

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

**Interim Condensed Consolidated
Financial Information (Unaudited)**
Half-Year Ended 30 June 2013

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

TABLE OF CONTENTS

	Pages
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED)	1
INDEPENDENT AUDITOR’S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED):	
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of profit or loss and other comprehensive income	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial information	7-17

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 2013 (UNAUDITED)

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” (the “Company”) and its subsidiaries (the “Group”) as of 30 June 2013, and the consolidated results of its operations, cash flows and changes in equity 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:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs 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;
- 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 are sufficient to show and explain the Group’s transactions and 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 complies with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards of Russian Federation;
- 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 of the Group for the half-year ended 30 June 2013 was approved on 26 August 2013 on behalf of the Board of Directors by:



A. Tynkovan
President



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 statement of financial position of Open Joint Stock Company "Company M.video" (the "Company") and subsidiaries (the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of profit or loss and other 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
26 August 2013

OPEN JOINT STOCK COMPANY "COMPANY M.VIDEO"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

	Notes	30 June 2013	31 December 2012
NON-CURRENT ASSETS:			
Property, plant and equipment	3	9,747	9,645
Intangible assets	4	2,291	2,092
Advances paid for non-current assets		246	79
Deferred tax assets		1,923	2,210
Other non-current assets		569	575
Total non-current assets		14,776	14,601
CURRENT ASSETS:			
Inventories	5	26,869	32,259
Accounts receivable and prepaid expenses	6	1,165	1,557
Income tax receivable		228	16
Other taxes receivable	7	865	1,931
Cash and cash equivalents	8	3,339	6,521
Short-term investments	9	-	981
Other current assets		40	79
Total current assets		32,506	43,344
TOTAL ASSETS		47,282	57,945
EQUITY:			
Share capital	10	1,798	1,798
Additional paid-in capital		4,576	4,576
Treasury shares	10	(328)	(588)
Retained earnings		5,900	4,906
Total equity		11,946	10,692
NON-CURRENT LIABILITIES:			
Deferred tax liabilities		180	180
Provisions		15	28
Total non-current liabilities		195	208
CURRENT LIABILITIES:			
Trade accounts payable		25,498	35,586
Other payables and accrued expenses		4,003	3,690
Advances received		1,431	987
Income tax payable		110	993
Other taxes payable		661	907
Deferred revenue	11	3,305	4,687
Provisions		133	195
Total current liabilities		35,141	47,045
Total liabilities		35,336	47,253
TOTAL EQUITY AND LIABILITIES		47,282	57,945

The Notes on pages 7 to 17 form an integral part of this interim condensed consolidated financial information signed on behalf of the Board of Directors on 26 August 2013.


 A. Tynkovan
 President


 C. Parks
 Chief Financial Officer

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) *(in millions of Russian Rubles, except earnings per share)*

	Notes	30 June 2013	30 June 2012
REVENUE	12	66,514	58,593
COST OF SALES	13	<u>(49,782)</u>	<u>(44,159)</u>
GROSS PROFIT		16,732	14,434
Selling, general and administrative expenses	14	(16,009)	(13,693)
Other operating income	15	1,011	819
Other operating expenses		<u>(41)</u>	<u>(52)</u>
OPERATING PROFIT		1,693	1,508
Finance income, net	16	<u>44</u>	<u>176</u>
PROFIT BEFORE INCOME TAX EXPENSE		1,737	1,684
INCOME TAX EXPENSE		<u>(441)</u>	<u>(476)</u>
NET PROFIT for the period, being			
TOTAL COMPREHENSIVE INCOME for the period		<u>1,296</u>	<u>1,208</u>
BASIC EARNINGS PER SHARE (in Russian Rubles)	17	7.30	6.82
DILUTED EARNINGS PER SHARE (in Russian Rubles)	17	7.21	6.72

The Notes on pages 7 to 17 form an integral part of this interim condensed consolidated financial information signed on behalf of the Board of Directors on 26 August 2013.



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 2013 (UNAUDITED) (in millions of Russian Rubles)

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
Balance as at 1 January 2012		1,798	4,576	(588)	7,041	12,827
Recognition of share-based payment for ordinary shares previously issued	18	-	-	-	37	37
Dividends declared		-	-	-	(1,027)	(1,027)
Total comprehensive income for the period		-	-	-	1,208	1,208
Balance as at 30 June 2012		1,798	4,576	(588)	7,259	13,045
Balance as at 1 January 2013		1,798	4,576	(588)	4,906	10,692
Recognition of share-based payment for ordinary shares previously issued	18	-	-	-	27	27
Exercise of share based payments	18	-	-	260	(329)	(69)
Total comprehensive income for the period		-	-	-	1,296	1,296
Balance as at 30 June 2013		1,798	4,576	(328)	5,900	11,946

The Notes on pages 7 to 17 form an integral part of this interim condensed consolidated financial information, signed on behalf of the Board of Directors on 26 August 2013.



