

2018 Annual General Meeting of Shareholders of X5 Retail Group N.V.

The Supervisory Board and the Management Board of X5 Retail Group N.V. (the "Company" or "X5") invite 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 **Thursday 10 May 2018** (the "AGM").

Agenda

1. Opening
2. Report of the Management Board for the financial year 2017
3. Explanation of the implementation of the new Dutch Corporate Governance Code 2016
4. Financial Statements for the financial year 2017
 - a. Explanation of the implementation of the Remuneration Policy
 - b. Explanation of the Dividend Policy
 - c. Proposal to adopt the 2017 Financial Statements (**voting item**)
 - d. Proposal to determine the dividend over the financial year 2017 (**voting item**)
5. Proposal for discharge from liability of the members of the Management Board (**voting item**)
6. Proposal for discharge from liability of the members of the Supervisory Board (**voting item**)
7. Proposal to amend the Remuneration Policy for the Management Board and Executive Board (new long-term incentive plan) (**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 2018 (**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 **12 April 2018** 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 2017 (the "2017 Annual Report"), which includes the Company's balance sheet and profit and loss account with the explanatory notes (the "2017 Financial Statements") are available on the Company's website 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.

Amsterdam, 29 March 2018

Stephan DuCharme
Chairman of the Supervisory Board

Igor Shekhterman
Chief Executive Officer

Explanatory Notes to the Agenda

2. Report of the Management Board for the financial year 2017

This agenda item includes an account of the financial year 2017, including the report of the Supervisory Board.

3. Explanation of the implementation of the new Dutch Corporate Governance Code 2016

The Management Board will discuss the implementation of the Dutch Corporate Governance code 2016 into the Company's governance framework. Further details can be found in the Corporate Governance Report in the 2017 Annual Report on pages 166-167.

4a. Explanation of the Remuneration Policy

In accordance with Dutch law, the application of the Remuneration Policy in 2017 will be discussed and accounted for during the Annual General Meeting of Shareholders. Please refer to the 2017 remuneration report in the 2017 Annual Report on pages 188-191.

4b. Explanation of the Dividend Policy

In accordance with the Dutch Corporate Governance Code the policy on additions to reserves and on dividends is dealt with and explained as a separate agenda item.

The Company approved the dividend policy in 2017. The dividend policy is to target a payout ratio of at least 25% of the full year consolidated net profit in accordance with IFRS, provided its financial position allows for it. When considering a proposal to pay dividends, the Supervisory Board shall be guided by a target consolidated net debt / EBITDA ratio of below 2.0x as per the end of the year for which the dividend is being proposed. This policy has resulted in the proposal under agenda item 4d.

4c. Proposal to adopt the 2017 Financial Statements (voting item)

It is proposed to the General Meeting to adopt the 2017 Financial Statements. The 2017 Financial Statements are included in the 2017 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 2017 Annual Report are available on-line on the Company's website, and will also be available for inspection at the AGM.

4d. Proposal to determine the dividend over the financial year 2017 (voting item)

The Supervisory Board, in consultation with the Management Board, determines which part of the profits will be added to the reserves. Within the scope of the dividend policy of the Company as discussed under agenda item 4b, the following proposal is made for the determination and distribution of dividend on global depositary receipts (GDRs).

It is proposed to the General Meeting to determine the dividend for the financial year 2017 at RUB 79.5 per GDR, representing 69% of net profit. The total dividend will amount to RUB 21,590 million. An amount of RUB 9,804 million, representing the remaining amount of the profit in the financial year 2017, will be added to the retained earnings. The ex-dividend date is 24 May 2018; the record date is set at 25 May 2018. The dividend, if approved by the General Meeting, shall be paid to shareholders and the Depositary no later than 1 June 2018. The dividend shall be paid to holders of GDRs by the Depositary in USD no later than 22 June 2018, i.e. within 45 days from the date of the AGM in accordance with the dividend policy. The Depositary shall announce the final payment date for holders of GDRs upon the RUB/USD conversion date.

5. 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 2017 from all liability in relation to the exercise of their duties in the financial year 2017, to the extent that such exercise is apparent from the 2017 Financial Statements or other public disclosures prior to the adoption of the 2017 Financial Statements.

