

O'KEY Group S.A.

2011 Operating and financial results





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FY 2011 Key highlights

FY 2011 Operational & Financial Review

Strategy & Outlook

Appendix

Speakers

Patrick Longuet, CEO

Vadim Korsunskiy, Commercial Director

Sebastien Verhaeghe, Executive Director

Maksim Kravtsov, Investors Relations, maskim.kravtsov@okmarket.ru, +7(495) 6636677 ext. 220







O'KEY at a glance

Overview

- One of the leading Russian food retailers with particular focus and expertise in the hypermarket segment
 - Hypermarkets account for 89% of selling space, while satellite supermarkets fill in locations better suited for smaller stores
 - Second largest player in Russian hypermarket segment by sales in 2011⁽²⁾
- Concept of a modern European hypermarket providing a pleasant and convenient shopping experience
- Distinctive assortment proposition with a wide product range and focus on fresh, delicatessen and non-food product offering
- Diversified geographical footprint with presence in 17 major cities
 - Plan to be in 25 cities by 2015
- High levels of customer loyalty

SOURCE: Company's data

Core hypermarket format complemented by supermarkets (as of December 31, 2011)

	Hypermarkets	Supermarkets
Number of stores	42	29
Total selling space ('000 sqm)	308 (89%)	38 (11%)
Av. selling space (sqm)	7,300	1,300
Number of constant SKUs ⁽¹⁾	35,400	9,100
Typical location	main public transportation hubs	residential districts
Consistent design to provide modern shopping environment in both formats	 	

Track record in growth and profitability

RUB bln	2007	2008	2009	2010	2011	07-11 CAGR
Revenue	30.5	51.1	67.9	82.7	93.1	32.2%
Growth rate	82.8%	67.5%	32.7%	21.8%	12.7%	
LFL growth	2.8%	32.1%	11.6%	7.7%	5.3%	
Gross profit	6.5	10.8	14.8	17.9	21.3	34.7%
Gross margin	21.2%	21.0%	21.8%	21.7%	22.8%	
EBITDA	2.2	4.5	5.9	7.1	7.5	35.9%
EBITDA margin	7.2%	8.9%	8.7%	8.6%	8.1%	
Net profit	0.3	(2.9)	0.7	2.7	3.2	75.8%

SOURCE: Audited IFRS financial statements for 2007-2011

(1) "Constant" SKUs are those SKUs which have been sold at least once during the last quarter; as of 31 December 2011; (2) By banner sales based on Planet Retail as of Q1 2012



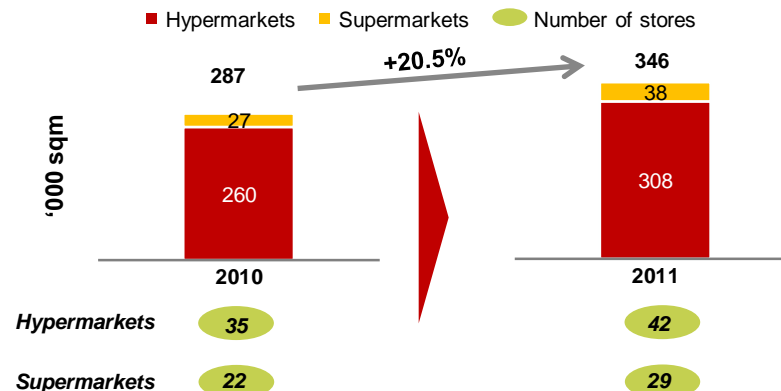
Geographical coverage



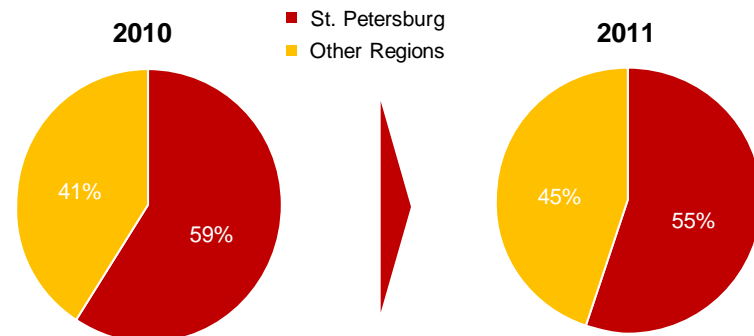
- Expansion into regions with high levels of personal income and consumption
- Maintaining leadership in one of the most competitive markets – St. Petersburg

(1) Including Krasnoe Selo and Kingisep; (2) Including Noginsk and Lobnya
 (3) Including hypermarkets opened in 2012, Voronezh (January), Ufa (February), Tyumen (April)

Selling space and number of stores (as of December 31, 2011)



Revenue composition



SOURCE: Company data as of December 2011 based on Revenue from sale of goods



Differentiated shopping experience...

- Pleasant and comfortable shopping experience



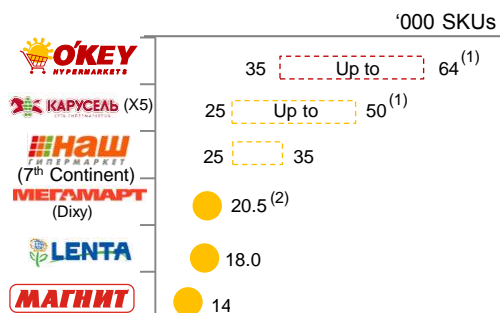
- Convenient locations with direct road access and large parking areas
- "All under one roof" concept with additional services and adjacent stores in the same building
- Spacious buildings with easy navigation on the trading floor
- Modern design of interiors with particular focus on the comfort and ease of shopping



- Clean and lean premises, constant internal control over sanitary norms and outlook of the stores, no stocking on the trading floor

...with compelling product range...

- 35,000 SKU are sold constantly and up to 64,000 with seasonal assortment



- High share of fresh food and non-food assortment
- Assortment covering all customer needs with basic average and average+ offering (by price and quality)

SKUS	Basic	Average	Average +
	25%	35%	40%

- Focus on products outside of the basic range, with the target to deliver value added products to the customers
- Growing share of private labels, with the focus on higher quality items

...priced competitively

- Matched with the lowest prices of local competitors
- Active constant price monitoring in all stores
- Regular promotions and catalogues with special offers are given to the customers
- First price concept is applied to the top selling goods in each product category
- Small price gaps are maintained within each product line to make better products more affordable and to facilitated trading up



SOURCE: Companies' data; for Megamart, Lenta and Magnit - average number of SKUs

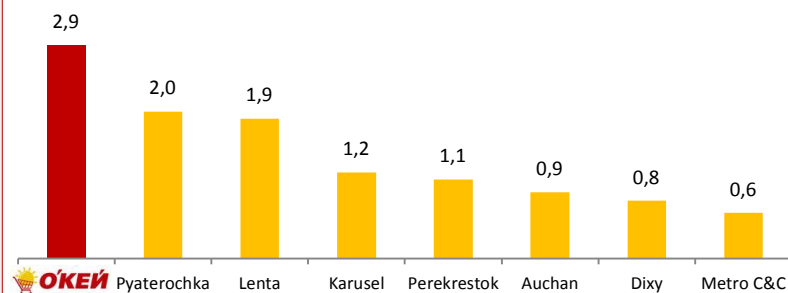
(1) As of December 2011 (2) As of 30 November 2011





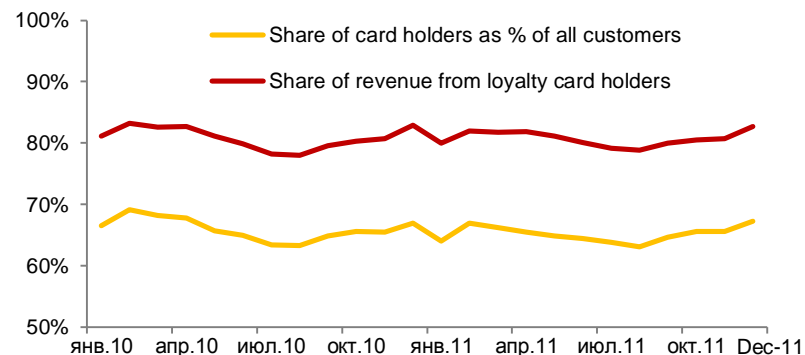
Customers' loyalty and high brand equity

Highest store equity⁽¹⁾ among competitors...



