

## 2016 Annual General Meeting of Shareholders of X5 Retail Group N.V.

The Management Board of X5 Retail Group N.V. (the "Company" or "X5") invites the Company's shareholders (the "General Meeting") and holders of global depository receipts ("GDRs") to the Company's annual general meeting of shareholders to be held at Parkstraat 20, 2514 JK The Hague, The Netherlands at 11.00 am CET on **Tuesday 10 May 2016** (the "AGM").

### Agenda

1. Opening
2. Report of the Management Board for the financial year 2015
3. Financial Statements for the financial year 2015
  - A. Remuneration Policy
  - B. Explanation of policy on additions to reserves and payment of dividends
  - C. Determination of the allocation of the profits earned in the financial year 2015 (**voting item**)
  - D. Adoption of the Financial Statements for the financial year 2015 (**voting item**)
4. Discharge from liability of the members of the Management Board (**voting item**)
5. Discharge from liability of the members of the Supervisory Board (**voting item**)
6. Composition of the Supervisory Board:  
Appointment of Mr. A. Elinson as member of the Supervisory Board (**voting item**)
7. Remuneration of the Supervisory Board
  - A. Amendment of remuneration principles (**voting item**)
  - B. Remuneration 2016 (**voting item**)
8. Authorisation of the Management Board to issue new shares or grant rights to acquire shares, subject to the approval of the Supervisory Board (**voting item**)
9. Authorisation of the Management Board to restrict or exclude the pre-emptive rights upon issue of new shares or granting of rights to acquire shares, subject to the approval of the Supervisory Board (**voting item**)
10. Authorisation of the Management Board to resolve that the Company may acquire its own shares or GDRs (**voting item**)
11. Appointment of the external auditor for the financial year 2016
12. Any other business and conclusion



#### Record date

Persons with the right to vote and/or the right to attend the AGM are considered to be those persons who on **12 April 2016** after processing of all debit and credit entries up to and including that day (the "Record Date") are registered in one of the registers mentioned hereafter.

The Company's annual report for the financial year 2015 (the "2015 Annual Report"), which includes the Company's balance sheet and profit and loss account with the explanatory notes (the "2015 Financial Statements") are available on the Company's website [www.x5.ru](http://www.x5.ru) and will also be deposited for inspection by the shareholders and other persons entitled to attend the AGM at the Company's offices in The Hague, The Netherlands and are available free of charge. Copies will also be available for inspection at the AGM.

The shareholders' register of the Company in The Hague, The Netherlands, has been designated as register to certify the shareholders entitled to vote on the shares. The shareholders identified as entitled to vote on the basis of the shareholders register of the Company on the Record Date may exercise their rights to vote and attend the AGM. These shareholders may also exercise their rights to vote and/or attend the AGM by a written proxy, in the English language, duly executed and legalised in accordance with the laws of the country where the proxy is issued. Proxy holders must present their written proxy at the AGM.

The register of GDR holders maintained by The Bank of New York Mellon (the "Depository") indicates the persons entitled to GDRs on the Record Date and entitled to give voting instructions to the Depository pursuant to Article 12 of the GDR Terms and Conditions. GDR holders may instruct the Depository with regard to the exercise of voting rights with respect to Deposited Shares (as defined in the GDR Terms and Conditions) by completing, signing and returning to the Depository the relevant voting documentation forwarded by the Depository to the GDR holders. The deadline for providing instructions to the Depository will be specified by the Depository in the information provided to GDR holders. The Depository will procure the exercise of voting instructions received from GDR holders by the relevant deadline in accordance with the GDR Terms and Conditions and the normal processes of the Depository.