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 2013 (UNAUDITED) (in millions of Russian Rubles)

	Notes	30 June 2013	30 June 2012
OPERATING ACTIVITIES:			
Total comprehensive income for the year		1,296	1,208
<i>Adjustments for:</i>			
Income tax expense		441	476
Depreciation and amortization	14	1,238	1,009
Change in allowance for doubtful accounts receivable and prepaid expenses		4	7
Share-based payment		27	37
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses	13	334	199
Other non-cash reconciling items		275	172
Operating cash flows before movements in working capital		3,615	3,108
Decrease in inventories		5,038	1,026
Decrease/(increase) in accounts receivable and prepaid expenses		437	(51)
Decrease in other taxes receivable		1,059	322
Decrease in trade accounts payable		(10,088)	(11,562)
(Decrease)/increase in other payables and accrued expenses		(56)	112
(Decrease)/increase in deferred revenue		(1,382)	229
Increase in advances received		444	688
Other changes in working capital, net		(249)	181
Cash used in operations		(1,182)	(5,947)
Income taxes paid		(1,250)	(1,006)
Interest paid		(26)	-
Forward contracts settlement		(32)	(87)
Net cash used in operating activities		(2,490)	(7,040)
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment		(1,208)	(1,159)
Short-term investments with banks	9	981	-
Purchase of intangible assets		(556)	(182)
Interest received		91	177
Net cash used in investing activities		(692)	(1,164)
FINANCING ACTIVITIES:			
Proceeds from short-term loans and borrowings		3,511	3,250
Repayment of short-term loans and borrowings		(3,511)	(250)
Net cash generated by financing activities		-	3,000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,182)	(5,204)
CASH AND CASH EQUIVALENTS, at the beginning of the period		6,521	13,220
CASH AND CASH EQUIVALENTS, at the end of the period		3,339	8,016

The Notes on pages 7 to 17 form an integral part of this interim condensed consolidated financial information, signed on behalf of the Board of Directors on 26 August 2013.


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 2013 (UNAUDITED) *(in millions of Russian Rubles)*

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 2013 was authorized for issue in accordance with a resolution of the Board of Directors on 26 August 2013.

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 2013 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 2012.

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.

Revenue attributed to loyalty program “M.video Bonus”

The Group accounts for customer loyalty credits as a separate component of the sale transaction in which they are granted. A portion of a fair value of the consideration received from customers is allocated to the award credits and deferred, and is recognized then as a revenue over the period that the award credits are redeemed. Therefore, management has to make assumptions about expected redemption rates, which are subject to availability of prior periods’ statistics and significant uncertainty at the balance sheet date, as far as issued points are expired through the passage of time in the future.

During the half-year ended 30 June 2013 management determined that the expected redemption rates should be reassessed based on accumulated historical information on actual redemption rates for the last several years. The accumulated historical information shows that actual redemption pattern of award credits not converted into customer certificates is different from management’s previous estimate.

This revision of the management’s estimate has been recognized in the interim condensed consolidated financial information for the half-year ended 30 June 2013 and has led to the increase in revenue by 536.

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

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

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 2012. 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 2013:

- A package of five new and revised Standards on consolidation, joint arrangements, associates and disclosures, as well as subsequent amendments thereto, comprising:
 - IFRS 10 “Consolidated Financial Statements”;
 - IFRS 11 “Joint Arrangements”;
 - IFRS 12 “Disclosure of Interests in Other Entities”;
 - IAS 27 “Separate Financial Statements” (as revised in 2011);
 - IAS 28 “Investments in Associates and Joint Ventures” (as revised in 2011);
 - Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” – Transition guidance;
- IFRS 13 “Fair Value Measurement”;
- IAS 19 “Employee Benefits” (as revised in 2011);
- Amendments to IFRS 7 “Financial instruments: Disclosures” – Disclosures Offsetting of Financial assets and Financial Liabilities;
- Amendments to IAS 1 “Presentation of Financial Statements” – Presentation of Items of Other Comprehensive Income (effective for accounting periods that begin on or after 1 July 2012);
- Annual Improvements to IFRSs: 2009-2011 Cycle.

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.

3. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 30 June 2013 the Group incurred expenditures in the amount of 1,156 (half-year ended 30 June 2012: 1,240) which is mostly represented by trade equipment in the amount of 392 (half-year ended 30 June 2012: 148), leasehold improvements in the amount of 194 (half-year ended 30 June 2012: 277), and other fixed assets, namely computer and telecommunication equipment and advertising constructions in the amount of 220 (half-year ended 30 June 2012: 505).

Assets with net book value of 7 were disposed of by the Group during the half-year ended 30 June 2013 (half-year ended 30 June 2012: 31).

4. INTANGIBLE ASSETS

During the half-year ended 30 June 2013 the Group incurred expenditures in the total amount of 390 (half-year ended 30 June 2012: 272) which for the most part relate to implementation of additional functionality of the Group's ERP system SAP R/3 and other software used in planning and execution of the retail operations.

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

5. INVENTORIES

Inventories as at 30 June 2013 and 31 December 2012 consisted of the following:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Goods for resale	28,313	33,683
Other inventories	173	90
Less: allowance for obsolete and slow-moving inventories	<u>(1,617)</u>	<u>(1,514)</u>
Total	<u>26,869</u>	<u>32,259</u>

For information relating to the cost of inventory recognized as an expense during the half-year periods ended 30 June 2013 and 30 June 2012 refer to Note 13.

As at 30 June 2013 no inventories (31 December 2012: 9) were pledged as collateral under loan and financial guarantee contracts entered into by the Group (Note 21).

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Accounts receivable and prepaid expenses as at 30 June 2013 and 31 December 2012 consisted of the following:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Advances paid to suppliers and prepaid expenses	869	647
Other accounts receivable	400	1,001
Advances paid to related parties (Note 19)	16	25
Less: allowance for doubtful accounts receivable	<u>(120)</u>	<u>(116)</u>
Total	<u>1,165</u>	<u>1,557</u>

7. OTHER TAXES RECEIVABLE

Other taxes receivable as at 30 June 2013 and 31 December 2012 consisted of the following:

	<u>30 June 2013</u>	<u>31 December 2012</u>
VAT recoverable	862	1,931
Other taxes receivable	<u>3</u>	<u>-</u>
Total	<u>865</u>	<u>1,931</u>

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2013 and 31 December 2012 consisted of the following:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Short-term bank deposits, less than 3 months	1,400	450
Cash in transit	1,187	3,734
Cash at banks	593	2,046
Petty cash in stores	<u>159</u>	<u>291</u>
Total	<u>3,339</u>	<u>6,521</u>

Short-term bank deposits earn interest ranging from 5.9% to 6.0% per annum (31 December 2012: 8.25% per annum).

9. SHORT-TERM INVESTMENTS

Short-term investments as at 30 June 2013 and 31 December 2012 consisted of the following:

	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2013</u>	<u>31 December 2012</u>
Short-term deposit in bank	8.0%	February 2013	-	540
Short-term deposit in bank	8.3%	June 2013	<u>-</u>	<u>441</u>
Total short-term deposits in banks			<u>-</u>	<u>981</u>

As at 31 December 2012 short-term deposits in banks were denominated in RUB.

10. EQUITY

Share capital

At 30 June 2013 and 31 December 2012 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>
Balance as at 30 June 2012 and 31 December 2012	177,068,227	179,768,227	209,768,227
Shares transferred to participants of LTIP 3 Series 1 (Note 18)	<u>1,195,010</u>	<u>-</u>	<u>-</u>
Balance as at 30 June 2013	<u>178,263,237</u>	<u>179,768,227</u>	<u>209,768,227</u>

Each share has par value of 10 RUB per share. During the year 2012 and first half of 2013 and there were no changes in the number of authorized and issued ordinary shares of the Company. All issued ordinary shares were fully paid. Number of outstanding ordinary shares increased in April 2013 by the number of shares transferred to the employees enrolled into LTIP 3 Series 1.

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

10. EQUITY (CONTINUED)

Treasury shares

In September 2010 following the approval by the Board of Directors, the Group purchased 2,700,000 issued ordinary shares of the Company to be subsequently offered to the members of the LTIP Series 3 program (Note 18) in order to service the resulting subscription rights, for total cash consideration of 588. Of them 1,195,010 shares were transferred to the participants of LTIP 3 Series 1 upon exercise of the options in April of 2013. Accordingly, the amount of treasury shares reported as at 30 June 2013 is related to the remaining 1,504,990 shares held as treasury shares at cost.

