

O'KEY Group S.A.

9M 2012 Operating results





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9M 2012 Key highlights

1H 2012 Operational & 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 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 19 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 September 30, 2012)

	Hypermarkets	Supermarkets
Number of stores	46	31
Total selling space ('000 sqm)	338 (89%)	41 (11%)
Av. selling space (sqm)	7,300	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	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 semester; as of 30 June 2012; (2) By banner sales based on Planet Retail as of Q1 2012

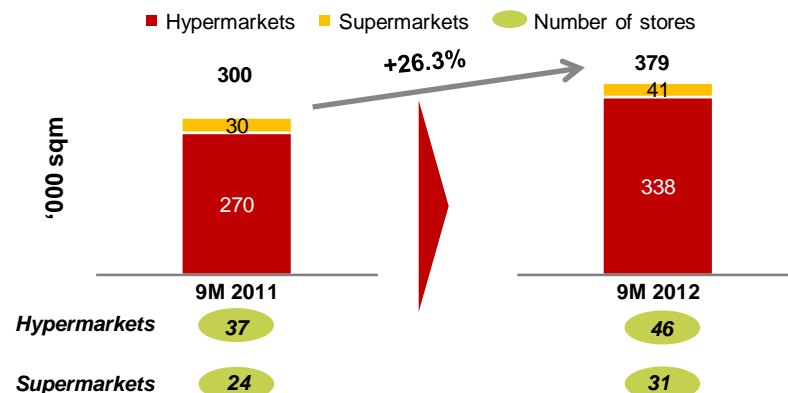


Geographical coverage (as of September 30, 2012)

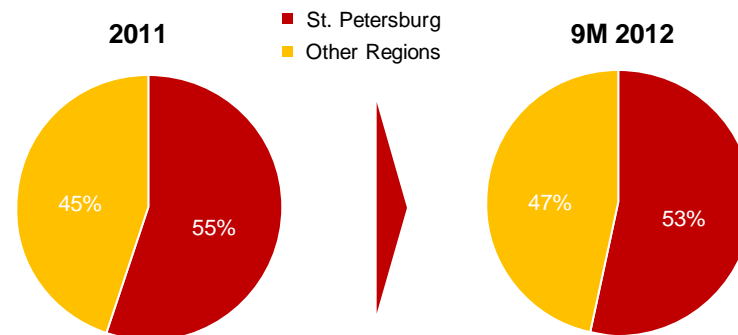


(1) Including Krasnoe Selo and Kingisepp; (2) Including Moscow Region

Selling space and number of stores (as of September 30, 2012)



Revenue composition



SOURCE: Company data as of 30th September 2012 based on Revenue from sale of goods



Differentiated shopping experience...

- Pleasant and comfortable shopping experience



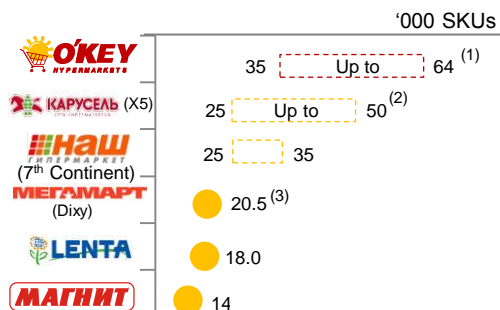
- Convenient locations with direct road access and large parking areas
- "All under one roof" concept with additional services and adjacent stores in the same building
- Spacious buildings with easy navigation on the trading floor
- Modern design of interiors with particular focus on the comfort and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

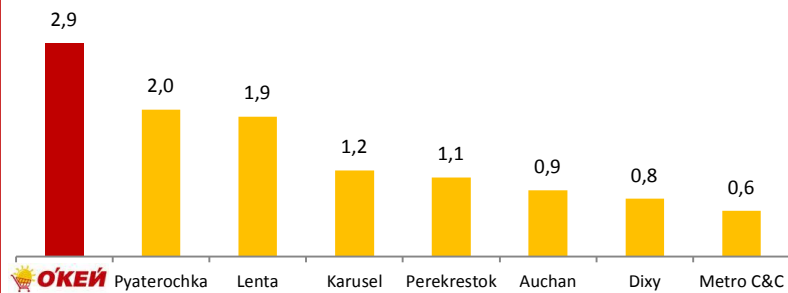
(1) As of 30 June 2012 (2) As of December 2011 (3) As of 30 November 2011





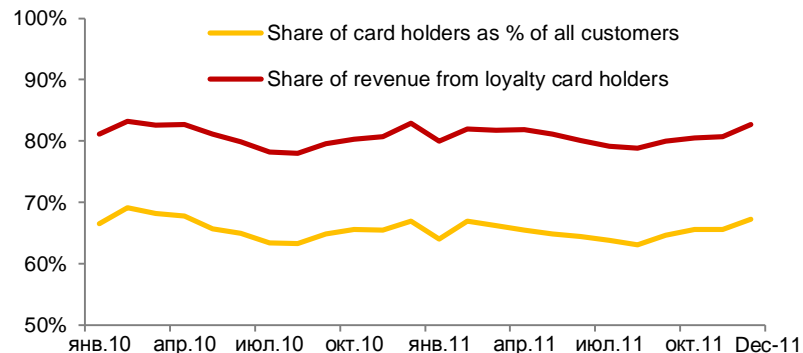
Customers' loyalty and high brand equity

Highest store equity⁽¹⁾ among competitors...



