

## **EXPLANATORY NOTE TO THE ITEMS OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF THE OJSC "COMPANY M.VIDEO"**

### **Item 1 of the Agenda – «The amount, terms and way of dividends' payment for 9 (nine) months 2014 FY results»:**

The Russian stock market and Russian currency have seen significant volatility due to worldwide events, including the Ukraine crisis, oil prices and the sanctions that have been imposed on Russia, in addition to the overall investor sentiment towards emerging vs. developed markets. Therefore returning cash to shareholders has become particularly relevant and important in the current highly volatile stock market and uncertain currency and macro environment in Russia. Besides, communications with institutional investors have shown a consistent interest in the Company doing something to distribute the cash to shareholders in addition to the adopted Dividend policy, rather than simply keeping it on its balance sheet. As the Board of Directors and Management do not foresee any outstanding investment opportunity rather than current capex needs and as such it was decided that in the present economic environment all shareholders are best served if the Company returns any excess cash to them. The special dividend is transparent and treats all shareholders equally given they will all participate. This special dividend should be considered as a one-time event which will not impact the annual dividend which is set at 60% of the annual profit.<sup>i</sup>

### **Item 2 of the Agenda – «Approval of the Company's Charter in a new edition» and**

### **Item 3 of the Agenda – «Approval of the Company's Regulation on the General Shareholders' Meeting in a new edition»**

According to art. 48 of the Federal law "On joint stock companies" (hereinafter – "the Law") and sub-clause (1) of clause 10.1 of the Charter of the OJSC "Company "M.Video" (hereinafter – "the Charter" and "the Company") approval of the Charter in a new edition referred to the authority of the General meeting of shareholders. The current version of the Charter was approved by the decision of the General meeting of shareholders in December 2013 (Minutes №17 of 12.12.2013 and registered in the tax authorities on December 24, 2013 under state registration number 5067746789248).

For the recent period sufficient changes and amendments were introduced to the Law and Civil Code of Russia (by Federal laws of 05.05.2014-№99-FL, of 21.07.2014-N218-FL, of 23.07.2013-N210-FL, of 21.12.2013-N379-FL). Main material changes affected for instance such issues like:

- introduction of public shareholders' company (if its shares or other securities converted into shares are placed through open (public) subscription/or its shares are listed on a stock exchange) and non-public companies not meeting the above requirements – form of the legal entity shall be defined in the Charter of the legal entity;
- way of shareholders' notification on calling of the General meeting of shareholders;
- way of informing the shareholders on the voting results at the General meeting of shareholders;
- rules for preparing the Minutes of the General meeting of shareholders and etc.

In this context came up the necessity to bring the Company's Charter and Regulation on the General Shareholders' Meeting in compliance with all current applicable legal requirements of the Russian Federation and to make some other technical editorial amendments. Due to the Company's transition to A-listing quotation of the 2-nd level for market capitalization increase purposes, the Charter together with all internal documents of Company shall comply with the listing rules of the CJSC "Stock exchange Micex".

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<sup>i</sup> For tax retention from income gained by a non-resident being a shareholder of the Company (hereinafter "the shareholder") at a lower tax rate, the Shareholder shall provide the Central depository (CJSC "National Settlement Depository") or any other depository or professional participant on the securities market, performing functions of the tax agent and paying the dividends on the shares of the Company, with the document certifying the permanent place of domicile (residence) in the country with which Russian Federation has entered into the Double taxation treaty (art.310, 312 of the Tax Code of Russia). The document which proves the shareholder's permanent place of domicile (residence) shall be properly certified by the authority entitled to do so of the country where a shareholder has a permanent place of domicile (residence) and is registered there, with an apostile, notarized and translated into Russian afterwards.