

O'KEY GROUP OVERVIEW

October 2017

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About O'KEY GROUP

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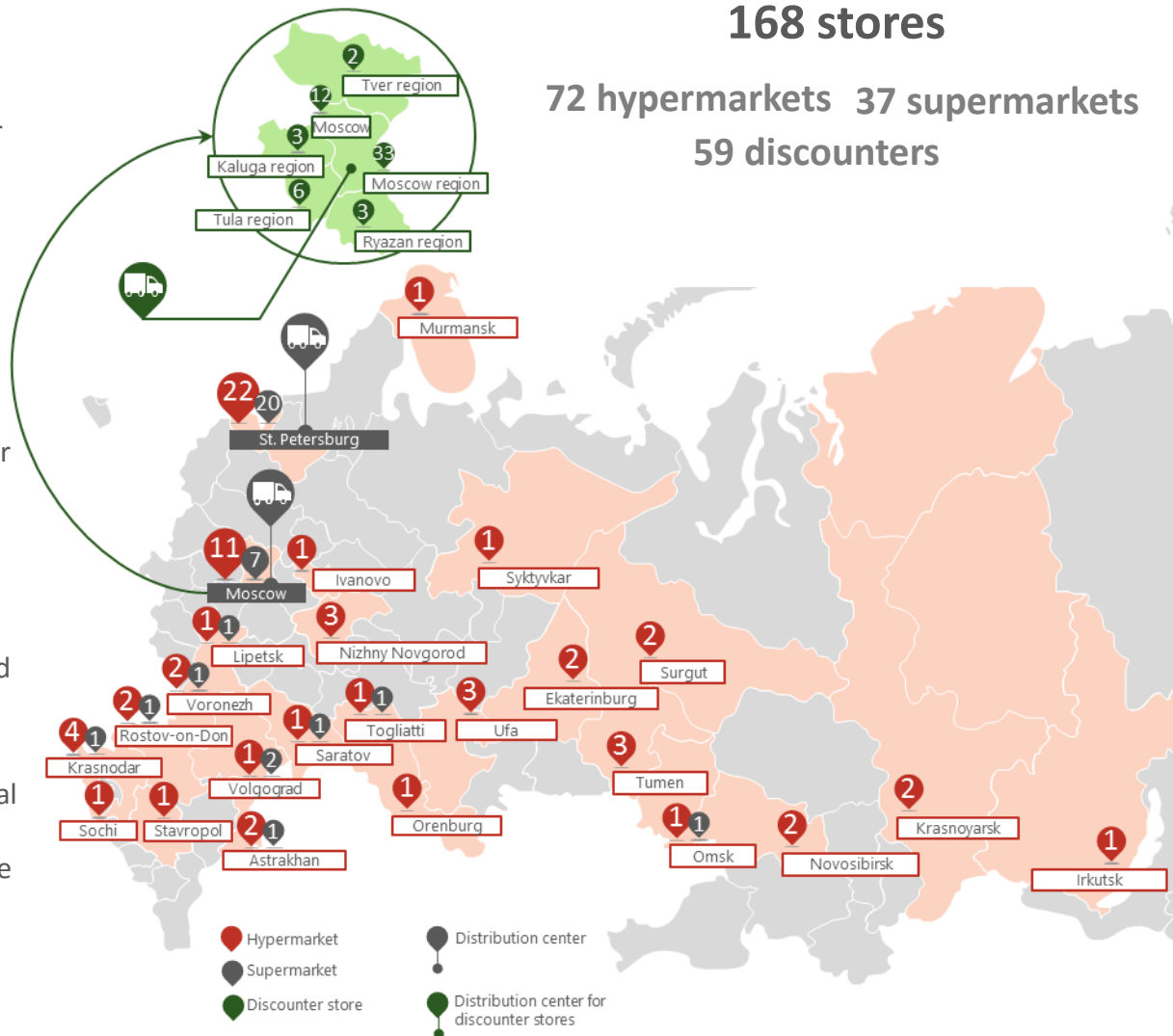
- **O'KEY Group** is the seventh largest food retailer in Russia by revenue
- Our primary retail format is the modern, Western European style hypermarket under the O'KEY brand (O'KEY supermarket chain and our DA! discount chain)

Key facts:

- 15 years history
- Experienced management team
- One of the market leaders in St Petersburg with a strong presence in Moscow and other large cities in Russia
- Strong brand known for the quality of products and best-in-class shopping experience
- Three differentiated formats of modern food retail: hypermarket, supermarket and discount format
- High logistics centralisation level: one federal and two regional distribution centres for hypermarket and supermarket segment, one distribution centre for discount stores
- More than 23,000 employees

168 stores

**72 hypermarkets 37 supermarkets
59 discounters**



O'KEY Group history

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- **O'KEY GROUP** was founded
- **FIRST O'KEY HYPERMARKET** opened in St Petersburg