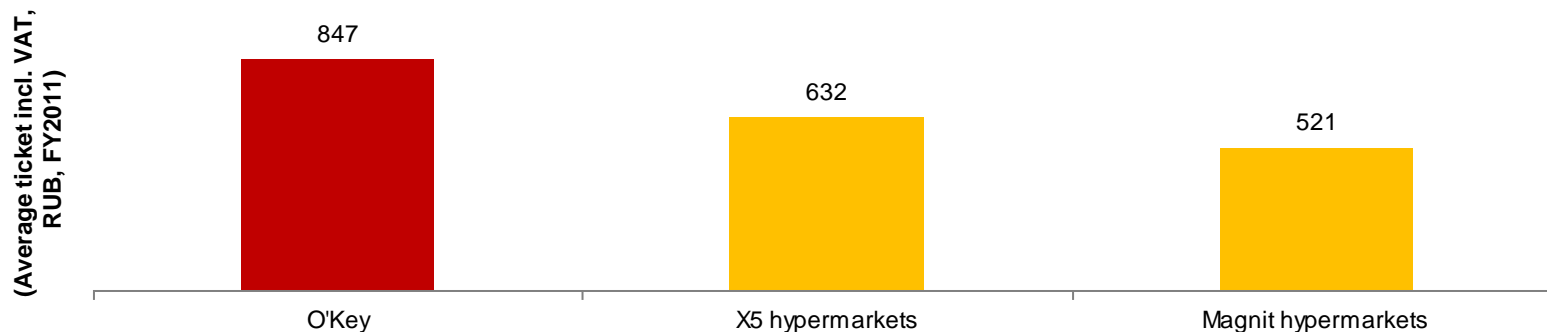
SOURCE: Nielsen 2011, St. Petersburg Brand Leadership

...and high level of customer loyalty...



SOURCE: Company data

... supporting higher than average basket (hypermarkets)



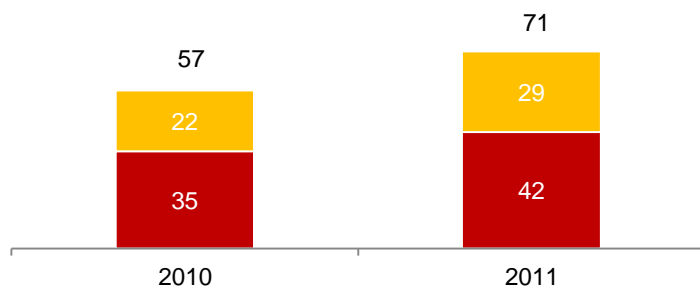
SOURCE: Company data

(1) Brand leadership in St. Petersburg, strong brands have an index >3, moderate brands from 1 to 3

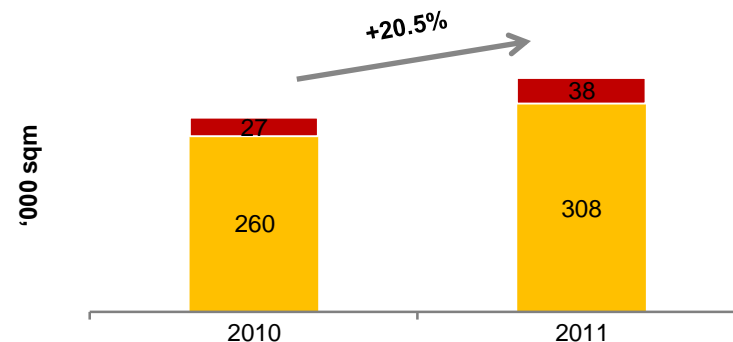


Number of stores

■ Hypermarkets ■ Supermarkets

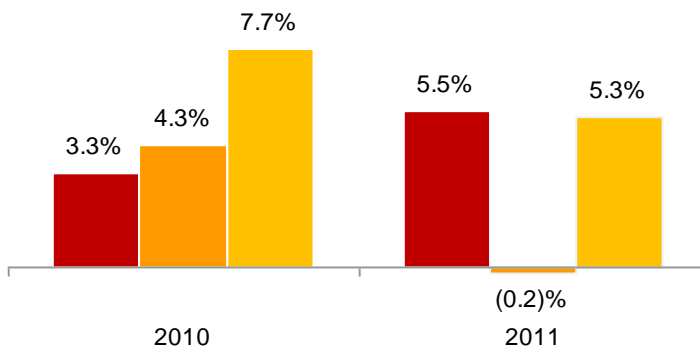


Selling space

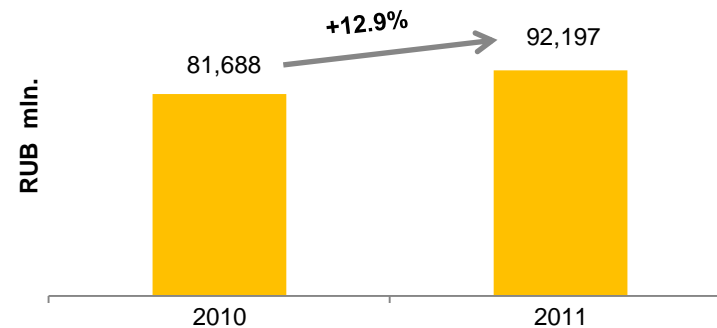


LFL

■ LFL Check ■ LFL Traffic ■ LFL Revenue



Retail revenue⁽¹⁾



Note: LFL analysis is based on number of stores that had been operating for not less than twelve months and have achieved a mature level of sales

(1) Retail revenue excludes Rental income and Revenue from advertising services





Our key strengths

Highlights

Expertise in hypermarkets

Strong customer proposition

Focus on expansion

Highly efficient operations

Strong real estate portfolio

Highly experienced management team

Comments

- ✓ Historical focus on hypermarkets, one of the most attractive segments of Russian food retail market
- ✓ Distinctive expertise of the management team
- ✓ Wide product range providing a customer solution – competitively priced core assortment with focus on fresh and delicatessen products as well as non-food
- ✓ Modern in-store shopping experience – family friendly infrastructure complemented by third party services
- ✓ High levels of customer loyalty
- ✓ Selling space CAGR of 24% over 2007-2011
- ✓ Expansion in the regions with 45% of revenue generated outside St. Petersburg⁽¹⁾
- ✓ One of the highest revenue per sqm among largest Russian publicly-traded food retailers⁽²⁾
- ✓ One of the lowest SG&A costs ⁽³⁾ and highest EBITDA per sqm⁽²⁾
- ✓ Strong performance sustained during 2008-2009 economic downturn
- ✓ Active land bank management – 55% of owned real estate
- ✓ 15 owned land plots currently available for construction of own stores
- ✓ Significant flexibility in terms of further development, especially in the regions
- ✓ Experienced team of professionals with a strong track-record in Russian and international markets
- ✓ CEO Patrick Longuet has more than 30 years of retail experience



(1) As of FY2011; (2) Compared to X5 Retail Group and Magnit, based on FY2011; (3) As % of sales, compared to X5 Retail Group and Magnit, based on FY2011
Please refer to page 31 for detail
SOURCE: Companies data; Reviewed IFRS financial statements for FY2011