11. DEFERRED REVENUE

Deferred revenue as at 30 June 2013 and 31 December 2012 consisted of the following:

	For the half-year ended 30 June 2013			For the year ended 31 December 2012		
	Customer loyalty program “M.video Bonus”	Other programs	Additional services	Customer loyalty program “M.video Bonus”	Other programs	Additional services
As at 1 January	1,465	900	2,322	1,077	797	681
Revenue deferred during the period	1,816	384	971	4,039	1,171	2,455
Revenue released to the consolidated statement of profit and loss and other comprehensive income (Note 2)	(2,487)	(1,284)	(782)	(3,651)	(1,068)	(814)
As at the end of the period	794	-	2,511	1,465	900	2,322

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

12. REVENUE

Revenue for the half-year periods ended 30 June 2013 and 2012 consisted of the following:

	For the half-year ended	
	30 June 2013	30 June 2012
Retail revenue (including internet sales)	65,732	58,306
Additional services revenue	782	287
Total	66,514	58,593

13. COST OF SALES

Cost of sales for the half-year periods ended 30 June 2013 and 2012 consisted of the following:

	For the half-year ended	
	30 June 2013	30 June 2012
Cost of goods and services	48,635	43,151
Transportation to the retail stores	813	809
Inventory losses, net of surpluses, and change in allowance for obsolete and slow-moving inventories	334	199
Total	49,782	44,159

OPEN JOINT STOCK COMPANY "COMPANY M.VIDEO"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the half-year periods ended 30 June 2013 and 2012 consisted of the following:

	For the half-year ended	
	30 June 2013	30 June 2012
Payroll and related taxes	4,839	4,197
Lease expenses, net of income from sublease (2013: 8; 2012: 7)	3,502	3,030
Advertising and promotional expenses, net	1,849	1,618
Depreciation and amortization	1,238	1,009
Warehouse services, including related lease expenses	987	749
Utilities expense	756	660
Transportation to customers	462	319
Bank charges	461	342
Security	451	415
Repair and maintenance	410	394
Consulting services	293	219
Communication	206	156
Other expenses	555	585
Total	16,009	13,693

Payroll and related taxes for the half-year ended 30 June 2013 include 749 contribution to the state pension fund (half-year ended 30 June 2012: 652) and social and medical insurance in the amount of 274 (half-year ended 30 June 2012: 237).

During half-year ended 30 June 2013 the Group received 114 from its suppliers as a compensation of advertising and promotional expenses (half-year ended 30 June 2012: 126).

Lease expenses for the half-year ended 30 June 2013 include loss on currency forward contracts of 7 (half-year ended 30 June 2012: 68).

15. OTHER OPERATING INCOME

Other operating income for the half-year periods ended 30 June 2013 and 30 June 2012 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.

16. FINANCE INCOME, NET

Finance income/(costs) for the half-year periods ended 30 June 2013 and 2012 consisted of the following:

	For the half-year ended	
	30 June 2013	30 June 2012
Interest expense on bank loans	(26)	(1)
Interest income on bank deposits	70	177
Total	44	176

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

17. 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 2013	30 June 2012
Net profit attributable to equity holders of the Company	1,296	1,208
Weighted average number of ordinary share in issue (millions of shares)	177.62	177.07
Effect of share options granted to employees (millions of shares)	2.15	2,70
Basic earnings per share (in Russian rubles)	7.30	6.82
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)	179.77	179.77
Diluted earnings per share (in Russian rubles)	7.21	6.72

18. SHARE-BASED PAYMENTS

Employee share option plan

The Group had one equity-settled share option scheme in operation during the half-year periods ended 30 June 2013 and 30 June 2012.

Long-term incentive plan Series 3 (“LTIP 3”)

On 9 December 2009 the Board of Directors approved the adoption of Series 3 of the LTIP for selected members of the Group’s management team. 56 positions were enrolled in the plan and 3,170,000 of the shares were designated for LTIP 3. The shares will be granted by the Group to the participants of the plan at the appropriate vesting dates provided that the participants are employed to exercise his or her right unless the Board of Directors waives this condition. Consideration given to this non-market vesting condition requires the management to estimate the number of shares that will eventually vest and to adjust accordingly the number of shares included in the measurement of the transaction amount. Based on existed accumulated data on staff turnover at the moment of approval of LTIP 3 the management best estimate of the number of shares eventually expected to vest was 2,615,010.

