

APPROVED
By decision of the Board of Directors
of the Open Joint Stock Company «M.video»

Minutes of the Board of Directors
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Audit Committee By-Law
(New edition)

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1. General Provisions

- 1.1 The present Charter of the audit committee of the Board of directors (hereinafter “the By-law”) of OJSC “Company “M.video” (hereinafter the “Company”) is approved in accordance with the applicable Russian legislation, the Charter of the Company (hereinafter the “Charter”) and the By-law of the Board of Directors.
- 1.2 The audit committee of the Company’s Board of directors (hereinafter the “audit committee”) is set up by the decision of the Board of directors and assists in the control over financial and business activities of the Company.
- 1.3 The audit committee reports to the Board of directors of the Company.
- 1.4 The audit committee acts in accordance with the Russian legislation, the Charter of the Company, By-law on the Board of directors, decisions of the shareholders meetings and the Board of directors, this By-law and other internal documents of the Company.

2. Duties

The audit committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

2.1 Financial reporting

2.1.1 The audit committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results’ announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain. The audit committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

2.1.2 The audit committee shall review and challenge where necessary:

2.1.2.1 the consistency of, and any changes to, accounting policies both on a year basis and across the company/group;

2.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

2.1.2.3 whether the company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;

2.1.2.4 the clarity of disclosure in the company’s financial reports and the context in which statements are made; and

2.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

2.2 Internal controls and risk management systems

The audit committee shall:

2.2.1 keep under review the procedures of internal controls, prepare proposals of their improvement and keep under review the effectiveness of the company's risk management system; and

2.2.2 review and approve the statements to be included in the annual report concerning internal controls and risk management.¹

2.3 Whistleblowing

The audit committee shall review the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The audit committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

2.4 Internal audit

The audit committee shall:

2.4.1 monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system;

2.4.2 approve the appointment and removal of the head of the internal audit function; and

2.4.3 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

The audit committee shall also ensure the function has adequate standing and is free from management or other restrictions;

2.4.4 review and assess the annual internal audit plan;

2.4.5 review promptly all reports on the company from the internal auditors;

2.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and

2.4.7 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the audit committee.

2.5 External audit

The audit committee shall:

¹ Unless this is done by the Board of directors as a whole.

2.5.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The audit committee shall oversee the selection process for new auditors and if an auditor resigns the audit committee shall investigate the issues leading to this and decide whether any action is required;

2.5.2 oversee the relationship with the external auditor including (but not limited to):

2.5.2.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

2.5.2.2 approval of their terms of engagement, including any engagement letter (or contract) issued at the start of each audit and the scope of the audit;

2.5.2.3 assessing annually their independence and objectivity taking into account relevant regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

2.5.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);

2.5.2.5 agreeing with the Board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy;

2.5.2.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements; and

2.5.2.7 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;

2.5.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The audit committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;

2.5.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

2.5.5 assess the auditor's report, review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;

2.5.5.1 a discussion of any major issues which arose during the audit;

2.5.5.2 any accounting and audit judgments; and

2.5.5.3 levels of errors identified during the audit.

The audit committee shall also review the effectiveness of the audit.

2.5.6 review any representation letter(s) requested by the external auditor before they are signed by management;

2.5.7 review the management letter and management's response to the auditor's findings and recommendations; and

2.5.8 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

2.6. Reporting responsibilities

2.6.1 The audit committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

2.6.2 The audit committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

2.6.3 The audit committee shall compile a report to shareholders on its activities to be included in the company's annual report.

2.6.4 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

3. Composition and Election of the Audit Committee

3.1. The audit committee shall consist of not less than 2 members of the Company Board of directors.

3.2. The audit committee shall be headed by a Chairman who shall meet the requirements provided in point 3.2.1 of this By-law.

3.2.1. The audit committee shall consist only of the members of the Board of directors who shall meet the independence requirements established in the Company's By-law on the Board of directors.