FY 2011 Key highlights

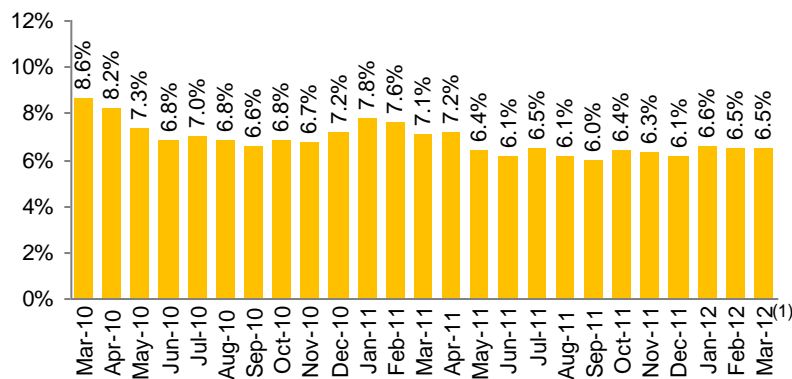
FY 2011 Operational & Financial Review

Strategy & Outlook

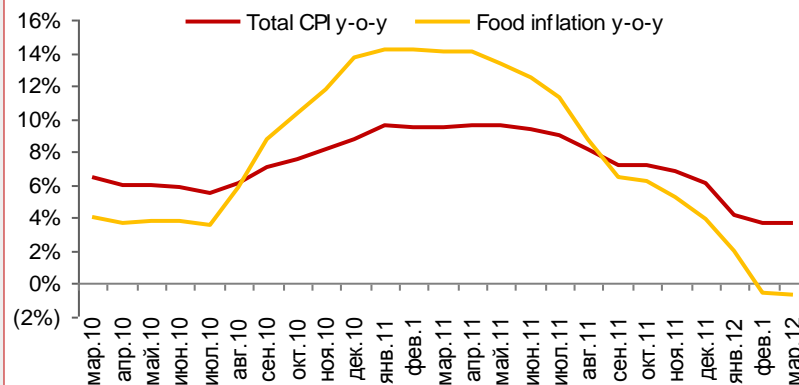
Appendix



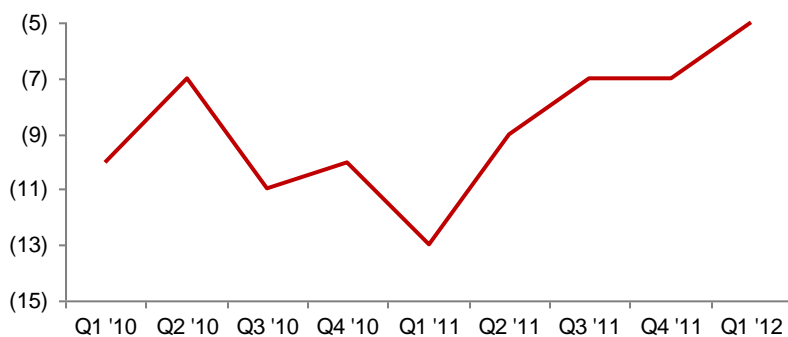
Unemployment rate



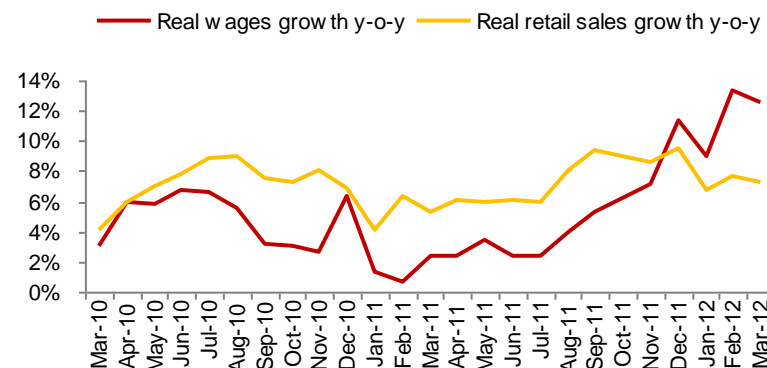
Inflation



Consumer Confidence Index



Real wages growth vs. real retail sales⁽²⁾ growth



SOURCE: Russian Statistics Bureau

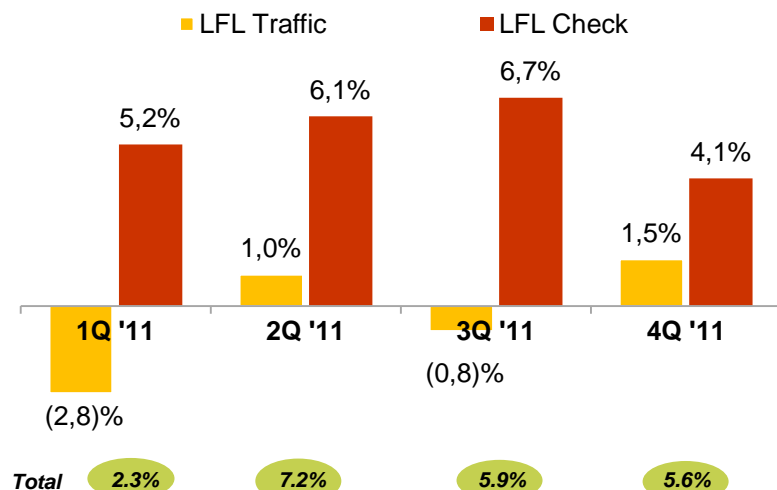
(1) Unemployment rate for March 2012 as reported by Bloomberg (2) Retail sales represent total retail sales by trading companies, private entrepreneurs and markets as defined by Russian Statistics Bureau





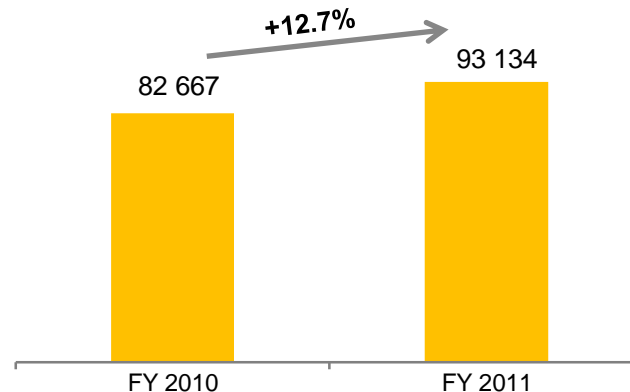
Overview of results: LFL and revenue

LFL revenue (RUB terms)



- Ozerki accident impacted traffic in the first 4 months of 2011. However traffic rebounded in May and June (LFL traffic growth of 1.0% in Q2 11) and further improved in Q4 11 (1.5%) leading to an almost full recovery over the year
- LFL basket growth followed the inflation trends, decelerating towards year end, with total LFL basket growth reaching 5.5% in FY11

Revenue



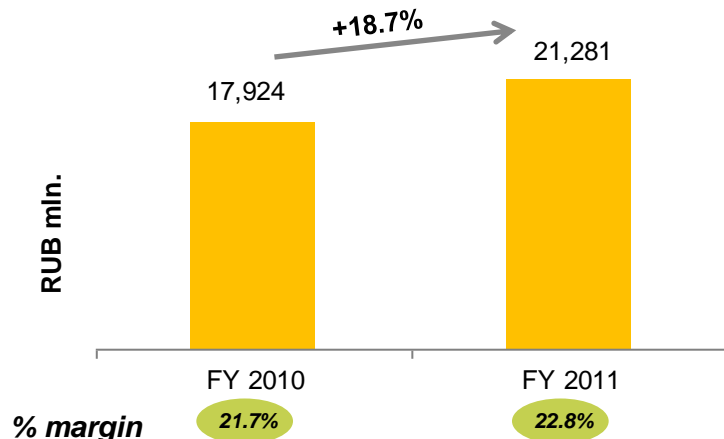
- Revenue growth was supported by selling space addition with 14 stores opened in 2011, however at the same time some factors negatively affected growth:
 - Out of 14 stores opened during the year, 12 were opened in the second half of the year
 - Ozerki store has been closed from January until September 2011

SOURCE: Reviewed IFRS financial statements for FY2011

Note: LFL analysis is based on number of stores that had been operating for not less than twelve months and have achieved a mature level of sales

