

Related-Party Committee

The role of the Related-Party Committee is described in its charter, which is available on the Company's website. On 31 December 2017, the Related-Party Committee consisted of Geoff King (Chairman) and Michael Kuchment. In 2017, the Related-Party Committee convened once in person; resolutions in writing were adopted when necessary during the year. Under the Company's Related-Party Transactions Policy, the Related-Party Committee reviews transactions of a recurring nature that are pre-approved by the Supervisory Board, transactions with a materiality threshold for either the Company or members of the Supervisory Board, Management Board and Executive Board, and transactions that qualify as significant related-party transactions as defined in the policy. Pursuant to this policy, the Related-Party Committee specifically discussed the following transactions in 2017:

- service agreements with Alfa Services Limited;
- a loyalty card agreement with Alfa-Bank;
- a licensing agreement with Alfa-Bank related to the use of Company trademarks belonging to the Company or one of its Group companies;
- a bank card agreement with Sovcombank;
- an agreement with Beeline for fiscal data processing services.

These transactions were discussed and approved by the Related-Party Committee and/or the Supervisory Board with due observance of best practice provisions 2.7.3 and/or 2.7.5 of the Corporate Governance Code, as well as the rules set forth in Article 10 (Conflicts of Interest) of the rules of procedure of the Supervisory Board, which are available on the Company's website. The Supervisory Board determined that, to the extent that any of the listed transactions constituted a conflict of interest for certain members of the Supervisory Board, such conflict did not undermine the independent judgment of these Board members while performing their duties for X5.

Financial statements

This Annual Report and the 2017 consolidated financial statements, audited by Ernst & Young Accountants LLP, were presented to the Supervisory Board in the presence of the Management Board and the external auditor. Ernst & Young's report can be found on pages 265-275.

The Supervisory Board recommends that shareholders adopt these financial statements and, as proposed by the Management Board, appropriate RUB 21,590 million for dividend payments for the 2017 financial year, representing 69% of net profit. The proposed dividend amounts to RUB 79.5 per GDR. An amount of RUB 9,804 million, representing the remaining amount of the profit for the 2017 financial year, will be added to the retained earnings.

The Supervisory Board furthermore requests that the Annual General Meeting of Shareholders grant discharge to the members of the Management Board for their management and to the members of the Supervisory Board for their supervision in 2017.

The Supervisory Board wishes to express its sincere appreciation for the results achieved and would like to thank the Executive Board and all X5 employees for their continued dedication and efforts in 2017.