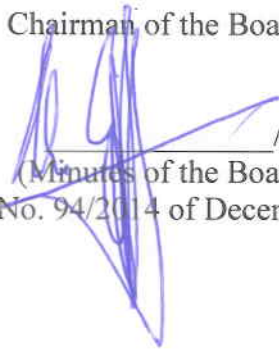


APPROVED
By decision of the Board of Directors
of the Open Joint Stock Company «M.video»

Chairman of the Board of Directors


/Peter Györffy/
(Minutes of the Board of Directors
No. 94/2014 of December 12, 2014)

**Regulation of the Audit Committee
of the Open Joint Stock Company
“Company M.video”**

(Edition №2)

Moscow, 2014

1. General Provisions

- 1.1. The present Regulation on the audit committee of the Board of directors (hereinafter “the Regulation”) of the 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 Regulation on the Board of Directors. This Regulation cancels the Regulation approved by the Board of directors on May 23, 2012 (Minutes №64/2012 dated 23.05.2012).
- 1.2. The Audit Committee of the Company’s Board of directors (hereinafter the “Audit Committee” or “AC”) is set up to facilitate the effective performance by the Board of directors of the controlling function over financial and business activities (pertaining to the financial reporting, to the risk management, internal control and corporate governance) of the Company and its subsidiaries.
- 1.3. The present Regulation defines functions and authority of the AC and its members, their rights and duties, composition of the AC, elections to the AC, procedure for holding of the AC meetings.
- 1.4. Audit Committee in its activity shall be guided by legislation of the Russian Federation, the Company’s Charter, the Internal Audit Charter, the Regulation on the Board of directors, the shareholders’ decisions and other internal documents of the Company.
- 1.5. All recommendations of the AC serve as guidelines and are not binding for the Board of directors of the Company.

2. Audit Committee Duties

Issues related to the Company’s activity, activity of its subsidiary and/or organizations being under the Company’s control and the Company’s group in general are within the AC authority.

2.1. Financial reporting

- 2.1.1. The Audit Committee shall control the provision of full, precise and reliable financial statements of the Company, including its annual and interim reports, announcements of the preliminary results and any other formal announcement related to the Company’s financial performance.
- 2.1.2. The AC participates in review and discussion of declarations related to the financial statements of the Company which are provided to the third parties and which may significantly influence the Company’s share price.
- 2.1.3. The AC shall analyze material aspects of the accounting policy of the Company.
- 2.1.4. The Audit Committee shall review as and when necessary:
 - consistency of any changes in the accounting policies both on a year basis and across the company/group;
 - methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the company follows the accepted accounting standards and makes appropriate estimates and judgments, taking into account the external auditor’s opinion;
 - transparency of the Company’s financial reports and the context in which these financial statements are made; and
 - all material information presented with the financial statements, such as the operating and financial review of the Company’s activity and its subsidiaries.

2.2. Internal control, risk management and corporate governance

- 2.2.1. The AC estimates efficiency of the risk management and internal control procedures of, practice of corporate governance, prepares proposals of its further improvement;

- 2.2.2. The AC maintains control over reliability and effective functioning of risk management system and internal control;
- 2.2.3. The AC reviews and estimates implementation of policy pertaining to the risk management, internal control and conflict of interests;
- 2.2.4. The AC reviews the statements pertaining to the risk management and internal control for its further inclusion in the Company's Annual report and prepares recommendations to the Board of directors for its approval¹.
- 2.2.5. The AC maintains control over the procedures securing Company's compliance with the requirements of the Russian legislation, ethic standards, internal regulations and procedures of the Company, rules of the stock exchange where the Company's securities are being listed.

2.3. Whistleblowing

The Audit Committee maintains control over effective functioning of whistleblowing system –notification system of any potential fraudulent actions of the Company's employees (including unfair use of insider or confidential information) and any third parties, as well as of any breaches in the Company's activity, control over implementation of measures taken by the executive bodies of the Company within the frames of such system. The Audit Committee shall ensure that those measures and arrangements which were taken allow to carry out proper and independent investigation of such cases and to take appropriate follow-up action.

2.4. Internal audit

- 2.4.1. The Audit Committee secures independency and objectiveness of the internal audit function;
- 2.4.2. The Audit Committee estimates efficiency of the internal audit function;
- 2.4.3. The Audit Committee reviews items on the appointment (dismissal) of the Head of the internal audit division and on the remuneration amount;
- 2.4.4. The Audit Committee also reviews the sufficient limitations of internal audit authorities or limits of the budget needed for the performance of internal audit function that could impede the efficiency of the internal audit activities in accordance with the relevant professional standards.
- 2.4.5. The Audit Committee reviews the policy relating to the internal audit and estimates the annual internal audit plan;
- 2.4.6. The Audit Committee timely reviews all the reports on the internal audits' results provided by the internal audit division;
- 2.4.7. The Audit Committee monitors the measures taken by the executive bodies of the Company as a response to the internal audit division recommendations and findings; and
- 2.4.8. The Audit Committee meets the Head of internal audit division at least once a quarter, without Company's executive bodies being present, to discuss the issues arising from the internal audits carried out.