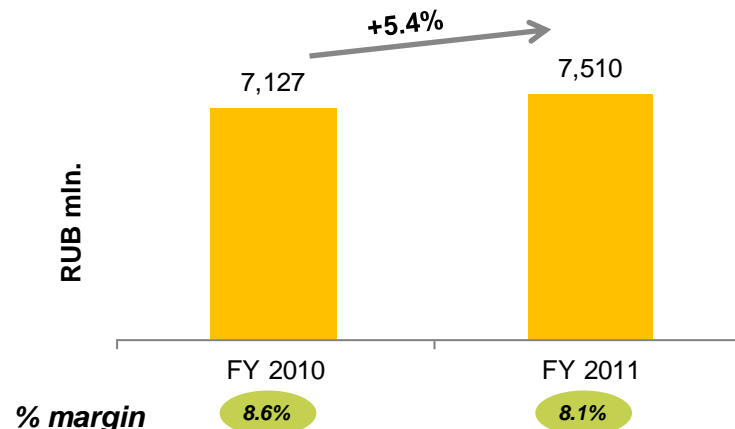


Gross profit and margin



- Improved gross margin thanks to better purchasing terms resulting from growing scale of operations and centralisation of the purchasing function
- Margin was affected by increase in logistic costs as a result of an increase in the number of rented warehouses

EBITDA and margin

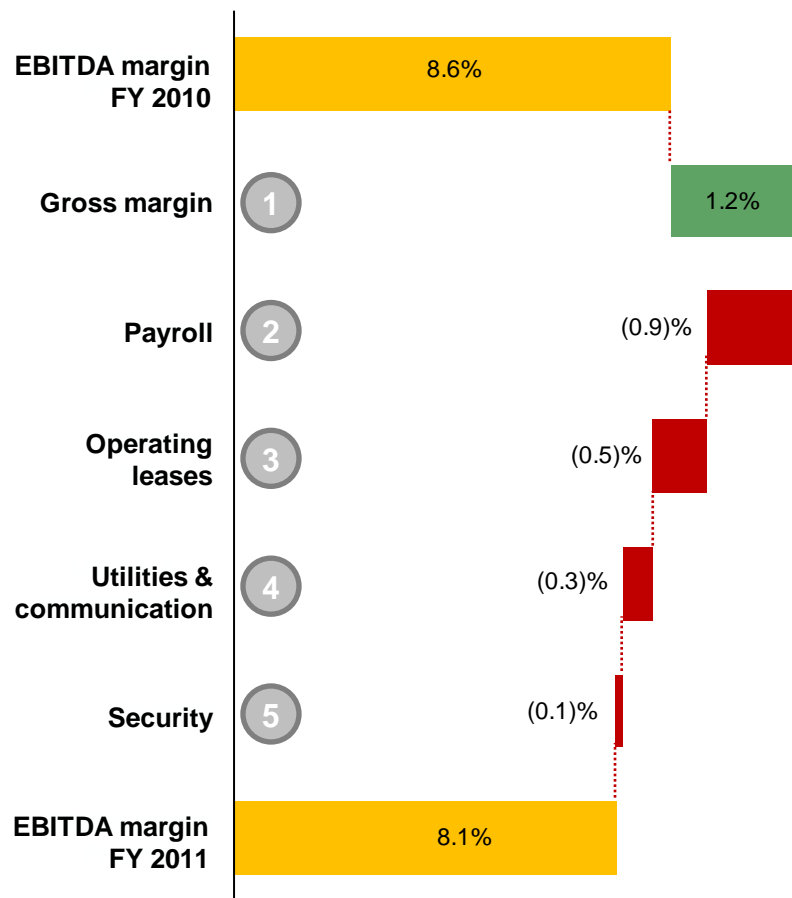


- EBITDA margin above expected range of 7.8-8.0%
- Compared to 2010, EBITDA was adversely affected by increase in operating leases, payroll costs and utility charges described on the following page

SOURCE: Reviewed IFRS financial statements for FY 2011



EBITDA margin bridge FY 2010 – FY 2011



Key comments

- 1 Gross margin strengthening driven by improved purchasing terms and price increases
- 2 Payroll costs rose due to social tax increase from 26% to 34% and higher staffing requirements for 14 new stores
- 3 Operating leases increased as a result of sale and lease-back agreement as well as higher proportion of leased vs. owned stores at the end of 2011
- 4 Increase in utility costs driven by spike in tariffs at the beginning of 2011
- 5 Security costs affected by increase in social tax

SOURCE: Reviewed IFRS financials statements for FY2011





Summary consolidated P&L

Summary P&L

RUB mln.	FY 2011	FY 2010 ⁽¹⁾
Revenue	93,134	82,667
<i>YoY growth</i>	<i>12.7%</i>	<i>21.8%</i>
Gross profit	21,281	17,924
<i>Gross margin</i>	<i>22.8%</i>	<i>21.7%</i>
SG&A	(15,750)	(12,406)
<i>% of revenue</i>	<i>16.9%</i>	<i>15.0%</i>
Other op. income (expense)	(143)	(122)
Operating profit	5,389	5,396
<i>Operating margin</i>	<i>5.8%</i>	<i>6.5%</i>
Finance income	25	17
Finance costs	(777)	(1,354)
Foreign exchange gains/(losses)	(267)	(112)
Profit before tax	4,370	3,946
Income tax expense ⁽²⁾	(1,130)	(1,262)
Profit for the year	3,240	2,684
<i>Net Profit margin</i>	<i>3.5%</i>	<i>3.2%</i>

SOURCE: Reviewed IFRS financials statements for FY2011

(1) 2010 restated figures (2) After accounting for deferred tax benefits in 2011





Cash flow highlights and working capital evolution

Cash flow

RUB mln.	FY 2011	FY 2010
1 Net cash from operating activities	6,401	5,111
2 Net cash used in investing activities	(8,693)	(3,393)
3 Net cash from financing activities	(449)	2,404
Net increase in cash and cash equivalents	(2,741)	4,121

Comments

- 1 Operating cash increased driven by working capital: improvements in net trade payables significantly exceeded the uptake in inventories
- 2 Increase of investing cash outflows was due to a higher number of owned stores built in 2011 and an intensified acquisition of land plots
- 3 Net cash from financing activities was driven by repayment of borrowings

SOURCE: Reviewed IFRS financial statements for FY2011

Working capital

RUB mln.	FY 2011	FY 2010
1 Inventories	7,918	5,995
2 Trade and other receivables ⁽¹⁾	1,421	1,231
3 Trade and other payables ⁽²⁾	14,006	10,637
Net working capital	(4,668)	(3,410)
Cash conversion cycle	(20)	(20)

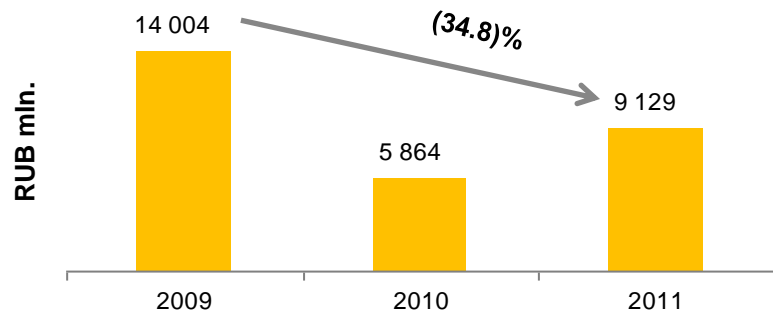
Comments

- 1 Higher inventories reflect increased volumes of operations and larger number of stores with inventory days slightly increasing in 2011
- 2 Receivable days in 2011 were in line with 2010
Considerable improvements in AR collection - number of receivables outstanding for over 180 days almost halved
- 3 Payable days increased from 57 to 62 days

