008
Petty cash and cash in stores	79	148
Cash at banks	233	660
Cash in transit	112	529
Short-term deposits	-	4,111
<b>Total</b>	<b>424</b>	<b>5,448</b>

### 10. ISSUED CAPITAL

As at 31 December 2008 the Company had 209,768,227 of authorized ordinary shares each having par value of 10 RUB per share of which 179,768,227 ordinary shares were in issue. There were no changes in respect of authorized and issued shares during the half-year ended 30 June 2009.

### 11. LONG-TERM LOANS AND BORROWINGS

Long-term loans and borrowings as at 30 June 2009 and 31 December 2008 consisted of the following:

	Interest rate	Maturity	30 June 2009	31 December 2008
Secured third parties loan from bank	17.50%	November 2010	690	-
Secured third parties loan from bank	11.25%- 13.75%	March- November 2010	-	3,114
<b>Total</b>			<b>690</b>	<b>3,114</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

As at 30 June 2009 long-term loans and borrowings of total amount 1,000 were reclassified to short-term loans and borrowings due to maturity date being less than 365 days from the reporting date.

The loans and borrowings have been secured by the Group's inventory (refer to Note 5).

### 12. TRADE ACCOUNTS PAYABLE

Trade accounts payable as at 30 June 2009 and 31 December 2008 consisted of the following:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Trade payables to third parties	7,352	14,816
Trade payables to related parties	<u>18</u>	<u>62</u>
<b>Total</b>	<b><u>7,370</u></b>	<b><u>14,878</u></b>

### 13. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses as at 30 June 2009 and 31 December 2008 consisted of the following:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Accrued salaries and bonuses	259	311
Accrued rent and utilities	151	120
Letters of credit payable	113	508
Accrued unused vacation	108	113
Other current liabilities to related parties	35	32
Accrued consulting fees	-	74
Other payables and accrued expenses	<u>154</u>	<u>151</u>
<b>Total</b>	<b><u>820</u></b>	<b><u>1,309</u></b>

### 14. SHORT-TERM LOANS AND BORROWINGS

Short-term loans and borrowings as at 30 June 2009 and 31 December 2008 consisted of the following:

	<u>Interest rate</u>	<u>30 June 2009</u>	<u>31 December 2008</u>
Total principal amount of short-term loans	9%-21%	2,146	3,929
Interest payable		<u>14</u>	<u>14</u>
<b>Total</b>		<b><u>2,160</u></b>	<b><u>3,943</u></b>

The loans and borrowings have been secured by the Group's inventory (refer to Note 5).

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

### 15. PROVISIONS

	Non-current		Current	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Warranty provision – in respect of additional service agreements (ASA) (i)	114	114	175	150
Warranty provision – repair of goods (ii)	3	5	9	10
<b>Total</b>	<b>117</b>	<b>119</b>	<b>184</b>	<b>160</b>

- (i) The warranty provision in respect of additional service agreements represents management’s best estimate of the future outflow of economic benefits that will be required under the Group’s 2, 3 and 5 year additional service agreements. A Group entity sells the additional service agreements directly to customers, however, a back-to-back agreement entered into between the Group entity and a related party during the half-year ended 30 June 2009 transfers the obligations under the additional service agreement from the group to the related party. For this reason an equal corresponding non-current asset has been recognized by the Group, and disclosed within other assets. The estimate has been made based on historical warranty trends and may vary as a result of events affecting product quality.
- (ii) The warranty provision in respect of repair of goods represents management’s best estimate of the future outflow of economic benefits that will be required to service goods sold for which there is no supplier service centre in the Russian Federation.

### 16. REVENUE

Revenue for the half-year ended 30 June 2009 and 2008 consisted of the following:

	For the half-year ended	
	30 June 2009	30 June 2008
Retail revenue (including internet sales)	32,596	29,206
Wholesale revenue	1,438	1,300
Other	2	3
<b>Total</b>	<b>34,036</b>	<b>30,509</b>

Retail revenue includes sales of ASA certificates in the amount of 846 for the half-year ended 30 June 2009 (30 June 2008: 726).