2001 - 2003

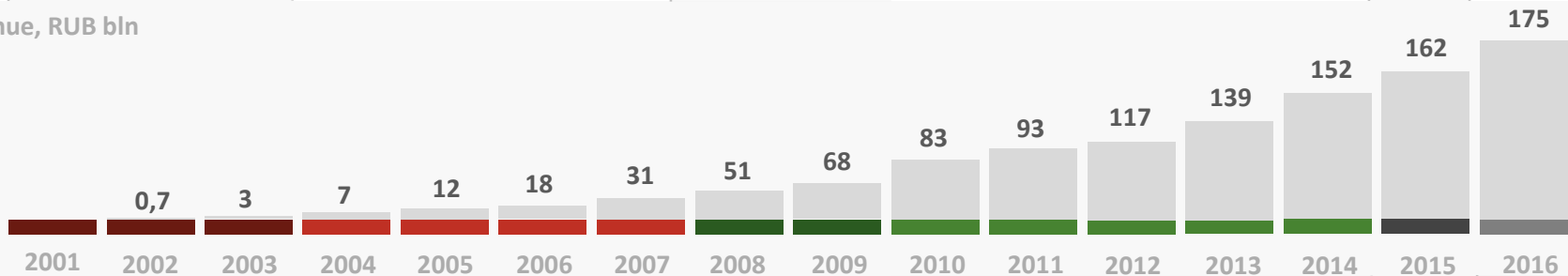
- Focus on **EXPANSION** in Russia's key regional markets
- **6 NEW REGIONS**
- **TOP-10** retailer by revenue
- 37 total stores
- **DOUBLED** selling space to >190 k m2

2008 - 2009

- **ONLINE SALES PLATFORM** launched
- **STRENGTHENING** of management team
- **NEW DISCOUNTER FORMAT** under the DA! brand
- 146 total stores
- **>590 K M2** selling space

2015

Revenue, RUB bln



2004 - 2007

2010 - 2014

2016

- Strategy of establishing **REGIONAL MARKET LEADERSHIP**
- **8 HYPERMARKETS AND 2 SUPERMARKETS** opened in St Petersburg
- **×15 TIMES** increased selling space to 87 k m2

- Emergence as a **ONE OF THE LEADING** national Russian retailers
- **RAPID EXPANSION** in Moscow and key regional markets
- IPO on the London Stock Exchange
- >100 total stores
- **>550 K M2** selling space

- **40%** logistics centralisation level
- Presence in **27 REGIONS**
- **MOBILE APP** for iOS and Android launched in 2016
- 164 total stores
- **>600 K M2** selling space

O'KEY Group at a glance

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 **25**
cities*

 **168**
stores*

 **611**
selling space
(thsqm)*

 **4**
DC**

О'КЕЙ
ОТЛИЧНО ЖИТЬ ПРАКТИЧНО
supermarkets

37 stores

О'КЕЙ
ОТЛИЧНО ЖИТЬ ПРАКТИЧНО
hypermarkets

72 stores



59 stores

№ 7 Retailer in Russia
by revenue
(2016)