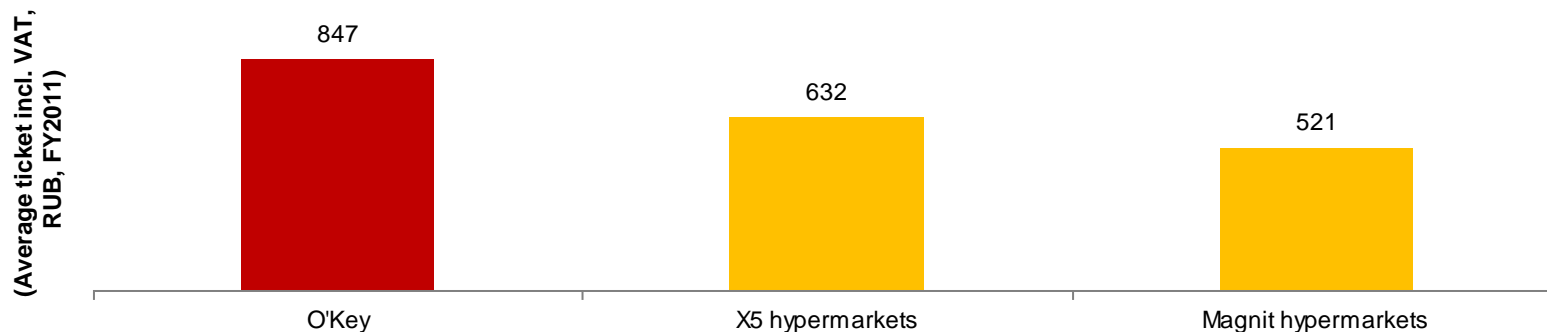
SOURCE: Nielsen 2011, St. Petersburg Brand Leadership

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



SOURCE: Company data

... supporting higher than average basket (hypermarkets)



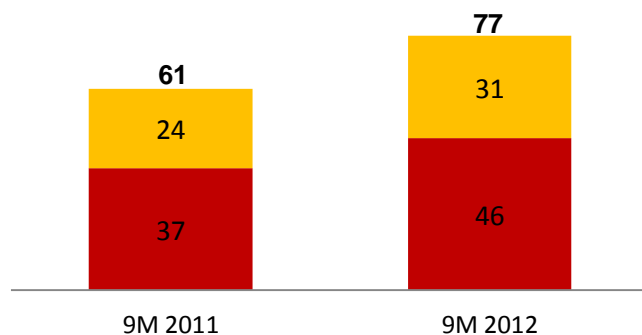
SOURCE: Company data

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



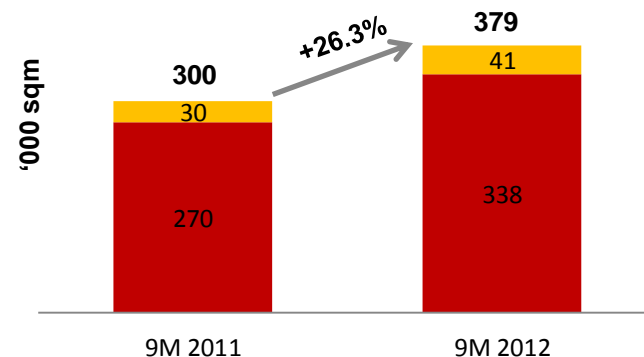
Number of stores

■ Hypermarkets ■ Supermarkets



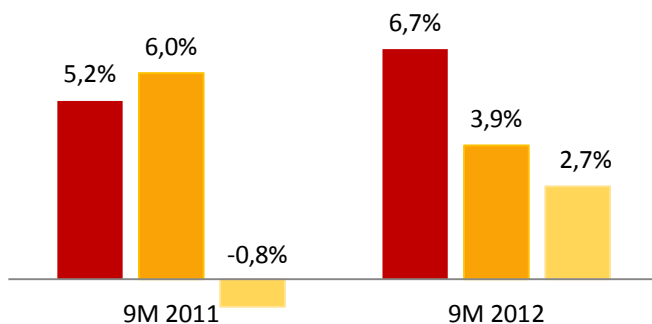
Selling space

■ Hypermarkets ■ Supermarkets

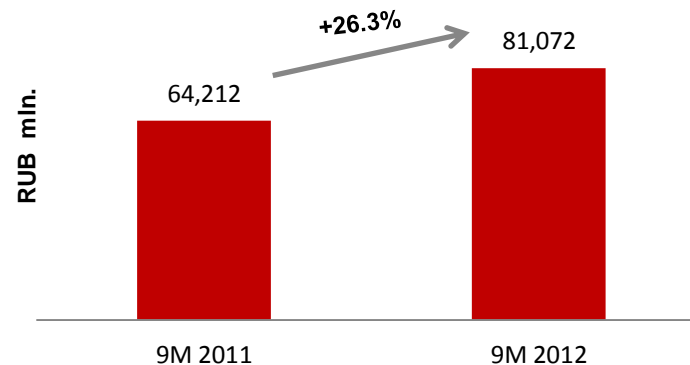


LFL

■ 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 2007-2011
- ✓ Expansion in the regions with 47% 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
- ✓ 27 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 9M 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

