

# Minutes

of the

Annual General Meeting of Shareholders (the "AGM") of

X5 Retail Group N.V.  
(hereinafter: the "Company")

held on

10 May 2018 at Parkstraat 20, 2514 JK The Hague, The Netherlands

## 1. Opening and announcements

Mr. Stephan DuCharme, chairman of the Supervisory Board of the Company and chairman of the AGM (the "Chairman") in accordance with article 34.1 of the Articles of Association (hereinafter: the "Articles of Association" or the "Articles") of the Company, opens the AGM at 11.00 a.m. CET and welcomes (the representatives of) the shareholders present, the Management Board of the Company, as well as the Company's external auditor, at the AGM.

It is recorded that the AGM was convened with due observance of all provisions set out by law and the Articles. In the convocation letter to the shareholders was stated the place, the date, the starting time and the agenda (including the explanatory notes to the agenda) of the AGM (the "Agenda").

Pursuant to the power of attorney (including the list of attendance and voting instructions) as provided by BNY Mellon (the Depository) to the Secretary (as defined below) (the "Proxy"), a total number of 67,886,748 shares were being represented at the AGM, from the total number of outstanding shares of the Company which is 67,893,218. In accordance with the Proxy, the total number of shares represented at the AGM includes 9,829,286 shares (14.48%) that can be voted at the discretion of the Company.

As the AGM has been convened in accordance with the Articles, and the quorum as mentioned in Article 37.1 of the Articles is represented, valid resolutions can be passed by the general meeting of shareholders (the "General Meeting").

Mr. Frank Lhoëst is appointed secretary at this AGM (the "Secretary") and represents the Management Board holding the Proxy to vote on behalf of the shareholders in accordance with the voting instructions received from BNY Mellon.

## 2. Report of the Management Board for the financial year 2017

The Chief Executive Officer provides the General Meeting with an overview of the activities and of the performance of the Company during the financial year 2017.

## 3. Explanation of the implementation of the new Dutch Corporate Governance Code

The Company Secretary presents an overview of the implementation of the new Dutch Corporate Governance Code (the 'Code') into the Company's governance framework. The new Code was published

on 8 December 2016 and came into effect on 1 January 2017. The full text of the Code can be viewed on the corporate website of the Company.

The Company has performed a full review of the implications for X5's corporate governance structure and, where relevant, has amended its internal rules, procedures and policies. X5 applies the relevant principles and best practices of the Code in the manner as described in its 2017 Corporate Governance Report.

#### **4. Financial Statements for the financial year 2017**

##### **a. Remuneration Policy**

In accordance with article 2:135 paragraph 5a of the Dutch Civil Code the remuneration policy is dealt with and explained as a separate agenda item. The remuneration policy, as amended for the members of the Management Board and the Executive Board at the Annual General Meeting in 2016, has been approved at the Annual General Meeting on 7 May 2015.

In 2017 the remuneration policy as described in the Annual Report (as defined below under item 4.c hereof) was applied. It is the intention that the current policy, with its focus on aligning the interests of shareholders and management on a sustainable basis, will be continued in 2018 and beyond, subject to the amendments proposed under agenda item 7 of this AGM.

##### **b. Dividend Policy**

In accordance with the dividend policy approved in 2017, the Company's dividend policy is to target a payout ratio of at least 25% of the full year consolidated net profit in accordance with IFRS, provided its financial position allows for it. When considering a proposal to pay dividends, the Supervisory Board shall be guided by a target consolidated net debt / EBITDA ratio of below 2.0x as at the end of the year for which the dividend is being proposed. The dividend for the financial year 2017, in line with this policy, shall be discussed under agenda item 4d.

##### **c. Adoption of 2017 Financial Statements (voting item)**

The Financial Statements for the financial year 2017 (the "Financial Statements"), as included in the 2017 Annual Report (the "Annual Report"), were presented to the General Meeting by the Management Board, in accordance with clause 25.2 of the Articles of the Company. It is proposed to the General Meeting to adopt the Financial Statements.

