# Minutes

of the

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

# X5 Retail Group N.V.

(hereinafter: the "Company")

held on

25 June 2010 at Parkstraat 20, 2514 JK The Hague, The Netherlands

## 1. Opening and announcements

Mr. Hervé Defforey, 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 the Company, opens the AGM at 11.00 a.m. CET and welcomes (the representatives of) the shareholders present, 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 The Bank of New York Mellon to the Secretary (as defined below) (the "Proxy"), a total number of 67,576,136 shares were being represented at the AGM, from the total number of outstanding shares of the Company which is 67,893,218.

As (i) the AGM had been convened in accordance with the Articles, and (ii) the quorum as mentioned in Article 37(1)of the Articles was represented, valid resolutions could be passed by the general meeting of shareholders (*algemene vergadering van aandeelhouders*) (the "General Meeting").

Mr. Frank Lhoëst is appointed secretary at this AGM (the "Secretary") and holds the Proxy to vote on behalf of all shareholders being represented (i.e. The Bank of New York Mellon).

## 2. Annual report of the Management Board for the financial year 2009

The Secretary provides the General Meeting with an overview of the activities and of the performance of the Company during the financial year 2009.

## 3. Corporate Governance

In accordance with the principles of the Dutch corporate governance code 2008 (the "Code"), the contents of the Corporate Governance Report in the Annual Report 2009 (page 42) and the statement on compliance with the best practice provisions of the Code (page 51) are tabled for discussion.

No material changes in X5's corporate governance structure have occurred in 2009, and no material changes are proposed for 2010, apart from changes resulting from the proposed amendments in the Remuneration Policy of the Company, as described in item 11 of the explanatory notes to the AGM agenda. These changes mainly relate to the Code's best practice provisions II.2.5 (shares granted to management board members, without financial consideration, under the Restricted Stock Unit Plan), as well as II.2.10 and II.2.11 (claw-back and adjustment of variable remuneration components of members of the Management Board).

**4. Explanation of the policy on additions to reserves and payment of dividends**

Clause 28 of the Articles of the Company states that the General Meeting, on proposal of the Supervisory Board, determines which part of the result for a financial year will be reserved and the allocation of the remainder of the result.

In line with the Company's dividend policy the Supervisory Board suggests to the General Meeting not to pay-out any dividend but to use all available funds for the anticipated growth, and strategic acquisitions, of the Company.

**5. Adoption of the Annual Accounts for the financial year 2009**

Clause 27.2 of the Articles of the Company states that the General Meeting shall adopt the Annual Accounts. The Annual Accounts for the financial year 2009 (the "Annual Accounts"), as included in the entire Annual Report 2009 (the "Annual Report"), were presented to the General Meeting by the Supervisory Board, in accordance with clause 26.3 of the Articles of the Company. It is proposed to the General Meeting to adopt the Annual Accounts.

Mr. Peter Dams, attending the AGM on behalf of the external auditor PricewaterhouseCoopers Accountants N.V., is available to answer questions in relation to the auditor's report on the fairness of the Annual Accounts.

The Secretary states that 67,523,324 votes are in favour of this proposal, 29,962 votes are against and 22,850 votes abstained. The Chairman confirms that the General Meeting does not require additional information and approves the Annual Accounts.

**6. Determination of the allocation of the profits earned in the financial year 2009**

It is proposed by the Supervisory Board to add the Company's profits for the financial year 2009 to the other reserves of the Company (Annual Report, page 144)

The Secretary states that 66,526,893 votes are in favour of this proposal, 1,027,993 votes are against and 21,250 votes abstained, whereupon the Chairman confirms that this proposal is approved by the General Meeting.

**7. Discharge from liability of the members of the Management Board**

It is proposed to the General Meeting to grant discharge to the members of the Management Board from all liability *(décharge verlenen)* in relation to the exercise of their duties in the financial year 2009, to the extent that such exercise is apparent from the annual accounts or has otherwise been disclosed tot he General Meeting prior to the adoption of the Annual Accounts.