9M 2012 Key highlights

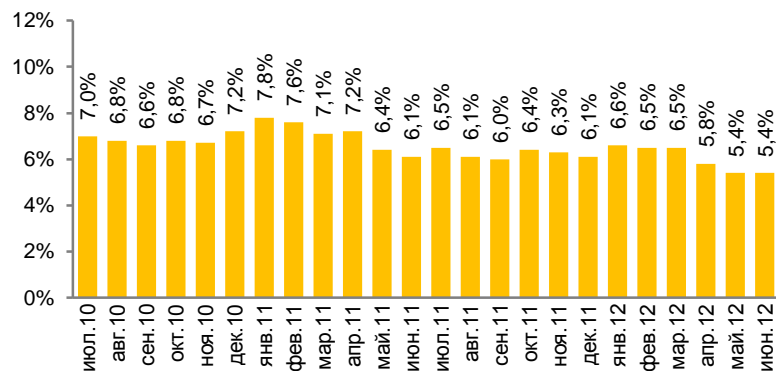
1H 2012 Operational & Financial Review

Strategy & Outlook

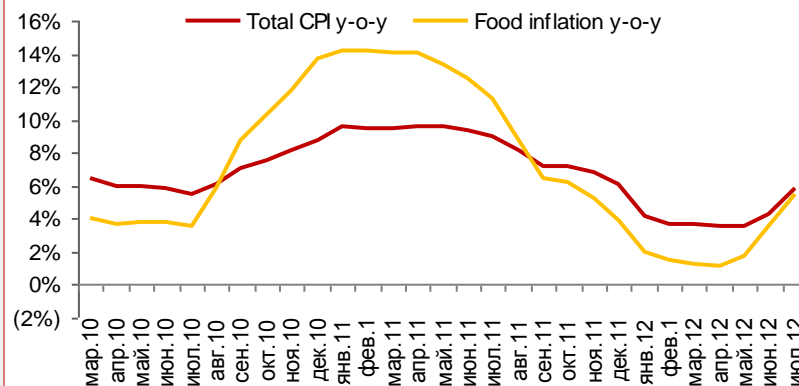
Appendix



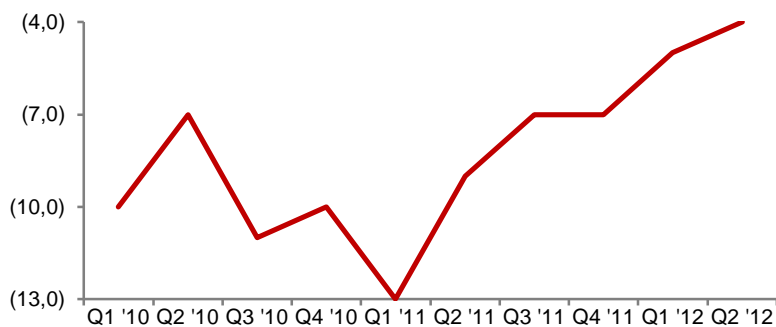
Unemployment rate



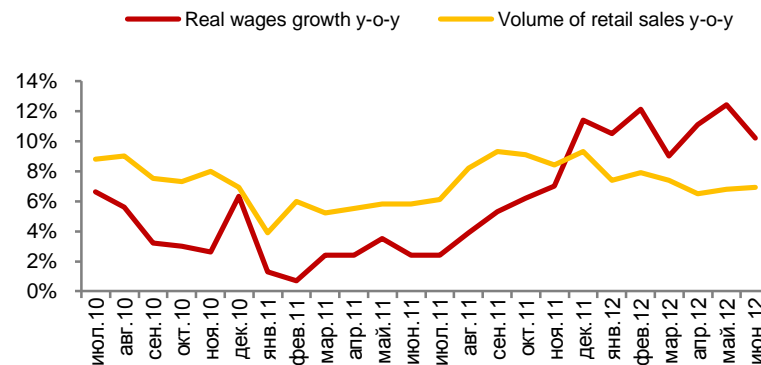
Inflation



Consumer Confidence Index



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



SOURCE: Russian Statistics Bureau

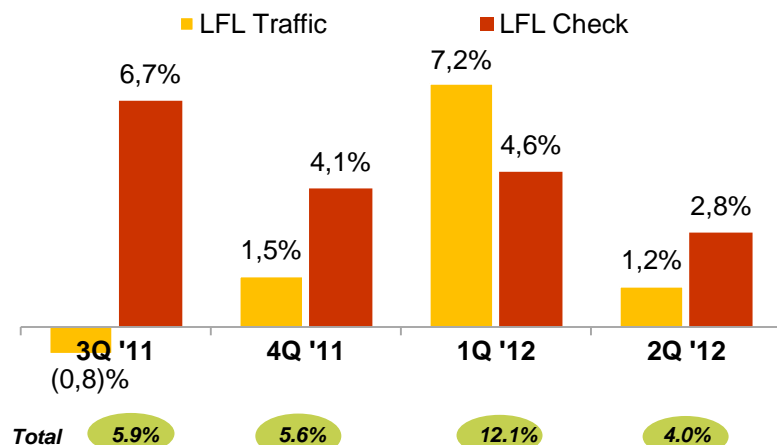
(1) Retail sales represent total retail sales by trading companies, private entrepreneurs and markets as defined by Russian Statistics Bureau





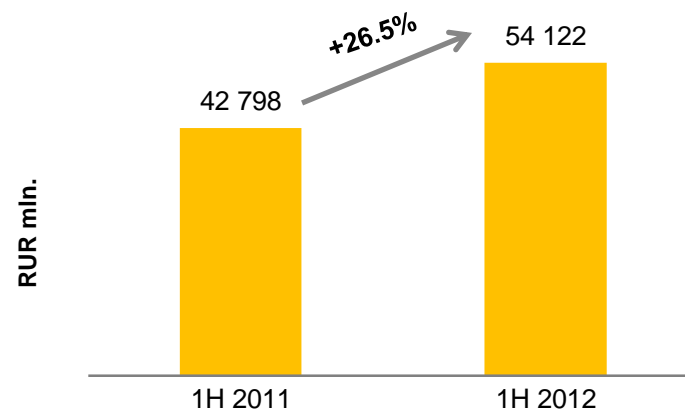
Overview of results: LFL and revenue

LFL revenue (RUB terms)



- LFL traffic demonstrated solid growth during 1H 2012, supported by the comparable base effect in 1Q
- LFL basket growth kept decelerating during most of 1H 2012 following food inflation trends

Revenue



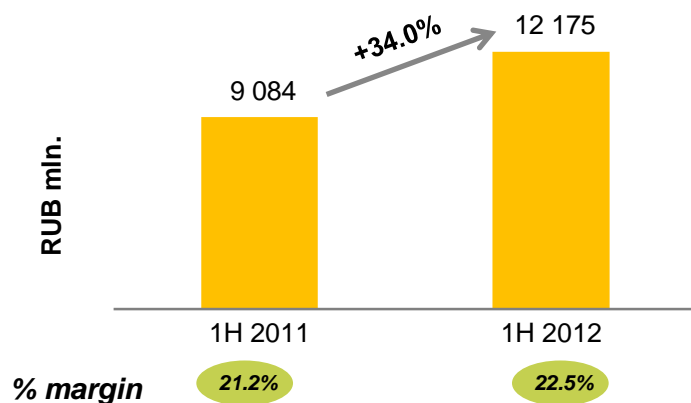
- Revenue growth was driven by selling space addition with 16 stores opened since 1H 2011 and 25,6% growth in sq.m.
- LFL revenue of 7,9% for 1H 2012 further enhanced revenue growth
- Rental income accelerated by 49,5% following the increase in leased out space and improved occupancy of existing space

