



March 2015

O'KEY Group S.A.

Quality for the Family at the Right Price





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Quality, Family Ambience and Service at the Right Price

Fast-growing presence, strong segments & great team



- From 1 store in St. Petersburg to **112⁽¹⁾** stores in **28** cities



- 2 differentiated formats: hypermarket and supermarket



- DA!, a unique for Russia discount project ready for launch in 2015



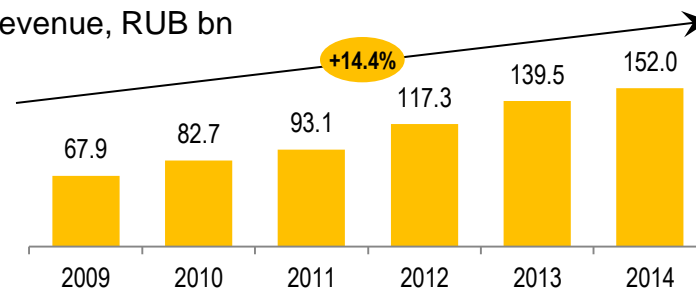
- On-line shopping launched with 10,000 SKUs



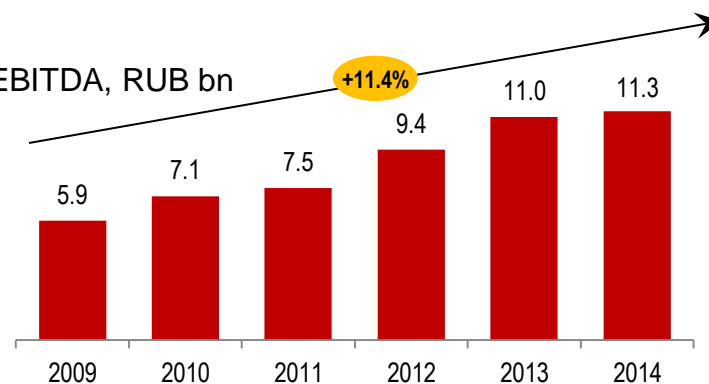
- 26,000** employees

2014

Revenue, RUB bn



EBITDA, RUB bn







Note: (1) as of today





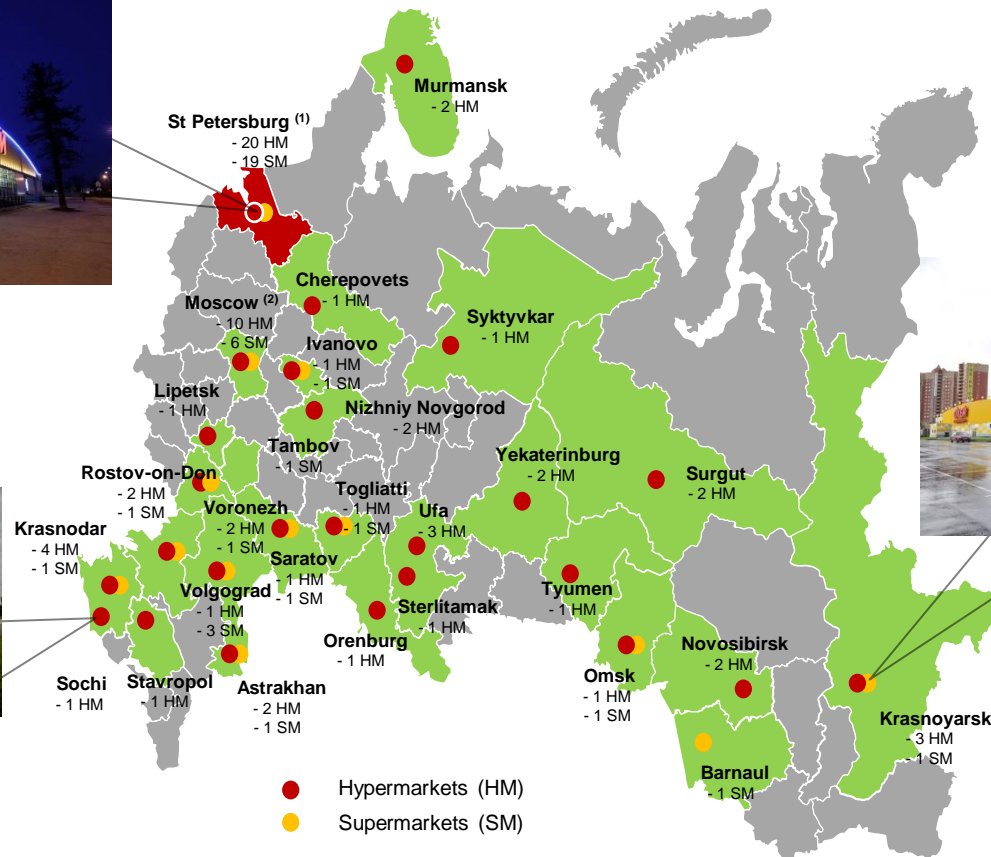
Multi-Format Business with Core Focus

	Hypermarkets	Supermarkets
Average store selling space ('000m ²)	7.3	1.3
Total selling space (m ²)	503,000 (91% of total)	49,000 (9% of total)
No. of stores ⁽¹⁾	70	42
Product range	SKUs: 35,000 Fresh products: 43% of total Non-food products: 24% of total	SKUs: 12,000 Fresh products: 51% of total
Penetration (No. of cities)	28	15
Average ticket (RUB)	970	511
Target audience	People living within 15 minutes by car	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: (1) as of today



