

O'KEY Group S.A. 2012 Financial results





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2012 Key highlights

2012 Operating & Financial Review

Strategy & Outlook

Appendix



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 90% of selling space, while satellite supermarkets fill in locations better suited for smaller stores
- 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 21 major cities
- High levels of customer loyalty

SOURCE: Company's data

(1) "Constant" SKUs are those SKUs which have been sold at least once during the last semester; as of 30 June 2012;

Core hypermarket format complemented by supermarkets (as of December 31, 2012)

	Hypermarkets	Supermarkets
Number of stores	52	31
Total selling space ('000 sqm)	387 (90%)	41 (10%)
Av. selling space (sqm)	7,400	1,300
Number of constant SKUs ⁽¹⁾	35,000	9,000
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	2012	CAGR
Revenue	30.5	51.1	67.9	82.7	93.1	117.3	31%
Growth rate	82.8%	67.5%	32.7%	21.8%	12.7%	26.0%	
LFL growth	2.8%	32.1%	11.6%	7.7%	5.3%	7.0%	
Gross profit	6.5	10.8	14.8	17.9	21.3	27.6	34%
Gross margin	21.2%	21.0%	21.8%	21.7%	22.8%	23.5%	
EBITDA	2.2	4.5	5.9	7.1	7.5	9.4	34%
EBITDA margin	7.2%	8.9%	8.7%	8.6%	8.1%	8.0%	
Net profit	0.3	(2.9)	0.7	2.7	3.2	4.7	69%

SOURCE: Audited IFRS financial statements for 2007-2012



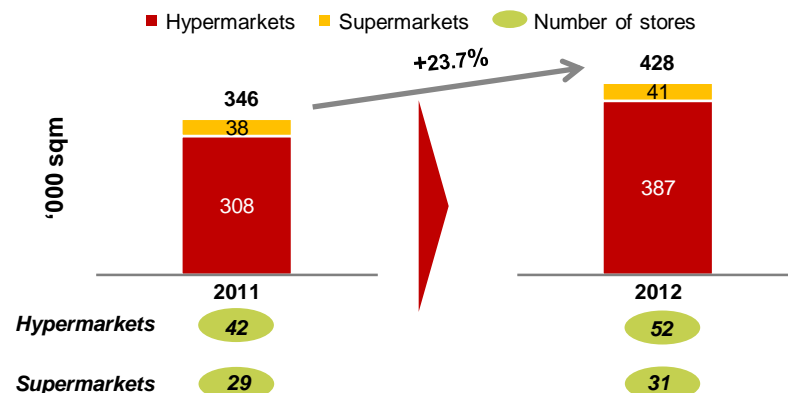
Geographical coverage (as of December 31, 2012)



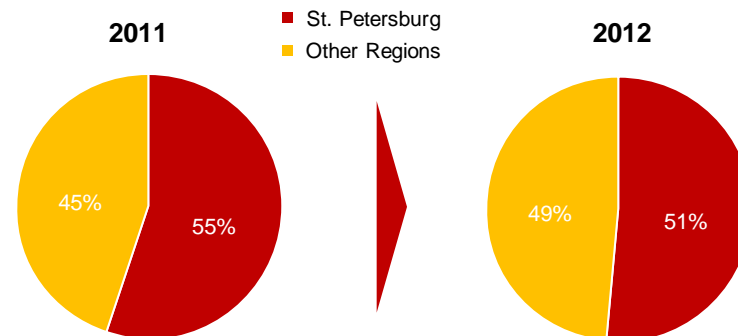
- Expansion into regions with high levels of personal income and consumption
- Maintaining leadership in one of the most competitive markets – St. Petersburg

(1) Including Krasnoe Selo and Kingisepp; (2) Including Moscow Region

Selling space and number of stores (as of December 31, 2012)



Revenue composition



SOURCE: Company data as of 31st December 2012 based on Revenue from sale of goods



Differentiated shopping experience...

- Pleasant and comfortable shopping experience



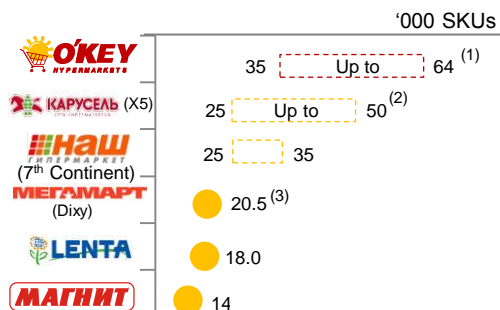
- Convenient locations with direct road access and large parking areas
- "All under one roof" concept with additional services and adjacent stores in the same building
- Spacious buildings with easy navigation on the trading floor
- Modern design of interiors with particular focus on the comfort and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



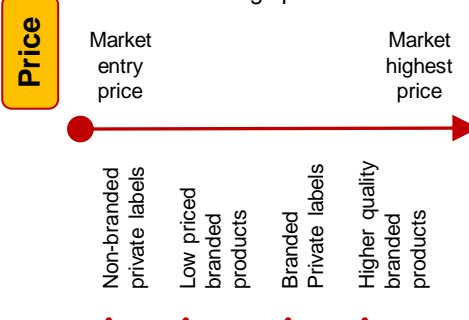
- High share of fresh food and non-food assortment
- Assortment covering all customer needs with basic average and average+ offering (by price and quality)

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

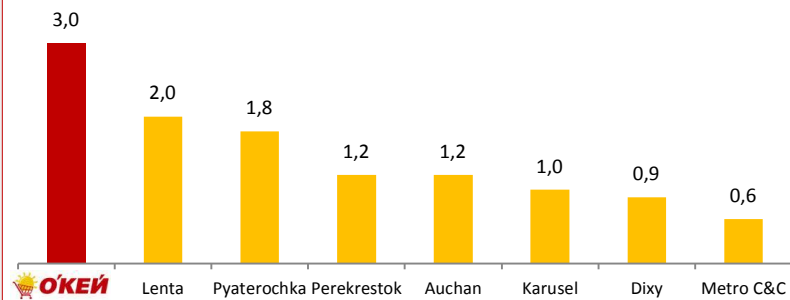
(1) As of 30 June 2012 (2) As of December 2011 (3) As of 30 November 2011





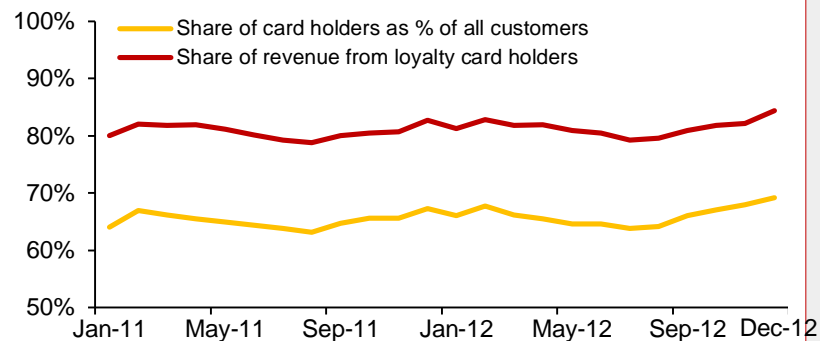
Customers' loyalty and high brand equity

Highest store equity⁽¹⁾ among competitors...