 **14,5%**
revenue CAGR
2009-2016***

 **55 444**
clients***

 **23 520**
employees****

* As of 4 October 2017

** Distribution center (three DCs for hypermarket and supermarket segment and one DC for discounter segment)

*** In ruble terms

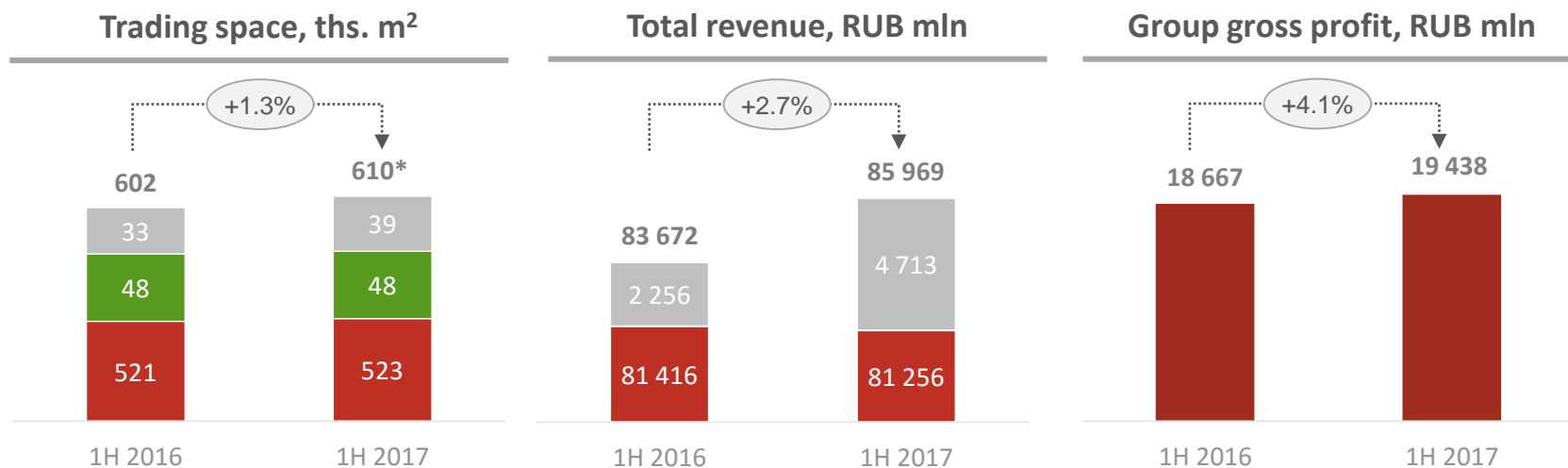
**** As of 31 December 2016

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1H 2017 Results: Revenue and gross profit

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- Group total revenue increased by 2.7% YoY from RUB 83,672 mln to RUB 85,969 mln driven by:
 - Higher LFL average ticket in hypermarket and supermarket segment (up 1.0% YoY)
 - Sound performance of our discounter segment demonstrating 42.5% YoY increase in LFL traffic and a 17.6% YoY increase in LFL average ticket.
- Revenue in the segment of hypermarkets and supermarkets was almost flat YoY reaching 81,256 mln. The stable performance was for the most part driven by effect of a high base in the beginning of the year and continuous work on our assortment in Q2 reflecting in average ticket increase
- Revenue in the discounter segment grew by 109% YoY to RUB 4,713 mln. The segment continues to deliver solid results largely driven by consistent growth in traffic and average ticket
- Group gross profit rose by 4.1% YoY to RUB 19,438 with gross margin expanding by 30 bps to 22.6%



■ Hypermarkets ■ Supermarkets ■ Discounters

■ Discounters

■ Hypermarkets and supermarkets

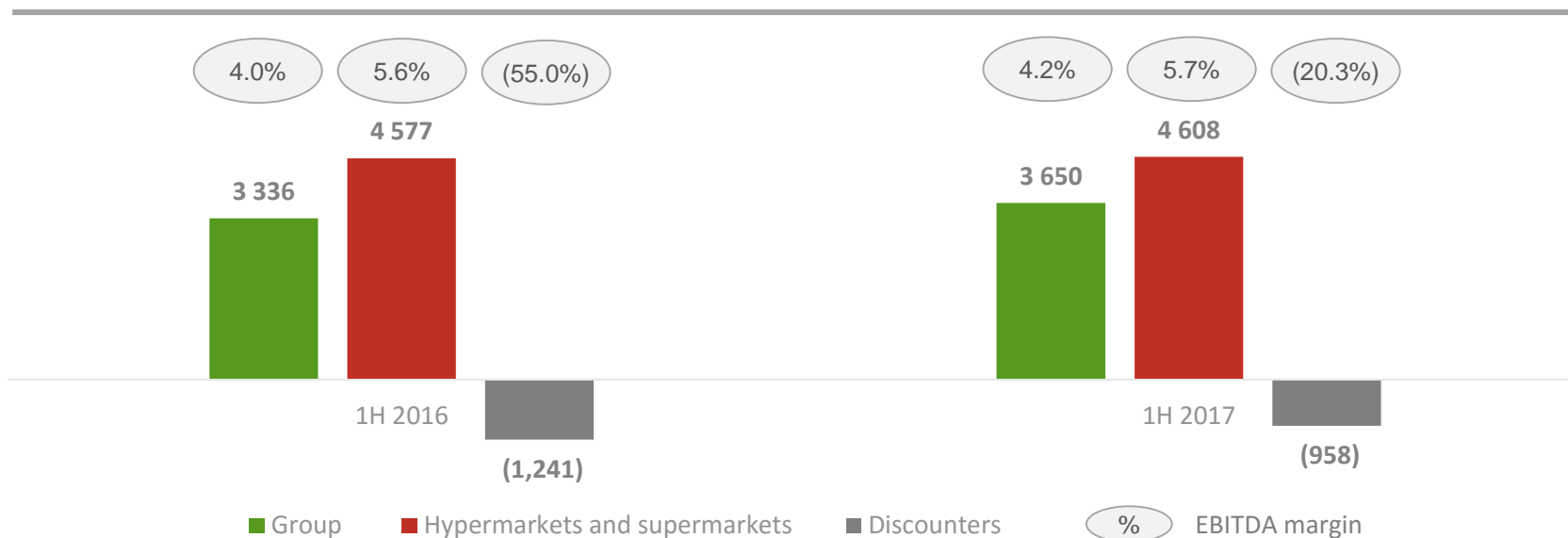
* As of August 2017, including two new discounters opened in July 2017