The Secretary states that 67,384,000 votes are in favour of this proposal, 2,125 votes are against and 190,011 votes abstained. The Chairman confirms that the General Meeting resolves to approve the discharge of the members of the Management Board from liability.

**8. Discharge from liability of the members of the Supervisory Board**

It is proposed to the General Meeting to grant discharge to the members of the Supervisory Board from all liability *(décharge verlenen)* in relation to the exercise of their duties in the financial year 2009, to the extent that such exercise is apparent from the annual accounts or has otherwise been disclosed to the General Meeting prior to the adoption of the annual accounts.

The Secretary states that 67,296,500 votes are in favour of this proposal, 89,625 votes are against and 190,011 votes abstained. The Chairman confirms that the General Meeting resolves to approve the discharge of the members of the Supervisory Board from liability.

**9. Re-appointment of Mr. Hervé Defforey as member of the Supervisory Board**

Under the rotation schedule fixed by the Supervisory Board, Mr. Hervé Defforey will reach his end of term as a Supervisory Board member this year. Mr. Defforey is eligible for re-appointment.

It is proposed to the General Meeting to re-appoint Mr. Defforey for a new term ending on the day of the annual general meeting of shareholders to be held in 2014, which is the fourth year after the year of the re-appointment.

**Hervé Defforey** (March 23, 1950) is a French national. He was first appointed to the Supervisory Board on 16 October 2006 and acts as chairman of the Supervisory Board since 2 November 2006. Mr. Defforey is a partner of GRP Partners, London and Los Angeles. He heads GRP Partners' European venture capital activities and serves on the boards of the following companies: IFCO Systems N.V. and Ulta, Corp., Chicago and Kyriba SA, Paris. Mr. Defforey formerly held positions at Carrefour, S.A. (Paris), Azucarera EBRO S.A. (Madrid), BMW A.G. (Munich) and graduated from the University of St. Gallen, Switzerland with a degree in Business Administration. Mr. Defforey holds 30,000 GDRs in the Company.

The Secretary states that 66,526,893 votes are in favour of this proposal, 3,000 votes are against and 1,046,243 votes abstained.

The General Meeting adopts the re-appointment of Mr. Hervé Defforey as member of the Supervisory Board of the Company with effect per the date of this meeting for a period of four years.

**10. Re-appointment of Mr. David Gould as member of the Supervisory Board**

Under the rotation schedule fixed by the Supervisory Board, Mr. David Gould reached his end of term as a Supervisory Board member this year. Mr. Gould is eligible for re-appointment.

It is proposed to the General Meeting to re-appoint Mr. Gould for a new term ending on the day of the annual general meeting of shareholders to be held in 2014, which is the fourth year after the year of the re-appointment.

**David Gould** (May 27, 1969) is a U.S. national. He was first appointed to the Supervisory Board on 18 May 2006 and has acted as chairman of the Supervisory Board's Audit Committee since. Mr. Gould has been serving as Deputy Director for Corporate Development, Finance and Control at Alfa Group Consortium since 2000. He also serves as a member of the Board of Directors of Alfa Finance Holdings

S.A. and of ABH Holdings S.A. (holding company for Alfa-Banking Group). From 1992 to 2000, Mr. Gould held various positions at PricewaterhouseCoopers in Boston and in Moscow. He received his BA with honours from Colgate University in 1991 (concentration in Liberal Arts and minor concentration in Economics) and received his MBA-MS (Accounting) from Northeastern University in 1992. He qualified as a Certified Public Accountant in 1993 and as a Chartered Financial Analyst in 1999. Mr. Gould has no shareholding in the Company.

The Secretary states that 63,380,651 votes are in favour of this proposal, 2,798,419 votes are against and 1,397,066 votes abstained.