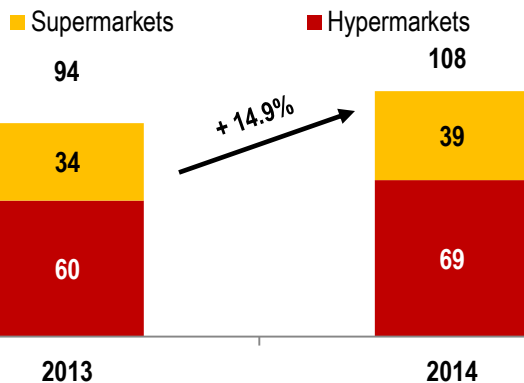
Strong Federal Player



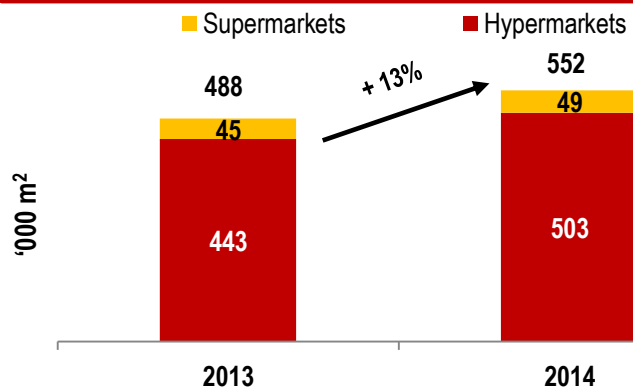
Note: (1) As of December 31, 2014



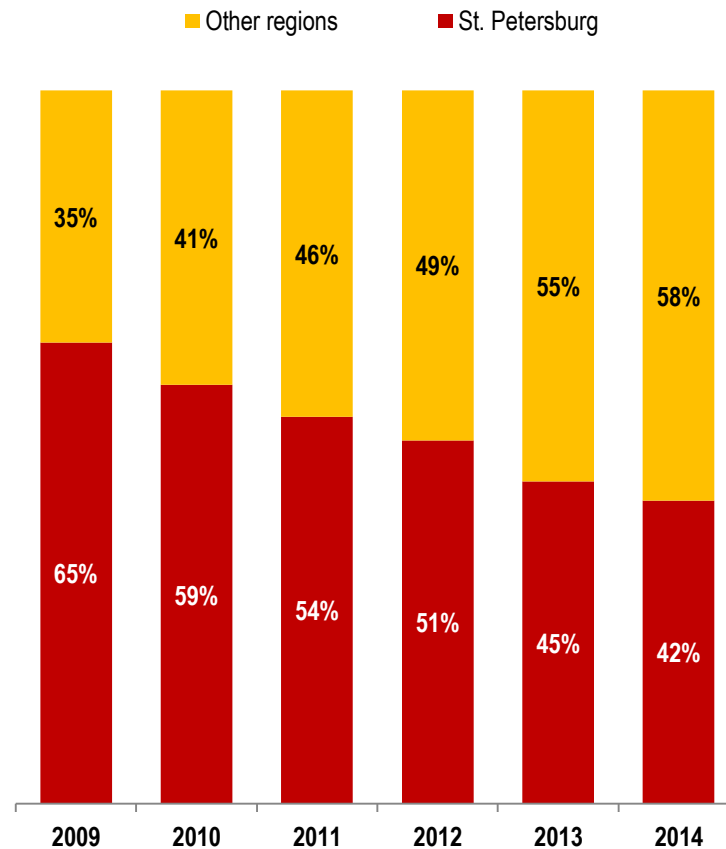
Number of stores⁽¹⁾



Trading space⁽¹⁾



Revenue composition



SOURCE: Company data

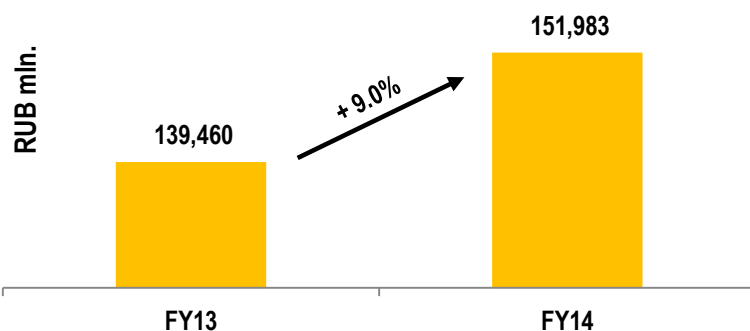
Note: (1) As of December 31, 2014



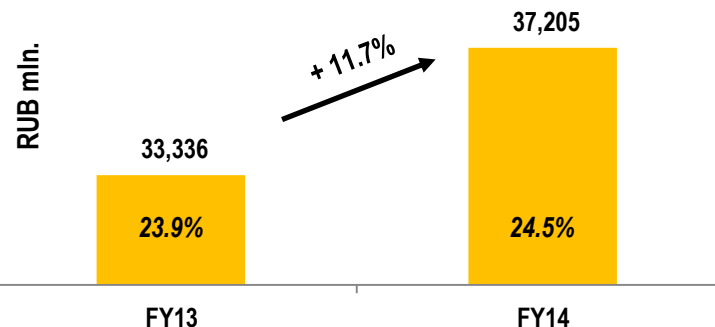


2014 Results Overview: Revenue, Gross Profit and EBITDA

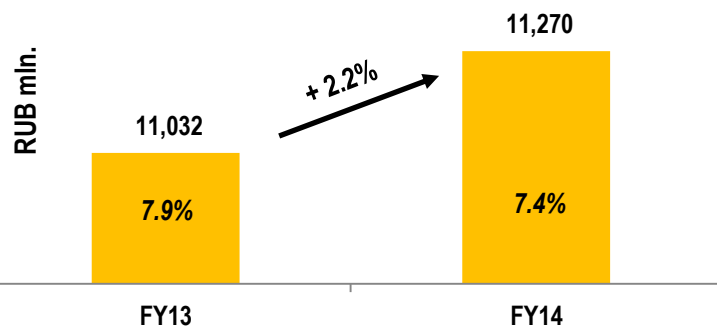
Revenue



Gross profit⁽¹⁾



EBITDA



Comments

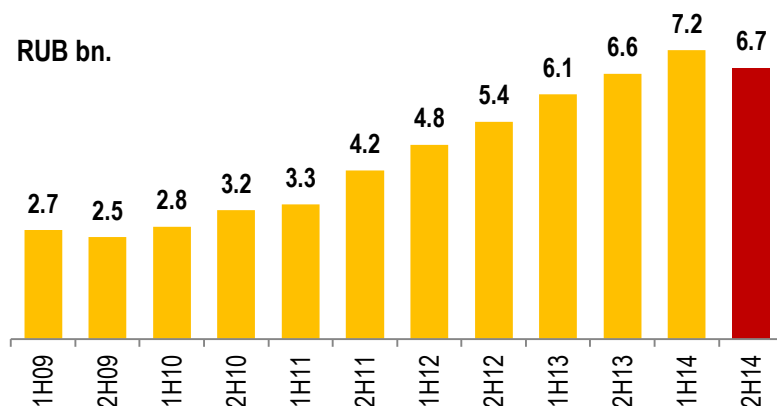
- Positive dynamics in gross profit margin were primarily the result of an improvement in the terms and conditions within our supplier agreements
- In addition to the improvement in gross profit, we also saw benefits accruing from our cost optimisation programmes affecting the EBITDA line
- EBITDA grew at a slower pace vs revenue due our to investment in our discounter project, extensive marketing campaigns and growing cost of rent, denominated in foreign currency

SOURCE: Audited IFRS financial statements for 2014



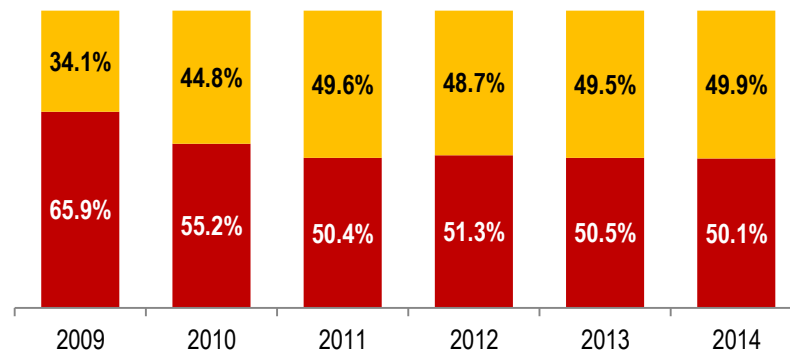
Personnel costs

RUB bn.



