

## **X5 TO CONDUCT QUALITY AUDITS AT SUPPLIERS' PRODUCTION FACILITIES**

**Moscow, 15 March 2016** — X5 Retail Group has launched an audit programme to assess the reliability of its suppliers and the compliance of their food production processes with quality standards. Pyaterochka pioneered the initiative in January 2016.

The audit programme involves regular inspections of food production processes by a dedicated commission. Based on the audit findings, suppliers will be graded on a four-point scale from A to D, where "A" means compliance with all standards, "B" means minor deviations, "C" indicates a potential risk of undermining consistent product quality, and "D" means critical non-compliance.

Category A facilities will be reinspected only in case of customer complaints or comments from regulatory authorities (unstable product quality). Category B suppliers will undergo another on-site audit within two years. Category C facilities are re-audited after one year. A Category D decision will automatically lead to a three-month suspension of deliveries to allow the vendor to take remedial action, followed by mandatory reinspection before any supplies are resumed.

In 2016, Pyaterochka plans to audit several hundred facilities, primarily those producing meat, fish and poultry, dairy products, salads, freshly baked cakes and baby food, which are subject to stricter quality and safety requirements. Audits will also cover producers of meat and fish delicacies, caviar, cheese, canned and frozen products, bakery, fruit and vegetables.

Pyaterochka will also conduct unscheduled inspections in case of a product recall, unstable product quality, repeated defect detection, and customer complaints.

Before launching the programme, Pyaterochka worked with independent audit companies on a pilot scheme that inspected 348 production facilities. As a result, 27% of production facilities were highly rated by the auditors and received category A status. Some suppliers were classified as category D and purchases from them were stopped.

As part of the programme, Pyaterochka has provided training for staff to be certified as food production auditors and able to verify compliance of products with FSSC 22000, HACCP and other food quality standards. The training was provided by SGS Vostok, a member of the SGS Group, a leading inspection, verification, testing and certification company.

X5 constantly improves its approaches to product quality control in order to support the retail industry's drive to raise product quality and remove low quality and counterfeit products from the market.

**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 31 December 2015, X5 had 7,020 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 6,265 Pyaterochka proximity stores, 478 Perekrestok supermarkets, 90 Karusel hypermarkets and 187 convenience stores. The Company operates 35 DCs and 1,561 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 9M 2015, revenue totaled RUB 578,701 mln (USD 9,763 mln), EBITDA reached RUB 41,780 mln (USD 705 mln), and net income amounted to RUB 12,084 mln (USD 204 mln).

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 14.43%, X5 Directors – 0.06%, treasury shares – 0.02%, free float – 37.64%.

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