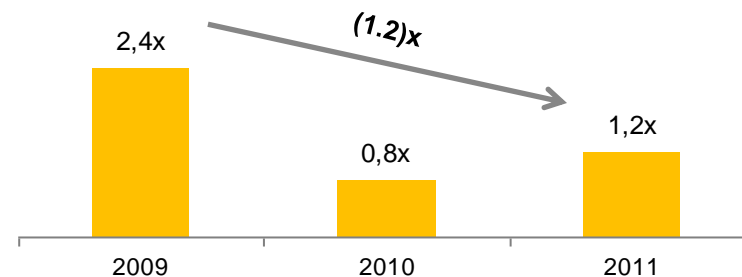
SOURCE: Audited IFRS financial statements for 2010 and 2011 and reviewed financials statements for FY 2011; (1) Includes trade receivables, VAT receivables and other receivables (bonuses and discounts from suppliers); (2) Includes trade payables and advances received



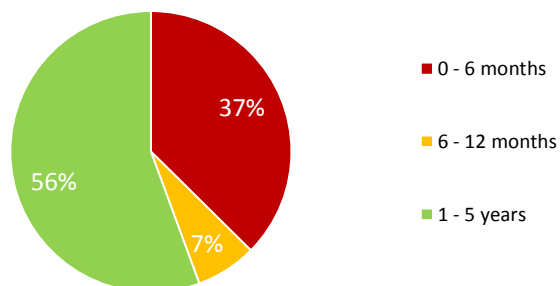
Net debt⁽¹⁾



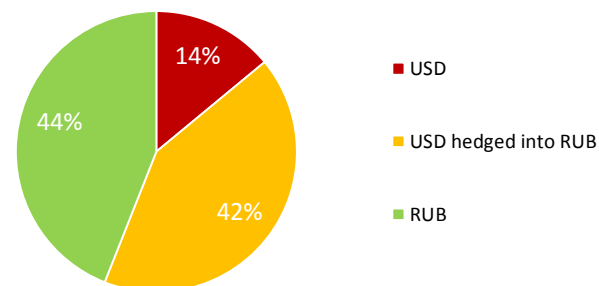
Net debt / EBITDA



Debt portfolio structure by maturity (as of December 2011)



Debt portfolio structure by currency (as of December 2011)



SOURCE: Company's calculations based on audited IFRS financial statements for 2009-2011

(1) Calculated as total interest bearing debt (Current borrowings plus non-current borrowings) less cash & cash equivalents



Summary Balance Sheet

RUB mln.	FY 2011	FY 2010 ⁽¹⁾
Assets		
Non-current assets		
Investment property	573	517
PP&E	20,435	16,600
Construction in progress	3,137	1,205
Intangible assets	518	559
Long-term loans issued	0	1
Deferred tax asset	356	194
Other non-current assets	5,531	4,195
Total non-current assets	30,550	23,270
Current assets		
Inventories	7,918	5,995
Trade and other receivables	1,924	1,277
Prepayments	399	678
Short-term loans issued	0	0
Cash and cash equivalents	2,942	5,707
Total current assets	13,182	13,657
Total assets	43,732	36,927

RUB mln.	FY 2011	FY 2010 ⁽¹⁾
Equity and liabilities		
Equity	14,304	11,734
Non-current liabilities		
Loans and borrowings	6,768	7,869
Deferred income tax liability	471	309
Other non-current liabilities	1,137	1,102
Total non-current liabilities	8,376	9,281
Current liabilities		
Loans and borrowings	5,303	3,702
Trade and other payables	15,338	11,737
Current income tax payable	411	473
Total current liabilities	21,052	15,912
Total liabilities	29,428	25,193
Total equity and liabilities	43,732	36,927

SOURCE: Reviewed IFRS financials statements for FY2011

(1) 2010 restated figures



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Strategy & Outlook

Appendix



Expansion

- Continue expansion in Moscow and other Russian regions
- Establish presence in more than 25 Russian cities by 2015

Product offering

- Further tailor our assortment to better fit local customers
- Increase share of non-food and continue enhancing private label offering

Supply chain

- Further optimize shelf availability and inventory levels
- Expand warehousing capacity to support import and private label operations
- Set up a network of cross-docking platforms

IT

- Enhance technological platform to support expansion and secure operations
- Implement innovative IT solutions to manage retail operations more efficiently with particular focus on demand forecasting, category management and supply chain optimization





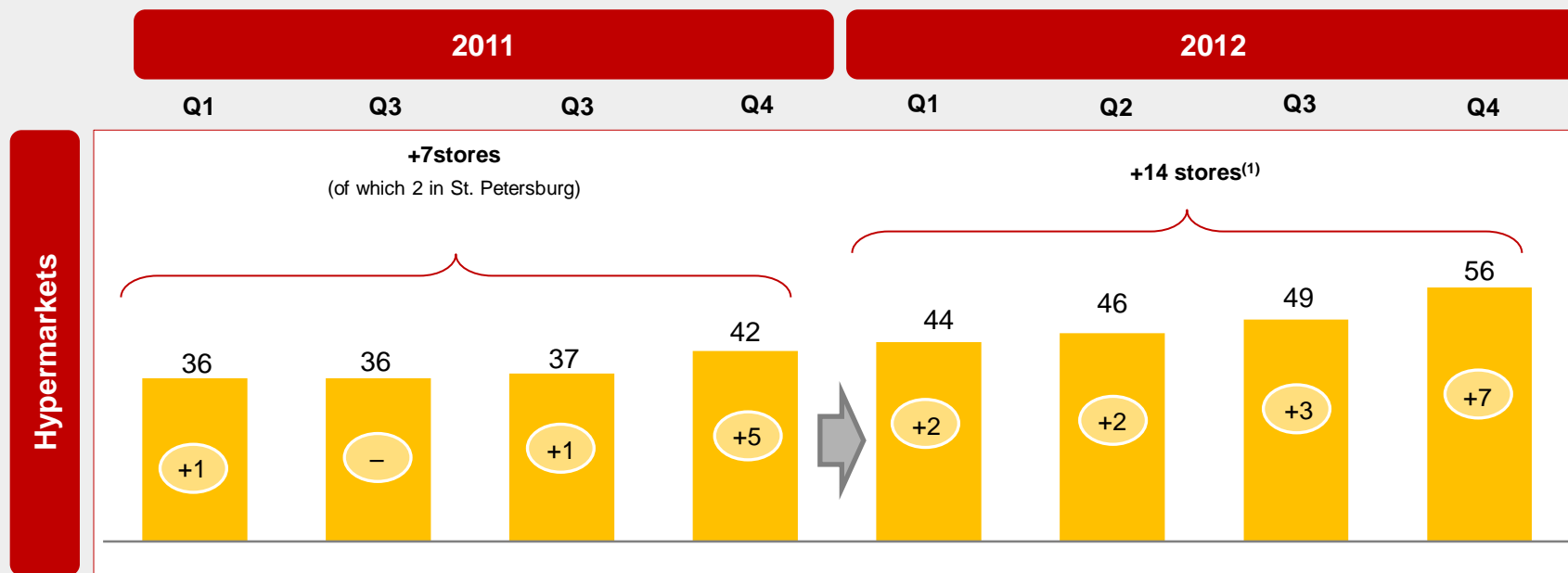
2012 objectives

Goals	2012 Plan	2012 targets
Store rollout	<ul style="list-style-type: none">■ Open 14 hypermarkets■ Open 5 supermarkets	Net selling space: +30%
LFL	<ul style="list-style-type: none">■ Increase average basket at levels close to inflation■ Focus on generating growth in LFL traffic	LFL growth: 7.0%
EBITDA	<ul style="list-style-type: none">■ Focus on cost control and operating efficiency■ Reinvesting margin improvement into price proposition	EBITDA margin: 7.8% – 8.0%
Capex	<ul style="list-style-type: none">■ Invest into new stores and land acquisition■ Spend on maintenance of existing stores and IT infrastructure development	~ RUB 15bln