### 17. COST OF SALES

Cost of sales for the half-year ended 30 June 2009 and 2008 consisted of the following:

	For the half-year ended	
	30 June 2009	30 June 2008
Cost of sales	26,812	24,200
Inventory losses	382	358
Change in provision for obsolete and slow- moving inventory	(66)	-
Less: supplier bonuses	(2,001)	(1,430)
<b>Total</b>	<b>25,127</b>	<b>23,128</b>



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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

### 18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the half-year periods ended 30 June 2009 and 2008 consisted of the following:

	For the half-year ended	
	30 June 2009	30 June 2008
Payroll and related taxes	2,102	2,062
Lease expense	1,868	1,408
Advertising and promotional expenses	1,162	1,013
Depreciation, amortization and impairment loss	547	373
Transportation	476	435
Warehouse services	403	462
Service centre	260	118
Security	214	217
Utilities expense	194	112
Bank charges	158	107
Other	567	579
<b>Total</b>	<b>7,951</b>	<b>6,886</b>

For the half-year ended 30 June 2009 payroll and related taxes include as 295 contribution to the state pension plan and social and medical insurance in the amount of 87 (30 June 2008: 275 and 83 respectively).

### 19. OTHER OPERATING INCOME

Other operating income for the half-year ended 30 June 2009 and 2008 includes commissions received from banks on loans provided to customers, goods delivery, and income from leases and sub-leases of retail space and other items. Other operating income for the half-year ended 30 June 2009 included foreign currency income in the amount of 31 (30 June 2008: nil)

Gain on exchange difference arising from foreign currency borrowings in the amount of 15 incurred in half-year ended 30 June 2008 was reclassified from “Other operating income” to “Finance cost, net” (see also Notes 2 and 20). And then remaining loss on exchange difference in the amount of 19 was reclassified from “Other operating income” to “Other Operating expenses”.

### 20. FINANCE COSTS, NET

Finance costs for the half-year ended 30 June 2009 and 30 June 2008 consisted of the following:

	For the half-year ended	
	30 June 2009	30 June 2008
Interest on bank loans	272	255
Coupon yield on corporate bonds	-	6
Change in fair value of forward contract	(62)	38
Loss on realized forward contracts	263	-
Interest income	(46)	(109)
Exchange difference from net foreign currency borrowings	291	(15)
<b>Total</b>	<b>718</b>	<b>175</b>

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

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Exchange difference from net foreign currency borrowings includes a gain of 170 million RUB on foreign currency deposits which were held to offset risks of foreign currency loans.

Gain on exchange rate difference arising from foreign currency borrowings incurred in half-year ended 30 June 2008 in the amount of 15 was reclassified from “Other operating income” to “Finance cost, net” (see also Notes 2 and 19).

### 21. INCOME TAX

The major components of income tax expense in the Group’s interim condensed consolidated statement of the comprehensive income are:

	For the half-year ended	
	30 June 2009	30 June 2008
Current income tax expense	(331)	(465)
Deferred tax benefit	144	178
<b>Total income tax expense</b>	<b>(187)</b>	<b>(287)</b>
<b>Reversal of income tax recognized in equity</b>	-	7

The Group has tax losses that are available indefinitely for offset against future taxable profits of the companies in which they arose. Deferred tax assets have been recognized in respect of these losses as they have arisen in subsidiaries that are expected to be profitable in future periods.

The statutory tax rate effective in the Russian Federation during year 2008 was 24%. According to Federal Law No. 224-FZ dated 26 November 2008 the changes were made to Tax Code of the Russian Federation and corporate profit tax rate was reduced to 20% for tax periods after 2008.

	For the half-year ended	
	30 June 2009	30 June 2008
Profit before income tax expense	434	684
Theoretical income tax expense at statutory rate of 20% (2008:24%)	(87)	(164)
Adjustments due to:		
Non-deductible expenses, net	(100)	(86)
Effect of adjustment of deferred tax asset recognized in prior periods	-	(37)
<b>Income tax expense</b>	<b>(187)</b>	<b>(287)</b>

### 22. SHARE-BASED PAYMENTS

The Group has two ownership-based compensation schemes for executives and senior employees of the Group. In accordance with the provisions of the plan, as approved by the Board of Directors at a Board meeting held on 28 June 2007; 1,498,682 of the Company’s existing ordinary shares were set aside by the controlling shareholder. Executives and senior employees (35 persons in total) have been granted the right to purchase ordinary shares at an exercise price of 10 RUB per ordinary share. Before the options are exercised, dividends are accrued to current shareholders.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

### Long-term incentive plan – Series one

Under the Series one of the Company’s long-term incentive plan (LTIP) as at 1 October 2007 35 persons became members of the plan and 622,500 shares were committed, which represented 42% of the shares designated for the LTIP.