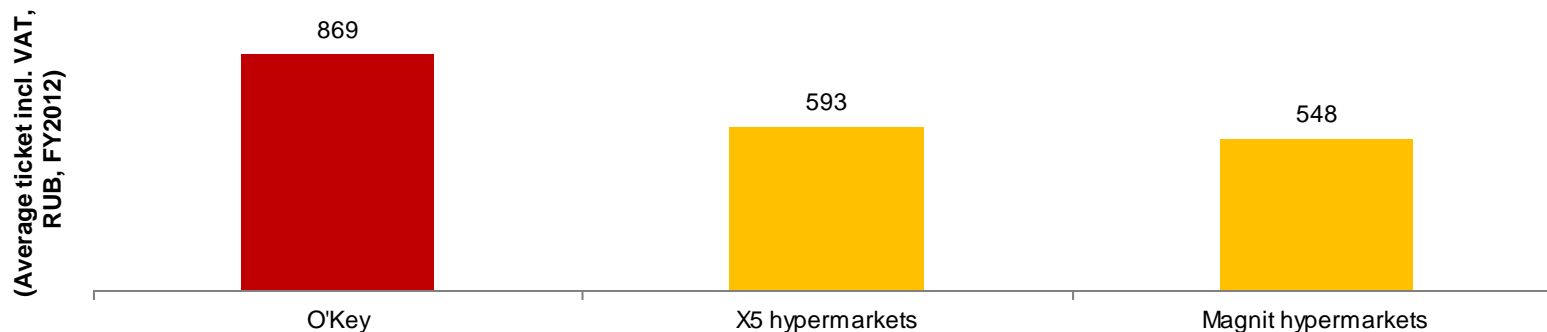
SOURCE: Nielsen 2012, St. Petersburg Brand Leadership

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



SOURCE: Company data

... supporting higher than average basket (hypermarkets)



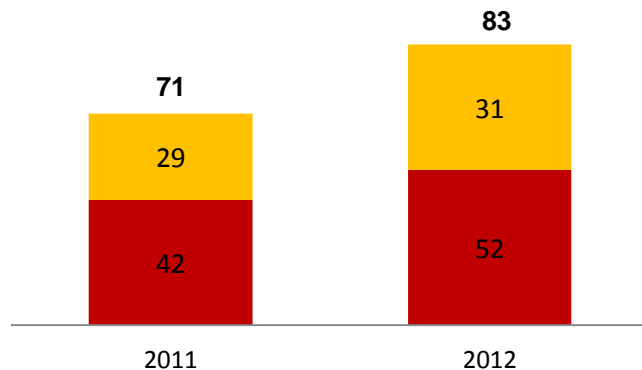
SOURCE: Company data

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



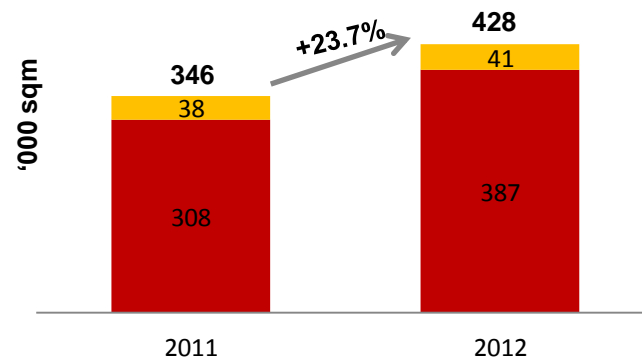
Number of stores

■ Hypermarkets ■ Supermarkets



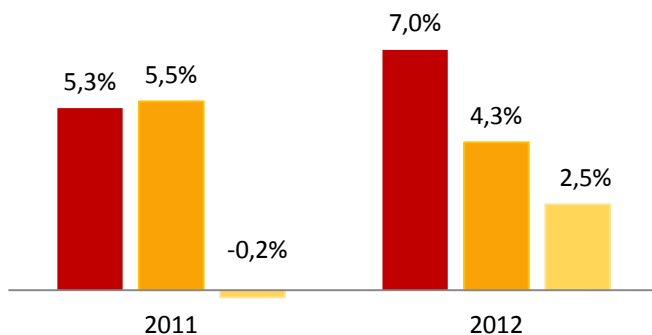
Selling space

■ Hypermarkets ■ Supermarkets

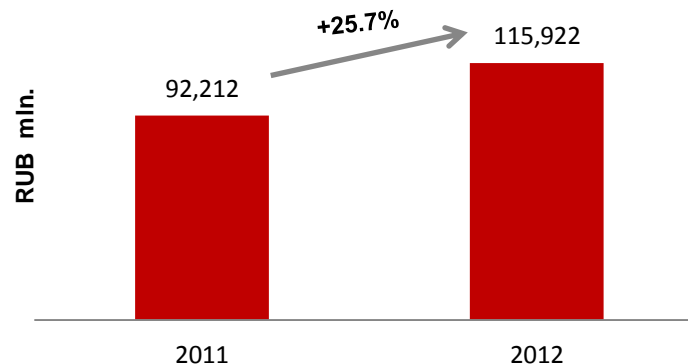


LFL

■ LFL Revenue ■ LFL Ticket ■ LFL Traffic



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 2007-2012
- ✓ Expansion in the regions with 49% 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 – 56% of owned real estate
- ✓ 29 locations are 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 FY 2012; (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

