

Non-binding translation

**APPROVED BY
Resolution of the Board of Directors
of OJSC “Company “M.video”
of June 28, 2007, Minutes № 3**

**CORPORATE GOVERNANCE CODE
OF
OPEN JOINT STOCK COMPANY
“Company “M.video”**

Moscow 2007

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PREAMBLE

Open joint-stock company “Company”M.video” was established through reorganization of limited liability company “Company”M.video”.

The Company operates in the following business sectors: wholesale and retail, management of financial and industrial groups, of holding companies, consulting and management of commercial activities as well as research of market conditions.

The purpose of this Company Code of Corporate Governance (the Company Code) is to improve and systematize the Company’s governance, make its governance more transparent and demonstrate the Company’s commitment to good corporate governance by developing and furthering:

- Responsible, accountable and value-based management;
- Effective oversight and executive bodies that act in the best interests of the Company and its shareholders, including minority shareholders, and seek to enhance shareholder value in a sustainable manner; and
- Appropriate information disclosure and transparency, as well as an effective system of risk management and internal control.

By adopting, following and updating this Company Code, the Company’s charter and by-laws on a regular basis, the Company confirms its desire to demonstrably lead and promote good corporate governance. In order to foster the confidence of its shareholders, employees, investors, and the general public, this Company Code goes beyond the established legal and regulatory framework in Russia today and embraces both national and internationally recognized corporate governance principles and practices.

The Company’s governing bodies and employees understand this Company Code as their joint obligation, and accordingly, obligate themselves to ensure that its provisions and its spirit are adhered to and acted upon throughout the Company and its subsidiaries.

1. COMMITMENT TO CORPORATE GOVERNANCE

1.1. DEFINITION AND PRINCIPLES

The Company defines corporate governance as a set of structures and processes for the direction and control of the Company, which involves a set of relationships between the Company’s shareholders, Board of directors and executive body with the purpose of creating long-term shareholder value.

The Company’s corporate governance framework is based on the following principles:

- **Accountability:** This Company Code establishes the Company’s accountability to all shareholders and guides the Company’s Board of directors in setting strategy, and guiding and monitoring the Company’s management.

- **Fairness:** The Company obligates itself to protect shareholder rights and ensure the equitable treatment of all shareholders, including minority shareholders. All shareholders are to be granted effective redress for violation of their rights through the Board of directors.
- **Transparency:** The Company is to ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the Company, in a manner easily accessible to interested parties.
- **Responsibility:** The Company recognizes the rights of other stakeholders as established by laws and regulations, and encourages co-operation between the Company and stakeholders in creating sustainable and financially sound enterprises.

The Company, its key officers and all employees act in accordance with all applicable laws and regulations and furthermore, shall comply with ethical standards of business conduct as defined by this Company Code and the FCSM Code.

1.2. INTERNAL CORPORATE DOCUMENTATION

This Company Code is principle based. More specific corporate governance structures, processes and practices are regulated in the Company's charter and the by-laws on the:

- General Meeting of Shareholders (GMS);
- Board of Directors;
- Sole Executive body;
- Revision Commission;
- Audit Committee of the Board of Directors;
- Remuneration and Nomination Committee of the Board of Directors;
- Internal Control;
- Information Policy;
- Insider Information; and

other internal documents which can be adopted in future.

This set of internal corporate documents follows legal and regulatory requirements, and incorporates the main provisions of the FCSM Code and internationally recognized corporate governance practices.

1.3. GENERAL GOVERNANCE STRUCTURE

The Company has the following governing and other bodies:

- **The General Meeting of Shareholder (GMS)**, the highest governing body of the Company allows the shareholders to participate in the governance of the Company;
- **The Board of directors** is responsible for the strategic direction of the Company, and the guidance and oversight of management. The Company's Board of directors established committees on audit and nomination and remuneration];
- **The General Director** is assigned to fulfill the day-to-day management of the Company and carrying out the strategy set by the Board of directors;
- **The Revision Commission** oversees the financial and economic activities of the Company and reports directly to the GMS;

- **The Corporate Secretary** ensures that the governing bodies follow internal rules and external regulations in order to facilitate clear communications between the governing bodies, and acts as an adviser to directors and senior executives;

2. GOOD BOARD PRACTICES

The Company views an effective, professional and independent Board of directors as essential for good corporate governance. The Board of directors cannot substitute for talented professional managers, nor change the economic environment in which the Company operates. It can, however, influence the performance of the Company through its supervision, guidance and control of management in the interests and for the benefit of the Company's shareholders. Executive bodies also play a crucial role in the governance process. The effective interaction between governing and executive bodies, and a clear separation of authorities is key to sound corporate governance.