1H 2017 Results: EBITDA

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- Group EBITDA increased by 9.4% YoY to RUB 3,650 mln with EBITDA margin growing by 20 bps to 4.2%
- EBITDA in the segment of hypermarkets and supermarkets increased by 0.7% YoY to RUB 4,608 mln with the segment margin growing by 10 bps to 5.7% due to ongoing cost optimization
- In 1H 2017 discounters demonstrated an improvement of EBITDA from (1,241 bln) to (958 bln) due to larger number of stores, higher sales density and better gross profit margin of the segment
- Key drivers:
 - Gross margin increase by 30 bps to 22.6%
 - Personnel costs as a percentage of revenue decrease by 50 bps to 9.5%
 - Advertising and marketing expenses as percent of revenue increase by 30 bps to 1.2%
 - Other SG&A items as percent of revenue changed immaterially

EBITDA and EBITDA margin dynamics by segment



- 97% of debt portfolio is RUB-denominated
- The Group's weighted average rate on the debt portfolio as of the end of 1H 2017 decreased to 10.3% in comparison with the same period last year when the rate stood at 10.7%. The Group continues to optimize the debt portfolio demonstrating the average rate decrease to 9.9% in July 2017
- As of August 2017 short term part of the credit portfolio is around 9%. More than 65% shall be repaid in 2019-2021
- The Group has one covenant - net debt/EBITDA below 4x
- In May 2017, the Group placed 4 year RUB-denominated bond in the amount of RUB 5.0 bln with coupon rate of 9.55% on the Moscow Exchange
- In January 2017 the Group repurchased part of RUB 5.0 bln bond issue placed in October 2013 in the amount of RUB 577.8 mln
- In January 2017 Fitch Ratings confirmed the Group's rating at B+ with stable forecast;
- In May 2017 the Group placed four year RUB 5.0 bln exchange-traded bonds due April 2020 on the Moscow Exchange with a coupon rate of 9.55%

RUB mln	As of 30 June 2017	As of 31 December 2016	As of 30 June 2016
Total debt	37,247	36,295	34,335
Short-term debt	3,410	4,622	10,616
Long-term debt	33,837	31,673	23,719
Cash&cash equivalents	2,498	11,463	4,245
Net Debt	34,749	24,832	30,090
Net debt/LTM EBITDA	3.6x	2.7x	3.4x

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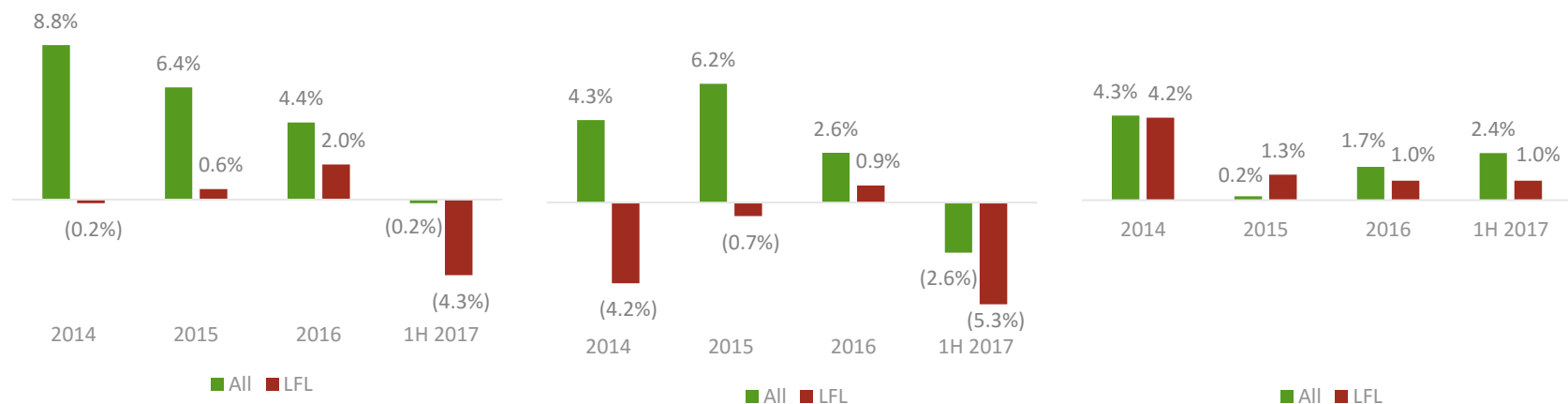
Hypermarkets and Supermarkets: footprint