Hypermarket rollout program



Operating stores
 Additions during the quarter

	2011	2012 ⁽²⁾
■ Opened	7	3
■ Fit-out in progress	—	4
■ Construction in progress	—	7
■ Additional locations secured	—	3

(1) Total pipeline for 2012 includes 17 hypermarkets, of which 3 have a risk of being delayed till 2013 and are excluded from 2012 guidance

(3) As of April 2012



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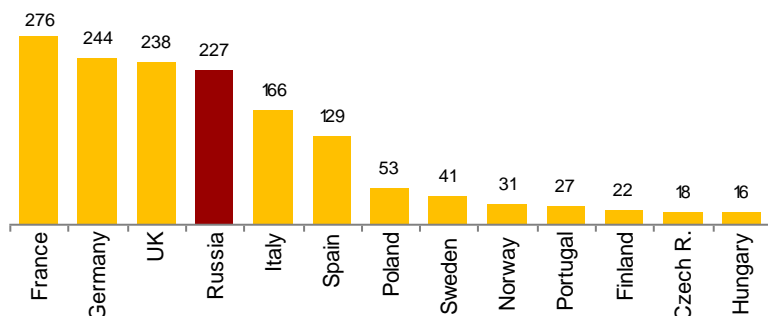




Russia is one of the world's most attractive food retail markets

Russia is one of the largest food retail markets⁽¹⁾ in Europe ...

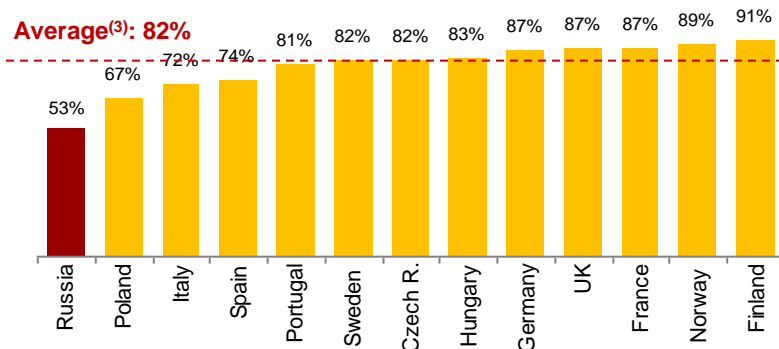
(US\$ bln.)



SOURCE: Euromonitor data for 2011

... with one of the lowest rates of penetration by modern retail⁽²⁾ ...

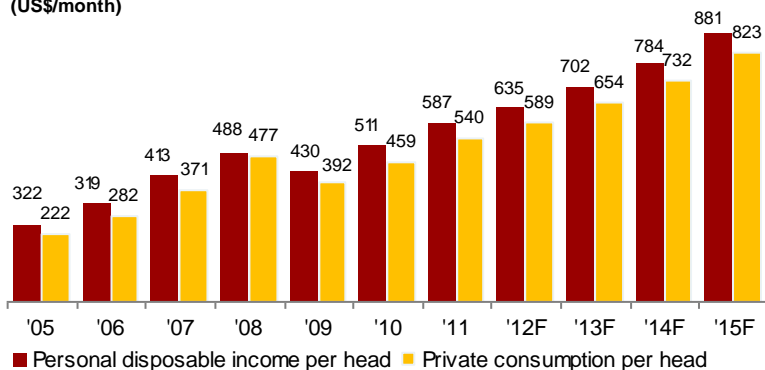
Average⁽³⁾: 82%



SOURCE: Euromonitor data for 2011

... and recovering consumption and income levels ...

(US\$/month)



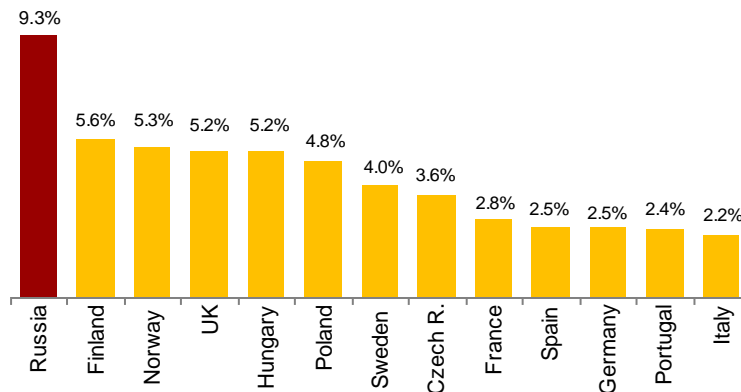
SOURCE: EIU as of April 2012

(1) Nationwide total sales from stores classified as food retailers. The total market includes retailers operating in both modern and traditional channels. Excludes wholesale channels.

(2) Includes all modern grocery retailers (largely multiples and chain stores) and cash & carries/warehouse clubs (3) Average excluding Russia

... which should fuel Russian food retail market¹ growth

CAGR '11-'16



SOURCE: Planet Retail data as of April 2012 (calculated based on local currencies)

(1) Nationwide total sales from stores classified as food retailers. The total market includes retailers operating in both modern and traditional channels. Excludes wholesale channels.

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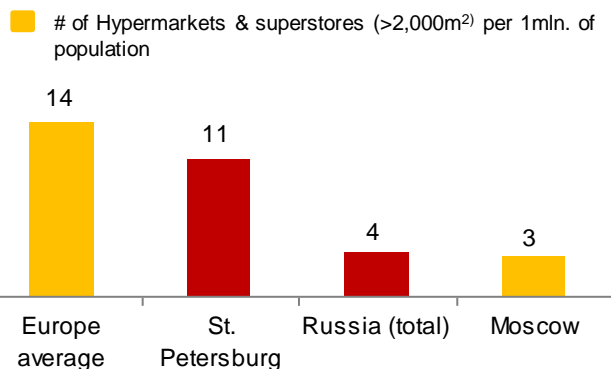


O'Key has strong expertise in hypermarkets, a format with appealing growth prospects

Distinctive expertise in hypermarkets

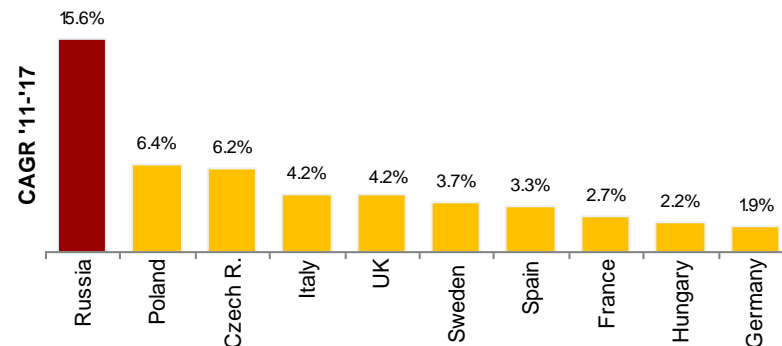
- Focused on one core format – hypermarkets
- Supermarkets (O'Key Express brand) – a satellite format, providing a better fit for specific locations (i.e. residential areas)
- Strong track record in the hypermarket format – roll-out through organic growth and store acquisitions
- Concept of a classic modern European hypermarket:
 - up to 64,000 SKUs of food / non-food products
 - affordable prices
 - large share of fresh food, own bakery and delicatessen
 - convenient locations with large parking area and selling space

Significant undersupply of hypermarkets in Russia...