2012 Key highlights

2012 Operating & Financial Review

Strategy & Outlook

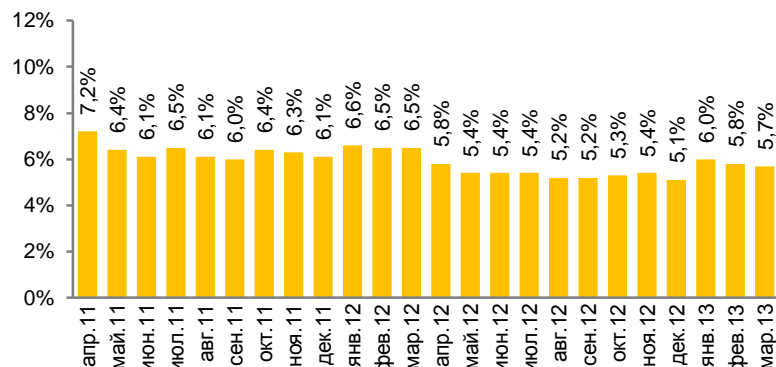
Appendix



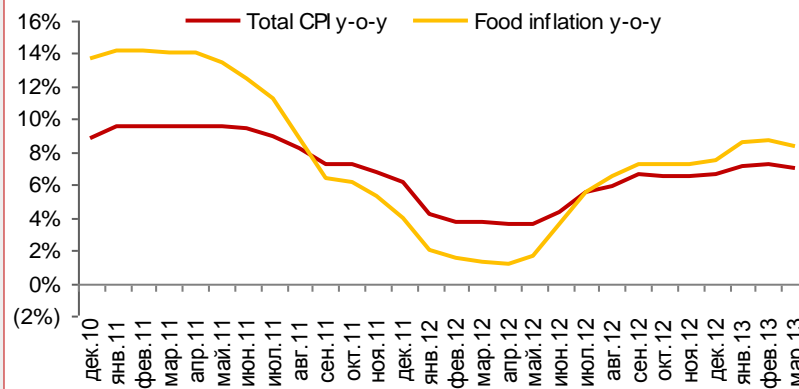
**O'KEY**

Operating environment

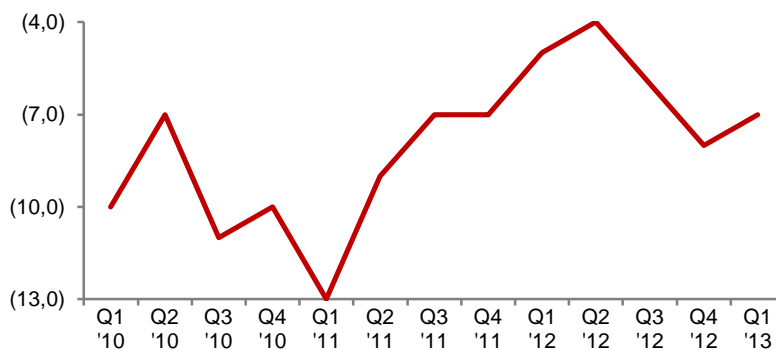
Unemployment rate



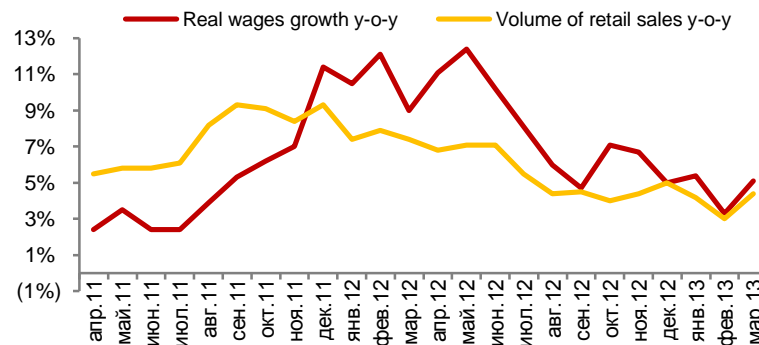
Inflation



Consumer Confidence Index



Real wages growth vs. real retail sales⁽¹⁾ growth



SOURCE: Russian Statistics Bureau

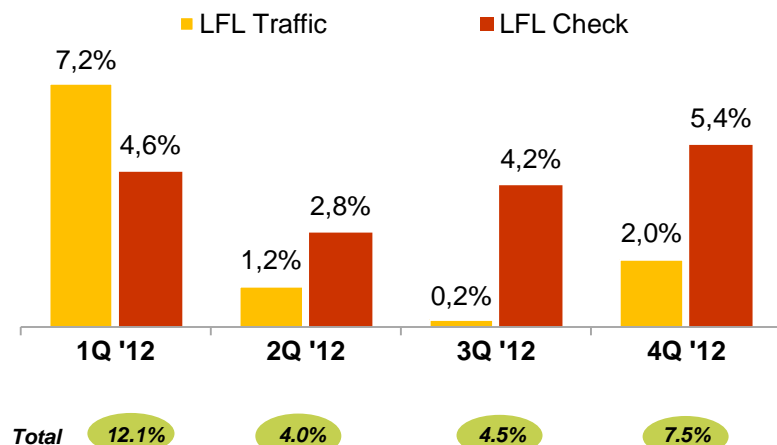
(1) Retail sales represent total retail sales by trading companies, private entrepreneurs and markets as defined by Russian Statistics Bureau





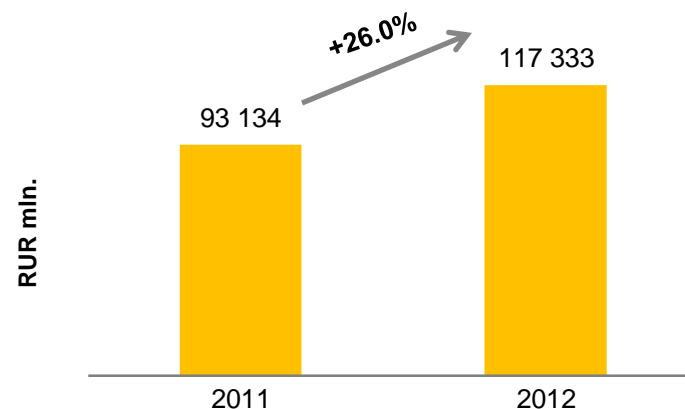
Overview of results: LFL and revenue

LFL revenue (RUB terms)



- LFL traffic demonstrated solid growth of 2.5% in 2012, enhanced by our promotional activities and anniversary campaign
- LFL basket growth changed in line with inflation trends, driven by the on-shelf inflation