2.1. AT THE BOARD OF DIRECTORS LEVEL

- a. Authority.** The Board of directors' scope of authority is set forth in the Company's charter, in conformity with relevant legislation and the recommendations of the FCSM Code.
- b. Size.** The Board of directors recommends to the GMS the appropriate size of the Board. Achieving the needed quality and mix of directors will be the primary consideration in arriving at the overall number.
- c. Election.** Board of directors members are elected for a one-year term. Board of directors members may be re-elected an unlimited number of times. The Company uses cumulative voting to elect its Board members.
- d. Composition and Independence.** The composition of the Board of directors (competencies, skills and appropriate mix) is adequate for oversight duties, and the development of the Company's direction and strategy. Each individual member of the Board of directors has the experience, knowledge, qualifications, expertise and integrity necessary to effectively discharge Board duties and enhance the Board's ability to serve the long-term interests of the Company and its shareholders. The Board of directors has a broad range of expertise that covers the Company's main business and sector, and includes at least one experienced financial expert who is non-executive, independent director.¹

The law prohibits the General Director from being the Chairman of the Board of directors. In order to enhance unbiased oversight, the Company believes that a non-executive director should chair the Board.

To ensure the impartiality of decisions and to maintain the balance of interests among various groups of shareholders, four of the Board members are independent directors. The Company defines those directors who have no material relationship with the Company as independent. The definition of director independence is based on the FCSM Code and complemented by other internationally recognized definitions.

¹ Criteria of independence are provided in the By-law on the Board of Directors

The Company recognizes that directors that have served for longer than seven years shall not be considered independent directors.

e. Structure and Committees. The Company has established the following Board of directors committees:

- The audit committee;
- The remuneration and nomination committee.

All committees have by-laws containing provisions on the scope of authority, competencies, composition, working procedures, as well as the rights and responsibilities of the committee members. The Board of directors assigns directors to chair committees.

Each committee is to provide provisional consideration of the most important issues that fall within the authority of the Board of directors. After each of its meetings, the committee shall report on the meeting to the Board of directors.

f. Working Procedures. The Board of directors meets according to a fixed schedule, set at the beginning of its term, which enables it to properly discharge its duties. As a rule, the Board of directors shall meet at least 5 times a year.

Non-executive directors meet separately from executive members at least once a year.

Detailed procedures for calling and holding meetings of the Board of directors are defined in the Board of directors' by-law. All directors are provided with a concise but comprehensive set of information by the Corporate Secretary in a timely manner, concurrently with the notice of the Board meeting, but no less than 7 days before each meeting. This set of documents is to include: an agenda; key performance indicators, including relevant financial information prepared by management; and clear recommendations for action.

The Board of directors keeps detailed minutes of its meetings that adequately reflect Board discussions, signed by the Chairman and the Corporate Secretary, and include voting results on an individual basis.

g. Self-Evaluation. The Board of directors conducts a yearly self-evaluation. This process is to be organized by the Chairman and the results are to be discussed by the full Board of directors. Independent consultants may also be invited to assist the Board of directors in this process.

h. Training and Access to Advisers. The Company offers an orientation program for new Board of directors members on the Company, its business and on other subjects that will assist them in discharging their duties. The Company also provides general access to training courses to its Board of directors members as a matter of continuous professional education. The Board of directors and its committees shall also have the ability to retain independent legal counsel, accounting or other consultants to advise the Board when necessary.

i. Remuneration. The remuneration of independent Board of directors members is competitive and is comprised of an annual fee. The remuneration package shall, however, not jeopardize a director's independence. Executive directors are not paid beyond their executive remuneration package. The Board of directors periodically reviews the remuneration paid to

directors. All Board of directors members sign a contract with the Company. The Company publicly discloses the total sum of remuneration of all directors.