Mr. Gerard Arnold, attending the AGM on behalf of the external auditor Ernst & Young Accountants LLP for the year 2017, is available to answer questions in relation to the auditor's report on the fairness of the Financial Statements.

The Secretary states that 67,859,518 votes (99.96%) are in favour of this proposal, 12,500 votes (0.02%) are against and 14,730 votes (0.02%) abstained. The Chairman establishes that the General Meeting does not require additional information and concludes that the Financial Statements are therefore adopted by the General Meeting.

**d. Determination of dividend for the financial year 2017 (voting item)**

Within the scope of the dividend policy of the Company as discussed under agenda item 4b, the following proposal is made for the determination and distribution of dividend on global depositary receipts (GDRs).

It is proposed to the General Meeting to determine the dividend for the financial year 2017 at RUB 79.5 per GDR, representing 69% of net profit. The total dividend will amount to RUB 21,590 million. An amount of RUB 9,233 million, representing the remaining amount of the profit in the financial year 2017, will be added to the retained earnings. The ex-dividend date is 24 May 2018; the record date is set at 25 May 2018. The dividend, if approved by the General Meeting, shall be paid to shareholders and the Depositary no later than 1 June 2018. The dividend shall be paid to holders of GDRs by the Depositary in USD no later than 22 June 2018, i.e. within 45 days from the date of the AGM in accordance with the dividend policy. The Depositary shall announce the final payment date for holders of GDRs upon the RUB/USD conversion date.

The Secretary states that all 67,886,748 votes (100%) are in favour of this proposal, whereupon the Chairman confirms that this proposal is approved by the General Meeting.

**5. Discharge from liability of the members of the Management Board (voting item)**

It is proposed to the General Meeting to discharge the Management Board members in office in 2017 from all liability in relation to the exercise of their duties in the financial year 2017, to the extent that such exercise is apparent from the Annual Report or has otherwise been disclosed to the General Meeting prior to the adoption of the Financial Statements.

The Secretary states that 67,872,018 votes (99.98%) are in favour of this proposal and 14,730 votes (0.02%) abstained. The Chairman confirms that the General Meeting resolves to grant discharge to the members of the Management Board from liability.

**6. Discharge from liability of the members of the Supervisory Board (voting item)**

It is proposed to the General Meeting to discharge the Supervisory Board members in office in 2017 from all liability in relation to the exercise of their duties in the financial year 2017, to the extent that such exercise is apparent from the Annual Report or has otherwise been disclosed to the General Meeting prior to the adoption of the Financial Statements.

The Secretary states that 67,872,018 votes (99.98%) are in favour of this proposal and 14,730 votes (0.02%) abstained. The Chairman confirms that the General Meeting resolves to grant discharge to the members of the Supervisory Board from liability.

**7. Proposal to amend the Remuneration Policy for the Management Board and Executive Board (new long-term incentive plan) (voting item)**

In 2017 the Supervisory Board developed a new LTI programme that is submitted for approval to the General Meeting. In line with the Company's strategic direction the new LTI programme reflects the Company's ambition in terms of shareholder value. In comparison to the current LTI programme it is designed for a wider group of participants within the Company and aims to create greater balance between short- and long-term compensation of the programme participants.

The new LTI is a cash incentive programme over a three-year period until 31 December 2020, with an extension component of deferred, conditional payouts in order to maintain the focus on long-term goals and to provide for an effective retention mechanism.

Targets under the LTI are structured to align the long-term interests of shareholders and management, with a focus on maintaining leadership in terms of revenue and, as additional long-term objective, leadership in terms of enterprise value multiple relative to competition. Additionally, the LTI includes triggers relating to (i) the EBITDA margin to ensure that profitability is not sacrificed and (ii) the net debt/EBITDA ratio to retain focus on prudent financial and balance sheet management. Under the conditional payout scheme of the programme, 50% of the total award is deferred to 2022 subject to maintaining achieved targets during 2021. This creates a focus on long-term goals throughout the programme and provides an effective mechanism for motivating and retaining members of management who are critical to the ongoing success of the Company.

