

## 2017 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 **Friday 12 May 2017** (the "AGM").

### Agenda

1. Opening
2. Report of the Management Board and report of the Supervisory Board for the financial year 2016
3. Financial Statements for the financial year 2016
  - A. Remuneration Policy
  - B. Determination of the allocation of the profits earned in the financial year 2016 (**voting item**)
  - C. Adoption of the Financial Statements for the financial year 2016 (**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. Re-appointment of Mr. M. Fridman as member of the Supervisory Board (**voting item**)
7. Re-appointment of Mr. P. Musial as member of the Supervisory Board (**voting item**)
8. Remuneration of the Supervisory Board (**voting item**)
9. Authorisation of the Management Board to issue new shares or grant rights to subscribe for shares, subject to the approval of the Supervisory Board (**voting item**)
10. Authorisation of the Management Board to restrict or exclude the pre-emptive rights upon issue of new shares or granting of rights to subscribe for shares, subject to the approval of the Supervisory Board (**voting item**)
11. Authorisation of the Management Board to resolve that the Company may acquire its own shares or GDRs (**voting item**)
12. Appointment of the external auditor for the financial year 2017 (**voting item**)
13. 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 **14 April 2017** 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 2016 (the "2016 Annual Report"), which includes the Company's balance sheet and profit and loss account with the explanatory notes (the "2016 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 "Depositary") indicates the persons entitled to GDRs on the Record Date and entitled to give voting instructions to the Depositary pursuant to Article 12 of the GDR Terms and Conditions. GDR holders may instruct the Depositary 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 Depositary the relevant voting documentation forwarded by the Depositary to the GDR holders. The deadline for providing instructions to the Depositary will be specified by the Depositary in the information provided to GDR holders. The Depositary 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 Depositary.

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 Depositary. 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 Depositary 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, 31 March 2017

The Supervisory Board

## **Explanatory Notes to the Agenda**

### **3a. Remuneration Policy**

In accordance with Dutch legislation, the application of the remuneration policy in 2016 will be discussed and accounted for during the Annual General Meeting of Shareholders. Please refer to the 2016 remuneration report in the 2016 Annual Report on pages 173-177.

### **3b. Determination of the allocation of the profits earned in the financial year 2016** (voting item)

The Supervisory Board proposes to the General Meeting to transfer the result for the financial year 2016 to the other reserves of the Company.

### **3c. Adoption of the Financial Statements for the financial year 2016** (voting item)

It is proposed to the General Meeting to adopt the 2016 Financial Statements. The 2016 Financial Statements are included in the 2016 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 2016 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 2016 from all liability in relation to the exercise of their duties in the financial year 2016, to the extent that such exercise is apparent from the 2016 Financial Statements or other public disclosures prior to the adoption of the 2016 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 2016 from all liability in relation to the exercise of their duties in the financial year 2016, to the extent that such exercise is apparent from the 2016 Financial Statements or other public disclosures prior to the adoption of the 2016 Financial Statements.

### **6. Re-appointment of Mr. Mikhail Fridman as member of the Supervisory Board** (voting item)

Under the rotation schedule of the Supervisory Board, Mr. Fridman reaches his end of term as Supervisory Board member this year. Mr. Fridman is eligible for re-appointment. The Supervisory Board proposes to appoint Mr. Fridman for a new term ending on the day of the annual general meeting of shareholders to be held in 2021, which is the fourth year after the year of the re-appointment.

Mr. Fridman, one of the original founders of Alfa Group Consortium, is Chairman of the Supervisory Board of Alfa Group Consortium, one of Russia's largest privately owned financial-industrial conglomerates. Mr. Fridman is also a member of the Supervisory Board of VimpelCom Ltd., a member of the Board of Directors of Alfa-Bank, and a member of the Board of Directors at ABH Holdings. Mr. Fridman is a member of the Board of the Russian Union of Industrialists and Entrepreneurs and the International Advisory Board of the Council on Foreign Relations (USA). He graduated from the Moscow Institute of Steel and Alloys in 1986. Mr. Fridman was born in Lvov, Ukraine in 1964.

Mr. Fridman was appointed to the Supervisory Board of the Company in 2006, and re-appointed for a second and third term in, respectively, 2009 and 2013, in accordance with the Company's rotation schedule for members of the Supervisory Board. Subject to his reappointment for a fourth term, Mr. Fridman thus exceeds the maximum twelve year appointment term set out in the Dutch Corporate Governance Code.

Mr. Fridman is founder and chairman of the Alfa Group Consortium, which is currently the largest shareholder in X5 with a holding interest of 47.86%. X5 is committed to long-term value creation for all shareholders. The Company believes that it benefits from the long-term commitment of its large shareholders. The interests of Supervisory Board members who hold more than 10% of the shares are substantially aligned with those of X5 and the broad shareholder base. These Supervisory Board members generally have an involvement with the Company over the longer period and this in turn contributes to long-term value creation for X5 and all its shareholders.

#### **7. Re-appointment of Mr. Pawel Musial as member of the Supervisory Board** (voting item)

Under the rotation schedule of the Supervisory Board, Mr. Musial reaches his end of term as Supervisory Board member this year. Mr. Musial is eligible for reappointment. The Supervisory Board proposes to appoint Mr. Musial for a new term ending on the day of the annual general meeting of shareholders to be held in 2021, which is the fourth year after the year of the reappointment.

Mr. Musial, a Polish citizen born in 1968, is Chairman of Profi Rom Food, one of the largest supermarket chains in Romania, following his position as CEO of the chain from 2010 until 2015. In 2008 and 2009 he was Chairman of the Ukrainian supermarket chain EKO Market. From 2006 to 2007 Pawel was chief commercial officer and member of the Management Board of X5, having previously been general director and chief operating officer of the Perekrestok chain since 2004. Prior to joining Perekrestok, Pawel held senior management positions in the food retail industry in Poland, including five years with Tesco Polska, with his last position as regional director. Pawel graduated from the Warsaw University of Life Sciences (SGGW) with an engineer degree in nutrition technology.

Mr. Musial was appointed to the Supervisory Board of X5 in 2013. The Supervisory Board recommends to appoint Mr. Musial for a new term in view of his knowledge of X5, his executive track record in, and in-depth knowledge of, the food retail industry, and the dedication with which he fulfils his role as member of the Supervisory Board and member of the Audit Committee and the Strategy Committee. Mr. Musial holds 2,461 GDRs in the Company.

#### **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, Christian Couvreur, Pawel Musial, Geoff King, Peter Demchenkov and Mikhail Kuchment shall be awarded a number of RSUs with award date 19 May 2017, equal to 100% of the gross annual remuneration -excluding extraordinary compensation- of the relevant Supervisory Director in 2017, divided by the average market value of one GDR as of 19 May 2017. 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 2017. 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 2020, followed by a lock-in period ending on 19 May 2022. 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.

#### **9. 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 12 November 2018, 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 12 November 2018, 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.

**10. 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 12 November 2018, 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 12 November 2018. 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.

**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 12 November 2018, 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.

**12. Appointment of the external auditor for the financial year 2017** (voting item)

The Supervisory Board proposes to re-appoint Ernst & Young Accountants LLP as the Company's external auditor for the financial year 2017.