2.5. External audit

- 2.5.1. The Audit Committee secures independency and objectiveness of the external audit function;
- 2.5.2. The Audit Committee considers, estimates the absence of conflict of interest and make recommendations to the Board of directors in relation to the appointment, re-appointment or removal of the Company's external auditor, to its payment terms and hiring conditions which shall be presented to the shareholders when discussing elections of the external auditor at the Annual shareholders' meeting. The Audit Committee shall monitor the selection process for new auditors and if the external auditor terminates the cooperation the Audit Committee shall analyze the reasons lead to this and decide whether any action or decision is required;
- 2.5.3. The Audit Committee ensures effective cooperation between the internal audit division and external auditor;
- 2.5.4. The Audit Committee maintains control over the external audit by means of:

¹ Unless this is subject to the Board of directors' authority.

- 2.5.4.1 preliminary approval of the external auditor's remuneration amount, separately fees for the audit or non-audit services so that the rate of remuneration facilitated high quality of the audit;
 - 2.5.4.2 approval of the audit plans, timing and scope of the audits;
 - 2.5.4.3 annual assessment of the external auditor's independency and objectivity taking into account relevant regulatory requirements and standards, including the provision of any non-audit services;
 - 2.5.4.4 obtaining of the Board's approval of the policy on the employment of former employees of the Company's external auditor with further monitoring the implementation of such policy;
 - 2.5.4.5 monitoring the external auditor's compliance with relevant ethical and professional rules including those related to the rotation of audit partners participating in the audit of the Company, the level of compensation paid by the Company compared to the overall fee income of the external auditor, the compliance with the Company's policy (if applicable) defining principles of rendering audit and non-audit services in cases when the external auditor combines both; and
 - 2.5.4.6 annual assessment of the external auditor's qualification, expertise and resources as well as efficiency of the audit process based on the report from the external auditor on their own internal procedures for audit quality maintenance;
 - 2.5.4.7. assessment of candidates to the external auditor of the Company;
- 2.5.5. The Audit Committee has regular meetings with the external auditor, including one meeting at the planning stage before the audit and one at the reporting stage after the audit. The Audit Committee shall meet the external auditor at least once a year, without executive bodies of the Company being present; to discuss the scope of services and any issues arising from the audit;
- 2.5.6. The Audit Committee reviews and approves the annual audit plan and ensures that it is consistent with the scope of the agreement with the external auditor;
- 2.5.7. The Audit Committee estimates the quality of the audit and the auditor's report; reviews audit results together with the external auditor. This shall include, but not be limited to, the following;
- discussion of all major issues which arose in the course of the audit;
 - discussion of all judgments related to the accounting and audit issues; and
 - discussion of level of errors identified in the course of the audit.
- 2.5.8. The Audit Committee shall also review the effectiveness of the audit, in particular:
- any written representation letter(s) of the executive bodies requested by the external auditor before its signing by the executive bodies of the Company;
 - auditor's letters to the executive bodies of the Company and their response to the auditor's findings and recommendations.

2.6. Reporting responsibilities

- 2.6.1. The Audit Committee Chairman shall report to the Board of directors on the results of each AC meeting on all items within the AC authority.
- 2.6.2. The Audit Committee shall make whatever recommendations to the Board of the directors which the AC will find necessary on any item(s) within its authority where any action, decision, approval or improvement is needed.
- 2.6.3. The Audit Committee shall provide annually a report on the results of its activities further included in the Company's annual report and presented to the shareholders.
- 2.6.4. At least once a year, the Audit Committee reviews its own performance results and its competencies to ensure maximum efficiency of its functions and recommends any changes if 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 elected by a majority of the votes of all members of the Board of directors participated in voting. The term of office of the Audit Committee members shall coincide with the term of office of the Board of directors. Only members of the Board of directors may be elected members of the Committee.

3.2. The Board of directors shall, whenever possible, elect only independent directors to the Audit Committee, complying with the independency requirements as determined by the Regulation on the Board of directors of the Company. If this is not feasible for whatever reason, the Committee shall be chaired by an independent director and have at least one other Board member taking no positions in the Company.

3.3. The General Director may not be a member of the Audit Committee.

3.4. Members of the Audit Committee must possess the necessary knowledge in the finance sector, experience and skills in interacting with the Company's key executives and other relevant parties. At least one member of the Audit Committee shall have knowledge and experience in preparation, assessment, analysis and audit of the financial statements. The Board of directors may, at any time, with or without cause, dismiss any member of the Committee, or re-elect the entire Committee.

3.5. The Chairman of the Audit Committee organizes 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 on the items of the agenda of the Audit Committee meetings, present give a word to the guests of the AC meeting;

3.5.3. organize keeping of the Minutes of the Audit Committee 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 authority;

3.5.6. submit to the Board of director's recommendations and/or written reports on the results of the Audit committee performance and provide necessary explanations to its content;

3.5.7. fulfill other functions within its authority and as required by Russian legislation, the Company's Charter, this Regulation and other internal documents of the Company.