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

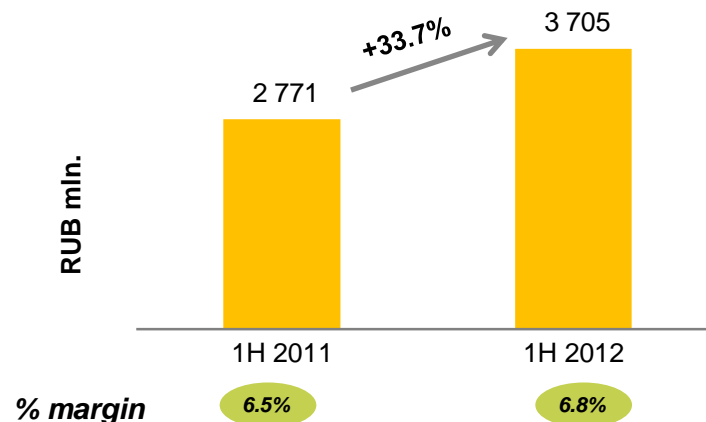


Gross profit and margin



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

EBITDA and margin



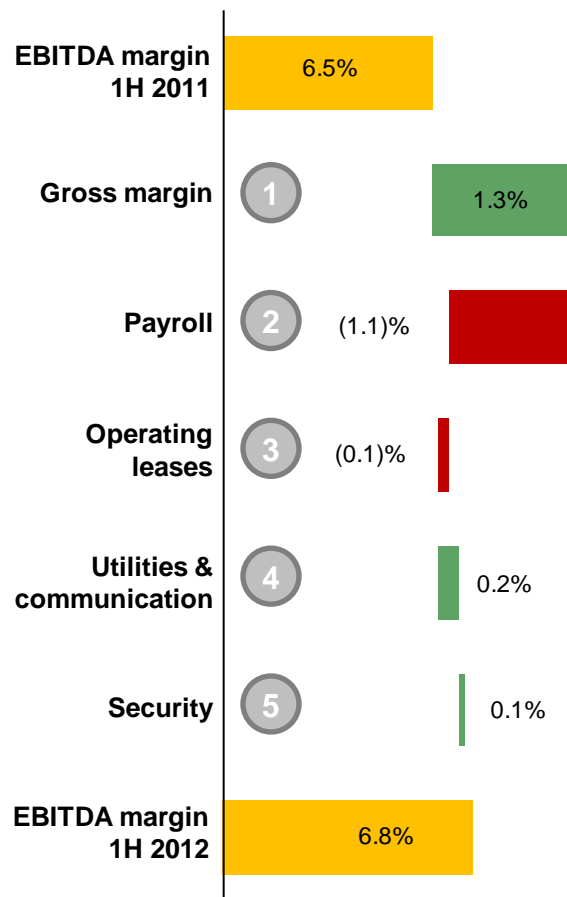
- EBITDA margin improved on the increase in gross profit margin
- Compared to 1H 2011, EBITDA was adversely affected by increase in payroll costs which is commented on the following page

SOURCE: Reviewed IFRS financial statements for 1H 2012



EBITDA margin bridge 1H 2011 – 1H 2012

Key comments



1 Gross margin strengthening driven by improved purchasing terms

2 Payroll costs rose due to higher staffing requirements for 16 new stores, pre-opening costs and bonus payments

3 Operating leases increased following 30% increase in rented area y-o-y

4 Decrease in utility costs as % of sales resulted from the tariff rates being blocked in 1H 2012

5 Security costs increased below revenue growth as a result of slight optimization compared to 1H 2011

SOURCE: Reviewed IFRS financial statements for 1H2012





Summary consolidated P&L

Summary P&L

RUB mln.	1H 2012	1H 2011 ⁽¹⁾
Revenue	54,122	42,798
<i>YoY growth</i>	26.5%	11.9%
Gross profit	12,175	9,084
<i>Gross margin</i>	22.5%	21.2%
SG&A	(9,516)	(7,172)
<i>% of revenue</i>	17.6%	16.8%
Other op. income (expense)	(63)	(4)
Operating profit	2,722	1,916
<i>Operating margin</i>	5.0%	4.5%
Finance income	9	22
Finance costs	(503)	(365)
Foreign exchange gains/(losses)	20	106
Profit before tax	2,248	1,679
Income tax expense	(779)	(598)
Profit for the year	1,470	1,081
<i>Net Profit margin</i>	2.7%	2.5%

SOURCE: Reviewed IFRS financials statements for 1H2012

(1) 2011 restated figures





Cash flow highlights and working capital evolution

Cash flow

RUB mln.	1H 2012	1H 2011
1 Net cash from operating activities	71	(35)
2 Net cash used in investing activities	(2,499)	(1,962)
3 Net cash from financing activities	1,039	(2,971)
Net decrease in cash and cash equivalents	(1,389)	(4,968)

Comments

- 1 Operating cash increased driven by improvements in efficiency of operations and higher profitability
- 2 Increase of investing cash outflows was due to a higher number of stores under construction in 2012
- 3 Net cash from financing activities increased as we increased borrowings to finance investing activities

SOURCE: Reviewed IFRS financial statements for 1H 2012

Working capital

RUB mln.	1H 2012	1H 2011
1 Inventories	6,658	5,331
2 Trade and other receivables ⁽¹⁾	1,190	849
3 Trade and other payables ⁽²⁾	10,238	8,072
Net working capital	(2,390)	(1,892)
Cash conversion cycle	(10)	(11)

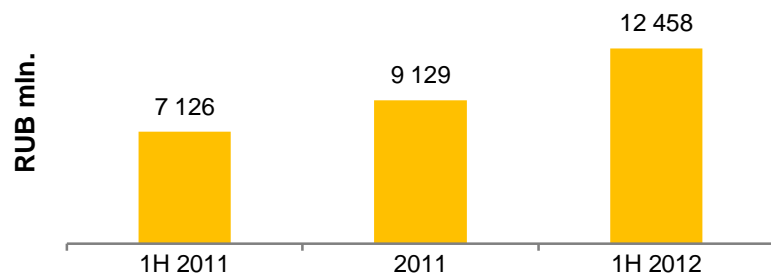
Comments

- 1 Inventory turnover has decreased due to a comparatively large number of new stores put in operations in 2H 2011 and 1H 2012
- 2 Receivable days changed in line with increase in operational activity of the Company
- 3 Payable days increased in line with the growth in volumes of operations