- Hypermarkets & supermarkets under “O’KEY” brand – modern Western-European style food retail format with a passion for quality, best value proposition and the ambition to deliver a unique customer experience
- Headed by Mr. Miodrag Borojevic, a retail professional with in-depth expertise in food retail industry, including almost 15 years in senior management roles with Kaufland (part of Schwarz Group) and REWE Italy
- Management team experienced in Russia’s retail space
- The first store was opened in 2002. As of July 2017 there are 72 hypermarkets and 37 supermarkets stores, located in 25 cities across Russia
- Three owned distribution centers: federal DC in Moscow region (52,000 m²) and two regional DCs in St. Petersburg region (28,000 m²)
- O’KEY is the first among Russian food retailers to launch and actively develop e-commerce operations in St. Petersburg and Moscow offering a full range of hypermarket products for home delivery
- In 1H 2017 60% of revenue accounted for St. Petersburg and Moscow (41% and 19% respectively)

Net retail revenue

Traffic

Average ticket



Hypermarket Profile

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Hypermarkets

Share in sales in 1H 2017	85%
No. of stores, 1H 2017	72
Average store selling space, '000m ²	7.3
Total selling space (m ²), 1H 2017	523,257 (86% of total)
Percentage of owned space	50.0%
Average CAPEX per owned store	RUB 1.1 bln
Average CAPEX per leased store	RUB 350 mln
Payback period per owned store	7 years
Payback period for leased store	4-5 years
Product range	SKUs: 34,000 Fresh + UltraFresh: 45.0% Dry: 15% Non-food: 14% Drinks: 13% Cosmetics/Detergents: 9% Own production: 4%
Average ticket (RUB) in 1H 2017	992
Target audience	Lives within 15 min by car
Locations	Near public transportation hubs, in areas with limited competition



Facade of hypermarket in St. Petersburg



Interior of hypermarket in St. Petersburg

Supermarket Profile

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Supermarkets	
Share in sales in 1H 2017	10%
No. of stores, 1H 2017	37
Average store selling space ('000m ²)	1.3
Total selling space (m ²), 1H 2017	47,640 (8% of total)
Percentage of owned space	37.8%
Average CAPEX per owned store	RUB 300 mln
Average CAPEX per leased store	RUB 100 mln
Payback period per owned store	7 years
Payback period for leased store	4-5 years
Product range	SKUs: 11,000 Fresh + UltraFresh: 52.0% Drinks: 18% Dry: 17% Cosmetics/Detergents: 5% Non-food: 5% Own production: 3%
Average ticket (RUB) in 1H 2017	524
Target audience	Lives within 5 minutes by car/ 15 min walking distance
Locations	Within highly populated residential districts in close proximity to roads



Interior of supermarket in St. Petersburg

Hypermarkets and Supermarkets: new concept

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- Modern look & feel to respond to the customers' expectations for fun and hassle-free shopping
- Orientation is facilitated by multicolored navigation
- More efficient organisation of the selling space to respond to the customer expectations for fun and hassle-free shopping
- Self-checkout counters with Self Scanning technology
- "Freshh Area" – styled as an open market, area where customers can find the variety of fresh products
- "Farmer's Corner" – the area with fresh dairy products delivered every morning from farms
- Self-service green salad bar
- Sections of men and women clothes and shoes put at the central positions in the store
- Enhanced drinks and alcohol sections placed at the far-right corner of the shop



"Farmer's Corner"



Self Scanning technology for self-checkout



"Freshh Area"

Over the last few years we commenced a PL brand relaunch project covering mainly food categories

- Our supermarkets and hypermarkets offer two types of PL brand:
 - **“That’s What You Need!”** - to cater to the price-sensitive customers (over 580 SKU)
 - **“O’KEY”** - to address the needs of customers seeking value-for-money (over 586 SKU)
- 85% of products produced by local suppliers
- Our PL brands are on average cheaper by 20-30% than branded products of the same quality
- Implemented special quality control programme “Trademark O’KEY – Customers` Guarantee”* aids for testing both production facilities as well as samples in independent accredited laboratories
- O’KEY products are featured in regular catalogues and in dedicated catalogues published twice a year
- Dedicated section at the e-commerce website, direct mailing to customer base and advertising campaigns supports sales of our PL products
- In coming years we plan to double the share of private label brands, including non-food categories

Key results achieved:



CONTRACTS SIGNED*

2016
125

*with the producers in the regions



SKU

2016
1,000+

under both brands



PL AS % OF REVENUE

2016
5.8%
up by 120 bps YoY



AWARD

2016
Best PL brand in food segment
3rd International Exhibition by IPLS

* Is a part of our quality control system for products and goods under our private label

Omnichannel: Simple. Fast. Convenient.

