

O'KEY GROUP FINANCIAL RESULTS

IFRS 2018

1 April 2019

O'KEY
GROUP OF COMPANIES

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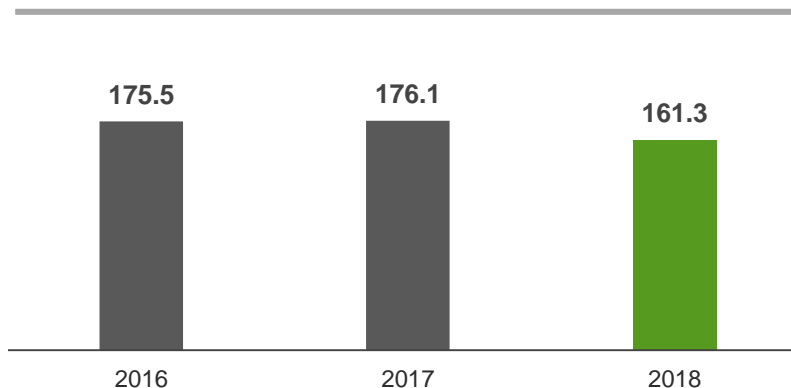
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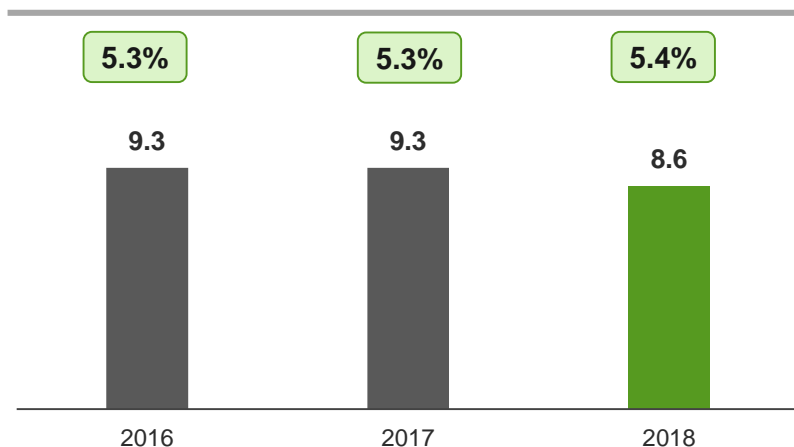
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- The Group revenue decline in 2018 by 8.4% was primarily triggered by the supermarket business sale
- Despite 7.4% decrease YoY in EBITDA, the margin increased by 6 bps YoY, driven by improved purchasing conditions and the increased efficiency of operations across the Company
- Net loss of RUB 0.6 bn was partly caused by an increase in foreign exchange losses, arising from intragroup USD-denominated loans as well as opening of 19 new discounters