Revenue



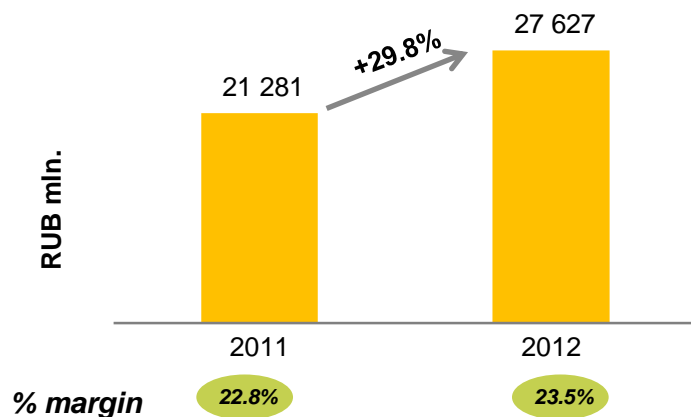
- Revenue growth was driven by selling space addition with 12 stores opened since 2011 and 23,7% growth in sq.m.
- LFL revenue of 7,0% for 2012 further enhanced revenue growth
- Other revenues accelerated by 52,5% following the increase in leased out space and improved occupancy of existing space

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

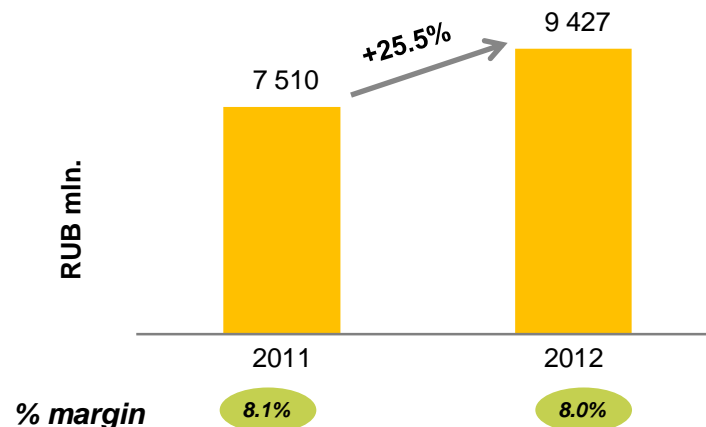


Gross profit and margin



- Higher gross margin due to better purchasing conditions and growing scale of operations

EBITDA and margin

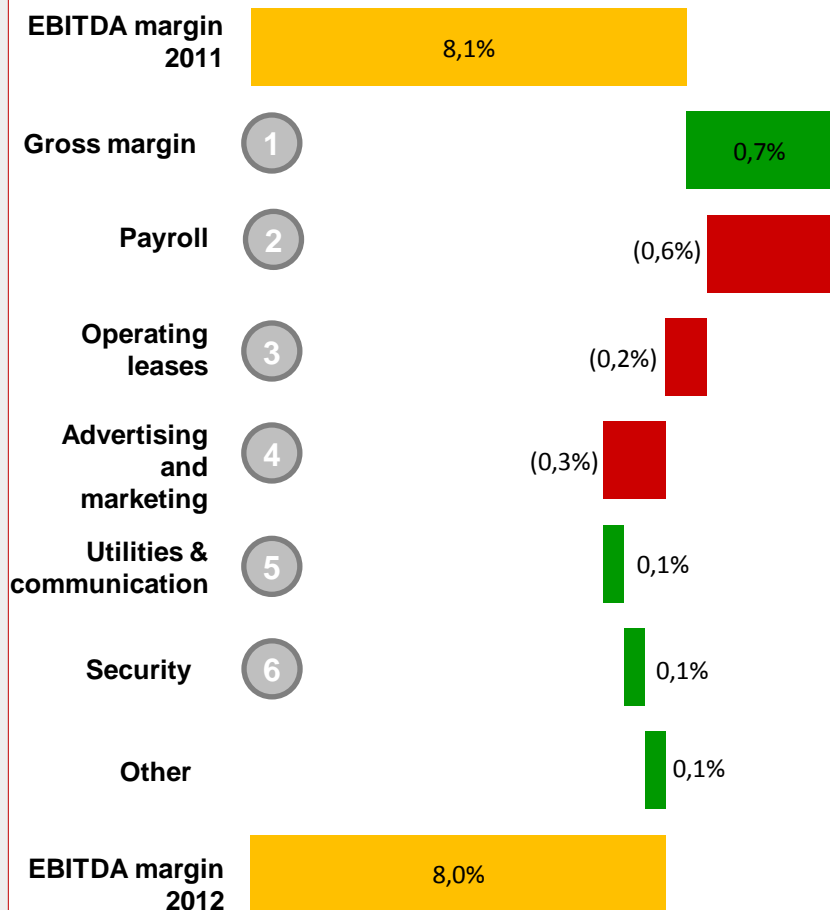


- EBITDA margin improved on the increase in gross profit margin
- Compared to 2011, EBITDA was adversely affected by increase in payroll costs, operating leases and advertising and marketing expenses

SOURCE: Audited IFRS statements for 2012



EBITDA margin bridge 2011 – 2012



Key comments

- 1 Gross margin strengthening driven by improved purchasing terms
- 2 Payroll rose due to higher staffing requirements for 12 new stores, pre-opening costs, expansion of city offices' and the supermarket project
- 3 Operating leases increased following the expansion of rented area
- 4 Advertising costs increased as a result of intensified promotional activities and 10th anniversary campaign
- 5 Decrease in utility costs as % of sales resulted from the tariff rates being blocked in 1H 2012
- 6 Security costs increased below revenue growth as a result of in-store security optimization

SOURCE: Audited IFRS statements for 2012





Summary consolidated P&L

Summary P&L

RUB mln.	2012	2011 ⁽¹⁾
Revenue	117,333	93,134
<i>YoY growth</i>	<i>26.0%</i>	<i>12.7%</i>
Gross profit	27,627	21,281
<i>Gross margin</i>	<i>23.5%</i>	<i>22.8%</i>
SG&A	(20,364)	(15,750)
<i>% of revenue</i>	<i>17.4%</i>	<i>16.9%</i>
Other op. income (expense)	63	(143)
Operating profit	7,326	5,389
<i>Operating margin</i>	<i>6.2%</i>	<i>5.8%</i>
Net finance costs	(1,024)	(752)
Foreign exchange gains/(losses)	166	(267)
Profit before tax	6,468	4,370
Income tax expense	(1,789)	(1,130)
Profit for the year	4,679	3,240
<i>Net Profit margin</i>	<i>4.0%</i>	<i>3.5%</i>

SOURCE: Audited IFRS statements for 2012

(1) 2011 restated figures





Cash flow highlights and working capital evolution

Cash flow

RUB mln.	2012	2011
1 Net cash from operating activities	8,938	6,401
2 Net cash used in investing activities	(8,491)	(8,693)
3 Net cash from financing activities	1,136	(449)
Net decrease in cash and cash equivalents	1,582	(2,741)