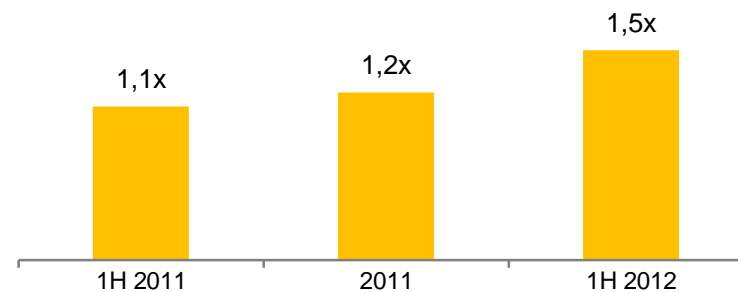
SOURCE: Reviewed IFRS financial statements for 1H 2011 and 1H 2012; (1) Includes trade receivables, VAT receivables and other receivables (bonuses and discounts from suppliers); (2) Includes trade payables and advances received



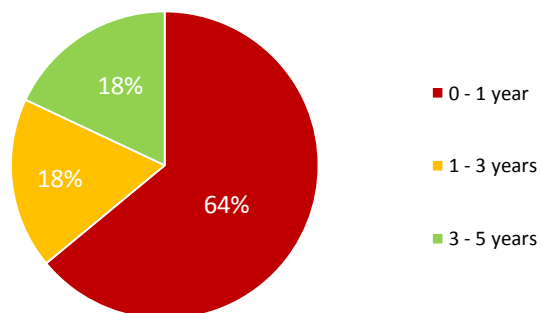
Net debt⁽¹⁾



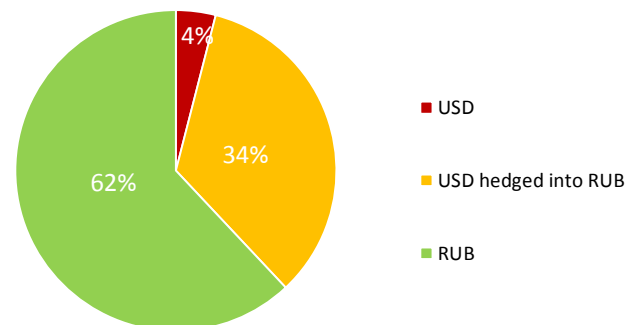
Net debt / EBITDA⁽²⁾



Debt portfolio structure by maturity (as of June 2012)



Debt portfolio structure by currency (as of June 2012)



SOURCE: Company's calculations based on reviewed interim consolidated financial statements for 1H 2011-2012 and audited consolidated financial statements for FY 2011

- (1) Calculated as total interest bearing debt (Current borrowings plus non-current borrowings) less cash & cash equivalents
 (2) For half year calculations EBITDA is annualized and includes the value current half year and the value of preceding half year results.



Summary Balance Sheet

RUB mln.	1H 2012	FY 2011
Assets		
Non-current assets		
Investment property	581	573
PP&E	21,497	20,435
Construction in progress	3,555	3,137
Intangible assets	459	518
Long-term loans issued	0	0
Deferred tax asset	296	356
Other non-current assets	6,241	5,531
Total non-current assets	32,629	30,550
Current assets		
Inventories	6,658	7,918
Trade and other receivables	1,828	1,924
Prepayments	741	399
Short-term loans issued	0	0
Cash and cash equivalents	1,561	2,942
Total current assets	10,788	13,182
Total assets	43,417	43,732

RUB mln.	1H 2012	FY 2011
Equity and liabilities		
Equity	14,881	14,304
Non-current liabilities		
Loans and borrowings	4,915	6,768
Deferred income tax liability	494	471
Other non-current liabilities	1,163	1,137
Total non-current liabilities	6,572	8,376
Current liabilities		
Loans and borrowings	9,104	5,303
Trade and other payables	12,748	15,338
Current income tax payable	112	411
Total current liabilities	21,964	21,052
Total liabilities	28,536	29,428
Total equity and liabilities	43,417	43,732

SOURCE: Reviewed IFRS financials statements for 1H 2012



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1H 2012 Operational & Financial Review