The size of each individual cash award is based on the participant's annual base salary and a predetermined score reflecting his/her role and contribution to meeting the LTI targets at both individual and team level, with a maximum of 133% of the participant's aggregate base salary during the three-year programme. The total available fund for all payouts under the LTI programme is capped at 5% of average EBITDA during the three-year period of the programme.

The Chairman puts this proposal into discussion and concludes that 63,198,518 votes (93.09%) have been issued in favour of the proposal, 3,609,121 votes (5.32%) are against and 1,079,109 votes (1.59%) abstained, so the proposal is adopted.

#### **8. Remuneration of the Supervisory Board (voting item)**

In accordance with the remuneration principles for the Supervisory Board it is proposed to the General Meeting that under the Restricted Stock Unit Plan, the Supervisory Directors Stephan DuCharme, Pawel Musial, Geoff King, Peter Demchenkov and Mikhail Kuchment shall be awarded a number of RSUs with award date 19 May 2018, equal to 100% of the gross annual remuneration - excluding extraordinary compensation - of the relevant Supervisory Director in 2018, divided by the average market value of one GDR as of 19 May 2018. Under the rules of the plan, the average market value is defined as the volume weighted average price of a GDR over the thirty calendar days immediately preceding 19 May 2018. The volume weighted average price is calculated using the closing price of a GDR taken from the Official List of the London Stock Exchange.

The awarded RSUs will vest on 19 May 2021, followed by a lock-in period ending on 19 May 2023. Each award is subject to forfeiture rules depending on the relevant Supervisory Director's term of office during the period until the date of vesting.

Furthermore, in connection with the stepping down of Christian Couvreur as per the AGM, the Supervisory Board proposes that 21,152 RSUs awarded to Christian Couvreur under tranches 6, 7 and 8 of the RSU plan shall continue to vest on 19 May 2018, in accordance with the forfeiture and accelerated vesting provisions for good leavers under the rules of the plan. Accordingly, it is proposed that the lock-up on vested GDRs under tranches 5 to 8 shall be lifted as per 19 May 2018.

The Chairman puts this proposal into discussion and concludes that 56,229,686 votes (82.83%) have been issued in favour of the proposal, 11,582,649 votes (17.10%) are against and 74,413 votes (0.11%) abstained, so the proposal is adopted.

## **9. Authorisation to issue shares (voting item)**

It is proposed to the General Meeting to authorise the Management Board for a period of 18 months from the date of this AGM, i.e. until and including 10 November 2019, to issue shares or grant rights to subscribe for shares, subject to the approval of the Supervisory Board. The authority to issue shares or to grant rights to acquire shares is intended for the issue of shares or the granting of rights to subscribe for shares in respect of the Company's share-based compensation plans and to provide the possibility to react in a timely and flexible manner in respect of the financing of the Company. Resolutions to issue shares or grant rights to subscribe for shares are subject to Supervisory Board approval. This proposal is made in accordance with article 6 paragraph 1 of the Articles of Association and article 2:96 of the Dutch Civil Code. In accordance with current corporate governance practices, the proposal is limited to a period of 18 months from the date of this AGM, i.e. until and including 10 November 2019, and to a maximum of 10% of the issued share capital. This authorisation also applies to the issue of new GDRs, or rights to subscribe for new GDRs. One GDR represents 0.25 of one ordinary share of the Company. When this authorisation shall be approved, the current authorisation shall no longer be utilised.

The Chairman puts the proposal into discussion and concludes that 65,286,540 votes (96.17%) have been issued in favour of the proposal and 2,600,208 votes (3.83%) are against, so the proposal is adopted.