Comments

- 1 Operating cash increased driven by improvements in working capital and higher profitability
- 2 Decrease in investing cash outflows was due to delays in store openings
- 3 Net cash from financing activities increased as we restructured our portfolio and raised Ruble bonds

SOURCE: Audited IFRS statements for 2012

Trade Working capital

RUB mln.	2012	2011
1 Inventories	9,212	7,918
2 Trade and other receivables ⁽¹⁾	1,719	1,421
3 Trade and other payables ⁽²⁾	17,525	14,006
Net working capital	(6,593)	(4,668)
Cash conversion cycle	(23)	(20)

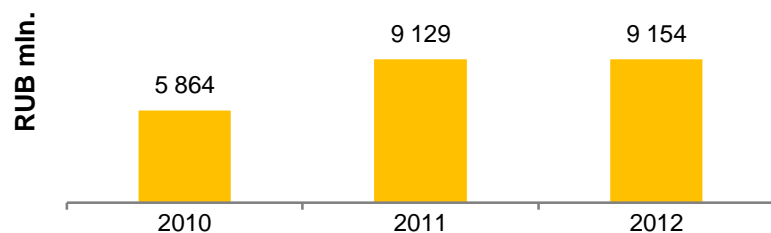
Comments

- 1 Inventory turnover has improved due to a better inventory management in stores and lower stocks for upcoming openings
- 2 Receivable days changed in line with increase in operational activity of the Company
- 3 Payable days increased due to improvements in purchasing conditions

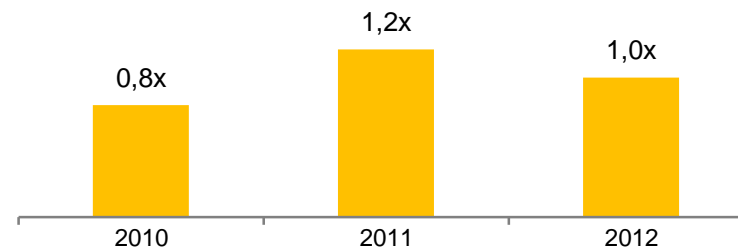
SOURCE: Audited IFRS statements for 2011 and 2012; (1) Includes trade receivables, VAT receivables and other receivables (bonuses and discounts from suppliers); (2) Includes trade payables and advances received



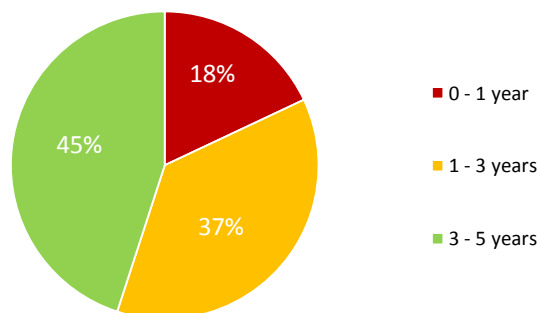
Net debt⁽¹⁾



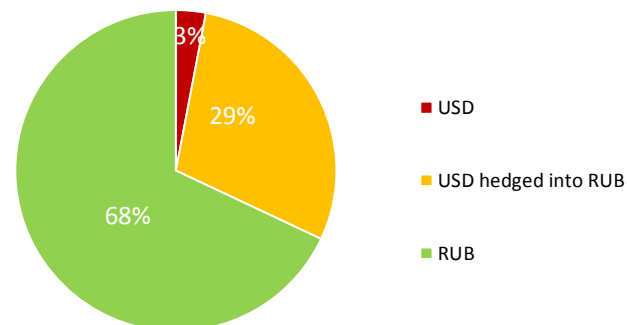
Net debt / EBITDA



Debt portfolio structure by maturity (as of December 2012)



Debt portfolio structure by currency (as of December 2012)



SOURCE: Company's calculations based on audited consolidated financial statements for FY 2011-2012

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



Summary Balance Sheet

RUB mln.	FY 2012	FY 2011
Assets		
Non-current assets		
Investment property	632	573
PP&E	25,692	20,435
Construction in progress	1,720	3,137
Intangible assets	567	518
Deferred tax asset	375	356
Other non-current assets	7,905	5,531
Total non-current assets	36,891	30,550
Current assets		
Inventories	9,212	7,918
Trade and other receivables	1,918	1,924
Prepayments	857	399
Cash and cash equivalents	4,536	2,942
Total current assets	16,523	13,182
Total assets	53,414	43,732

RUB mln.	FY 2012	FY 2011
Equity and liabilities		
Equity	18,090	14,304
Non-current liabilities		
Loans and borrowings	9,864	6,768
Deferred income tax liability	668	471
Other non-current liabilities	1,056	1,137
Total non-current liabilities	11,588	8,376
Current liabilities		
Loans and borrowings	3,826	5,303
Trade and other payables	19,614	15,338
Current income tax payable	296	411
Total current liabilities	23,736	21,052
Total liabilities	35,324	29,428
Total equity and liabilities	53,414	43,732

SOURCE: Audited IFRS financials statements for 2012



2012 Key highlights

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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



Goals	2013 Plan	2013 targets
Store rollout	<ul style="list-style-type: none"> ■ Maintain large portfolio of stores for development 	Hypermarkets in pipeline: 30
Revenue	<ul style="list-style-type: none"> ■ Maintain high pace of total revenue growth 	Revenue growth: 21 - 25%
LFL	<ul style="list-style-type: none"> ■ Increase average basket at levels close to inflation ■ Generate growth in LFL traffic 	LFL growth: 5.5-6.5%
EBITDA	<ul style="list-style-type: none"> ■ Focus on cost control and operating efficiency ■ Reinvest margin improvements into price proposition 	EBITDA margin: 7.8% – 8.0%
Capex	<ul style="list-style-type: none"> ■ Invest into new stores and land acquisition ■ maintain existing stores and develop IT infrastructure 	~ RUB 14bln



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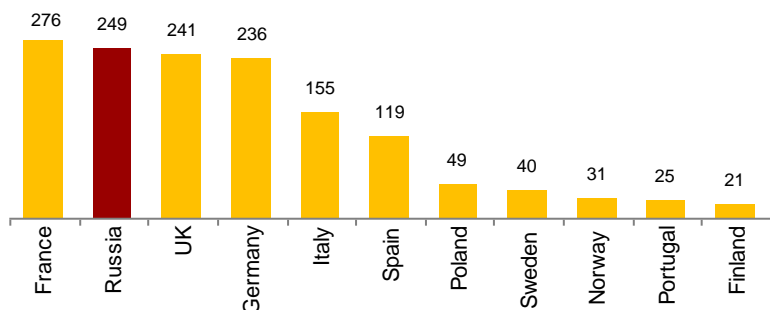