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

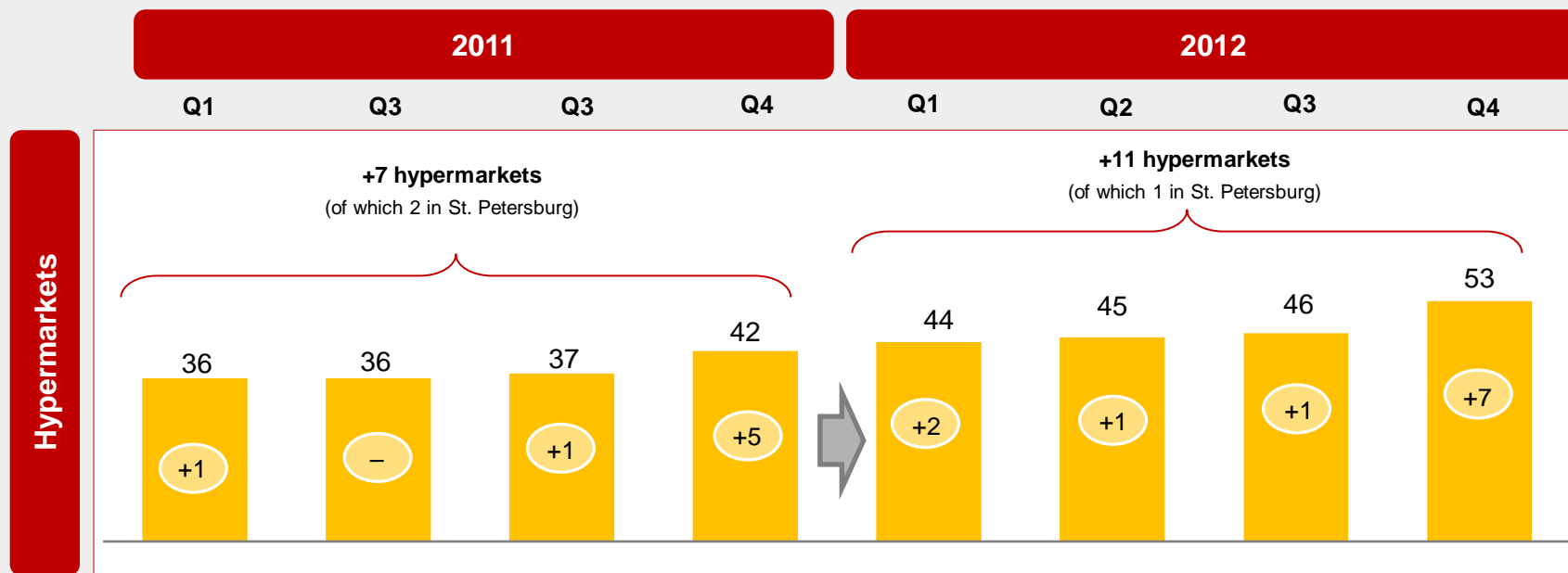


Goals	2012 Plan	2012 targets
Store rollout	<ul style="list-style-type: none"> ■ Open 11 hypermarkets ■ Open 2 supermarkets 	<p>Net selling space:</p> <p>+30%</p>
LFL	<ul style="list-style-type: none"> ■ Increase average basket at levels close to inflation ■ Generate growth in LFL traffic 	<p>LFL growth:</p> <p>7.0%</p>
EBITDA	<ul style="list-style-type: none"> ■ Focus on cost control and operating efficiency ■ Reinvesting margin improvement into price proposition 	<p>EBITDA margin:</p> <p>7.8% – 8.0%</p>
Capex	<ul style="list-style-type: none"> ■ Invest into new stores and land acquisition ■ Spend on maintenance of existing stores and IT infrastructure development 	<p>~ RUB 13bln</p>





Hypermarket rollout program



Operating stores
 Additions during the quarter

	2011	2012
■ Opened	7	7
■ Obtaining operating permit	—	4
■ Fit-out in progress	—	-
■ Construction in progress	—	-



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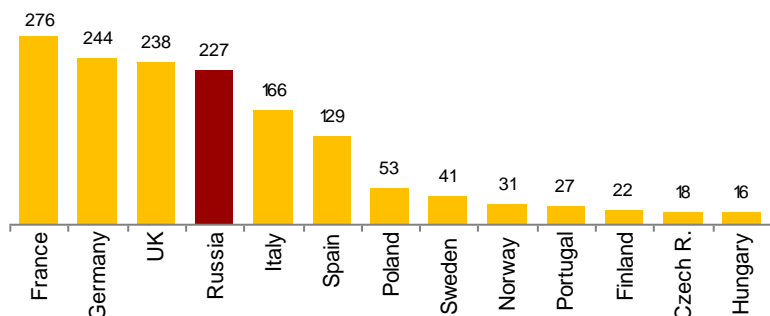




Russia is one of the world's most attractive food retail markets

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

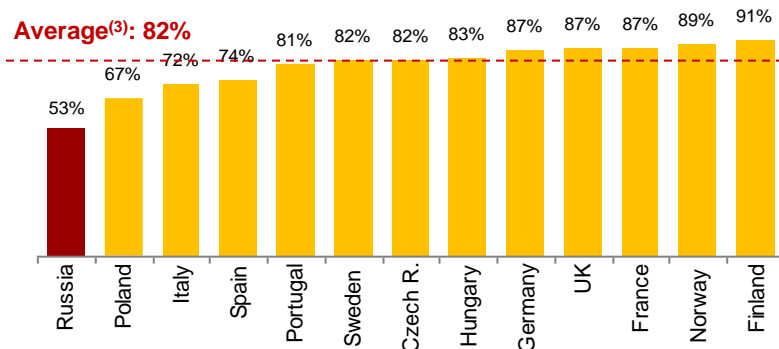
(US\$ bln.)



SOURCE: Euromonitor data for 2011

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

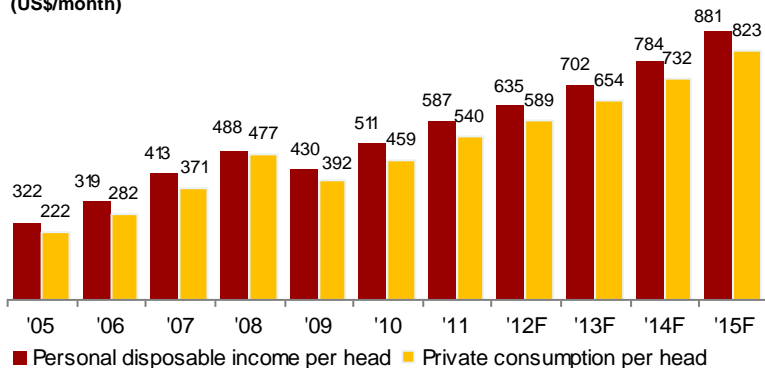
Average⁽³⁾: 82%



SOURCE: Euromonitor data for 2011

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

(US\$/month)



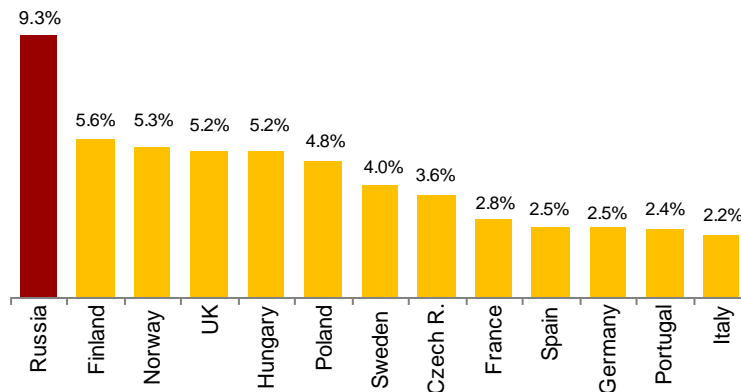
SOURCE: EIU as of April 2012

(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.