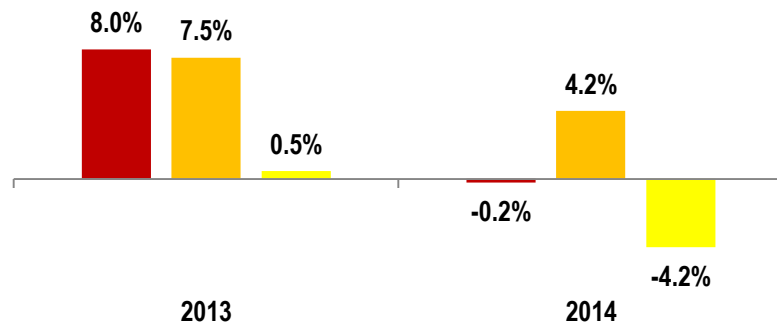
Selling space: Owned versus rented

On rent Own property



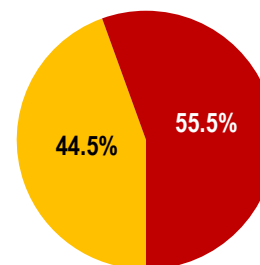
LFL analysis

LFL revenue LFL ticket LFL traffic



Rent breakdown (% of rented space)

in USD in RUB



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;
SOURCE: Audited IFRS financial statements for 2014





Challenging Operating Environment

Challenges

Actions

Customers become more cost conscious



- More offerings in entry price segment
- More price segmentation

Effective cost management is critical to future success



- Headcount reduction
- Streamlining business processes
- Re-negotiate supplier terms

Tougher monetary environment, many companies forced to cut marketing, headcount, salaries



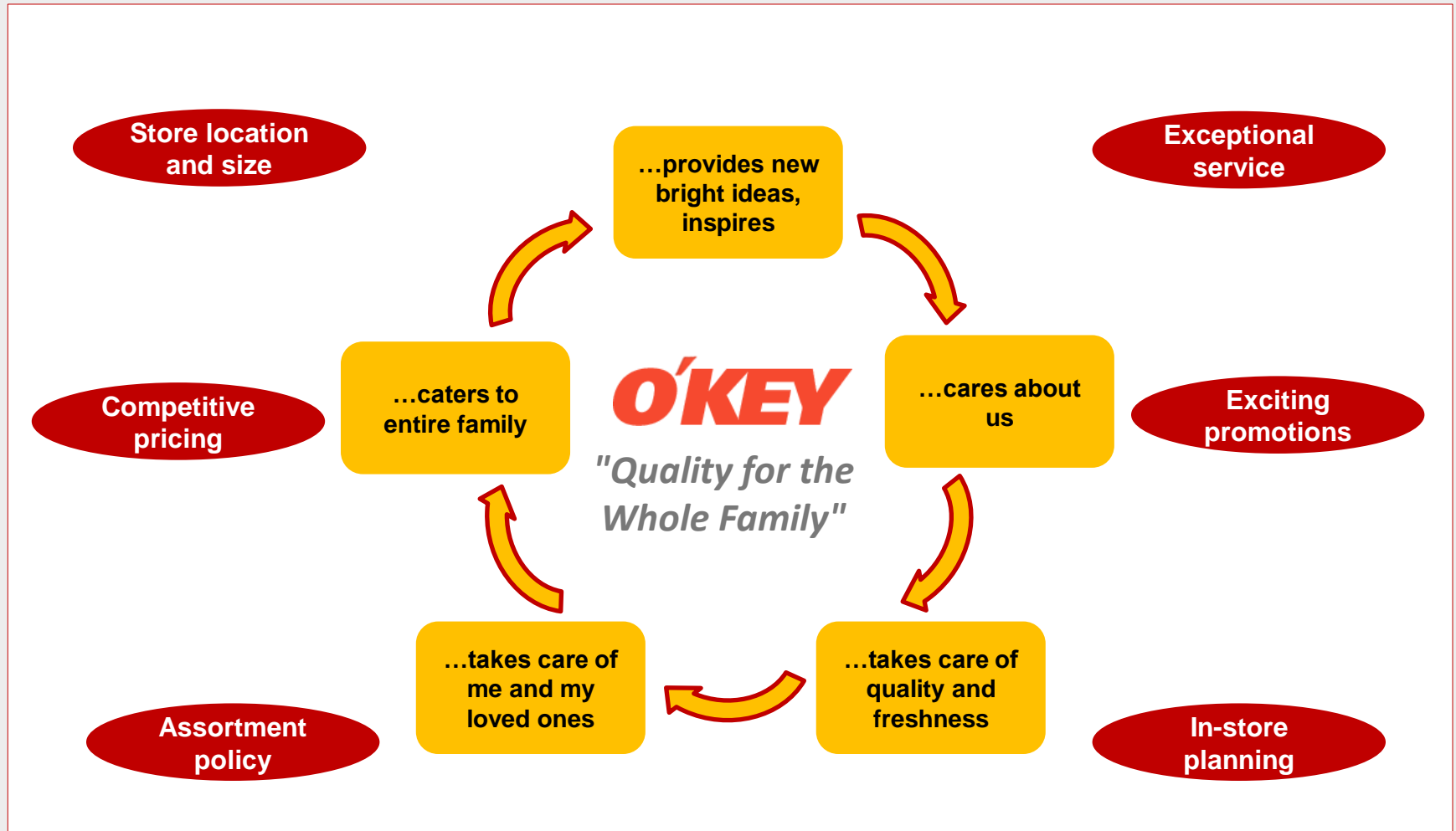
- Reinforce marketing campaigns and increase in-store promotions
- Investing in brand building