Russia is one of the world's most attractive food retail markets

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

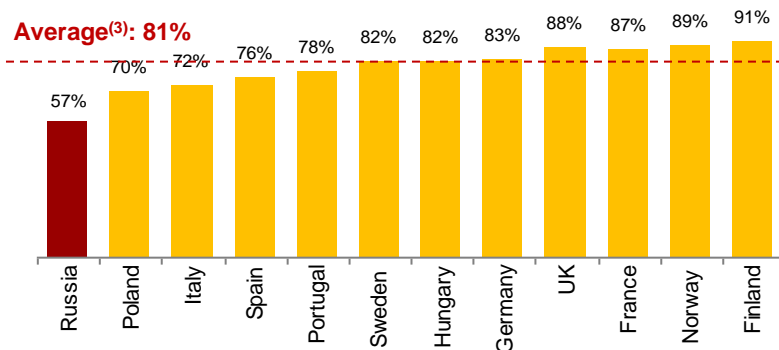
(US\$ bln.)



SOURCE: Euromonitor data for 2012

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

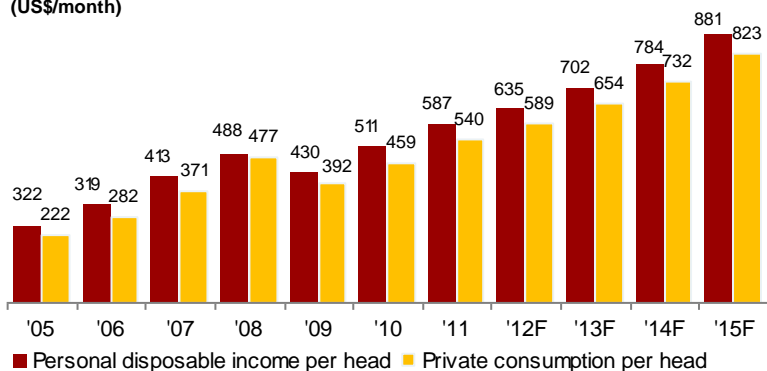
Average⁽³⁾: 81%



SOURCE: Euromonitor data for 2012

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

(US\$/month)



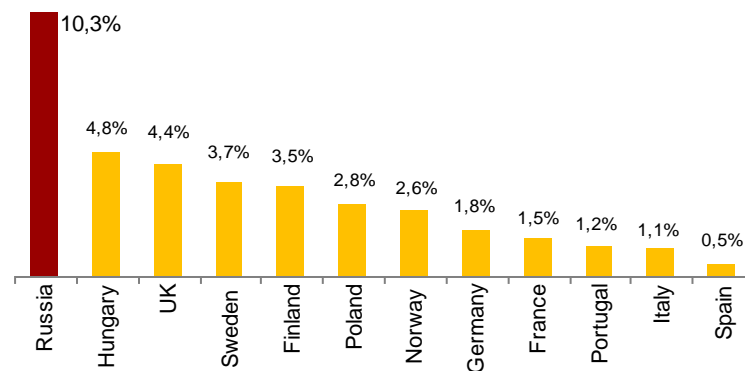
SOURCE: EIU as of April 2012

(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 '12-'17



SOURCE: Euromonitor data for 2012





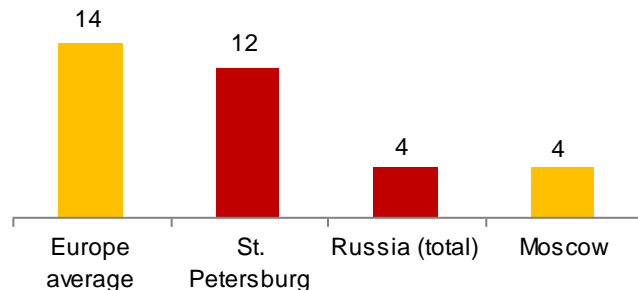
O'Key has strong expertise in hypermarkets, a format with appealing growth prospects

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

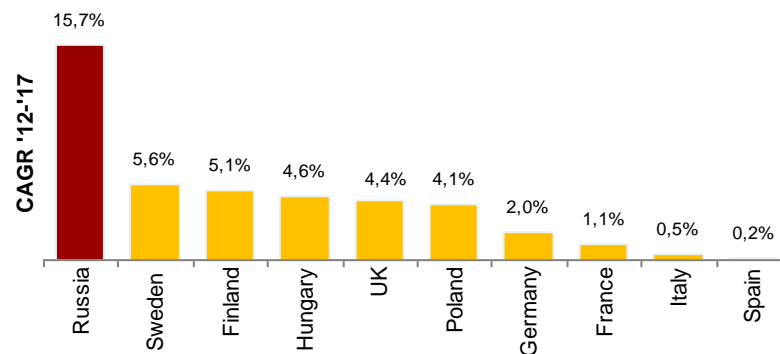
Significant undersupply of hypermarkets in Russia...

■ # of Hypermarkets & superstores (>2,500m²) per 1mln. of population



SOURCE: Euromonitor / Infoline data for 2012

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







SOURCE: Euromonitor data for 2012





Clearly defined and consistent hypermarket format with satellite supermarkets

	Hypermarket	Supermarket
Average store selling space (sqm)	7,400	1,300
Total selling space (sqm)	387,000 (90% of total)	41,000 (10% of total)
No. of stores	52	31
Product range	SKUs: 35,000 Fresh products: 43% of total Non-food products: 24% of total	SKUs: 9,000 Fresh products: 51% of total
Penetration (No. of cities)	21	7
Average ticket (RUB) ⁽¹⁾	869	445
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 September 30, 2012; (1) Average ticket includes VAT





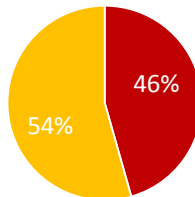
Strong customer proposition with a particular focus on fresh & delicatessen and non-food products

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

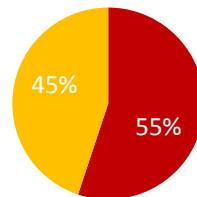


Share of fresh food in Total Retail revenue (2012)

Hypermarkets



Supermarkets

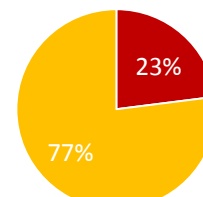


■ Fresh food ■ Other products

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



Share of non-food in Total Retail revenue (2012)