4. Rights and Responsibilities of the Audit Committee

4.1. The AC shall have the following rights:

4.4.1. Request documents, reports, explanations and other relevant information from the collegial executive body (once it is established in the Company), the General Director, top managers and directors and employees of the Company and its subsidiaries;

4.4.2. Invite the General director, members of the collegial executive body (once it is established in the Company), top managers and directors, and employees of the Company's and its subsidiaries' to its meetings as guests and address questions to them and receive explanations and clarifications;

4.4.3. Resort to the services of outside consultants, experts, and advisers; and

4.4.4. Perform any other duties required by the Board of directors within the scope of the authority of the Committee as set forth herein.

4.2. The Audit Committee shall conduct on a regular basis review and assessment of this Regulation in conformity with applicable Russian law requirements and make recommendations to the Board of directors regarding any amendments hereto it deems appropriate.

4.3. The Committee shall report to the Board of directors on a regular basis (after the Committee meeting but not less than once in six months) on the results of its activity.

4.4. The AC shall have the following duties:

4.4.1. Participate in the activities and work of the Audit Committee, and attend all its meetings;

4.4.2. Keep abreast of industry and market trends, advances in information technology, and other areas of strategic importance to the Company;

4.4.3. Treat all information that became known to them in the course of performing their official duties and functions of the Audit Committee members as confidential information;

4.4.4. Inform the Board of directors of any changes in their status of independency or any conflict of interest which may raise as results of the decisions taken by the Board of directors based on the Audit Committee's recommendations;

4.4.5. Conduct annual reviews and assessments of the Committee activities and its members, including a review of the Audit Committee's compliance with this Regulation.

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

5.1. The Audit Committee shall be headed by a Chairman who shall be elected by a majority vote of all members of the Board of directors.

- 5.2. Audit Committee meetings (by joint presence or by ballots) shall be the principal form for carrying out of its work and activity. Meetings may be conducted whenever and as often as necessary but in any case not less than once a quarter. 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, sole executive body (CEO), the Internal audit division .
- 5.3. If the Audit Committee meeting is held in a form of the absentee voting, voting on the items of the agenda shall be done by ballots which are distributed (by registered mail, email or with the use of special software) to all members of the Audit Committee together with the materials pertaining to the items of the agenda.
- 5.4. A quorum shall be deemed available at any meeting of the Audit Committee if not less than one half of the AC members is present (participated in voting and their ballots have been received).
- 5.5. Each member of the Audit Committee has one vote. The Audit Committee shall make decisions by the majority votes of members participating in the voting. The Minutes of the AC meeting shall contain the decisions made.
- 5.6. Minutes of the Audit Committee meetings shall be kept after each meeting and signed by the AC Chairman. Functions of the AC secretary shall be performed by the Corporate secretary and if he/she is absent by any other person authorized by the AC. The Secretary of the AC shall be responsible for giving an advance notice to all Audit Committee members of the meeting agenda, date and form of the meeting and ensure the availability of all necessary information on the agenda items not less than 5 days prior to such meeting. Such notice shall be given by e-mail or by fax. Information and materials for the AC meeting shall be uploaded to the iPads with the use of special software ((BLUEPRINT BOARDPAD)).

The AC meeting Minutes shall include:

- Date, form, place and time of the meeting List of the AC members participating in the meeting (absentee voting);
- Items of the agenda;
- Items put for voting, voting results (reflecting voting results of each AC member) and decisions made.

Materials to the AC meeting and recommendations developed by the Audit Committee as well as ballot papers (if the AC meeting was held by ballots) shall be attached to the Minutes. Minutes shall be submitted to the Chairman of the Board of directors or the Corporate Secretary for keeping. Any member of the AC having a dissenting opinion should submit such opinion together with the Minutes of the AC meeting.


- 5.7. Managers and employees of the Company, General director (CEO), Chief Finance Officer, Head of Internal audit division, representatives of the external auditor, independent consultants (experts) and other persons may be invited to the Audit Committee meeting for provision of the materials and recommendations on the items of the agenda .

6. Final Provisions

- 6.1. All amendments and additions to this Regulation shall be adopted by a majority vote of the members of the Board of directors participating in the meeting and/or provided written opinions.
- 6.2. If, following any changes of the applicable legislation of the Russian Federation, any provisions of the present Regulation comes into conflict therewith, provisions of the legislation of the Russian Federation in effect shall prevail. Conflicting provisions of this Regulation shall not legally affect other provisions of this Regulation. The Company shall take all measures to replace conflicting provisions of this Regulation by those not conflicting with the legislation of Russia.
- 6.3. In case of any discrepancy between this Regulations and the Company's Charter the Company's Charter shall prevail.



Chairman of the Board of Directors
OPSC, Company 'M. Viduo'


(Peter Gjerfth)