As at 30 June 2009 172,000 shares were forfeited and 317,000 were exercised (1 April 2008 and 1 April 2009). During half-year ended 30 June 2009 39,000 shares were forfeited and 150,500 were exercised (30 June 2008: 123,000 shares were forfeited).

Below is the summary of the arrangements that were in existence as at 30 June 2009:

Option Series one	Number	Grant date	Vesting date	Expiry date	Exercise price (RUB)	Fair value at grant date (RUB)
Issued 1 October 2007	133,500	1 October 2007	1 April 2010	30 April 2010	10	165.66

The weighted average fair value of the share options under LTIP series one outstanding as of 30 June 2009 was 165.67 RUB (2008: 165.16). Options were priced using the Black-Scholes pricing model.

Inputs into the model	LTIP 1 share options vested on 1 April 2010
Grant date share price, RUB	173.40
Exercise price, RUB	10
Expected volatility	20.68%
Option life (years)	2.50
Dividend yield	0%
Risk-free interest rate	10%

An expense of 4 million RUB has been recognized during the half-year period ended 30 June 2009 in respect of share-based payments under the Company’s LTIP Series one (2008: 23). This expense relates to equity-settled share-based payments. The expense has been included into selling, general and administrative expense in the line item “payroll and related taxes” (Note 18). The corresponding entry has been reflected within retained earnings.

### Long-term incentive plan – Series two

As at 31 March 2008 the Board of Directors approved the adoption of Series two of the LTIP for selected members of the Group’s management team. As at 1 April 2008 46 persons became members of the plan and 756,000 of the shares designated for the LTIP were committed. This allocation forms part of the initial 1,498,682 of the Company’s existing shares which were set aside prior to the Initial Public Offering. Under the terms of Series two of the LTIP, the vesting period is three (3) years with 33.33% of the shares to vest each April following the grant date. Participants are able to exercise their 33.33% entitlement within 30 days of each vesting period by paying 10 RUB per share to the operator of the program after the vesting date. The participant must be employed at the anniversary date to exercise his or her right unless the Board of Directors waives this condition.

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

As at 30 June 2009 150,000 shares were forfeited and 214,000 were exercised (1 April 2008 and 1 April 2009). During half-year ended 30 June 2009 51,000 shares were forfeited and 214,000 were exercised (30 June 2008: 99,000 shares were forfeited).

Below is the summary of the arrangements that were in existence as at 30 June 2009:

<u>Option Series two</u>	<u>Number</u>	<u>Grant date</u>	<u>Vesting date</u>	<u>Expiry date</u>	<u>Exercise price (RUB)</u>	<u>Fair value at grant date (RUB)</u>
Issued 1 April 2008	196,000	1 April 2008	1 April 2010	30 April 2010	10	169.69
Issued 1 April 2008	196,000	1 April 2008	1 April 2011	30 April 2011	10	170.39

The weighted average fair value of the share options granted during the period ended 30 June 2008 was 169.67 (2008: 168.28). Options were priced using the Black-Scholes pricing model.

<u>Inputs into the model</u>	<u>LTIP 2 share options vested on 1 April 2010</u>	<u>LTIP 2 share options vested on 1 April 2011</u>
Grant date share price	177.45	177.45
Exercise price	10	10
Expected volatility	26.85%	26.85%
Option life (years)	2	3
Dividend yield	0%	0%
Risk-free interest rate	10%	10%

An expense of 20 million RUB has been recognized during the half-year period ended 30 June 2009 in respect of share-based payments under the Company’s LTIP series two (30 June 2008: 20). This expense relates to equity-settled share-based payments and has been included into selling, general and administrative expense in the line item “payroll and related taxes” (Note 18).

The following reconciles the outstanding share options granted under the employee share plan at the beginning and end of the half-year ended 30 June 2009:

	<u>LTIP Series 1</u>		<u>LTIP Series 2</u>	
	<u>Number of options</u>	<u>Weighted average exercise price (RUB)</u>	<u>Number of options</u>	<u>Weighted average exercise price (RUB)</u>
Balance as at 1 January 2008	622,500	10	-	-
Granted during the period	-	-	756,000	10
Forfeited during the period	(123,000)	10	-	10
Exercised during the period	(166,500)	10	-	-
Expired during the period	-	-	-	-
Balance as at 30 June 2008	333,000	10	756,000	10
Balance as at 1 January 2009	323,000	10	657,000	10
Granted during the period	-	-	-	-
Forfeited during the period	(39,000)	10	(51,000)	10
Exercised during the period	(150,500)	10	(214,000)	10
Expired during the period	-	-	-	-
Balance as at 30 June 2009	133,500	10	392,000	10

