

# Minutes

of the

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

## **X5 Retail Group N.V.**

(hereinafter: the "Company")

held on

29 April 2013 at Parkstraat 20, 2514 JK The Hague, The Netherlands

### **1. Opening and announcements**

Mr. Dmitry Dorofeev, 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 representative 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 67,819,034 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 2012**

The Chairman provides the General Meeting with an overview of the activities and of the performance of the Company during the financial year 2012.

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

Article 28 of the Articles of Association 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.

#### **4. Adoption of the Annual Accounts for the financial year 2012**

Article 27.2 of the Articles of Association states that the General Meeting shall adopt the Annual Accounts. The Annual Accounts for the financial year 2012 (the "Annual Accounts"), as included in the entire Annual Report 2012 (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 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 67,763,613 votes are in favour of this proposal, and 55,421 votes abstained. The Chairman confirms that the General Meeting does not require additional information and adopts the Annual Accounts.

#### **5. Determination of the allocation of the results for the financial year 2011**

It is proposed by the Supervisory Board to transfer the Company's results for the financial year 2012 to the other reserves of the Company (Annual Report, page 133)

The Secretary states that 67,763,613 votes are in favour of this proposal and 55,421 votes abstained, whereupon the Chairman confirms that this proposal is approved by the General Meeting.

#### **6. 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, including Mr. Andrei Gusev (CEO until 13 July 2012) and Mr. Kieran Balfe (CFO until 8 March 2013), from all liability (*décharge verlenen*) in relation to the exercise of their duties in the financial year 2012, 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 Annual Accounts.

The Secretary states that 67,747,013 votes are in favour of this proposal, 16,600 votes are against and 55,421 votes abstained. The Chairman confirms that the General Meeting resolves to grant discharge to the members of the Management Board from liability.

#### **7. 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, including Mr. Vladimir Ashurkov (member of the Board until 14 June 2012), Mr. Stephan DuCharme (member of the Board until 11 January 2013) and Mr. Hervé Defforey (member of the Board until 15 March 2013), from all liability (*décharge verlenen*) in relation to the exercise of their duties in the financial year 2012, 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 Annual Accounts.

The Secretary states that 67,747,013 votes are in favour of this proposal, 16,600 votes are against and 55,421 votes abstained. The Chairman confirms that the General Meeting resolves to grant discharge to the members of the Supervisory Board from liability.

#### **8. Re-appointment of Mr. Mikhail Fridman as member of the Supervisory Board**

Under the rotation schedule fixed by the Supervisory Board, Mr. Fridman reaches his end of term as Supervisory Board member this year. Mr. Fridman is eligible for re-appointment. In view of his knowledge of X5, and his knowledge and experience of the financial and economic aspects of Russian businesses, it is proposed to the General Meeting to re-appoint Mr. Fridman for a new term ending on the day of the annual general meeting of shareholders to be held in 2017, which is the fourth year after the year of the re-appointment.

Mr. Fridman (21 April 1964), a Russian citizen, serves as Chairman of the Supervisory Board of Alfa Group and is one of Alfa Group's principal founders. He also serves as the Chairman of the Supervisory Board of Alfa Finance Holdings S.A. and is a member of the Supervisory Board of ABH Holdings S.A. (holding company for Alfa-Banking Group) and of VimpelCom. He is also a member of the International Advisory Board of the Council of Foreign Relations (USA). Mr. Fridman graduated from the Moscow Institute of Steel and Alloys. Mr. Fridman was appointed to the Supervisory Board of the Company in 2006, and re-appointed for a second term in 2009 in accordance with the Company's rotation schedule for members of the Supervisory Board.

The Secretary states that 59,801,343 votes are in favour of this proposal, 7,962,270 votes are against and 55,421 votes abstained. The General Meeting therefore adopts the re-appointment of Mr. Fridman as member of the Supervisory Board of the Company with effect per the date of this meeting for a period of four years.

#### **9. Appointment of Mr. Stephan DuCharme as member of the Management Board and CEO**

The Supervisory Board proposes to appoint Mr. DuCharme as member of the Management Board and Chief Executive Officer for a term ending on the day of the annual general meeting of shareholders to be held in 2017, which is the fourth year after the year of the appointment.