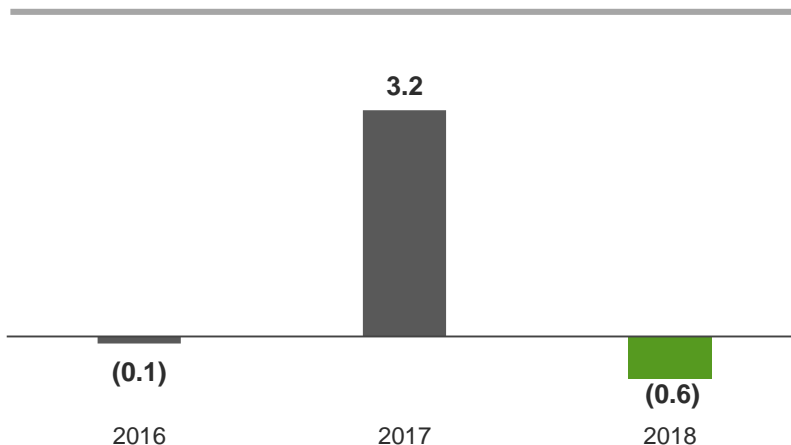
Revenue⁽¹⁾, RUB bn



EBITDA⁽²⁾, RUB bn



Net Income/(loss), RUB bn



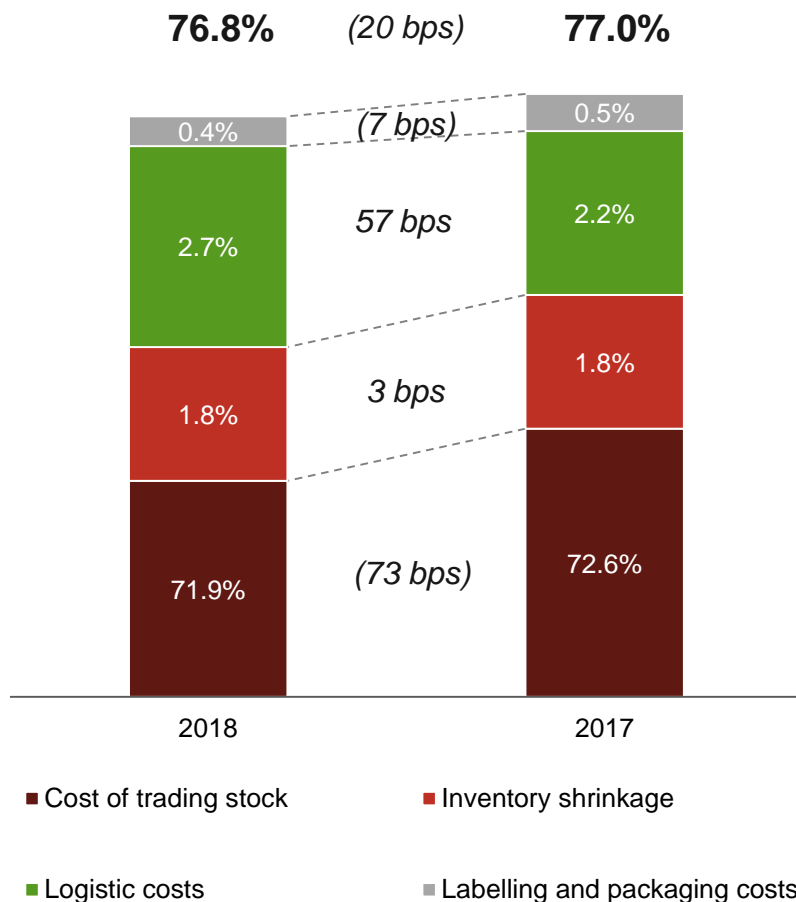
5.3% EBITDA margin

Notes: ⁽¹⁾ The Group has adopted IFRS 15 from 1 January 2018 which resulted in adjustments to presentation of revenue, comparable figures were restated respectively as described in the note 5 of Consolidated Financial Statements; ⁽²⁾ EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for certain one-off items. The explanation of EBITDA calculation is provided in the note 6 of Consolidated Financial Statements.

In 2018 COGS decreased by 20 bps driven by more favourable purchasing terms

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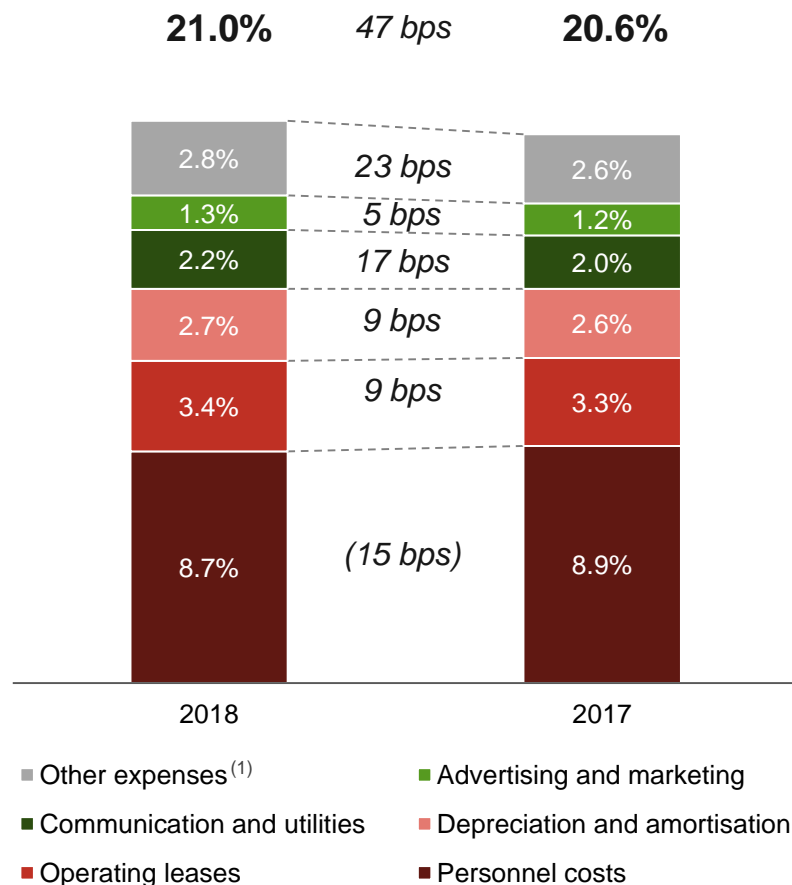
COGS breakdown as percentage of revenue



- Cost of trading stock decreased by 73 bps YoY on the back of:
 - more favourable purchasing terms as a result of successful negotiations with suppliers;
 - positive effect from continued renewal and enhancement of the product mix.
- Logistics cost increase by 57 bps YoY largely driven by:
 - gradual increase in logistics centralisation YoY;
 - growing level of logistics tariffs.