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

#### 23. 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 six months ended 30 June 2009 and 2008 and the outstanding balances of amounts owed by/to related parties as at 30 June 2009 and 31 December 2008, respectively:

	6 months 2009		6 months 2008		30 June 2009		31 December 2008	
	Sales to related parties	Purchases from related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
<b>Entities under common control:</b>								
LLC “Avto-Express”	-	79	-	26	-	9	-	7
LLC “Avtoritet”	-	29	-	20	1	-	-	3
LLC “Bars”	-	-	-	5	-	-	-	-
LLC “Company Profi Center”	-	3	-	-	-	-	-	-
LLC “MV. Stil”	-	-	-	-	-	-	-	-
LLC “Noviy Format”	-	44	-	26	110	-	-	20
LLC “Tehnovideo-service”	-	11	-	-	39	-	-	3
Transservice Group of Companies, LLC “Technovideo Service”, LLC “Transservice-95”	13	158	13	149	49	-	50	-
LLC “Universal service”	-	169	-	132	12	-	-	29
LLC “Private Security Agency Bars-SB”	1	69	1	65	-	9	4	-
	<b>14</b>	<b>562</b>	<b>14</b>	<b>423</b>	<b>211</b>	<b>18</b>	<b>54</b>	<b>62</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

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

The remuneration of directors and other members of key management during the half-year ended 30 June 2009 and 30 June 2008 was as follows:

	<b>For the half-year ended</b>	
	<b>30 June 2009</b>	<b>30 June 2008</b>
Short-term benefits*	33	51
Share-based payments	8	19
<b>Total</b>	<b>41</b>	<b>70</b>

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

The Group did not provide any 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 unified social tax on salaries and bonuses. Unified social tax paid relating to compensation of key management personnel is included in the amounts stated above.

## 24. OPERATING LEASE ARRANGEMENTS

Future minimum rentals payable under non-cancelable operating leases for premises occupied as at 30 June 2009 and 31 December 2008 are as follows:

	<b>30 June 2009</b>	<b>31 December 2008</b>
Within one year	3,360	3,471
After one year but not more than five years	11,678	12,608
More than five years	6,409	5,467
	<b>21,447</b>	<b>21,546</b>

Future minimum rentals payable under committed, non-cancelable future store operating leases for premises as at 30 June 2009 and 31 December 2008 are as follows:

	<b>30 June 2009</b>	<b>31 December 2008</b>
Within one year	267	470
After one year but not more than five years	944	1,409
More than five years	663	2,354
	<b>1,874</b>	<b>4,233</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) *(In millions of Russian Rubles)*

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### 25. COMMITMENTS AND CONTINGENCIES

#### *Recent volatility in global and Russian financial markets*

The Group sells products that are more 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 ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Russian banks and companies, there continues to be uncertainty regarding the 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.

#### *Taxation and regulatory environment*

No significant changes in the Russian tax, currency and custom legislation applied to the business transactions of the Group have happened since the Group issued its annual financial statements as at 31 December 2008 and for the year then ended.

#### *License Agreements*

As at 30 June 2009 the Group committed to pay 1 mln EUR in respect of technical support services with respect to existing SAP licenses and software. The Group uses SAP software for finance and human resources.

Further, 2009 is the fourth year of a five-year contract between the Group and Microsoft for Microsoft Office software right. The contract is structured in a way that allows the Group to prepay one year at a time. As of 30 June 2009, the total commitment for the remainder of the contract is 26.25 million RUB. The total commitment is split as follows:

2009 FY	8.75 million RUB;
2010 FY	17.5 million RUB.

#### *Property, plant and equipment*

As at 30 June 2009 the Group has unfulfilled purchase commitment for building amounting to 290 with related party.

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2009 (UNAUDITED) (In millions of Russian Rubles)

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#### 26. FINANCIAL INSTRUMENTS

Set out below are details of the Company’s forward foreign currency contracts outstanding at the reporting date:

	Foreign currency		Contract value		Fair value	
	31		31		31	
	30 June 2009	December 2008	30 June 2009	December 2008	30 June 2009	December 2008
Buy USD	-	15	-	364	-	94
Sell USD	-	22	-	643	-	-
Buy EUR	-	218	-	8,103	-	1,425
Sell EUR	-	140	-	5,216	-	(698)

During half-year ended 30 June 2009 the Group settled forward foreign exchange contracts which were opened as at 31 December 2008.

#### 27. 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 has taken place that would require disclosure in the financial information.