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OPERATIONAL MODEL FOR ORDER MANAGEMENT

CONSUMER CHOICES FOR ORDER COLLECTION



Omnichannel: recent achievements (1)

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Our online store and mobile app take full advantage of a growing trend in online shopping in Russia by making the shopping experience more intuitive, convenient and quicker

- Our Online Shopping platform is based on the latest state-of-the-art IT solutions
- Enhanced functionality of the platform enables to create shopping lists and share it with the friends and family
- Cross-device mobile applications on iOS and Android with full online store functionality are fully operational
- Online orders are fulfilled by the closest hypermarket to the customer, while customers can choose whether to receive their order via “click and collect” at a nearby pick-up point, use our “drive through” or home delivery service
- 5 pick-up points in hypermarkets in Moscow and 6 in St. Petersburg, hassle-free: pick-up takes only five minutes
- Own logistics ensures delivery throughout Saint Petersburg and Moscow
- Structure of the basket online is similar to offline with high share of fresh, meat, fruit and vegetables
- Most of the off-line promo-campaigns are mirrored online
- Average ticket online 2.5-3.0 times higher then average for hypermarkets
- Potential for expansion in the regions
- Strong growth – total sales in 2017 will increase 2x vs 2016

Key operating indicators:



NUMBER OF SKU

2016
25,000
+13.6% YoY



CUSTOMER BASE

2016
99,500
Up 6.4x YoY



DELIVERED TONNES

2016
1,453
up 11.5x YoY

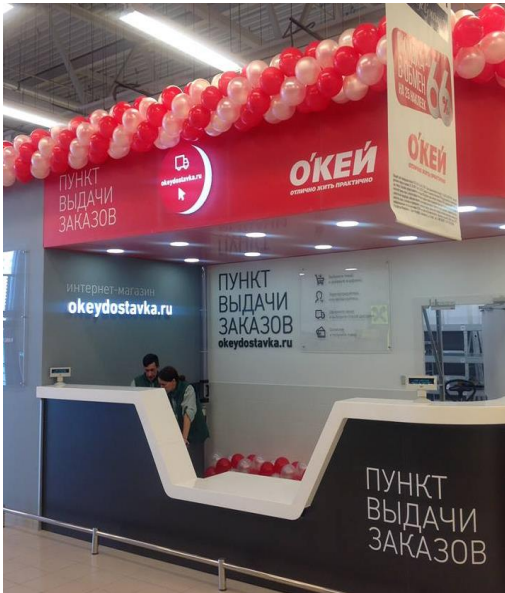


REVENUE

2016
RUB 661 mln
up 10x YoY

Omnichannel: recent achievements (2)

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Pick-up point - "click and collect"



Main page of O'KEY online store



Home delivery service



"Drive through"



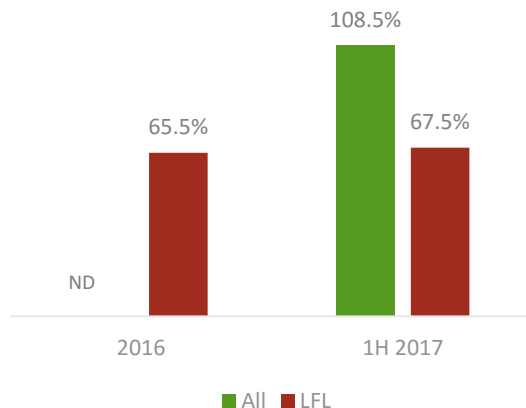
- New openings: 2 stores in 2017
- Store openings beyond 2017: 2-3 stores every year
- EBITDA margin 2018-2020E: 7 - 8%
- Costs to decrease by at least 10% by 2020
- CAPEX: Rub 7 – 8 bln annually

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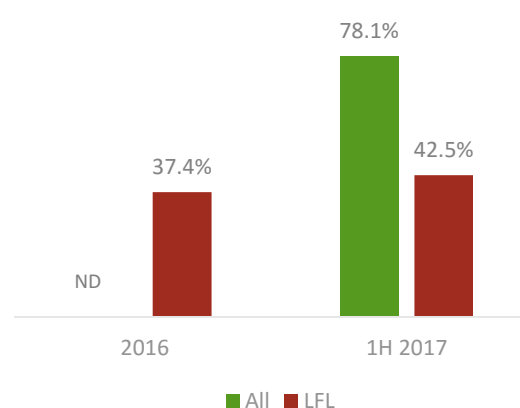
Discounters: footprint

- Discounters under “DA!” - represent unique on the Russian market format of a hard discounter targeting rational customers looking for value for money
- Headed by Mr. Armin Burger, a retail professional with unique experience of managing discounter chains, including almost 20 years in senior management roles with Aldi
- Management team experienced in Russia’s retail space
- The first store was opened in 2015. As of July 2017 there are 57 stores, located in Moscow and surrounding regions
- Modern and attractive design, brightly lit shelves, good ventilation, excellence in customer service
- Owned distribution center with area of 59,000 m² in the Moscow region with capacity to service 250 stores
- In 2016 we started the import of wines, fruits & vegetables. The store revenue per day reached over RUB 500,000
- In 2017 we introduced new in-outs strategy, performed further improvement of merchandising and introduced new PLs