SOURCE: Nielsen as of January 2012

... with high growth potential in this segment relative to overall market







SOURCE: Planet retail data as of April 2012





Clearly defined and consistent hypermarket format with satellite supermarkets

	Hypermarket	Supermarket
Average store selling space (sqm)	7,300	1,300
Total selling space (sqm)	308,000 (89% of total)	38,000 (11% of total)
No. of stores	42	29
Product range	SKUs: 35,000 Fresh products: 44% of total Non-food products: 24% of total ⁽²⁾	SKUs: 9,100 Fresh products: 52% of total
Penetration (No. of cities)	17	7
Average ticket (RUB) ⁽¹⁾	847	409
Target audience	People living within 10 minutes by car / 30 minutes by public transport	People living within 5 minutes by car / 15 minutes walking distance
Locations	Near public transportation hubs, in areas with low or limited competition	Within highly populated residential districts, in close proximity to roads
	 	 

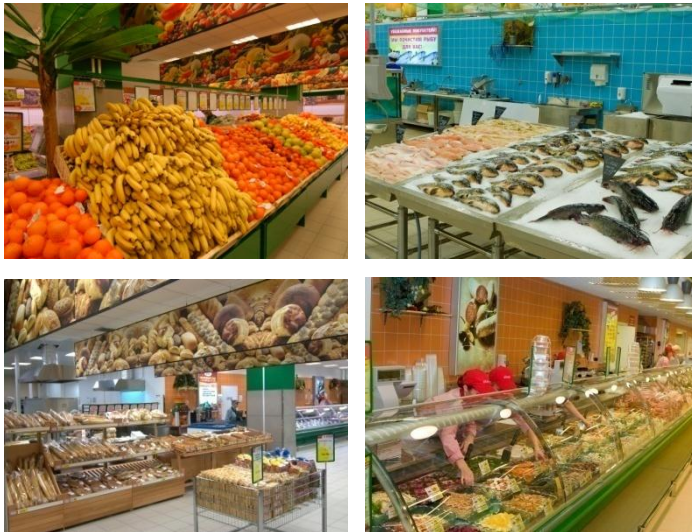
Note: Data as of December 2011; ⁽¹⁾ Average ticket include VAT ⁽²⁾ Based on total company revenues





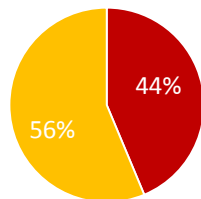
Strong customer proposition with a particular focus on fresh & delicatessen and non-food products

Wide product range with a focus on fresh & delicatessen products ...

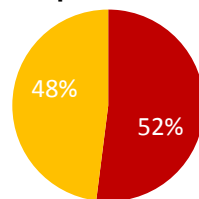


Share of fresh food in Total Retail revenue (2011)

Hypermarkets



Supermarkets

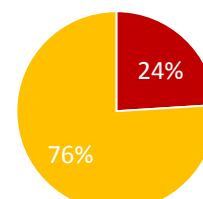


■ Fresh food ■ Other products

... as well as a high share of non-food goods...



Share of non-food in Total Retail revenue (2011)



■ Non-food ■ Food

... complemented with private label offering

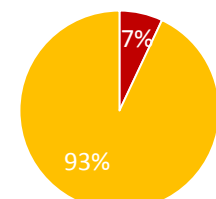


EMOTIONKIDS

EMOTIONLADY

EMOTIONMAN

Share of private label revenues in Total Retail revenue (2011)



■ Private label ■ Other products

SOURCE: Company information

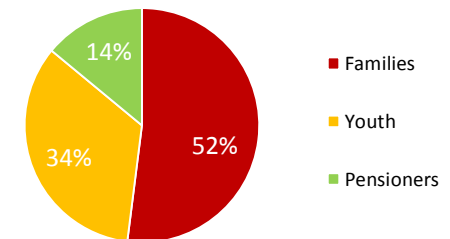




Our value proposition is customized to our formats and all customer segments

Target audience

Target audience structure

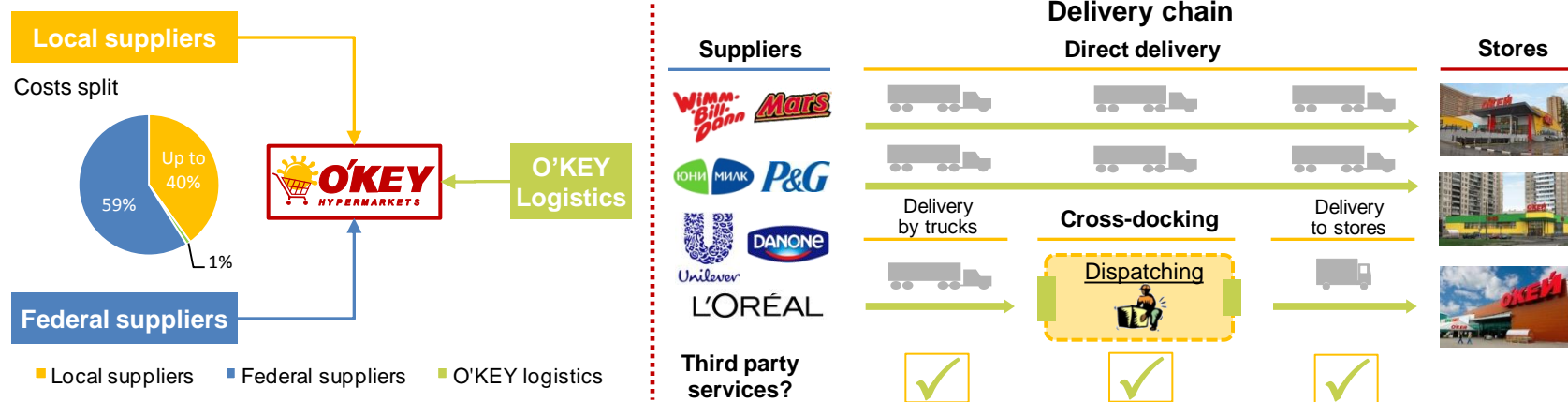


Customer types	Focus areas
Hypermarkets <ul style="list-style-type: none"> Families (30-60 years old) Youth (up to 30 years old) 	<ul style="list-style-type: none"> Wide assortment with premium products at affordable prices Comfortable shopping with parking and children's play areas One stop shopping: cleaning services, pharmacies, ATMs, mobile retailers Visiting 1-2 times a week (primarily at weekends)
Supermarkets <ul style="list-style-type: none"> Pensioners (over 60 years old) All income levels 	<ul style="list-style-type: none"> Convenient locations within walking distance of residential districts High quality products for daily shopping of fresh food Private label products to reduce prices for essential goods Visiting 3-4 times a week

Customers are the key focus of our business



“Smart” supply chain



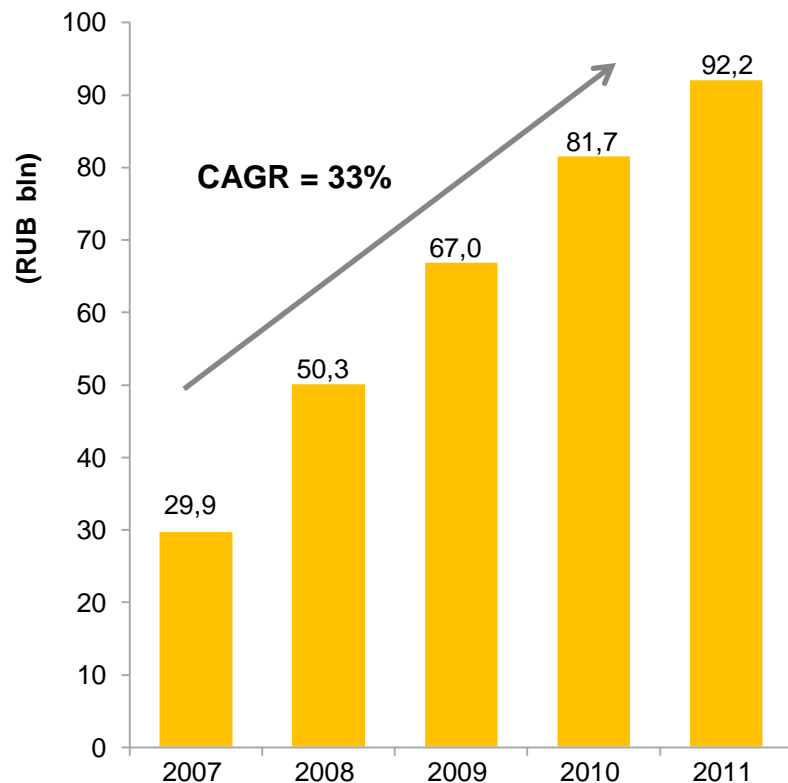
SOURCE: Company data as of December 2011