Minimum one member of the audit committee must possess recent experience in financial sector and the knowledge sufficient for analyzing financial statements and business risks as well as in the area of financial management.

3.2.2. If, for objective reasons, it is not feasible to form the audit committee only with the members of the Board of directors who meet the requirements provided in point 3.2.1 of this By-law, the audit committee shall consist only of the members of the Board of directors who meet the requirements provided in point 3.2.1 of this By-law and members of the Board of directors who are not single executive body (CEO).

3.3. The Chairman and other members of the audit committee are elected by a majority vote of the members of the Board of directors present at the meeting or participating in absentee voting.

3.4. The term of office of members of the audit committee shall coincide with the term of office for the Board of directors (till election of a new Board of directors). The Board may early dismiss by a majority vote of the members of the Board of directors participating in the voting all or part of the members of the audit committee.

3.5. The Chairman of the audit committee shall organize the work of the audit committee, in particular:

- 3.5.1. call meetings of the audit committee and chair at them;
- 3.5.2. organize discussions at the meetings, presentation of opinions of invitees;
- 3.5.3. organize composing minutes of the meeting and sign it;
- 3.5.4. distribute areas of responsibilities among members of the audit committee;
- 3.5.5. sign documents developed and approved by the audit committee within the scope of its functions;
- 3.5.6. submit to the Board of directors written reports of the audit committee performance and provide with necessary explanations of the reports content;
- 3.5.7. fulfill other functions required by Russian legislation, the Company's Charter, this By-law and other internal documents of the Company.

3.6. Members of the audit committee shall:

3.6.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

3.6.2 be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members.

4. Meetings, Order of Making Decisions by the Audit committee

4.1. The audit committee shall meet regularly. Decision to call a meeting shall be made by the Chairman upon his own initiative or requests of the audit committee members, members of the Board of directors, the Company's external auditor, Revision commission, single executive body (CEO), the Internal audit service.

4.2. Audit committee decisions may be made by absentee voting. Written opinions of the members of the audit committee may be sent via mail, telegraph, teletype, facsimile and e-mail using electronic digital signature as well as any other type of communication ensuring reliability of the members' written opinions and their documentary proof.

4.3. A quorum shall be deemed present at any meeting of the audit committee if more than one half of the members (written opinions have been received) are present.

4.4. Any member of the audit committee interested in the matter to be discussed at the meeting shall disclose this fact at the meeting of the audit committee and inform the Board of directors.

4.5. Each member of the audit committee has one vote. The audit committee shall make decisions by a majority vote of members participating in the meeting. The minutes of the meeting shall contain the decisions made at the meeting.

4.6. The minutes of the meeting of the audit committee shall include:

- Date, place and time of the meeting (or the date of absentee voting)
- List of the members of the audit committee participating in the meeting (absentee voting);
- Questions of agenda been voted, results of voting (with indication of how each member present voted);
- Decisions made.

Materials, conclusions, proposals and recommendations developed by the audit committee as well as dissenting opinions of the members of the audit committee shall be attached to the minutes.

4.6. Managers and employees of the Company including CEO, representatives of the external auditor, experts and other persons may be invited by the audit committee to participate in the meeting and provide reports and explanations.

5. Authority

The Committee is authorized:

5.1 to seek any information it requires from any employee of the company in order to perform its duties;

5.2 to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference; and

5.3 to call any employee to be questioned at a meeting of the Committee as and when required.

6. Final Provisions

6.1. All amendments and additions to this By-law shall be adopted by a majority vote of the members of the Board of directors participating in the meeting and/or provided written opinions.

If as a result of amendments in current Russian legislation any articles of this By-law contradict to Russian legislation then these articles will lose their validity and provisions of Russian legislation will prevail. Contradicting articles of this By-law do not affect legal validity of the rest articles of this By-law. The Company will undertake to replace the invalid articles by new ones correspondent to legislation as soon as possible.

6.2. In case of any discrepancy between this By-law and the Company's Charter the Company's Charter shall prevail.