Alternatively, GDR holders who wish to vote in person at the AGM will, on request, be granted an exclusive proxy to do so by the Depository. A GDR holder to whom such exclusive proxy has been granted must notify the Management Board of the Company of their intention to attend and vote at the AGM and must provide the Management Board with a copy of such proxy at least five (5) days prior to the AGM. GDR holders who intend to vote in this manner must provide sufficient proof of identification on admission to the AGM. In addition, if the exclusive proxy has been granted by the Depository to a GDR holder which is a legal entity, the person who represents such legal entity at the AGM must provide sufficient proof that he is duly authorised to do so by means of a statement from a local lawyer or notary admitted to practice in the jurisdiction of the GDR holder, duly executed and legalised in accordance with the laws of such jurisdiction.

The Hague, 23 March 2016

The Management Board

## **Explanatory Notes to the Agenda**

### **2. Report of the Management Board for the financial year 2015**

This agenda item includes an account of the financial year 2015, including the report of the Supervisory Board.

#### **3a. 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 current Remuneration Policy for members of the Management Board has been approved at the Annual General Meeting of Shareholders on 7 May 2015.

#### **3b. Explanation of policy on additions to reserves and payment of dividends**

The Management Board will give an explanation to the General Meeting of the dividend and reservation policy of the Company.

#### **3c. Determination of the allocation of the profits earned in the financial year 2015 (voting item)**

The Supervisory Board proposes to the General Meeting to transfer the result for the financial year 2015 to the other reserves of the Company.

#### **3d. Adoption of the Financial Statements for the financial year 2015 (voting item)**

It is proposed to the General Meeting to adopt the 2015 Financial Statements. The 2015 Financial Statements are included in the 2015 Annual Report which is deposited for inspection by the shareholders and other persons entitled to attend the AGM at the Company's offices in The Hague, The Netherlands. Copies of the 2015 Annual Report are available on-line on the Company's website, and will also be available for inspection at the AGM.

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

It is proposed to the General Meeting to discharge the members of the Management Board in office in 2015 from all liability in relation to the exercise of their duties in the financial year 2015, to the extent that such exercise is apparent from the 2015 Financial Statements or other public disclosures prior to the adoption of the 2015 Financial Statements.

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

It is proposed to the General Meeting to discharge the members of the Supervisory Board in office in 2015 from all liability in relation to the exercise of their duties in the financial year 2015, to the extent that such exercise is apparent from the 2015 Financial Statements or other public disclosures prior to the adoption of the 2015 Financial Statements.

### **6. Appointment of Mr. Andrey Elinson as member of the Supervisory Board (voting item)**

The Supervisory Board proposes to appoint Mr. Elinson as member of the Supervisory Board for a term ending on the day of the annual general meeting of shareholders to be held in 2020, which is the fourth year after the year of the appointment.

Andrei Elinson (1979), a Russian national, is Director of Asset Management of CTF Holdings Limited ("CTF"). Prior to joining CTF, Mr. Elinson was Deputy CEO of Basic Element, where he worked from August 2007 being responsible for managing companies in aviation, construction, automotive, financial and other industries. From 1997 to 2007, Mr. Elinson worked at Deloitte CIS and later became a Partner in 2005. Mr. Elinson graduated with honours from the Russian State Finance Academy, Accounting & Auditing faculty. Mr. Elinson is a US Certified Public Accountant and a US Certified Fraud Examiner. He holds a Certificate in Company Direction (UK).

Mr. Elinson will be succeeding Mr. Dorofeev who will not be available for re-appointment by the AGM. Subject to his appointment, Mr. Elinson will replace Mr. Dorofeev as member of the Audit Committee, Nomination and Remuneration Committee and Strategy Committee. Mr. Elinson has no shareholding in the Company.

## 7. Remuneration of the Supervisory Board

### 7A. Amendment of the Remuneration Policy (voting item)

The Supervisory Board believes that it is important to optimize the allocation of the Supervisory Board’s resources and expertise to the benefit of the Company. It is therefore proposed to adjust the remuneration principles for the Supervisory Board as such that Board members are entitled to additional compensation for time and efforts spent on specific strategic projects for X5, provided that such compensation (i) relates to work of a temporary, one-off nature, performed in extension to the statutory non-executive duties of the relevant Board member and (ii) is approved in advance by the Supervisory Board who will ensure, on a case-by-case basis, that any such engagement shall under no circumstance compromise the independence of the relevant Board member or the Board collectively.