The General Meeting adopts the re-appointment of Mr. David Gould as member of the Supervisory Board of the Company with effect per the date of this meeting for a period of four years.

## 11. Approval of the amended Remuneration Policy

The Supervisory Board proposed the following changes in the current Remuneration Policy for members of the Management Board and senior executives of the Company, in view of the evolving market practices, the introduction of the Company's next generation long-term incentive plan and changes in corporate governance requirements:

<u>Reference peer group</u>
X5 being a company with operations mainly in Russia, however with international exposure due to its governance structure and listing on the London Stock Exchange, distinct benchmarking is applied to base salaries on the one hand, and variable salary components on the other. Base salaries are benchmarked against mainly Russian peers while variable salary components, including long term incentive elements, are benchmarked against western peers as well. More specifically, the peer groups are currently composed of major Russian peers in terms of size and corporate governance companies, operating in different sectors of the economy (23 companies) and multinational peers in retail and fast moving consumer goods (29 companies).

<u>New annual bonus measures to strengthen links to strategy</u>
The bonus scheme for the members of the Management Board rewards both quantitative corporate indicators and personal, mission-related, key objectives. Members of the Management Board receive an 'on target' bonus opportunity equal to 50% of their base salary for achieving quantitative corporate indicators, 50% of their base salary for achieving personal key objectives and an additional 50% for 'stretch' performance in case of extraordinary achievement.

The Supervisory Board sets the targets for the bonus scheme at the beginning of each financial (calendar) year. The quantitative corporate indicators include net sales and EBITDA, which are to be achieved cumulatively. The personal performance targets include targets related to divisional performance, mission-related or key project-related targets, as well as qualitative behavioral targets. Both the corporate and personal performance measures are considered success factors for the Company in the short term, while also contributing to the achievement of the long-term objectives of the Company, including in particular building out and strengthening the Company's leading position in the Russian retail sector. X5 does not disclose the actual targets set, as this qualifies as commercially sensitive information.

<u>Next generation long-term incentive plan: Restricted Stock Unit Plan: 2010-2014</u>
The Company proposes its next generation long term incentive plan to be introduced in 2010, in the form of a Restricted Stock Unit Plan (the "<u>Plan</u>"). The purpose of the Plan is to motivate and retain a small group of high-performance and high-potential senior executives while increasing the commitment of such

participants to the business of X5 and promoting the alignment of their interests with those of the shareholders of the Company. The Plan's principles and features can be described as follows:

Over a period of four calendar years starting 2010, the Plan provides for the annual grant of conditional rights to receive restricted stock units ("RSUs"), subject to i) the achievement of specific performance criteria of the Group ("KPIs") and ii) continuous employment with the Group until the completion of the vesting period. Up to one third of the conditional RSUs granted to the CEO, and up to one quarter of the conditional RSUs granted to other participants, will be subject to the employment condition only. Also members of the Supervisory Board may be granted conditional RSUs. These RSUs shall not be subject to performance criteria. The General Meeting of Shareholders determines the number of conditional RSUs granted to members of the Supervisory Board.

The number of conditional RSUs granted on any grant date shall in principle be based on 200% of each participant's annual base salary, divided by the average market value[1] of a GDR on the relevant grant date. On the first anniversary of each respective grant date, and based on the audited Company's financial results, the Supervisory Board shall evaluate whether the KPIs have been met. The actual number of RSUs subsequently awarded will depend on the level of achievement of the KPIs and will be either 0%, 50% or 100% of the number of conditional RSUs granted, in addition to the RSUs granted subject to the employment condition only.

The KPIs mainly relate to (i) the performance of the Group compared to the performance of a selected group of (comparable) competitors in achieving sustained growth and an increasing presence in its markets of operation and (ii) without sacrificing the EBITDA of the Company.