Mr. DuCharme (20 April 1964), a U.S./German citizen, served on X5's Supervisory Board since 2008. Previously he held positions with SUN Group, Alfa Group, European Bank for Reconstruction and Development (EBRD) and Salomon Brothers Inc. Stephan has served on the Boards of Directors of CSA Czech Airlines, Alfa Bank, SUN-Interbrew Ltd. and JSC SUEK. He graduated with distinction from the University of California at Berkeley and received his MBA from INSEAD. Mr. DuCharme was appointed to the Supervisory Board of the Company in 2008, and re-appointed for a second term in 2012. He was nominated as CEO by the Supervisory Board in January 2013, following a six months period during which he assumed the CEO's responsibilities in a delegated capacity

The Secretary states that 67,763,613 votes are in favour of this proposal, and 55,421 votes abstained. The General Meeting therefore adopts the appointment of Mr. DuCharme as member of the Management Board and Chief Executive Officer of the Company with effect per the date of this meeting for a period of four years ending on the day of the Annual General Meeting in 2017.

## **10. Appointment of Mr. Sergey Piven as member of the Management Board and CFO**

The Supervisory Board proposes to appoint Mr. Piven as member of the Management Board and Chief Financial Officer for a term ending on the day of the annual general meeting of shareholders to be held in 2017, which is the fourth year after the year of the appointment.

Mr. Piven (14 March 1974), a Belarusian citizen, joined X5 in 2011 as Finance Director for the Commercial Division. In 2012 he became Deputy Commercial Director responsible for the X5's purchasing function. Prior to joining X5, he was Investment Director with A1, the private equity arm of Alfa Group, and part of the founding team and eventually CEO of Belmarket Co., a start-up supermarket retail chain owned by A1 in Belarus. Prior to that he was Director for Strategic Planning with Alfa Group. From 1999 to 2005, Sergey held several management positions in the finance function of Ford Motor Company in Cologne, Gothenburg, Helsinki and Moscow. Sergey holds an MBA from INSEAD and a MA degree from Minsk State Linguistic University.

The Secretary states that 67,763,613 votes are in favour of this proposal, and 55,421 votes abstained. The General Meeting therefore adopts the appointment of Mr. Piven as member of the Management Board and Chief Financial Officer of the Company with effect per the date of this meeting for a period of four years ending on the day of the Annual General Meeting in 2017.

## **11. Amendment of the Company's Remuneration Policy for members of the Management Board and Executive Board**

### New deferred cash-incentive plan

It is proposed to the General Meeting to amend the Remuneration Policy for members of the Management Board and Executive Board by substituting the current short- and long-term variable remuneration components by one cash-based incentive plan. The current Restricted Stock Unit Plan will remain in place for independent members of the Supervisory Board only. The new plan, as proposed, should increase the effectiveness of the remuneration policy by increasing transparency and by simplifying it. The new plan aligns with X5's strategy, better allows the Company to attract, motivate and retain qualified executives, and intends to support both long-term value creation and short-term company objectives.

The new plan no longer makes the distinction between short-term and long-term performance period; the performance period for variable compensation will be one year. At the beginning of each performance period, the variable cash-based compensation is granted conditionally. After the performance year the amount of conditional variable compensation that can be allocated shall be established, based on the achievement of both individual and company performance criteria. The on-target payout as a percentage of annual base salary is set at a maximum level of 300%, divided in three equal components payable over a three year period.

The direct component, one third of total variable remuneration, is paid in the year following the performance year. The deferred component, i.e. the remaining two thirds of the total variable remuneration, will be paid in equal parts on the second and third anniversary of the grant date, subject to continuous employment with the Group. This deferred component is intended to serve the objective of retaining the plan participants for a longer period of time.

Participants receive an 'on target' bonus opportunity for achieving both company and individual performance criteria. The Supervisory Board shall determine the weight of each of the performance criteria prior to each performance year. Company performance criteria may include net sales, like-for-like sales and EBITDA. 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 strengthening the Company's leading position in the Russian retail sector.

The Chairman puts this proposal into discussion and concludes that 58,261,983 votes have been issued in favour of the proposal, 9,423,593 votes are against and 133,458 votes abstained, so the proposal is adopted.