## **10. Authorisation to restrict or exclude pre-emptive rights upon issue of new shares (voting item)**

It is proposed to the General Meeting to authorise the Management Board for a period of 18 months from the date of this AGM, i.e. until and including 10 November 2019, to restrict or exclude, subject to the approval of the Supervisory Board, pre-emptive rights in relation to the issue of shares or the granting of rights to subscribe for shares. This proposal is made in accordance with article 7 paragraph 3 of the Articles of Association and article 2:96a of the Dutch Civil Code. In accordance with the proposal under agenda item 9, this proposal is limited to a period of 18 months from the date of this AGM and until and including 10 November 2019. Pursuant to the Articles of Association, if less than 50% of the issued and outstanding capital is represented, this proposal can only be adopted by a majority of at least two-thirds of the votes cast. If 50% or more of the issued and outstanding capital is represented, a simple majority is sufficient to adopt this proposal. When this authorisation shall be approved, the current authorisation shall no longer be utilised.

The Chairman puts the proposal into discussion and concludes that 65,290,848 votes (96.18%) have been issued in favour of the proposal and 2,595,900 votes (3.82%) are against, so the proposal is adopted.

## **11. Authorisation to acquire shares (voting item)**

The General Meeting is requested, in accordance with article 9 paragraph 3 of the Articles of Association, to authorise the Management Board for a period of 18 months as of the date of the AGM, i.e. until and including 10 November 2019, to cause the Company to purchase, for general corporate purposes and/or to cover obligations under the Company's restricted stock unit plan, shares or GDRs in the Company's own capital, representing up to 10% of the issued share capital of the Company as at the date of the AGM (for the avoidance of doubt, the 'issued share capital of the Company' includes issued shares and/or GDRs yet owned by the Company (directly or indirectly) in its own capital). GDRs may be acquired at the stock exchange or otherwise, at a price between par value and 110% of the opening price at the London Stock Exchange at the date of the acquisition.

The Supervisory Board has resolved, in accordance with article 17 paragraph 3 of the Articles of Association and subject to the above authorisation by the General Meeting to the Management Board, that in case the amount of Company's own issued share capital or GDRs being purchased reaches a level of

more than 5% of the Company's own issued share capital as at the date of the AGM (for the avoidance of doubt, the 'issued share capital of the Company' includes issued shares and/or GDRs yet owned by the Company (directly or indirectly) in its own capital), the Management Board shall obtain Supervisory Board approval before proceeding with such purchase.

The Company may only acquire its own fully paid up shares or GDRs, provided that the part of the Company's net assets that exceeds the aggregate of the issued share capital and the reserves that must be maintained by virtue of the law, are at least equal to the purchase price for the Company's own shares.

The Secretary states that 66,804,206 votes (98.41%) are in favour of this proposal and 1,082,542 votes (1.59%) are against. The Chairman subsequently confirms that the General Meeting resolves to authorise the Management Board to have the Company acquire shares or GDRs in its own capital in accordance with and subject to the above proposal.

### **12. Appointment of the external auditor for the financial year 2018 (voting item)**

The Supervisory Board proposes to re-appoint Ernst & Young Accountants LLP as the Company's external auditor for the financial year 2018.

The Chairman puts the proposal into discussion and concludes that 67,729,485 votes (99.77%) have been issued in favour of the proposal and 157,263 votes (0.23%) are against, so the proposal is adopted.

### **13. Any other business and conclusion**

No other items were brought to the attention of the General Meeting.

As the Agenda contained no further issues to be deliberated, the AGM was closed.

Signed:

Stephan DuCharme  
Chairman of the AGM

Frank Lhoëst  
Secretary of the AGM

*In accordance with provision 4.1.10 of the Dutch Corporate Governance Code, shareholders and depositary receipt holders have the right to provide their comment to these minutes within three months after their release, i.e. until 10 August 2018. Following this, the minutes shall be adopted and signed by the Chairman and the Secretary.*