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

18. SHARE-BASED PAYMENTS (CONTINUED)

Summary of the arrangements in existence as at 30 June 2013 and 31 December 2012

The following table contains details of the arrangements that were in existence as at 30 June 2013 and 31 December 2012:

Option series	Number of options as at 30 June 2013	Number of options as at 31 December 2012	Grant date	Vesting date	Expiry date	Exercise price (RUB)	Fair value at grant date (RUB)
LTIP 3							
Issued 9 December 2009	-	1,220,010	9 December 2009	1 April 2013	30 April 2013	-	118.47
Issued 9 December 2009	1,395,000	1,395,000	9 December 2009	1 April 2015	30 April 2015	-	118.49

Movements in share options during the period

The following reconciles the outstanding share options granted under the employee share plan at the beginning and end of the half-year period ended 30 June 2013 and year ended 31 December 2012:

	LTIP 3	
	Number of options expected to vest	Weighted average exercise price (RUB)
Balance as at 1 January 2012	2,670,000	-
Forfeited during the period	(54,990)	-
Balance as at 31 December 2012	2,615,010	-
Balance as at 1 January 2013	2,615,010	-
Forfeited during the period	(25,000)	-
Exercised during the period	(1,195,010)	-
Balance as at 30 June 2013	1,395,000	-

The weighted average remaining contractual life of the share options granted under LTIP 3 outstanding as at 30 June 2013 is 640 days (31 December 2012: 480 days).

On 1 April 2013 LTIP 3 Series 1 was exercised by its participants which resulted in the transfer of 1,195,010 shares to the option holders. As per Note 10 this resulted in credit in treasury shares balance and corresponding debit in retained earnings of 260. The remaining debit of 69 to retained earnings is mostly represented by dividends attributable to the shares held under LTIP 3 Series 1.

Share-based payments expense

The summary of expenses recognized by the Group in respect of share-based payments in the half-year periods ended 30 June 2013 and 30 June 2012 is as follows:

Option series	For the half-year ended	
	30 June 2013	30 June 2012
LTIP 3	27	37
Total	27	37

The above expense has been included into “Selling, general and administrative expenses” in the line item “Payroll and related taxes” (Note 14).

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

19. 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 2013 and 2012 and the outstanding balances owed by/to related parties as at 30 June 2013 and 31 December 2012, respectively:

Entities under common control	For the half-year ended 30 June 2013				For the half-year ended 30 June 2012			
	30 June 2013		30 June 2013		30 June 2012		31 December 2012	
	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
Transservice Group of Companies	-	204	16	87	-	115	24	22
LLC “Avto-Express”	-	39	-	6	-	42	-	4
Avtorit Group of Companies	1	36	-	7	-	37	-	4
LLC “Noviy Format”	-	14	-	3	-	14	-	3
LLC “MV. Stil”	1	-	-	-	1	-	-	-
LLC “Private Security Agency Bars-SB”	1	121	-	18	1	116	1	2
LLC “TechnoVideoService”	-	4	-	1	-	3	-	-
Total	3	418	16	122	2	327	25	35

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 2013 and 30 June 2012 was as follow:

	For the half-year ended	
	30 June 2013	30 June 2012
Short-term benefits*	153	146
Share-based payments	9	14
Total	162	160

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

As at 30 June 2013 the number of key management positions was 16 (31 December 2012: 15).

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 15 for the half-year period ended 30 June 2013 (SSC paid in half-year ended 30 June 2012: 10) and is included in the amounts stated above.

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) (in millions of Russian Rubles)

20. OPERATING LEASE AGREEMENTS

Future minimum rentals payable under non-cancellable operating leases for premises occupied as at 30 June 2013 and 31 December 2012 are as follows:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Within one year	5,837	5,564
After one year but not more than five years	21,049	19,467
More than five years	<u>16,257</u>	<u>15,409</u>
Total	<u>43,143</u>	<u>40,440</u>

Future minimum rental payments will be subject to VAT.

21. 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 2013 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 2013, the Group had a total commitment of approximately 2.6 – 2.9 mln EUR per annum (or 111.1 – 123.9 mln RUB per annum using exchange rate published on the Central Bank website of 42.7180 RUB/ EUR as at 30 June 2013) for technical support services with respect to existing SAP licenses and software during the period from 2013 to 2017 (31 December 2012: approximately 2.5 – 2.8 mln EUR per annum, or 100.6 – 111.1 million RUB per annum using exchange rate published on the Central Bank website of 40.2286 RUB/ EUR as at 31 December 2012). 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 2013 the Group entered into such guarantee contracts for the total amount of 784 (31 December 2012: 710). The Group has not pledged any inventories (31 December 2012: 9) as collateral under these guarantee contracts.

OPEN JOINT STOCK COMPANY “COMPANY M.VIDEO”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2013 (UNAUDITED) *(in millions of Russian Rubles)*

22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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