All RSUs to be awarded are subject to a further two-year vesting period and the condition of continuous employment with the Group. The vesting dates of the RSUs awarded under the Plan shall therefore be 19 May 2013, 19 May 2014, 19 May 2015 and 19 May 2016. Upon vesting, the RSUs will be converted into GDRs registered in the participant's name, whereby each RSU is converted into one GDR. Subsequently, these GDRs are subject to a two-year lock-in period during which period the GDRs cannot be traded. As a result, any GDR acquired under a RSU awarded on (e.g.) 19 May 2011 shall not become freely transferable before 19 May 2015.

The Plan features standard "good leaver", "bad leaver" and accelerated vesting provisions in accordance with current international market practices for long-term incentive plans.

Claw-back and adjustment of variable remuneration components
In accordance with provision II.2.11 of the Code, and effective as of 2010, the Supervisory Board may recover from the Management Board members any variable remuneration awarded on the basis of incorrect financial information. Furthermore, the Supervisory Board has the discretionary authority to adjust the value of any variable remuneration components originally awarded if the outcome proves to be unfair as a result of exceptional circumstances during the performance period.

The Secretary states that 59,072,289 votes are in favour of this proposal, 7,667,568 votes are against and 836,279 votes abstained, whereupon the Chairman concludes that the General Meeting approves the amended Remuneration Policy, including the Restricted Stock Unit Plan 2010-2014. The full text of the amended Remuneration Policy will be made available on the website of the Company.

[1] The Average Market Value is defined as "on any particular day the volume weighted average price of a GDR over the thirty immediately preceding calendar days. The volume weighted average price is calculated using the closing price of a GDR taken from the Official List of the London Stock Exchange".

## 12. Remuneration of the Supervisory Board

It is proposed to the General Meeting that under the Restricted Stock Unit Plan, members of the Supervisory Board shall be granted conditional RSUs with award date 19 May 2011, as follows:

| Member | Number of RSUs | Award Date | Vesting Date | End of lock-in period |
|---|---|---|---|---|
| Hervé Defforey | 9.024 | 19-5-2011 | 19-5-2013 | 19-5-2015 |
| David Gould | 7.219 | 19-5-2011 | 19-5-2013 | 19-5-2015 |
| Stephan DuCharme | 7.219 | 19-5-2011 | 19-5-2013 | 19-5-2015 |
| Alexander Tynkovan | 4.331 | 19-5-2011 | 19-5-2013 | 19-5-2015 |
| Christian Couvreux | 7.219 | 19-5-2011 | 19-5-2013 | 19-5-2015 |

The Chairman puts the proposal into discussion and concludes that 58,578,768 votes have been issued in favour of the proposal, 8,489,204 votes are against and 508,164 votes abstained, so the proposal is adopted.

## 13. Designation of the Supervisory Board as the corporate body authorised to issue new shares or grant rights to subscribe for shares

At the annual general meeting of shareholders of 12 June 2009, the shareholders resolved to designate the Supervisory Board, for a period of 18 months, until 12 December 2010, as the corporate body authorized to issue, and/or the granting of rights to subscribe for, shares in the capital of the Company up to a maximum number of 16,226,820 shares, for general corporate purposes (the "2009 Delegation").

In accordance with article 6 paragraph 1 of the Articles of Association, it is proposed to the General Meeting to extend the 2009 Delegation for a period of eighteen (18) months as of the AGM, until 25 December 2011 (such extended delegation hereinafter the "2010 Delegation"). Under the 2010 Delegation the Supervisory Board will remain designated as the corporate body authorised to resolve on the issuance of, and/or the granting of rights to subscribe for, up to a maximum of 16,226,820 new shares in the capital of the Company. The purpose of the issue of new shares under the 2010 Delegation shall be the same as under the 2009 Delegation, i.e. for general corporate purposes, including but not limited to financing of acquisitions. The 2010 Delegation also applies to the issue of new GDRs, or rights to subscribe for new GDRs. One GDR represents 0.25 share of the Company.