More stringent financial and borrowing environment



- Working capital – rigorous management
- Careful management of debt

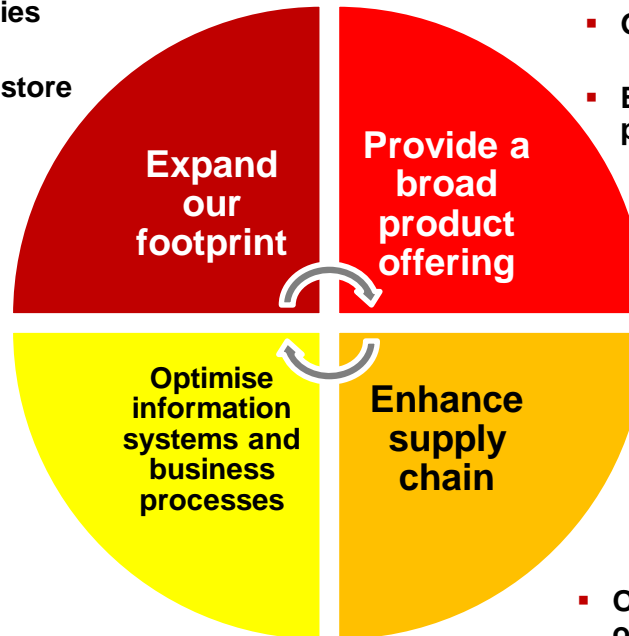






Our Key Deliverables

- Further penetrate the Russian market with emphasis on Moscow and Moscow region
- Launch discounter format to reach new shopping occasions and geographies
- Ensure that all new locations and store plans fit our value proposition



- Develop category management
- Reintroduce local produce
- Grow share of our private labels (PL)
- Enhance assortment of first price products

- IT platform upgrade
- High level in-store execution
- Introduce best practices into existing business processes

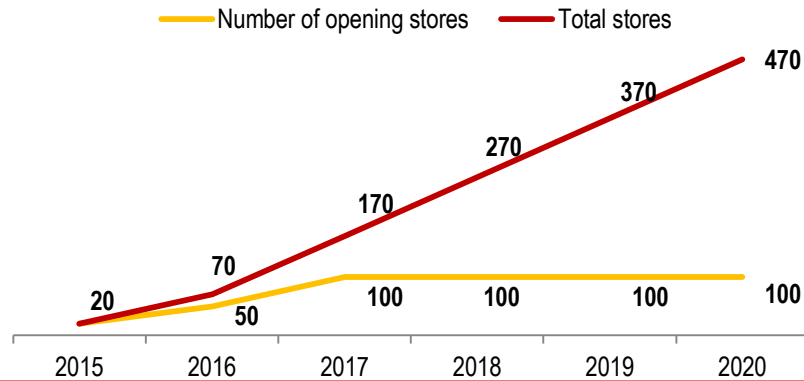
- Optimise supply chain for every category of product and SKU
- Maintain high shelf availability and optimal inventory levels
- Improve efficiency of logistics supporting import and PL operations





Discounter Format – Ready to Launch in 2015

Rollout plans



Key Project Highlights

- Discount-Concept
- Optimal assortment 1,400 SKUs
- Customer Needs oriented
- Very strong focus on Private Labels
- Focus on quality products with competitive prices
- Simple business structure
- Optimised goods flow to increase efficiency
- Focus on internal cost structures to guarantee low price level
- Dynamic development





Discounter Format – Ready to Launch in 2015



Our stores

- Modern and attractive design
- Sales area ~750 m²
- Catchment area: 50,000 inhabitants
- Parking – 60-80 cars
- Modern equipment





Discounter Format – Ready to Launch in 2015



Why customers should come to DA!

- Near to my home
- All my main needs covered
- I find a good choice of fresh products: Fruits and Vegetables, Meat, Fresh Bakery, Dairy
- I buy goods with the best Quality/Price relation
- I can do my shopping fast, I save time





Discounter Format – Ready to Launch in 2015



Distribution centre

DC South (Stupino)

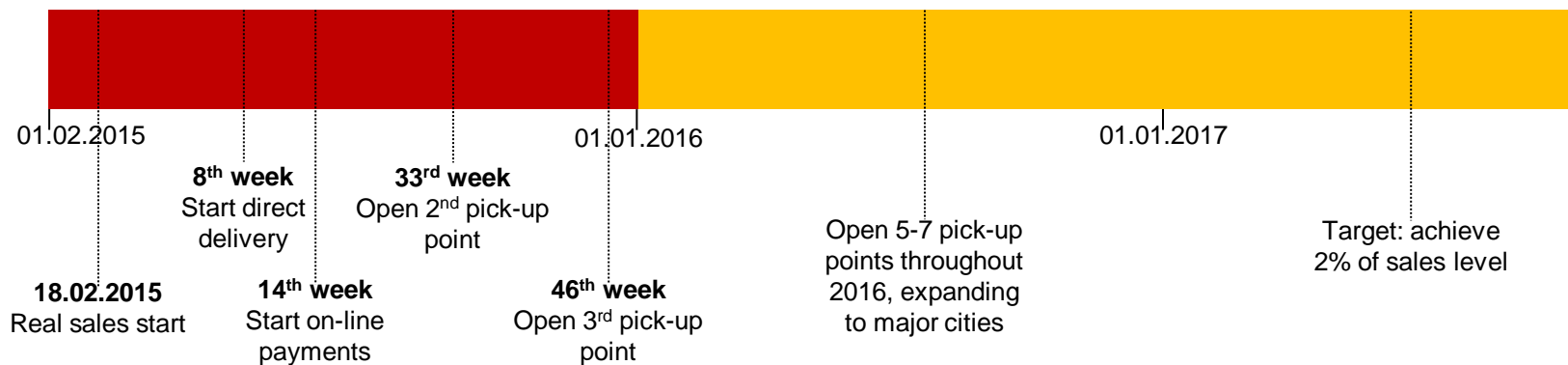
- 53,000 m2
- Opening: May/June 2015
- Delivery to 250 stores
- All temperature zones
- Modern equipment
- Location – Stupino (53 km from MKAD)
- Own truck-fleet



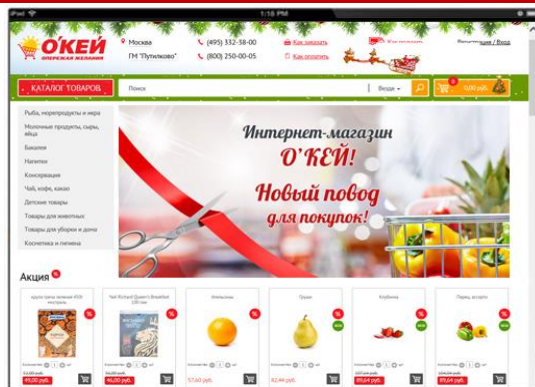


Introducing On-Line Shopping

Project timeline



Our web-site



Key facts

- IBM WebSphere Commerce platform
- 10,000 SKU-basic categories FMCG (Dry, Fresh, Ultra Fresh, Non Food)
- Prices online = Prices offline
- Goods replacement in case of out-of-stocks
- Assortment enlargement up to 35,000 SKU in online channel





Our Team

Our Management Team Consists of Experienced Professionals



Tony Maher,
CEO



Dmitry
Priyanikov,
CFO



Vladislav
Kurbatov,
Sales, Director



Armin Burger,
CEO of "Da!"