Furthermore, the Supervisory Board reflected that the conditional grant of restricted stock units (“RSUs”) to members of the Supervisory Board does not reconcile with the fact that the remuneration of members of the Supervisory Board should not be subject to performance criteria. Therefore, starting May 2016, the Supervisory Board proposes to simplify the RSU award mechanism while safeguarding the existing terms and conditions for vesting and lock-up under the plan, as follows:

Current award schedule:

Year X	Year X+1	Year X+3	Year X+5
Conditional grant of RSUs based on -pro rata- base remuneration in Year X	Award of RSUs conditionally granted in Year X	Vesting	End of lock-up period

Proposed award schedule:

Year X	Year X+3	Year X+5
Award of RSUs based on -pro rata- base remuneration in Year X	Vesting	End of lock-up period

### 7B. Remuneration 2016 (voting item)

Extraordinary compensation

Subject to approval of the General Meeting of Shareholders, the Supervisory Board proposes that the following Supervisory Board members each receive an additional compensation for extraordinary time and efforts on key strategic projects in 2016. In accordance with item 7A above, the Supervisory Board confirmed that each strategic project engagement shall be performed in extension to the statutory non-executive duties of the relevant Board member, without compromising the independence of the relevant Board member or the Board collectively.

*Extraordinary compensation overview for members of the Supervisory Board (in USD):*

	Remuneration
Christian Couvreur	150,000
Geoff King	150,000
Pawel Musial	500,000

Annual grant of Restricted Stock Units to independent members of the Supervisory Board

In accordance with the remuneration principles for the Supervisory Board, and subject to approval of the RSU award mechanism described under agenda item 7A hereof, it is proposed to the General Meeting that under the Restricted Stock Unit Plan, the Supervisory Directors Stephan DuCharme, Christian Couvreur, Pawel Musial, Geoff King, Peter Demchenkov and Mikhail Kuchment shall be awarded a number of RSUs with award date 19 May 2016, equal to 100% of the gross annual remuneration -excluding extraordinary compensation- of the relevant Supervisory Director in 2016, divided by the average market value of one GDR as of 19 May 2016. 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 2016. 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 2019, followed by a lock-in period ending on 19 May 2021. 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.

Indemnity arrangements

Members of the Supervisory Board are insured under X5's directors and officers insurance policy. Although the insurance policy provides for a wide coverage, uninsured liabilities may be incurred. It is proposed that members of the Supervisory Board are indemnified by the Company against any claims arising out of or in connection with the general performance of their duties, provided that (i) such claim is not attributable to gross negligence, willful misconduct or intentional misrepresentation by the Supervisory Director and (ii) to the extent the liability of the Supervisory Director is not covered under X5's directors and officers insurance policy.

**8. Authorisation to issue shares (voting item)**

It is proposed to the General Meeting to authorize the Management Board for a period of 18 months from the date of this AGM, i.e. until and including 10 November 2017, to issue shares or grant rights to acquire 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 acquire 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 acquire 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 2017, 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 share of the Company. When this authorization shall be approved, the current authorization shall no longer be utilized.

**9. Authorisation to restrict or exclude pre-emptive rights** (voting item)

It is proposed to the General Meeting to authorize the Management Board for a period of 18 months from the date of this AGM, i.e. until and including 10 November 2017, 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 acquire 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 10, this proposal is limited to a period of 18 months from the date of this AGM and until and including 10 November 2017. 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 authorization shall be approved, the current authorization shall no longer be utilized.

**10. 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, until 10 November 2017, 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 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 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.

**11. Appointment of the external auditor for the financial year 2016**

At the extraordinary general meeting of shareholders held on 12 November 2015, the General Meeting appointed EY as the Company's external auditor effective 1 January 2016.