## 12. Remuneration of the Supervisory Board

### Extraordinary compensation on a temporary basis to Messrs. DuCharme, Defforey and Couvreur

Prior to his nomination as CEO in January 2013, Mr. DuCharme assumed the CEO's responsibilities in a delegated capacity during the six months period following the resignation of Mr. Gusev. For the fulfillment of this role, Mr. DuCharme was given the particular assistance of Mr. Defforey and Mr. Couvreur.

Subject to approval of the General Meeting of Shareholders, the Supervisory Board proposed to compensate these exceptional, temporary efforts by allocating the CEO's annual base salary and variable compensation entitlements to Stephan DuCharme on a pro rata basis. The Supervisory Board also proposed that Mr. Defforey and Mr. Couvreur receive additional compensation in terms of dedicated time and responsibilities.

*Extraordinary compensation overview for Messrs. Defforey and Couvreur (in USD):*

	<b>Cash Remuneration**</b>
Hervé Defforey*	229,096
Christian Couvreur	326,184

\* Hervé Defforey stepped down from the Supervisory Board as per 15 March 2013

\*\* Per Board member the extraordinary cash remuneration is based on 25% of the CEO's annual base salary of RR 42,000,000 calculated on a pro rata basis, for the period from 13 July 2012 until 30 June 2013 (Mr. Couvreur) and 13 July 2012 until 15 March 2013 (Mr. Defforey)

*Extraordinary compensation overview for Mr. DuCharme (in USD):*

	<b>Cash Remuneration 2012*</b>	<b>Cash Bonus 2012**</b>	<b>Number of conditionally granted RSUs under tranche 3***</b>
Stephan DuCharme	629,344	314,672	18,369

\* The extraordinary cash remuneration is based on 100% of the CEO's annual base salary of RR 42,000,000 calculated on a pro rata basis from 13 July until 31 December 2012

\*\* The extraordinary cash bonus is based on non-achievement of the quantitative corporate performance indicators and full achievement of the personal performance targets

\*\*\* non-performance based RSUs only, i.e. one third of the total pro rata entitlement of 55,107 RSUs, in accordance with the RSU Plan Rules

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

It is proposed to the General Meeting that under the Restricted Stock Unit Plan, the Supervisory Directors Alexander Tynkovan and Christian Couvreur shall be granted a number of Restricted Stock Units (RSUs) with award date 19 May 2014, equal to 100% of the gross annual remuneration of the relevant Supervisory Director, divided by the average market value of one GDR as of 19 May 2013. 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 2013. 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 awards are subject to the relevant Supervisory Directors holding office during the period until the award date. The awarded RSUs will vest on 19 May 2016, followed by a lock-in period ending on 19 May 2018.

The Chairman puts these proposals into discussion and concludes that 67,109,435 votes have been issued in favour, 644,294 votes are against and 65,305 votes abstained, so the proposals are adopted.

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

In accordance with article 6 paragraph 1 of the Articles of Association, it is proposed to the General Meeting to designate the Supervisory Board, for a period of 18 months as of the date of the AGM, until 29 October 2014, as the corporate body of the Company authorised to resolve on the issuance of, and/or the granting of rights to subscribe for, up to a maximum of 6,789,322 new shares (i.e. 10% of the issued and outstanding capital of the Company at the date of this resolution), for general corporate purposes, including but not limited to financing of acquisitions and pursuant to the Company's Employee Stock Option Plan and/or Restricted Stock Unit Plan. This delegation (the "2013 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.

The Chairman puts the proposal into discussion and concludes that 66,607,675 votes have been issued in favour of the proposal, 60,452 votes are against and 1,150,907 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 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 in connection with the issuance of, and/or the granting of rights to subscribe for, shares in the capital of the Company. Such 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 2013 Delegation for a period of 18 months as of the date of the AGM, until 29 October 2014.

The Chairman puts the proposal into discussion and concludes that 67,693,911 votes have been issued in favour of the proposal, 69,702 votes are against and 55,421 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 29 October 2014, 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 67,760,644 votes are in favour of this proposal, and 58,390 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 2013**

It is proposed to appoint PricewaterhouseCoopers as the Company's external auditor for the financial year 2013.

The Chairman puts the proposal into discussion and concludes that 67,746,708 votes have been issued in favour of the proposal, 6,197 votes are against and 65,304 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. Dmitry Dorofeev  
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.*