Comments

- Supply chain model hinging on direct delivery supplemented by storage warehouses for imported and private label products and cross-docking facilities
- The model brings a number of advantages to the business:
 - Availability of a wide product assortment, tailored to local consumer preferences
 - Low inventory level as products go straight onto shelves upon delivery
 - Few out-of-stock issues as time lags between order, delivery and availability on the shelves are short
 - Supports faster roll-out, as openings are less constrained by availability of own logistics infrastructure
 - Minimizes management time and financial resources spent, as compared to running own logistics
 - Cost of warehousing and delivery born by suppliers
- Proven track record of operations in all regions of O'KEY's presence
- Higher stocks turnover and better cash operating cycle
- Plans to expand storage capacity for imported and private label products by setting up additional cross-docking facilities as the density of stores increases in each city
- Currently O'KEY plans to outsource logistics facilities and concentrate its resources in retail operations



Retail revenue⁽¹⁾



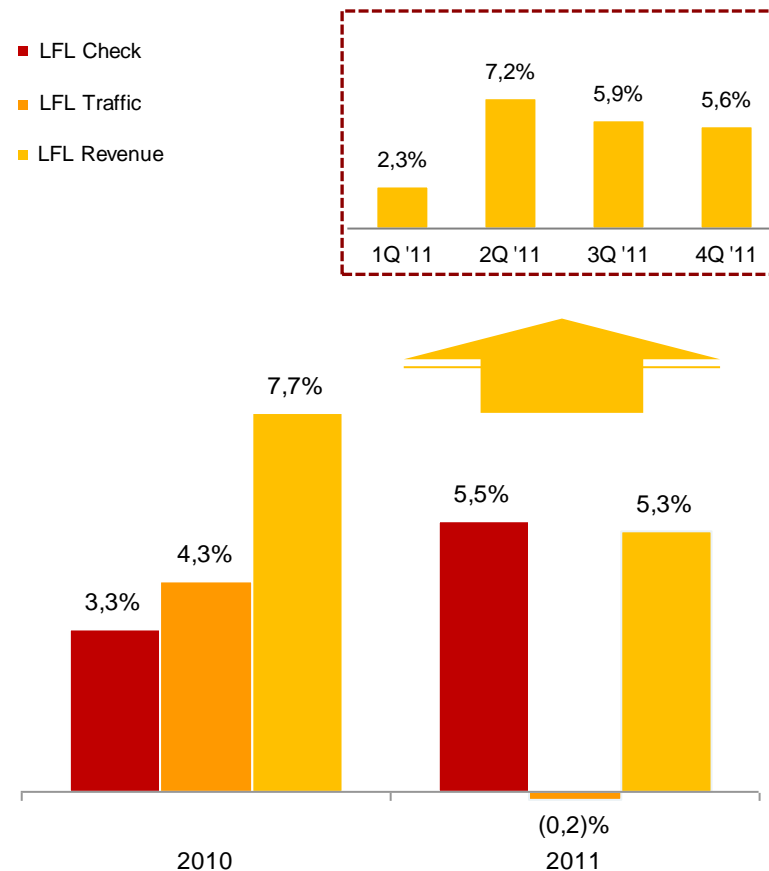
SOURCE: Audited IFRS financial statements for 2007-2011

(1) Retail revenue excludes Rental income and Revenue from advertising services.

Note: LFL analysis is based on number of stores that had been operating for not less than twelve months and have achieved a mature level of sales

LFL revenue (RUB terms)

- LFL Check
- LFL Traffic
- LFL Revenue



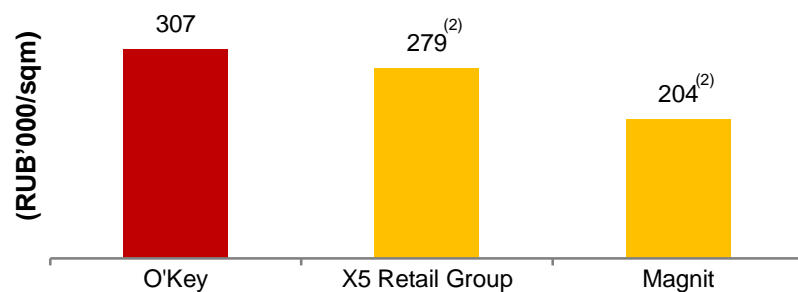
SOURCE: Management accounts



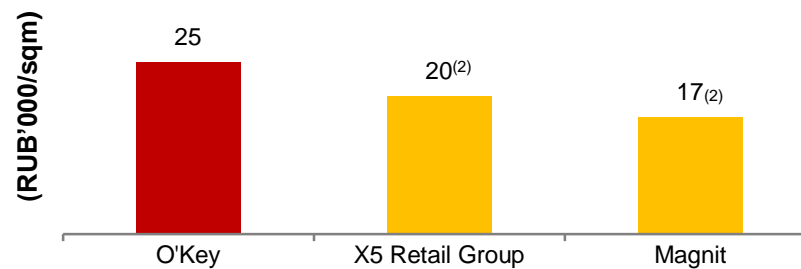


Most efficient operations among largest Russian public food retailers

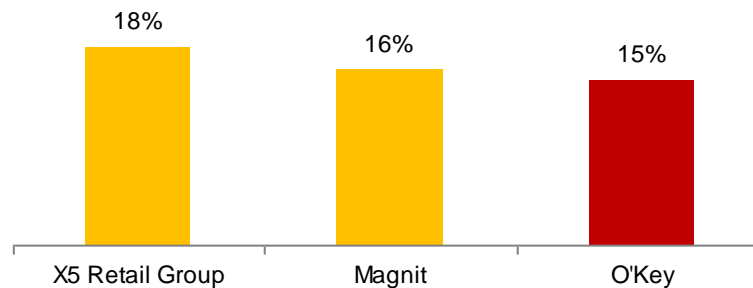
Revenue per sqm⁽¹⁾ (FY2011)



EBITDA per sqm⁽¹⁾ (FY2011)



SG&A⁽³⁾ as % of retail revenue (FY2011)



SOURCE: Companies' data

(1) Calculated as total Revenue / EBITDA divided by average selling space in the period Q4 2010 to Q4 2011

(2) The amount was converted to RUB with an average exchange rate of 29.338 US\$/RUB for 2011 (3) Excluding D&A



Corporate governance levels

Board of Directors

- Responsible for setting strategic goals for the Company
- Board of Directors consists of 5 members including:
 - 3 beneficial owners: Mr. Troitskii, Mr. Korzhev and Mr. Volchek
 - 2 INEDs – heads of audit and remuneration committees
- Meets on a regular basis with the constant participation of Company's CEO

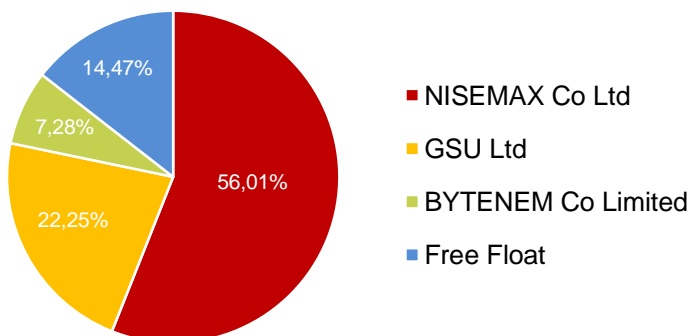
CEO

- Responsible for implementation of the Group's strategy and setting objectives for operational management

Top management

- Responsible for day-to-day operational management of the Group

Shareholders structure



Dividend policy and management incentive program

- Dividends at the target ratio of 25% of Group's net profit for the relevant period can be distributed per the AGM decision
- The Board put in place the management compensation and incentive plan based on stock performance