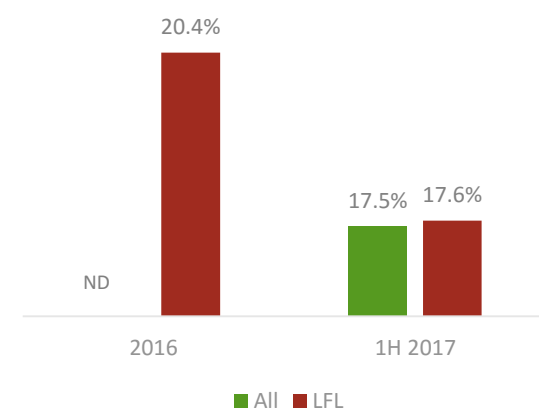
Net retail revenue



Traffic



Average ticket



Discounters Profile

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Discounters	
Share in sales in 1H 2017	5%
No. of stores, Aug 2017	57
Average store selling space ('000m ²)	0.7
Total selling space (m ²), Aug 2017	38,964 (6% of total)
Percentage of owned space	28.0%
Average CAPEX per owned store	RUB 150 mln
Average CAPEX per leased store	RUB 50 mln
SKU	SKUs: 2,100 PL SKUs: 800 In-outs SKUs: 150
Product range	Fresh: 45% Dry: 28% F&V: 15% Non-food: 8% Non-food special: 3% Food special: 1%
Full time equivalent	8
Average ticket (RUB) in 1H 2017	453
Target audience	Lives within 5 minutes by car/ 15 min walking distance
Locations	Within highly populated residential districts in close proximity to roads



Facade of discounter in Moscow



Interior of discounter in Moscow

Discounters: key differentiating factors

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Best quality

Carefully selecting our private label producers to ensure the best possible quality

Best price

We offer best prices for branded and PL products

Best private labels

High share of our own brands allow us to differentiate from competitors

Own logistics

Our own logistics which allow us to have a 100% centralization level with daily deliveries of fresh products to all of our stores

Lowest operating costs

The lowest in-store operating costs due to the low number of SKUs and efficient route planning

Well trained personnel

Our modern design and well trained personnel create an excellent shopping experience

Discounters: interior

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- New openings: at least 20 stores in 2017
- Total number of stores: 200 stores by 2020
- Net retail revenue: at least double in 2017
- Long-term EBITDA margin: 6 - 7%
- Breakeven: mid 2018 (excl. expansion costs)

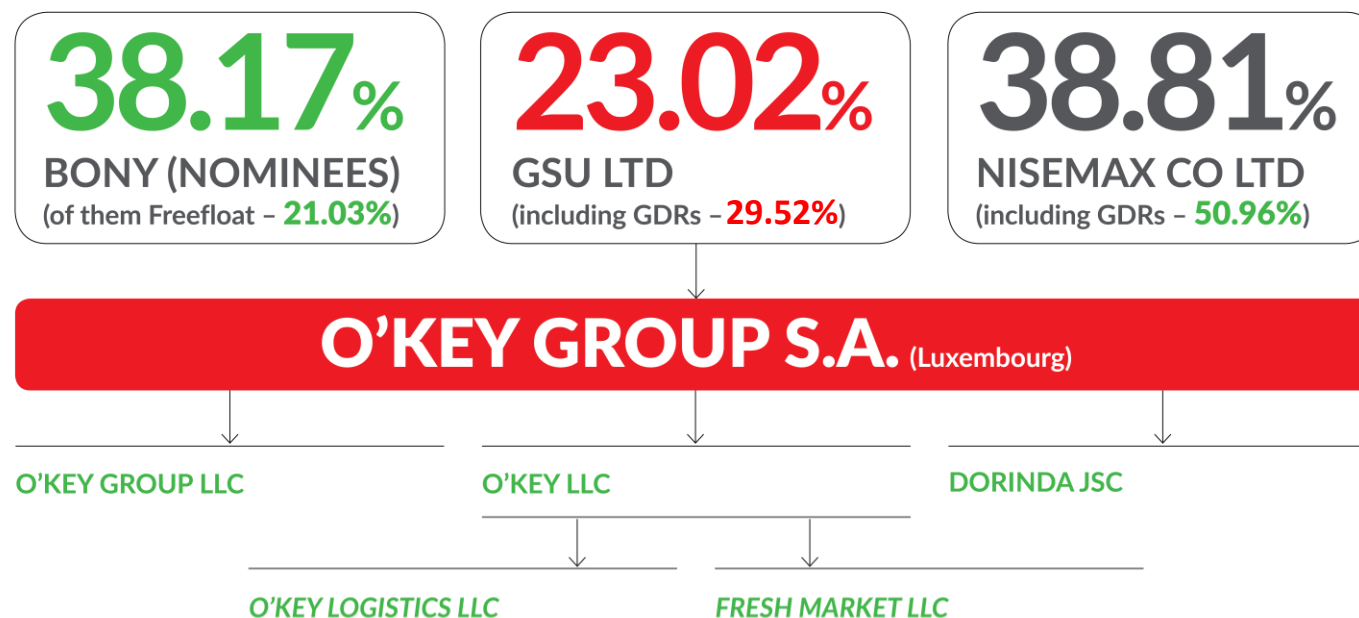
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Three major shareholders are its founders