Sergey
Shamov,
SM, Director



Angelo Turati,
Commercial
Director



Elmira
Hadieva,
HR, Director



Marina Kagan,
GR, IR and PR,
Director



Sergey Pavlov,
Marketing
Director



Elena
Remennikova,
E-commerce,
Director



Vladimir
Lobastov,
Legal Dpt.,
Director



Sergey
Kovalev,
IT, Director



Sergey
Matveev,
Risk Mgmt.,
Director



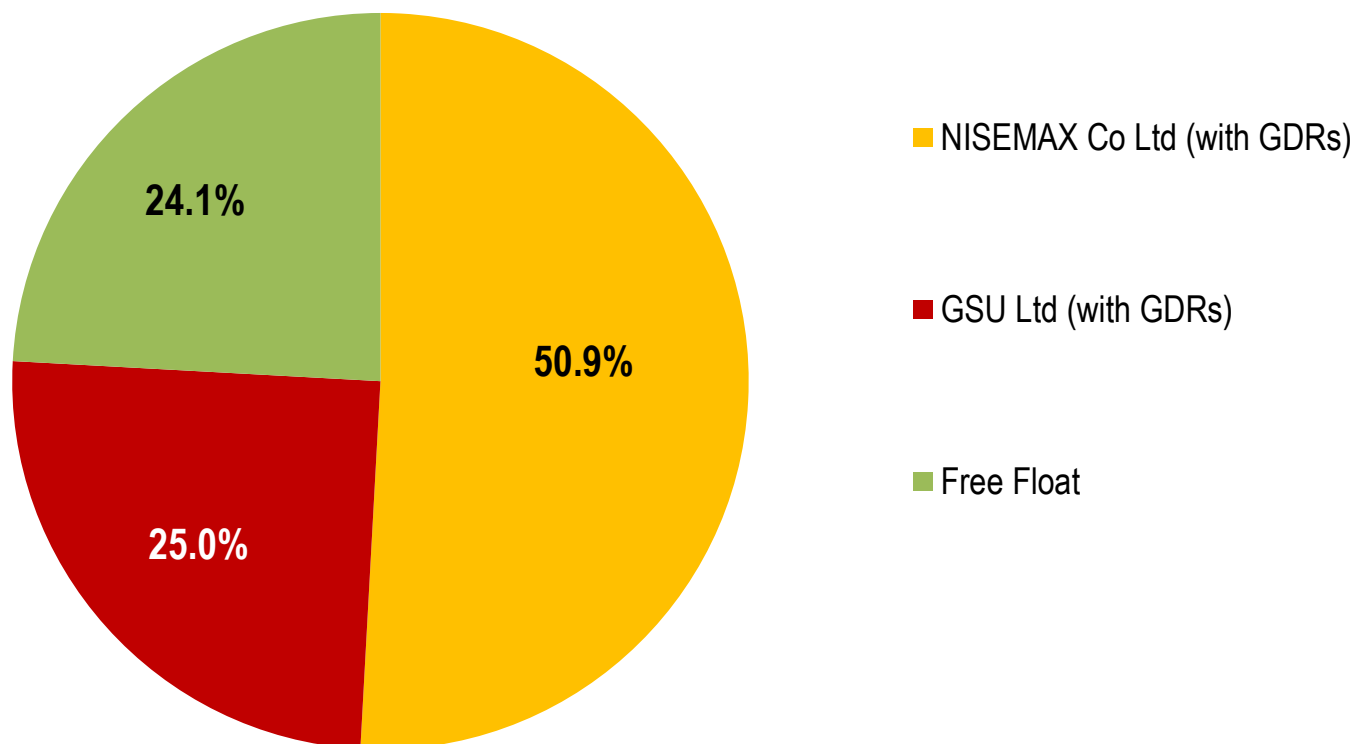
Marc Leblond,
Logistics,
Director



Appendix



Shareholder structure



Note: As of March 12, 2015





Summary Consolidated P&L

Summary P&L

RUB mln.	FY14	FY13	Change, YoY
Revenue	151,983	139,460	9.0%
Gross profit	37,205	33,336	11.6%
<i>Gross margin</i>	<i>24.5%</i>	<i>23.9%</i>	
SG&A	(29,117)	(24,941)	16.7%
<i>% of revenue</i>	<i>19.2%</i>	<i>17.9%</i>	
Other op. income (expense)	478	(519)	
Operating profit	8,566	7,876	8.8%
<i>Operating margin</i>	<i>5.6%</i>	<i>5.6%</i>	
Net finance cost	(1,588)	(1,140)	
Foreign exchange gains (losses)	(688)	69	
Profit before tax	6,314	6,852	-7.8%
Income tax expense	(1,089)	(1,875)	
Profit for the period	5,226	4,976	4.9%
<i>Net profit margin</i>	<i>3.4%</i>	<i>3.6%</i>	

SOURCE: Audited consolidated IFRS statements for 2014





Summary Consolidated Balance Sheet

Summary Balance Sheet

RUB mln	FY14	FY13
Property and Equipment	40,007	30,707
Other non-current assets	20,418	14,747
Inventories	12,859	10,258
Trade and other receivables	6,207	5,106
Cash and cash equivalents	5,810	3,007
Prepayments	1,278	823
TOTAL ASSETS	86,579	64,647
Equity	24,197	21,399
Long-term borrowings	19,655	14,442
Other long-term liabilities	914	700
Trade and other payables	29,098	25,319
Short-term borrowings and short-term portion of long-term borrowings	12,426	2,313
Other short-term liabilities	289	474
TOTAL EQUITY AND LIABILITIES	86,579	64,647

SOURCE: Audited consolidated IFRS statements for 2014



Introduction of a new DC concept...