■ Non-food ■ Food

... complemented with private label offering

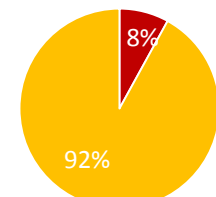


EMOTIONKIDS

EMOTIONLADY

EMOTIONMAN

Share of private label revenues in Total Retail revenue (2012)



■ Private label ■ Other products

SOURCE: Company information

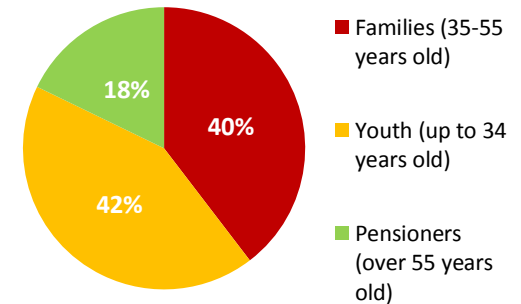




Our value proposition is customized to our formats and all customer segments

Target audience

Target audience structure



Customer types	Focus areas
Hypermarkets <ul style="list-style-type: none"> Families (35-55 years old) Youth (up to 34 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 55 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

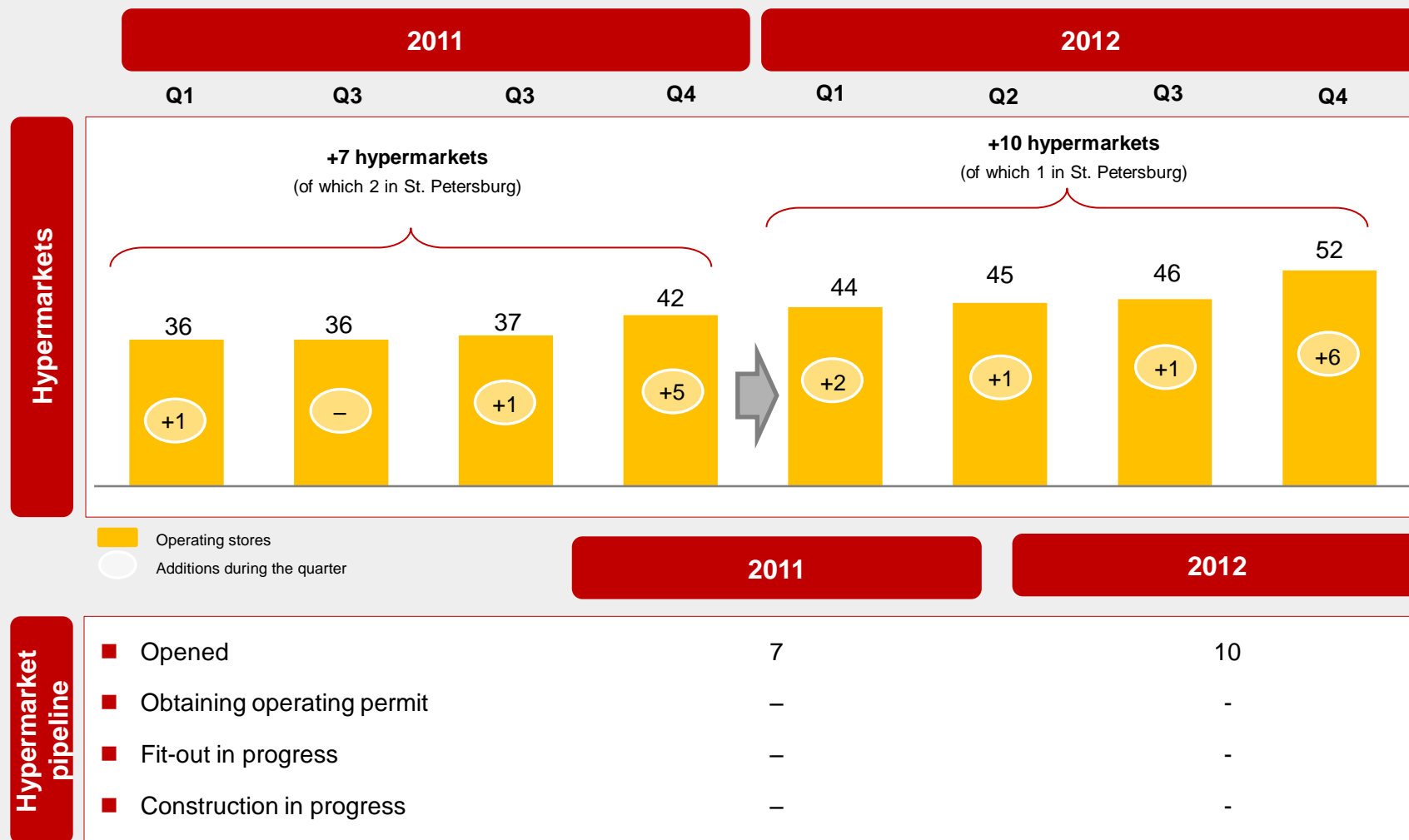
Comments

- 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

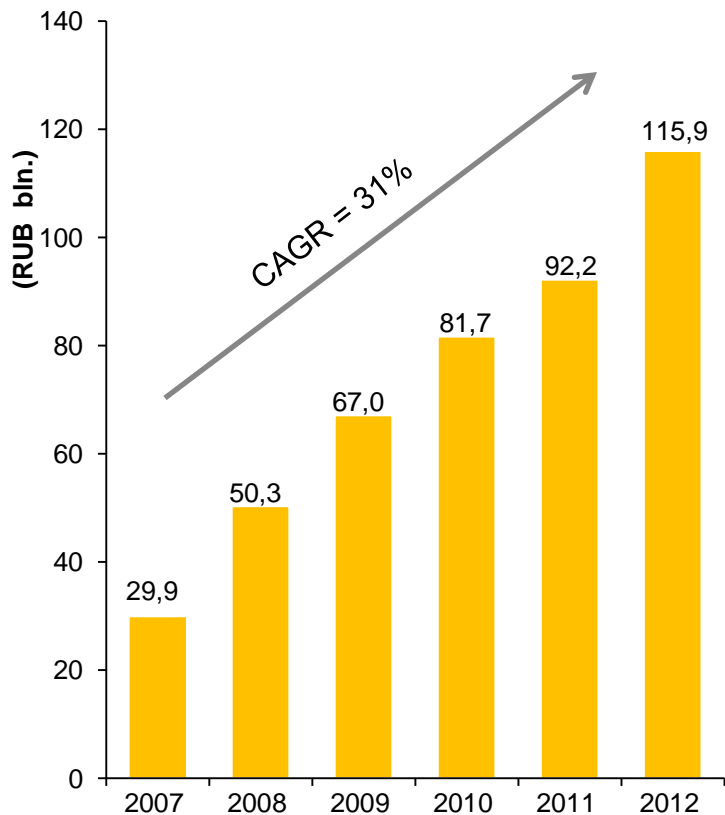




Hypermarket rollout timing



Retail revenue⁽¹⁾