Furthermore, it is proposed to the General Meeting to designate the Supervisory Board for a period of eighteen months to be calculated from the date of the AGM, as the corporate body of the Company which shall be authorised to issue shares or GDRs, including any granting of rights to subscribe to shares, pursuant to the Company's Employee Stock Option Plan and/or Restricted Stock Unit Plan (the "LTI Delegation"). This designation will be limited to 5% of the issued share capital of the Company as it reads at the date of the AGM. The Supervisory Board shall determine the time, price and other conditions of the share or GDR issue in accordance with the Employee Stock Option Plan and/or Restricted Stock Unit Plan.

The Chairman puts the proposal into discussion and concludes that 60,589,747 votes have been issued in favour of the proposal, 6,471,575 votes are against and 514,814 votes abstained, so the proposal is adopted.

## 14. Designation of the Supervisory Board as the corporate body authorised to restrict or exclude the pre-emptive rights upon issue of new shares or granting of rights to subscribe for shares

Pursuant to article 7 paragraph 3 of the Company's articles of association, the General Meeting may designate the Supervisory Board as the corporate body authorised to resolve on the restriction or exclusion of any pre-emptive right (*voorkeursrecht*) in connection with the issuance of, and/or the granting of rights to subscribe for, shares in the capital of the Company. Such a designation shall only be valid for a specific period of no more than five (5) years and may from time to time be extended with a period of not more than five (5) years.

It is proposed to the General Meeting to designate the Supervisory Board as the corporate body authorised to resolve on the restriction or exclusion of any pre-emptive right in connection with the issuance of, and/or the granting of rights to subscribe for, shares in the capital of the Company under the 2010 Delegation and the LTI Delegation, for a period of 18 months as of the date of the AGM, until 25 December 2011.

The Secretary stipulates that this proposal must be adopted by two-thirds of the votes cast, if less than 50% of the issued capital of the Company is present or represented at the AGM. If 50% or more of the issued capital of the Company is present or represented at the AGM, a simple majority is sufficient to adopt the proposal.

The Chairman puts the proposal into discussion and concludes that 59,295,469 votes have been issued in favour of the proposal, 7,764,253 votes are against and 516,414 votes abstained, so the proposal is adopted.

## 15. Authorisation of the Management Board to have the Company acquiring shares or GDRs in its own capital

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, until 25 December 2011, to cause the Company to purchase, for general corporate purposes, 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), at or below the market price of the GDRs (as being traded at London Stock Exchange) when such purchase is being executed.

The Supervisory Board has resolved, in accordance with article 17 paragraph 3 of the Articles of Association and subject to the above delegation 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 which exceeds the aggregate of the issued share capital and the reserves which must be maintained by virtue of the law, is at least equal to the purchase price for the Company's own shares.

The Chairman puts the proposal into discussion, and the Secretary subsequently states that 67,288,492 votes are in favour of this proposal, 258,144 votes are against and 29,500 votes abstained. The Chairman confirms that the General Meeting resolves to authorize the Management Board to have the Company acquire shares or GDRs in its own capital in accordance with and subject to the above proposal.

**16. Appointment of the external auditor for the financial year 2010**

It is proposed to appoint PricewaterhouseCoopers as the Company's external auditor for the financial year 2010.

The Chairman puts the proposal into discussion and concludes that 66,847,697 votes have been issued in favour of the proposal, 121,727 votes are against and 606,712 votes abstained, so the proposal is adopted.

**17. 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:

Mr. Hervé Defforey
Chairman of the AGM

Mr. Frank Lhoëst
Secretary of the AGM

*In accordance with Article 35 of the Articles of Association, these minutes shall, upon request, be made available to the shareholders and Depository Receipt holders ultimately three months after the AGM. During a period of three months, shareholders have the right to comment. Following this, the minutes shall be adopted by the Chairman and the Secretary and shall be signed by them as evidence thereof.*