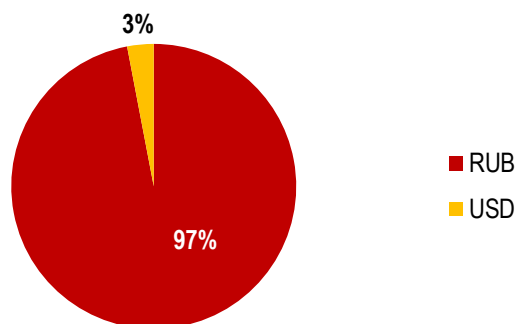
... will help us cut supply costs

- All shops will receive goods from the federal DC
- Regional DC will be focusing on collecting goods from regional producers
- Introducing VMI (Vendors Management Inventory) to effectively control and forecast stocks
- Use of video control and technologies to automatise the process
- Value for money – minimising initial investment to get the best quality
- New supply chain will help to reduce working capital and stock at store level
- Administration costs will be reduced at store level

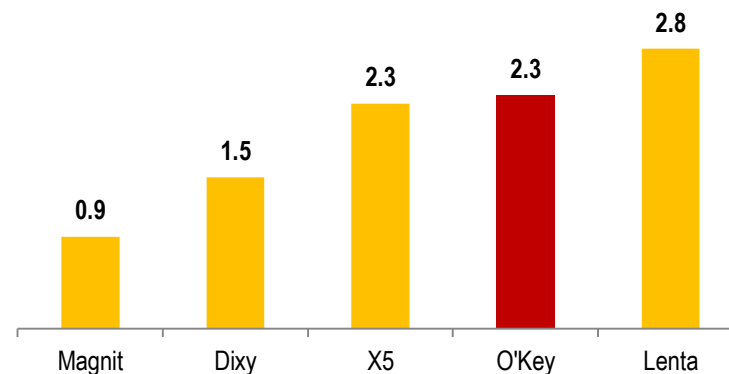
SOURCE: Company data



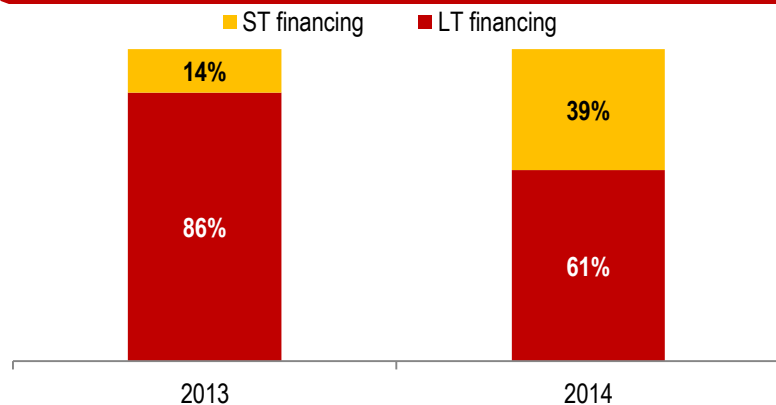
Debt breakdown by currency



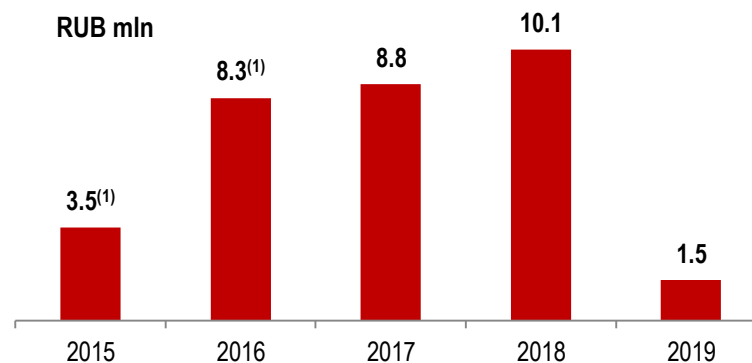
Net Debt/EBITDA



Long-term and short-term debt mix



Debt maturity schedule



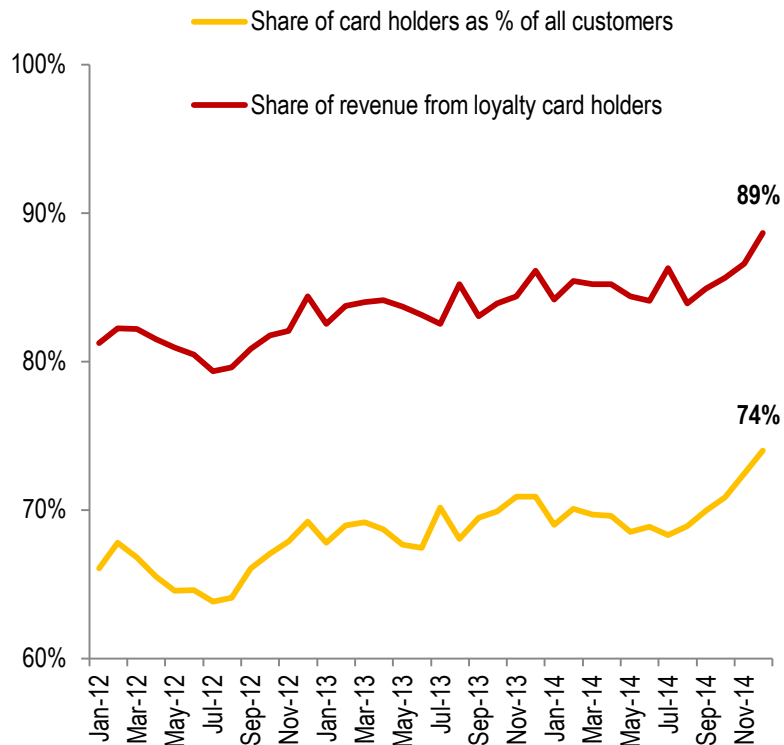
SOURCE: Audited consolidated IFRS statements for 2014
 Note: (1) Excluding callable bond options in 2015-2016





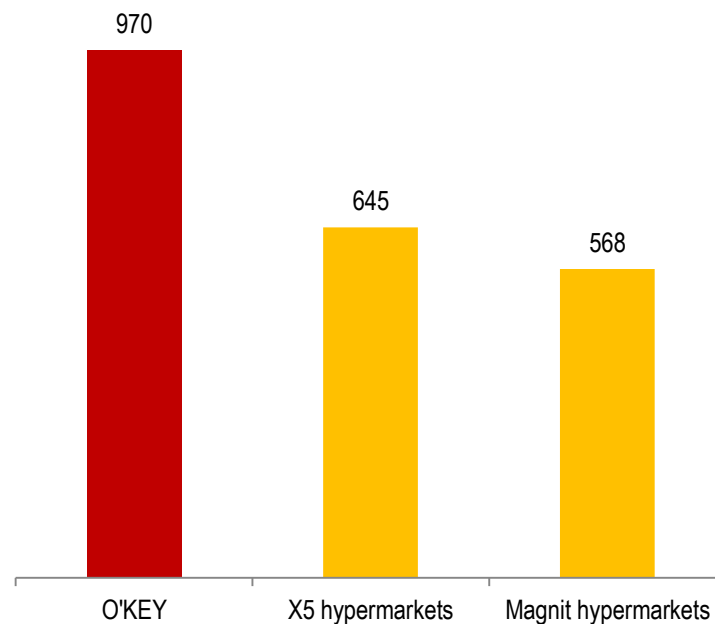
Understanding Our Customer

High level of customer loyalty...