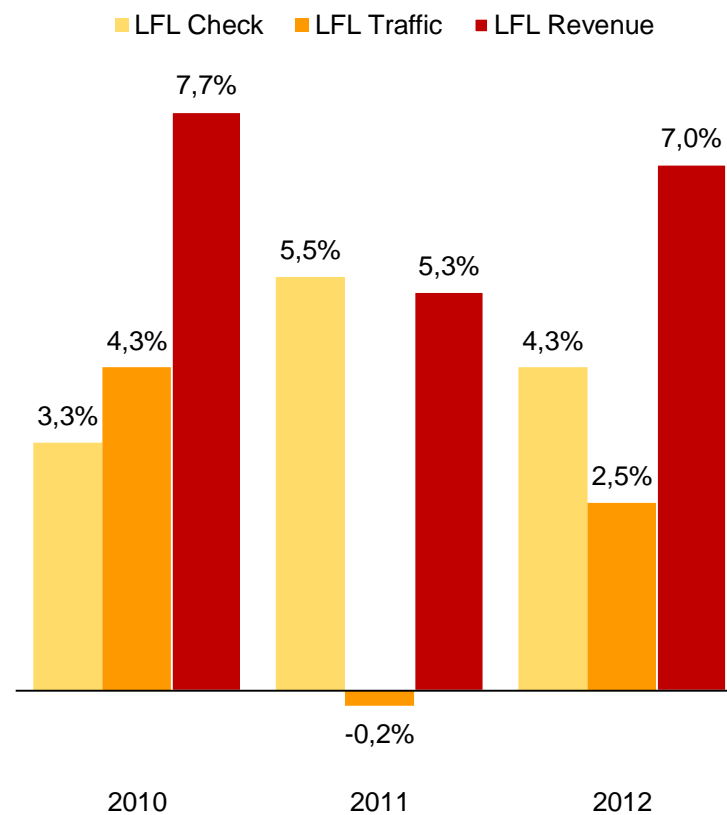


SOURCE: Audited IFRS financial statements for 2007-2011

(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)



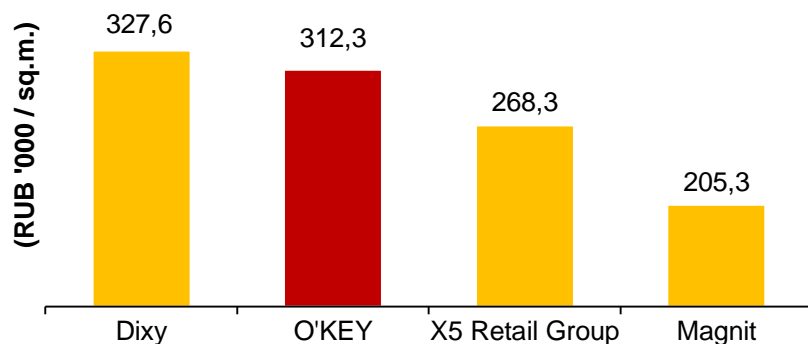
SOURCE: Management accounts



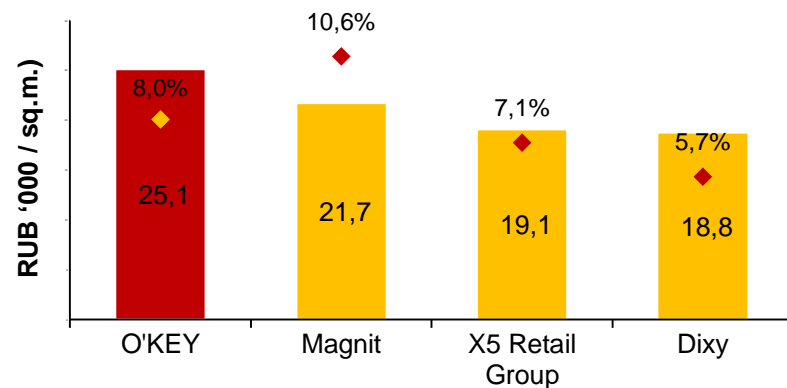


Most efficient operations among largest Russian public food retailers

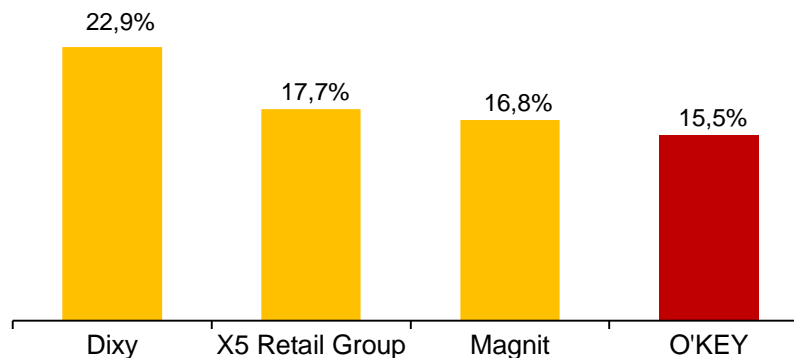
Revenue per sqm⁽¹⁾ (FY2012)



EBITDA margin and EBITDA per sqm⁽¹⁾ (FY2012)



SG&A, without D&A (FY2012)



SOURCE: Companies' data

(1) Calculated as total Revenue or EBITDA divided by average selling space as of 31 December 2011, 31 March, 30 June, 30 September and 31 December 2012



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

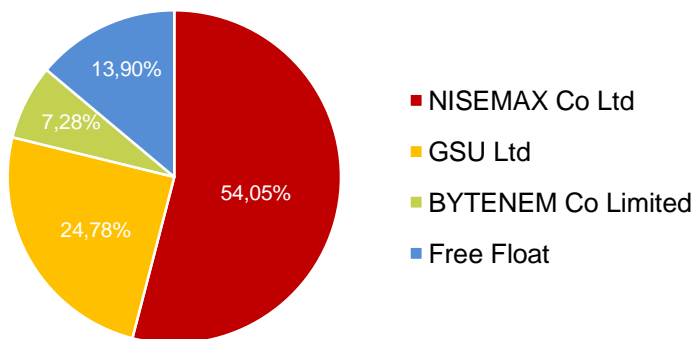
CEO

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

Top management

- Responsible for 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