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





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

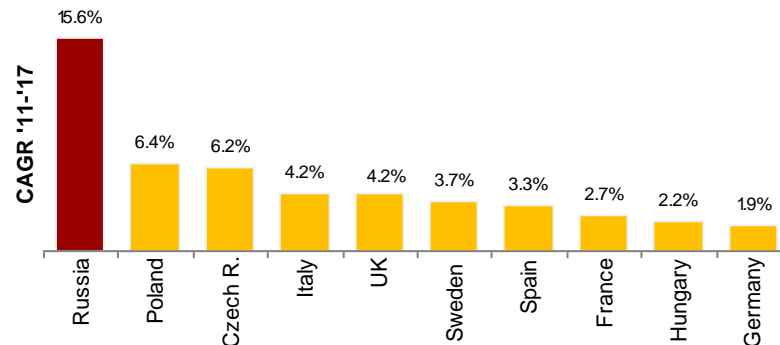
Significant undersupply of hypermarkets in Russia...

■ # of Hypermarkets & superstores (>2,000m²) per 1mln. of population



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)	338,000 (89% of total)	41,000 (11% of total)
No. of stores	45	30
Product range	SKUs: 35,000 Fresh products: 43% of total Non-food products: 25% of total	SKUs: 9,000 Fresh products: 51% of total
Penetration (No. of cities)	18	7
Average ticket (RUB) ⁽¹⁾	833	433
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





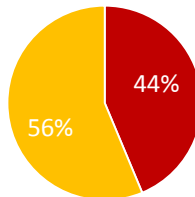
Strong customer proposition with a particular focus on fresh & delicatessen and non-food products

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

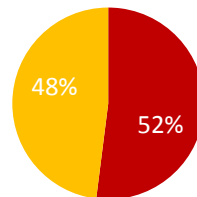


Share of fresh food in Total Retail revenue (2011)

Hypermarkets



Supermarkets

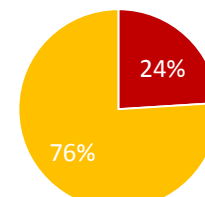


■ Fresh food ■ Other products

... 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

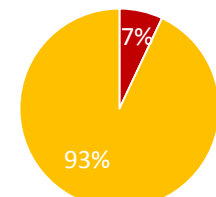


EMOTIONKIDS

EMOTIONLADY

EMOTIONMAN

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



■ Private label ■ Other products

SOURCE: Company information

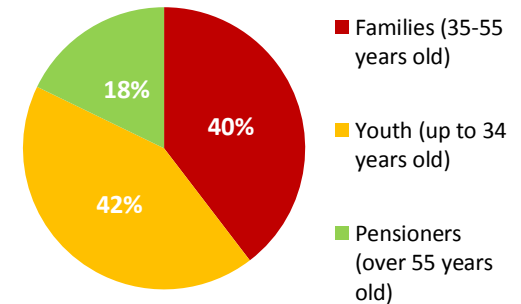




Our value proposition is customized to our formats and all customer segments

Target audience

Target audience structure



Customer types	Focus areas
Hypermarkets <ul style="list-style-type: none"> Families (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

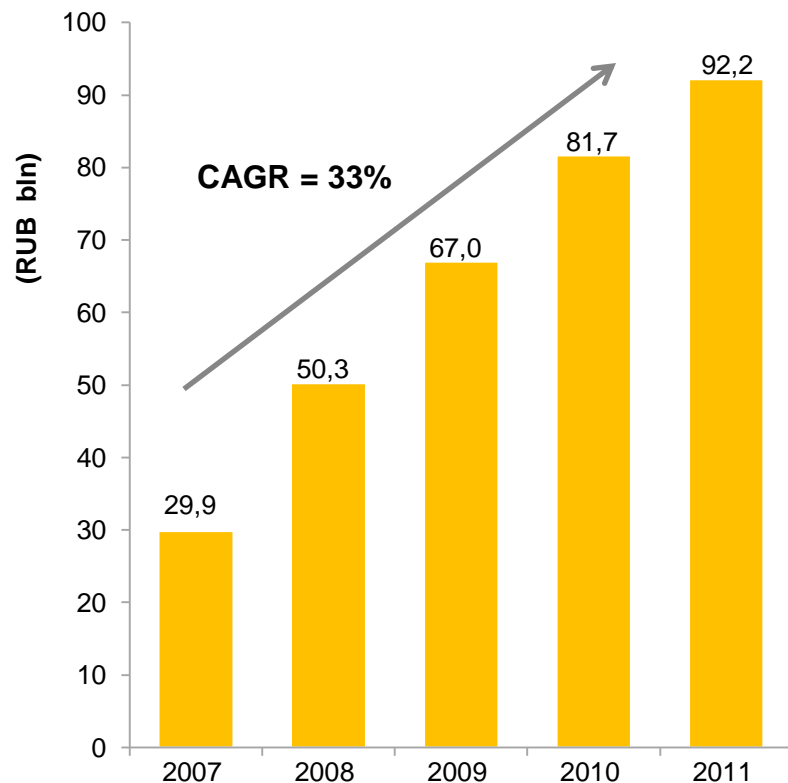
- Supply chain model hinging on direct delivery supplemented by storage warehouses for imported and private label products and cross-docking facilities
- The model brings a number of advantages to the business:
 - Availability of a wide product assortment, tailored to local consumer preferences
 - Low 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