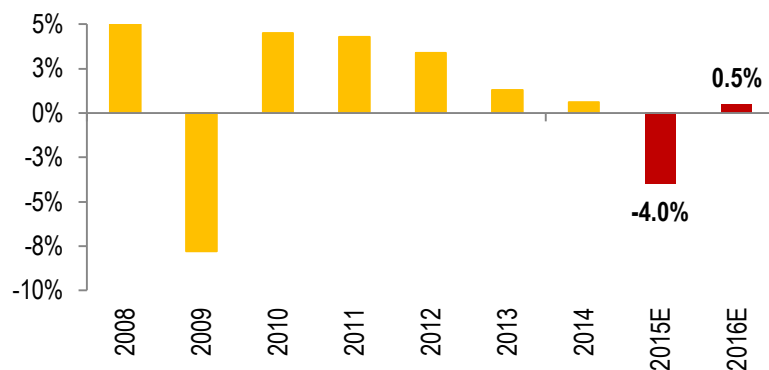


SOURCE: Company data

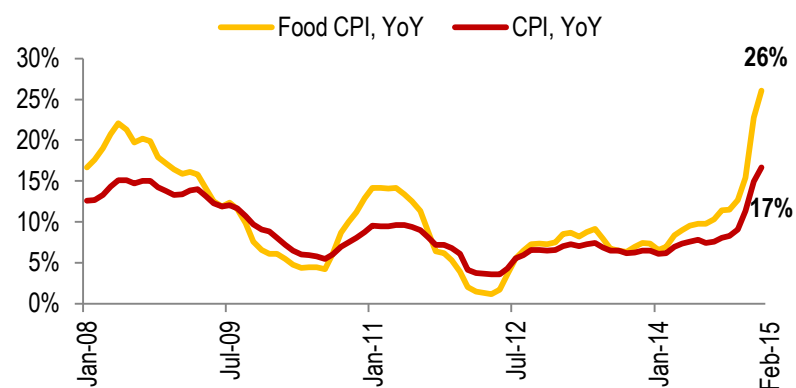
...supports higher than average basket (hypermarkets)