6. 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 2017 from all liability in relation to the exercise of their duties in the financial year 2017, to the extent that such exercise is apparent from the 2017 Financial Statements or other public disclosures prior to the adoption of the 2017 Financial Statements.

7. Proposal to amend the Remuneration Policy for the Management Board and Executive Board (new long-term incentive plan) (voting item)

As described in the Remuneration Report on pages 188-191 of the 2017 Annual Report, the targets under the second stage of the LTI programme were achieved in 2017. Since the launch of the programme, X5 has made significant progress in achieving the long-term strategic targets set by the Supervisory Board in 2014, including becoming the largest food retailer in Russia by revenue. Whereas the LTI was specifically designed to support the Company's ambitious transition to accelerated growth and expansion in line with long-term strategic targets, the Supervisory Board recognises that the Company is entering a new stage with enhanced focus on sustainability and strategic objectives that contribute to long-term value creation for the Company.

In view of this transition, the Supervisory Board developed in 2017 a new LTI programme that is submitted for approval to the General Meeting. In line with the Company's strategic direction the new LTI programme reflects the Company's ambition in terms of shareholder value. In comparison to the current LTI programme it is designed for a wider group of participants within the Company and aims to create greater balance between short- and long-term compensation of the programme participants.

Programme description

The new LTI is a cash incentive programme over a three-year period until 31 December 2020, with an extension component of deferred, conditional payouts in order to maintain the focus on long-term goals and to provide for an effective retention mechanism.

Targets under the LTI are structured to align the long-term interests of shareholders and management, with a focus on maintaining leadership in terms of revenue and, as additional long-term objective, leadership in terms of enterprise value multiple relative to competition. Additionally, the LTI includes triggers relating to (i) the EBITDA margin to ensure that profitability is not sacrificed and (ii) the net debt/EBITDA ratio to retain focus on prudent financial and balance sheet management. Under the conditional payout scheme of the programme 50% of the total award is deferred to 2022 subject to maintaining achieved targets during 2021. This creates a focus on long-term goals throughout the programme and provides an effective mechanism for motivating and retaining members of management who are critical to the ongoing success of the Company.

The size of each individual cash award is based on the participant's annual base salary and a predetermined score reflecting his/her role and contribution to meeting the LTI targets at both individual and team level, with a maximum of 133% of the participant's aggregate base salary amounts during the three-year programme. The total available fund for all payouts under the LTI programme is capped at 5% of average EBITDA during the three-year period of the programme.

8. Remuneration of the Supervisory Board (voting item)

In accordance with the remuneration principles for the Supervisory Board, members of the Supervisory Board are entitled to participate in the Company's restricted stock unit plan, with annual awards of restricted stock units (RSUs) up to 100% of their annual fixed remuneration.

For 2018, it is proposed to the General Meeting that the Supervisory Directors Stephan DuCharme, Pawel Musial, Geoff King, Peter Demchenkov and Mikhail Kuchment shall be awarded a number of RSUs with award date 19 May 2018, equal to 100% of the gross annual remuneration -excluding extraordinary compensation- of the relevant Supervisory Director in 2018, divided by the average market value of one GDR as of 19 May 2018. 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 2018. 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 2021, followed by a lock-in period ending on 19 May 2023. 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.

Furthermore, in connection with the stepping down of Christian Couvreur as per the AGM, the Supervisory Board proposes that 21,152 RSUs awarded to Christian Couvreur under tranches 6, 7 and 8 of the RSU plan shall continue to vest on 19 May 2018, in accordance with the forfeiture and accelerated vesting provisions for good leavers under the rules of the plan. Accordingly, it is proposed that the lock-up on vested GDRs under tranches 5 to 8 shall be lifted as per 19 May 2018.

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 10 November 2019, 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 10 November 2019, 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 10 November 2019, 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 10 November 2019. 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 10 November 2019, to cause the Company to purchase, for general corporate purposes and/or to cover obligations under the Company's restricted stock unit plan, 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). GDRs may be acquired at the stock exchange or otherwise, at a price between par value and 110% of the opening price at the London Stock Exchange at the date of the acquisition.

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 2018 (voting item)

The Supervisory Board, as per the recommendation of its Audit Committee, proposes to re-appoint Ernst & Young Accountants LLP as the Company's external auditor for the financial year 2018.