Focus on delivering growth

Retail revenue⁽¹⁾

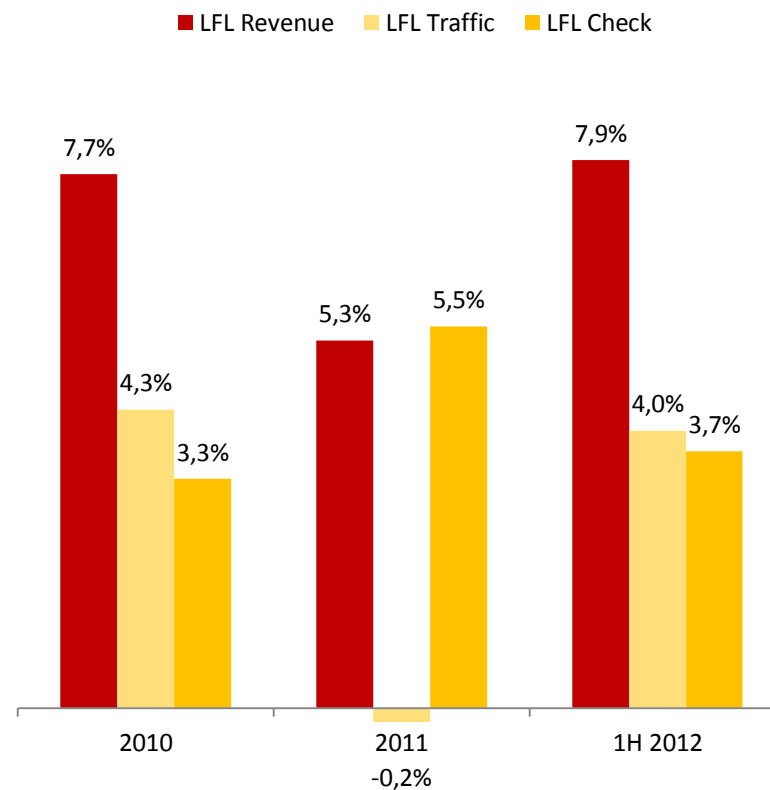


SOURCE: Audited IFRS financial statements for 2007-2011

(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)



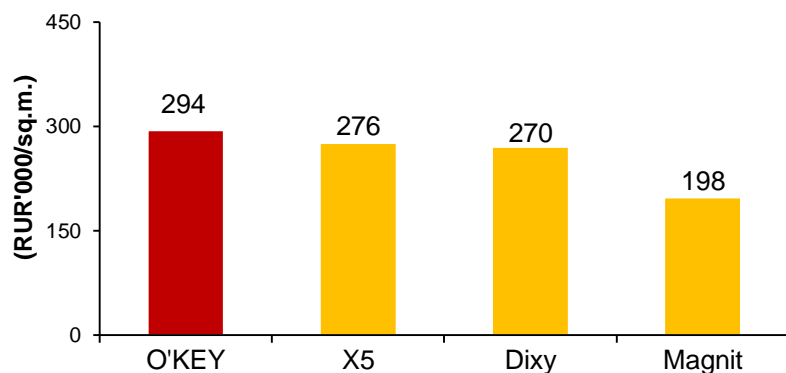
SOURCE: Management accounts



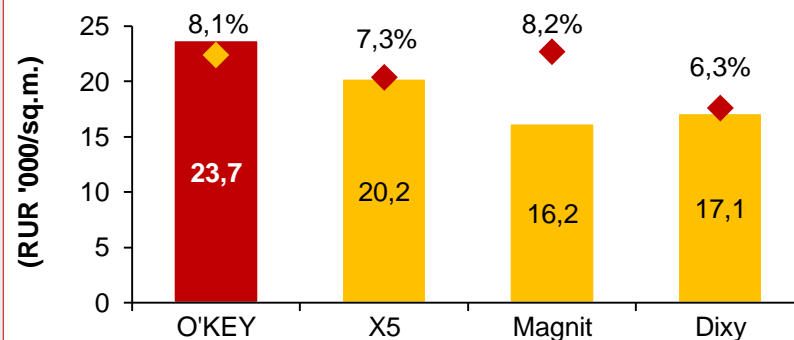


Most efficient operations among largest Russian public food retailers

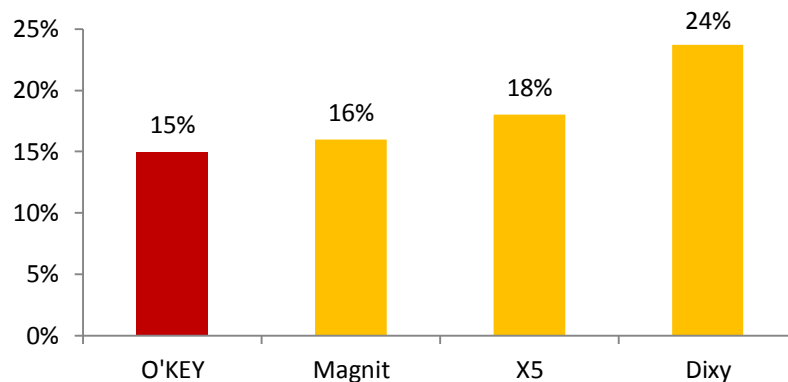
Revenue per sqm⁽¹⁾ (FY2011)



EBITDA margin and EBITDA per sqm⁽¹⁾ (FY2011)



SG&A as % of retail revenue (FY2011)



SOURCE: Companies' data

(1) Calculated as total Revenue / EBITDA divided by average selling space as of 31 December 2010 and 31 December 2011



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

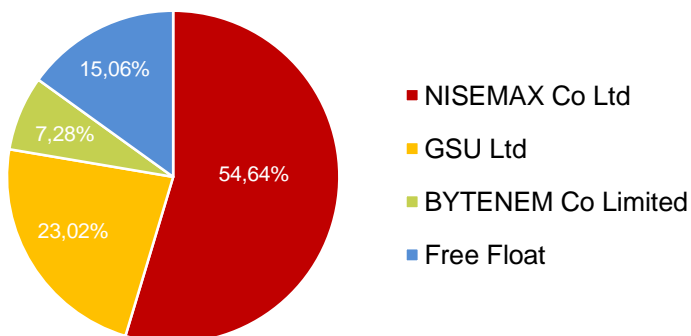
CEO

- 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

