

X5 RETAIL GROUP N.V.

DIVIDEND POLICY

2020

1. General provisions

- 1.1 The purpose of this dividend policy is to set out the principles in accordance with which the Management and Supervisory Board of X5 Retail Group N.V. ('X5') determine their recommendations in relation to payment of dividends.
- 1.2 This policy is aligned with the Company's strategic and financial objectives and has been approved by the Supervisory Board. Any changes to the policy shall only be effected by decision of the Supervisory Board.

2. Key Principles of the Dividend Policy

- 2.1 The Company intends to pay a full year dividend per share that will be stable or growing over time in absolute Russian Ruble-denominated terms.
- 2.2 The dividend payout will be based on operating cash flow and a target consolidated net debt¹ / adjusted EBITDA² ratio of below 2.0x per the end of the year for which the dividend is being proposed, taking into account considerations including but not limited to the Company's growth profile, capital requirements and return on capital.
- 2.3 Starting 2020, X5 commits to semi-annual dividend payments. The interim dividend will be announced following the release of the third quarter results.
- 2.4 Payments per share represent gross amounts which may be subject to taxation, as well as certain fees related to the dividend payment procedure including fees charged by the depository for X5's depository receipt ('DR') facility.

3. Dividend procedure

- 3.1 The interim dividend is proposed and announced by the Management Board based on the nine-month financial results of the calendar year for which the dividends are proposed, and is subject to Supervisory Board approval.
- 3.2 The final annual dividend shall be based on the Company's full year consolidated financial statements for any given year, following a proposal by the Supervisory Board to the Annual General Meeting of Shareholders ('AGM').
- 3.3 The final annual dividend proposal by the Supervisory Board shall be communicated to DR holders in the announcement of the full year consolidated financial statements and/or, at the latest, in the annual convocation for the AGM.
- 3.4 Dividends will be paid within 45 days from (i) the interim dividend announcement and (ii) the AGM at which the final annual dividend has been declared.
- 3.5 Dividends that have not been claimed within five years after the date on which they become due and payable revert to the Company.

¹ Calculated based on the Company's full year consolidated financial statements or information in accordance with IFRS 16 as of the end of each reporting period as the sum of short-term borrowings and long-term borrowings less cash and cash equivalents.

² EBITDA shall be adjusted (decreased) by the amount that would have been recognised as operating lease, other store costs, third party services and other expenses payable during the period, but which is not recognised as such under IFRS 16, as well as the amount of the net effect from decrease in the scope of the lease and terminations of lease agreements recognised under IFRS 16.