

X5 RETAIL GROUP ANNOUNCES THE SIGNING OF A MEMORANDUM OF COOPERATION BETWEEN PYATEROCHKA AND RAILWAY TRADING COMPANY

Moscow, 3 September 2015. – X5 Retail Group, a leading Russian food retailer, announces the signing of a memorandum of cooperation between Pyaterochka, the Company’s proximity store chain, and Railway Trading Company (“RTC”). The joint project of launching of RTC-Pyaterochka-branded retail chain is intended to open near 300 stores in Russia.

Olga Naumova and Konstantin Danilov, the CEOs of Pyaterochka and Railway Trading Company, signed a memorandum of cooperation at the Fifth International Fair of Railway Equipment and Technologies EXPO 1520. Railway Trading Company plans to open five RTC-Pyaterochka stores by late 2015, and near 300 stores across Russia by the end of 2019. Implementation of this project is expected to create over 5,000 jobs.

The project is based on the reverse franchising model developed by X5. Under this model, Pyaterochka will be involved in the store launch and opening, as well as in comprehensive operational support, including repair and maintenance, equipment, IT solutions, staff training, logistics, advertising, marketing, etc. Railway Trading Company will be responsible for day-to-day management of the stores.

The average selling space of new stores will be 350 sq m, with a product mix that includes approximately 4,000 items.

Cooperation with Railway Trading Company is in line with Pyaterochka's development strategy, which aims to achieve significant expansion of proprietary stores, while also allowing for co-branding projects with major geographically-diversified companies.

The partnership will also benefit Railway Trading Company by helping to improve service level for current and former employees of Russian Railways, their family members, as well as passengers of the global railway leader.

Note to Editors:

X5 Retail Group N.V. (LSE: FIVE, Fitch – ‘BB’, Moody's – ‘Ba3’, S&P – ‘BB-’) 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.

As of 30 June 2015, X5 had 5,971 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 5,273 Pyaterochka proximity stores, 438 Perekrestok supermarkets, 83 Karusel hypermarkets and 177 convenience stores. The Company operates 35 DCs and 1,364 Company-owned trucks across the Russian Federation.

For the full year 2014, revenue totaled RUB 633,873 mln (USD 16,498 mln), EBITDA reached RUB 45,860 mln (USD 1,194 mln), and profit for the period amounted to RUB 12,691 mln (USD 330 mln). In H1 2015, revenue totaled RUB 382,608 mln (USD 6,666 mln), EBITDA reached RUB 27,518 mln (USD 479 mln), and net income amounted to RUB 7,942 mln (USD 138 mln).

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 14.43%, X5 Directors – 0.05%, treasury shares – 0.01%, free float – 37.64%.

Forward looking statements:

This announcement includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the fact that they do not only relate to historical or current events.

Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “expected”, “plan”, “goal”, “believe”, or other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond X5 Retail Group N.V.'s control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements.

Any forward-looking statements made by or on behalf of X5 Retail Group N.V. speak only as at the date of this announcement. Save as required by any applicable laws or regulations, X5 Retail Group N.V. undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

For further details please contact**Maxim Novikov**

Head of Investor Relations

Tel.: +7 (495) 502-9783

e-mail: Maxim.Novikov@x5.ru**Anastasiya Kvon**

IR Director

Tel.: +7 (495) 792-3511

e-mail: Anastasiya.Kvon@x5.ru