

PYATEROCHKA AND ROSTELECOM LAUNCH REDEVELOPMENT PROJECT

Moscow, 11 March 2015 – X5 Retail Group N.V. (‘X5’ or the ‘Company’), a leading Russian food retailer (LSE ticker: ‘FIVE’), announced today the signing of a letter of intent (the ‘Letter’) between Pyaterochka, the Company’s proximity format, and Rostelecom.

Under the terms of the Letter, the parties will form a long-term partnership to enhance the effective use of real estate currently owned by Rostelecom. During the period from 2015 to 2017, Pyaterochka will be able to purchase or lease (under long-term contracts) real estate from Rostelecom to open approximately 300 new proximity stores with an average selling space of more than 350 square meters.

The redevelopment program will be rolled out across most of Rostelecom's footprint in Russia, which spans 57 regions.

The first Pyaterochka store at a Rostelecom facility opened in Novocheboksarsk on 6 March 2014. The second store is slated for opening in April 2014 in the town of Semenov (Nizhny Novgorod Region).

Rostelecom is currently in the process of upgrading its technologies, which is increasingly reducing the space required to host equipment. Rostelecom's real estate facilities are located all across Russia and consist mostly of production buildings in existing and established neighbourhoods of towns and cities.

One of the ways to optimize the under-utilized space is through redevelopment – property upgrade and renewal contributing to more effective use.

Vice-President for Administrative Issues OJSC Rostelecom **Alexandr Abramkov:**

“One of the options for optimization of under-utilized space is redevelopment. In this case the interests of Rostelecom and X5 coincide”.

General Director of Pyaterochka **Olga Naumova:**

“Pyaterochka is interested in additional opportunities for opening stores. This will create new jobs and offer consumers in different regions quality products at affordable prices. I am sure that our cooperation with Rostelecom on the redevelopment project will be mutually beneficial and positive for the customer”.

Note to Editors:

X5 Retail Group N.V. (LSE: FIVE, Fitch – ‘BB’, Moody's – ‘B2’, S&P – ‘B+’) is a leading Russian food retailer. The Company operates several retail formats: the chain of proximity stores under the Pyaterochka brand, the supermarket chain under the Perekrestok brand, the hypermarket chain under the Karusel brand and Express convenience stores under various brands.

At 31 December 2014, X5 had 5,483 Company-operated stores. It has the leading market position in both Moscow and St. Petersburg and a significant presence in the European part of Russia. Its store base includes 4,789 Pyaterochka proximity stores, 403 Perekrestok supermarkets, 82 Karusel hypermarkets and 209 Express stores. The Company operates 34 DCs and 1,438 Company-owned trucks across the Russian Federation.

For the full year 2013, revenue totaled RUB 534,560 mln, EBITDA reached RUB 38,350 mln, and net income amounted to RUB 10,984 mln. In 9M 2014, revenue totaled RUB 452,285 mln, EBITDA reached RUB 32,365 mln, and net income amounted to RUB 9,869 mln.

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 14.43%, X5 Directors – 0.04%, treasury shares – 0.04%, free float – 37.63%.

OJSC Rostelecom (www.rostelecom.ru) is one of the biggest national telecommunications companies in Russia and Europe, with a presence in every segment of the telecommunications services market and coverage of more than 34 million households in Russia.

The Company holds a leading position on the Russian broadband and pay TV markets, with over 11 million fixed-line broadband subscribers and more than 7.8 million pay TV customers, of which more than 2.5 million use the unique nationwide ‘Interactive TV’ product.

The Group's consolidated revenue for the third quarter of 2014 was RUB 75.5 billion and its OIBDA reached RUB 26.1 billion (34.6% of revenue), with a net profit of RUB 24.5 billion.

The revenue for 2013 was RUB 325.7 billion, its OIBDA reached RUB 113.3 billion (34.8)% of revenue, with a net profit of RUB 24.1 billion.

Rostelecom is an absolute market leader in providing the telecommunications services to Russian government departments and corporate users at every level.

It is also a recognized technological leader in innovative solutions in the fields of E-government, cloud computing, healthcare, education, security and housing & utility services.

Its stable financial status is confirmed by credit ratings of BBB- from Fitch Ratings and BB+ from Standard & Poor's.

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