- Mr. Dmitry Korzhev (owns appr. 23.99%)
- Mr. Dmitri Troitskii (owns appr. 23.99%)
- Mr. Boris Volchek (owns 29.52% of the shares)

Board of directors

- Mr. Heigo Kera, Chairman and CEO
- Mr. Dmitrii Troitskii, Director
- Mr. Dmitry Korzhev, Director
- Boris Volchek, Caraden Director
- Mykola Buinycky, Independent Director



Consolidated Balance Sheet

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RUB, 000s	H1 2017	FY 2016
Investment property	572,542	572,542
Property, plant and equipment	46,612,638	48,241,868
Construction in progress	3,682,334	3,485,879
Lease rights	4,502,611	4,578,535
Intangible assets	936,709	893,103
Deferred tax assets	1,619,457	1,277,273
Other non-current assets	1,812,007	2,002,680
Total non-current assets	59,738,298	61,051,880
Inventories	11,542,905	13,706,868
Trade and other receivables	3,210,274	5,871,010
Prepayments	1,155,483	958,467
Other current assets	43,217	41,250
Cash and cash equivalents	2,498,080	11,463,467
Non-current assets held for sale	597,018	-
Total current assets	19,046,977	32,041,062
Total assets	78,785,275	93,092,942
Total equity	19,679,000	22,655,064
Loans and borrowings	33,836,868	31,673,078
Deferred tax liabilities	650,424	692,091
Other non-current liabilities	138,492	139,304
Total non-current liabilities	34,625,784	32,504,473
Loans and borrowings	3,200,109	4,465,260
Interest accrued on loans and borrowings	209,918	156,870
Trade and other payables	20,352,463	32,480,892
Current income tax payable	718,001	830,383
Total current liabilities	24,480,491	37,933,405
Total liabilities	59,106,275	70,437,878
Total equity and liabilities	78,785,275	93,092,942

Consolidated P&L

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RUB, 000s	H1 2017	H1 2016
Revenue	85,969,350	83 671 600
Cost of goods sold	(66,531,212)	(65 004 439)
Gross profit	19,438,138	18 667 161
<i>Gross margin</i>	22.6%	22.3%
General, selling and administrative expenses	(18,318,171)	(17 752 736)
Other operating income and expenses	(612,710)	(247 884)
Operating profit	507,257	666 541
<i>Operating margin</i>	N/A	N/A
Finance income	93,953	211 314
Finance costs	(1,730,043)	(1 770 901)
Foreign exchange (loss)/gain	(257,581)	189 359
Loss before income tax	(1,386,414)	(703 687)
Income tax expense	(91,687)	(82 550)
Loss for the year	(1,478,101)	(786 237)
Net profit margin	N/A	N/A

RUB, 000s	H1 2017	H1 2016
Group EBITDA	3 649 978	3 335 697
<i>Group EBITDA margin</i>	4.2%	4.0%
EBITDA for hypermarkets and supermarkets	4 608 444	4 576 840
<i>EBITDA margin hypermarkets and supermarkets</i>	5.7%	5.6%
EBITDA for discounters	(958 466)	(1 241 143)

Consolidated Cash Flow

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RUB, 000s	H1 2017	H1 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	98,152,318	95,360,905
Other cash receipts	272,291	502,183
Interest received	97,003	211,123
Cash paid to suppliers and employees	(101,843,222)	(94,932,335)
Operating taxes	(303,967)	(339,144)
Other cash payments	(86,387)	(26,257)
VAT paid to budget	(704,076)	(504,487)
Income tax paid	(670,429)	(131,025)
Net cash from/(used in) operating activities	(5,086,469)	140,963
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of PP&E and initial cost of land lease (excluding VAT)	(1,334,444)	(3,266,985)
Purchase of other intangible assets (excluding VAT)	(169,161)	(111,932)
Proceeds from sales of PP&E and intangible assets (excluding VAT)	44,811	910,201
Net cash used in investing activities	(1,458,794)	(2,468,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	5,000,000	8,040,613
Repayment of loans and borrowings	(4,077,815)	(9,109,994)
Interest paid	(1,813,428)	(2,045,877)
Dividends paid	(1,465,798)	-
Other financial payments	(30,850)	(50,778)
Net cash (used in)/ from financing activities	(2,387,891)	(3,166,036)
Net decrease in cash and cash equivalents	(8,933,154)	(5,493,789)
Cash and cash equivalents at beginning of the period	11,463,467	9,768,130
Effect of exchange rate fluctuations on cash and cash equivalents	(32,233)	(29,310)
Cash and cash equivalents at end of the year	2,498,080	4,245,031

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