The Company will not provide personal loans or credits to its directors.

j. Duties and Responsibilities. Members of the Board of directors act in good faith, with due care and in the best interests of the Company and all its shareholders – and not in the interests of any particular shareholder - on the basis of all relevant information. Each director is expected to attend all Board of directors and applicable committee meetings.

The Board of directors must decide as to whether its directors can hold positions in the governing bodies of other companies. The Company shall not prohibit its directors from serving on other Board of directors. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties.

Board of directors members shall not divulge or use confidential or insider information about the Company.

Members of the Board of directors shall abstain from actions that will or may lead to a conflict of interest with the Company. When such a conflict exists, members of the Board of directors shall disclose information about the conflict of interest to the other Board members and shall abstain from voting on such issues.

2.2. AT THE EXECUTIVE BODY LEVEL

The Company understands that the day-to-day management of the Company requires strong leadership from the General Director.

a. Authority. The General Director carries out the Company's day-to-day management, implementing its goals and objectives, and carrying out its strategy.

b. Election, Term and Dismissal. The Board of directors elects the General Director for a 3 year term.

The Board of directors may appoint and dismiss the General Director. Grounds for dismissal include, among other things, providing false information to the Board of directors, willful neglect of his or her duties and responsibilities, or conviction of a criminal act.

The General Director has the:

- Trust of the Company's shareholders, Board of directors members, other managers and employees of the Company;
- Ability to relate to the interests of all shareholders and to make well-reasoned decisions;
- Professional expertise and education to be an effective manager;
- Business experience, knowledge of national issues and trends and knowledge of the market, products and competitors; and
- Capacity to translate knowledge and experience into solutions that can be applied to the Company.

c. Succession Planning. The Board of directors is to adopt a succession plan that outlines how it will effectively deal with the either the temporary or permanent loss of senior executives. To assist in this process, the General Director is to provide the Board of directors with a list of individuals best suited to replace the Company's key executives, including the position of the General Director.

d. Remuneration and Evaluation. The amount of remuneration of the General Director is set by the Board of directors. The remuneration shall have a fixed and variable component, and the latter is tied to key performance indicators, in-line with the input into the Company's long-term development and creation of shareholder value.

The Company will not provide personal loans or credits to its executive officers.

e. Duties and Responsibilities. The General Director acts in good faith and with due care in the best interests of the Company and all its shareholders – and not the interests of a particular shareholder - on the basis of all relevant information.

The General Director shall abstain from actions that will or may lead to a conflict between their and the Company's interests. When such a conflict exists, the General Director shall disclose information about the conflict of interest to the Board of directors members, and shall abstain from deliberating and voting on such issues.

2.3. INTERACTION BETWEEN THE BOARD OF DIRECTORS AND THE GENERAL DIRECTOR AND THE ROLE OF THE CORPORATE SECRETARY

Good corporate governance provides for an open dialogue between the Company's Board of directors and management. The Company has thus developed a procedure for periodic reports (information briefs) of the General Director and senior managers to the Board of directors. The Board of directors shall further have unrestricted access to the Company's management and its employees. The Corporate Secretary plays a key, overall role in facilitating this process.

The Company's Corporate Secretary is employed on a full-time basis. The Corporate Secretary possesses the necessary qualifications and skills to ensure that the governing bodies follow internal rules and external regulations, facilitates clear communications between the governing bodies in-line with the Company's charter, by-laws and other internal rules, and keeps the Company's key officers abreast of the latest corporate governance developments.

3. SHAREHOLDER RIGHTS

All shareholders have the right to participate in the governance and the profits of the Company. All rights are regulated in the Company's charter and by-laws.

3.1. GENERAL MEETINGS OF SHAREHOLDERS

The Company has a by-law on the GMS that provides a detailed description of all the procedures for the preparation, holding and decision-making at the GMS.

a. Preparation. Every shareholder that holds voting shares is entitled to participate and vote during the GMS, and receive advance notification, an agenda, as well as accurate, objective and

timely information sufficient for making an informed decision about the issues to be decided at the GMS. The Company's executive body will be responsible for this process, which is to be implemented by the Corporate Secretary.

The Company has a fair and effective procedure for submitting proposals to the agenda of the GMS, including proposals for the nomination of Board of directors members. The agenda of the GMS is not changed after the Board of directors approves it.

b. Holding the GMS. The Company takes all the steps necessary to facilitate the participation of shareholders in the GMS and vote on the agenda items.