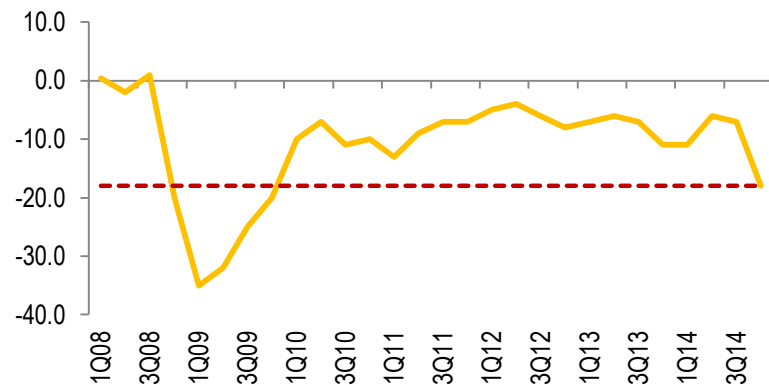
GDP growth – YoY, %



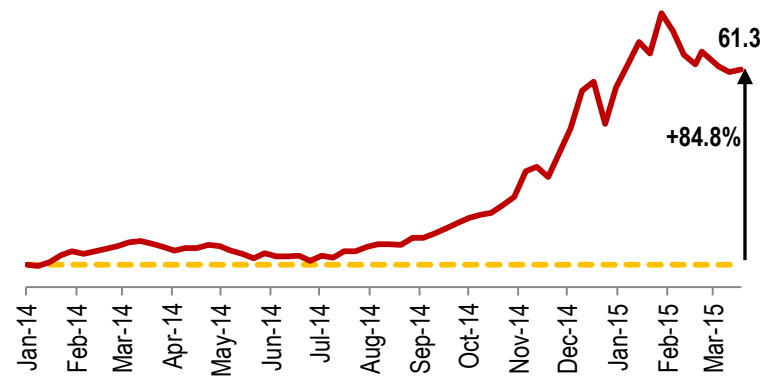
Inflation



Consumer confidence index



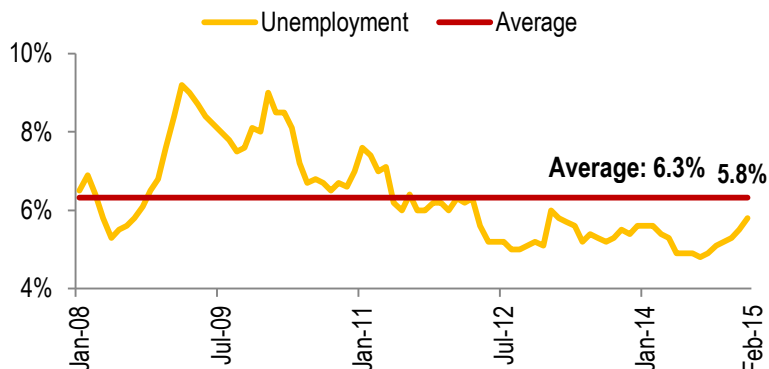
RUB/USD exchange rate



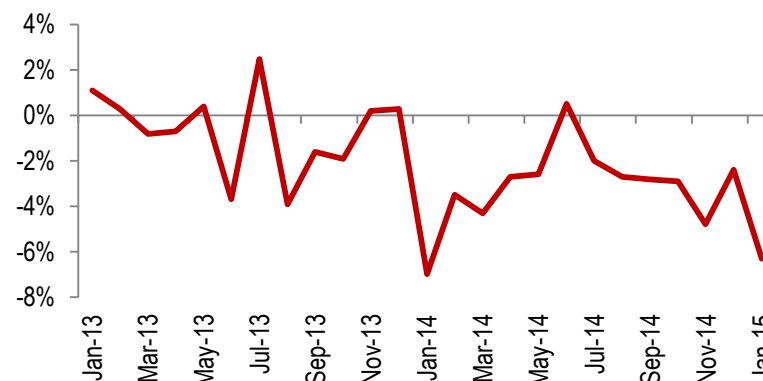
SOURCES: Rosstat, Bloomberg



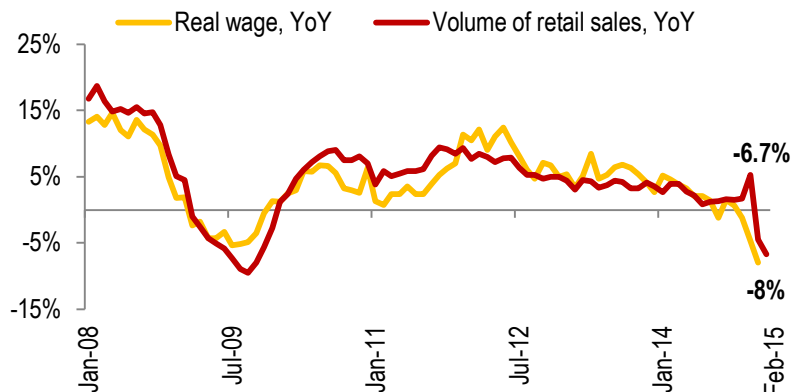
Unemployment rate



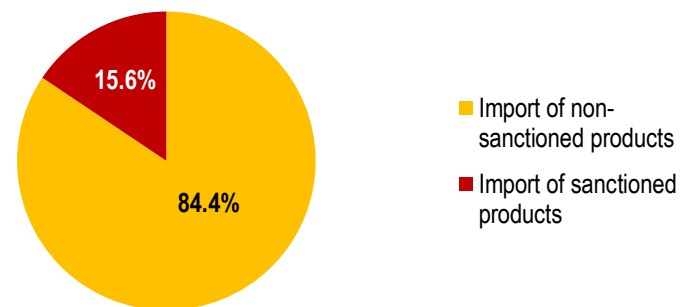
Investments (RUB), % yoy



Real wages growth vs. retail sales growth⁽¹⁾



Share of sanctioned products in total food imports (prior to sanctions)



SOURCE: Rosstat, Russian Custom Agency

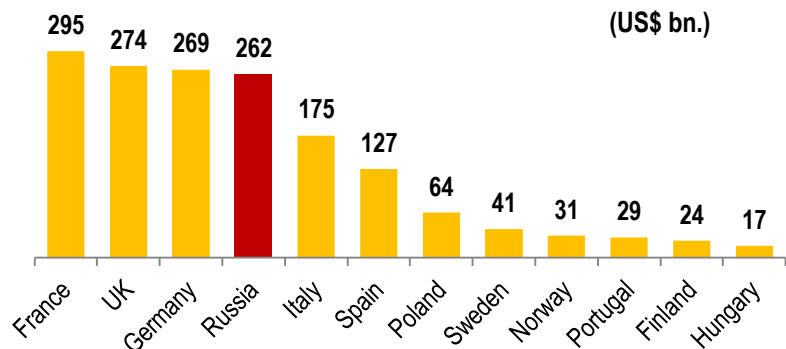
Notes: * technical basket price decline due to a substitution of luxury imported goods by local good from middle segment; (1) Retail sales represent total retail sales by trading companies, private entrepreneurs and markets as defined by Rosstat



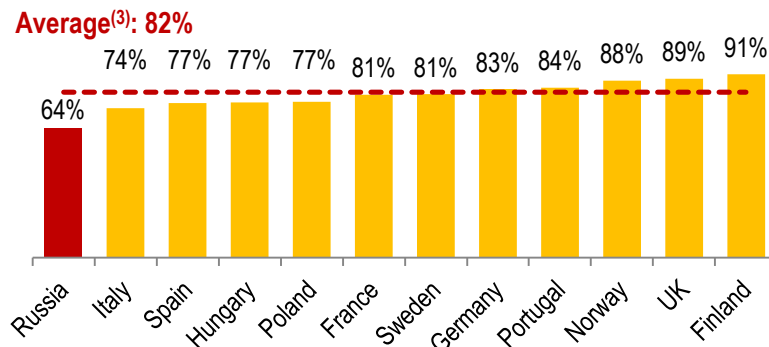


Russia – Still One of World's Most Attractive Food Retail Markets

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

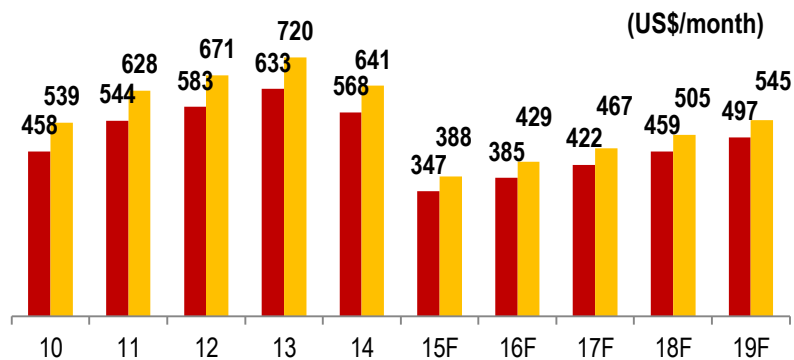


...with one of the lowest rates of penetration by modern retail⁽²⁾

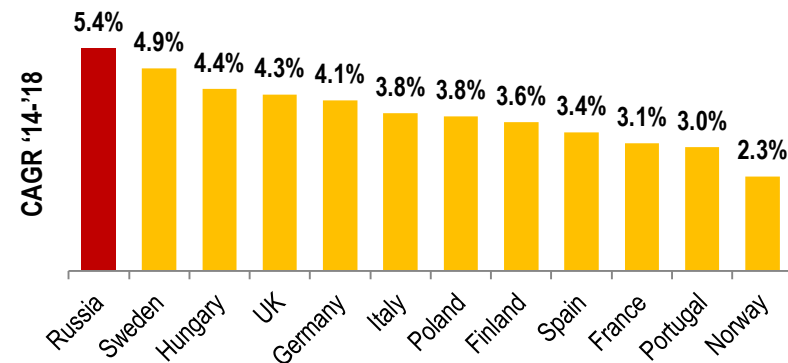


... and recovering consumption and income levels...

■ Private Consumption, per capita ■ Annual Disposable Income, per capita



... which should fuel Russian food retail market growth⁽¹⁾



SOURCE: Euromonitor data for 2014

Notes: (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





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