The venue of the GMS is easily accessible for all shareholders. Registration procedures are convenient and allow for quick and easy admittance to the GMS. The Company's Corporate Secretary is to help shareholders to exercise their voting rights in the event they are unable to physically attend the GMS. The Corporate Secretary will do so by providing shareholders with a power of attorney form, based upon which the shareholder will have an opportunity to instruct his or her proxy on how to vote on agenda items.

The Company ensures that members of the Board of directors, executive body, the Revision Commission and the External Auditor are present during the GMS to answer questions. Each shareholder has the right to take the floor on matters on the agenda, and submit relevant proposals and questions. The chairman of the GMS conducts the meeting professionally, fairly and expeditiously.

Voting is conducted by ballot. The procedures for counting votes at the GMS are transparent and exclude the possibility of manipulating voting results

c. Results. The voting results and other relevant materials are distributed to shareholders, either at the end of the GMS or very soon after the GMS is held.

3.2. RELATED PARTY TRANSACTIONS

The Company discloses all relevant information on related party transactions including information on the affiliated parties and the affiliation of members of the Board of directors and other governing bodies.

3.3. DIVIDEND POLICY

The Company's dividend policy:

- Establishes a transparent, understandable and predictable mechanism for determining the payment procedure and the amount of the dividends;
- Ensures that the dividend payment procedure is easy and efficient; and
- Provides for the complete and timely payment of declared dividends.

4. INFORMATION DISCLOSURE AND TRANSPARENCY

Transparency, and timely and accurate information disclosure is a key corporate governance principle for the Company.

4.1. DISCLOSURE POLICIES AND PRACTICES

The Company discloses and provides easy access to all material information, including the financial situation, performance, ownership and the governance structure of the Company to shareholders free of charge. The Board of directors prepares and approves a by-law on

information disclosure. The Company publishes a comprehensive annual report that includes a corporate governance section, and prepares other reports, such as the prospectus, quarterly reports and material facts reports. The Company discloses its corporate governance practices, corporate events calendar and other material information on its Internet site in a timely manner.

The Company takes measures to protect confidential information as defined in its by-law on information disclosure and on insider information. Any information obtained by the Company's employees and the members of the governing bodies may not be used for their personal benefit.

4.2. FINANCIAL REPORTING

The Company keeps records and prepares a full set of financial statements in accordance with Russian Accounting Standards. In addition, the Company prepares its accounts in accordance with the International Financial Reporting Standards (IFRS) and discloses these in its regulatory filings, including the annual report, and on the Internet.

Detailed notes accompany financial statements so that the users of the statements can properly interpret the Company's financial performance. The opinions of the external auditor and Revision Commission, shall complement all financial information. The Company produces consolidated accounts when required by accounting standards.

4.3. INTERNAL AUDIT AND CONTROL

a. The Revision Commission. The Company's Revision Commission is to meet at least 1 time a year to carry out its duties as specified by law and its by-laws. The Audit Commission shall consist of independent members, of which at least 2 are experienced financial experts. Its scope of authority and activity meets legislative requirements.

b. The Internal Auditor. The Company has an internal auditor that is responsible for the daily internal control of the Company's finances and operations. The internal auditor is staffed by a highly respected and reputable person, and reports to the Audit committee of the Board of directors functionally and to the General Director administratively. The internal auditor's authority, composition, working procedures and other relevant matters are regulated in its by-law.

c. The Board of directors' Audit committee. The Audit committee is to focus on three key areas: financial reporting, risk management, and internal and external audit. This committee is chaired by an independent director and composed of independent directors, each of which is recognized for his or her financial literacy. Its exact authority, composition, working procedures and other relevant matters are regulated in its by-laws.

4.4. THE EXTERNAL AUDIT

An external auditor audits the Company's financial statements. The external auditor is a publicly recognized independent auditing firm, where independent means independence from the Company, the Company's management and major shareholders. The Company ensures that the

auditor is periodically replaced. The remuneration of the auditor is disclosed to shareholders. The external auditor is selected by the GMS following an open tender and upon the recommendation of the Board of directors.

4.5. OWNERSHIP STRUCTURE

The Company ensures that beneficial owners of five percent or more of the voting shares are disclosed. Any corporate relations in case of groups of companies are also clearly identifiable and disclosed to the public.

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