In 2018 SG&A expenses increased by 47 bps

SG&A expenses breakdown as percentage of revenue



- Personnel costs down by 15 bps YoY driven by revision of work schedules of hypermarkets' employees and ongoing business processes optimisation at both store and head office levels;
- Operating lease costs up by 9 bps YoY primarily attributable to continued rollout of discounters during the reporting period;
- Communication and utilities expenses increased by 17 bps YoY due to tariffs indexation in the second half of 2017;
- Advertising and marketing expenses up by 5 bps YoY as percentage of revenue, while in absolute terms it decreased by 3.9% YoY:
 - during 2018, the Group was focused on marketing model optimisation, whereby the most efficient channels of communication were prioritised over those delivering poorer results.

Notes: ⁽¹⁾ Other expenses include repairs and maintenance, security expense, insurance and bank commissions, operating taxes, legal and professional expenses, materials and supplies and other costs.

In 2018 EBITDA margin increased by 6 bps driven by better purchasing terms and increased efficiency of operations

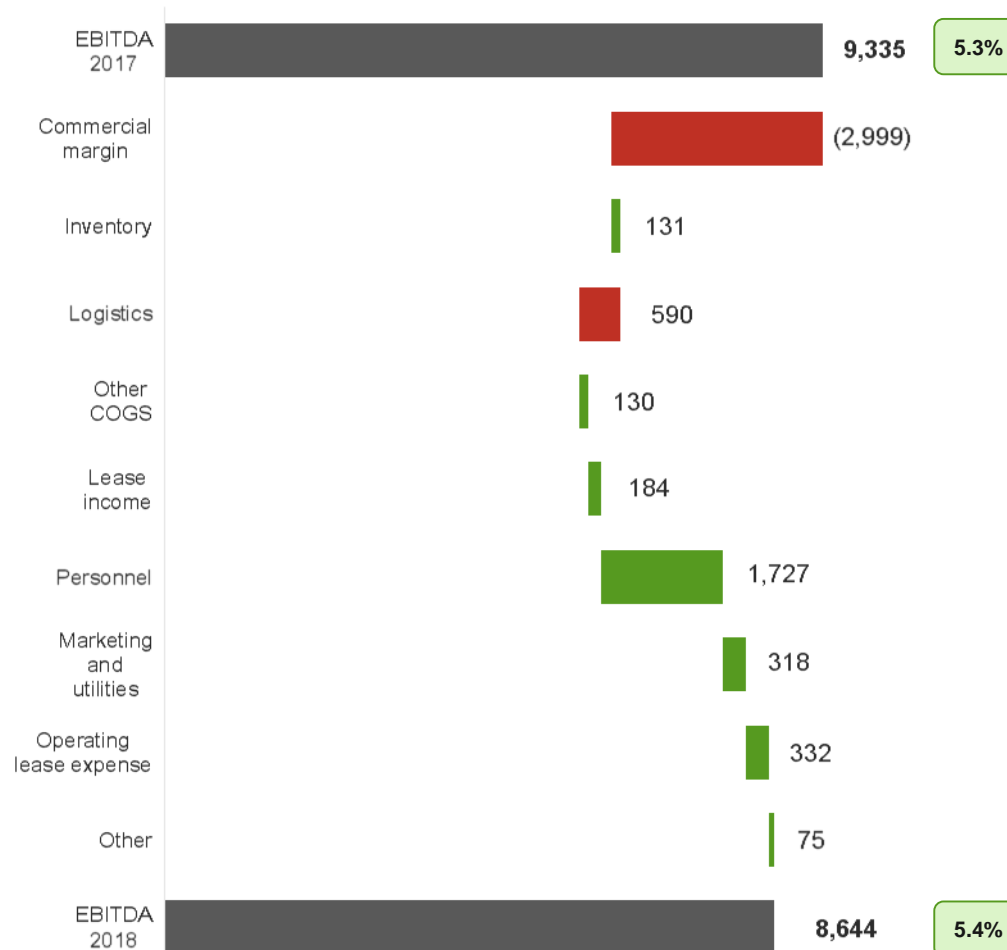
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2018 EBITDA was down by 7.4% to

RUB 8,644 mln due to:

- (-) decrease of commercial margin: impact RUB 2,999 mln
- (+) decrease of inventory shrinkage: impact RUB 131 mln
- (-) increase of logistics costs: impact RUB 590 mln
- (+) other COGS components decrease: impact RUB 130 mln
- (+) increase of lease income: impact RUB 184 mln
- (+) decrease of personnel costs: impact RUB 1,727 mln
- (+) decrease of marketing and utilities costs: impact RUB 318 mln
- (+) decrease of operating lease costs: impact RUB 332 mln
- (+) decrease of other costs: impact RUB 75 mln

2018 EBITDA – key drivers, RUB mln

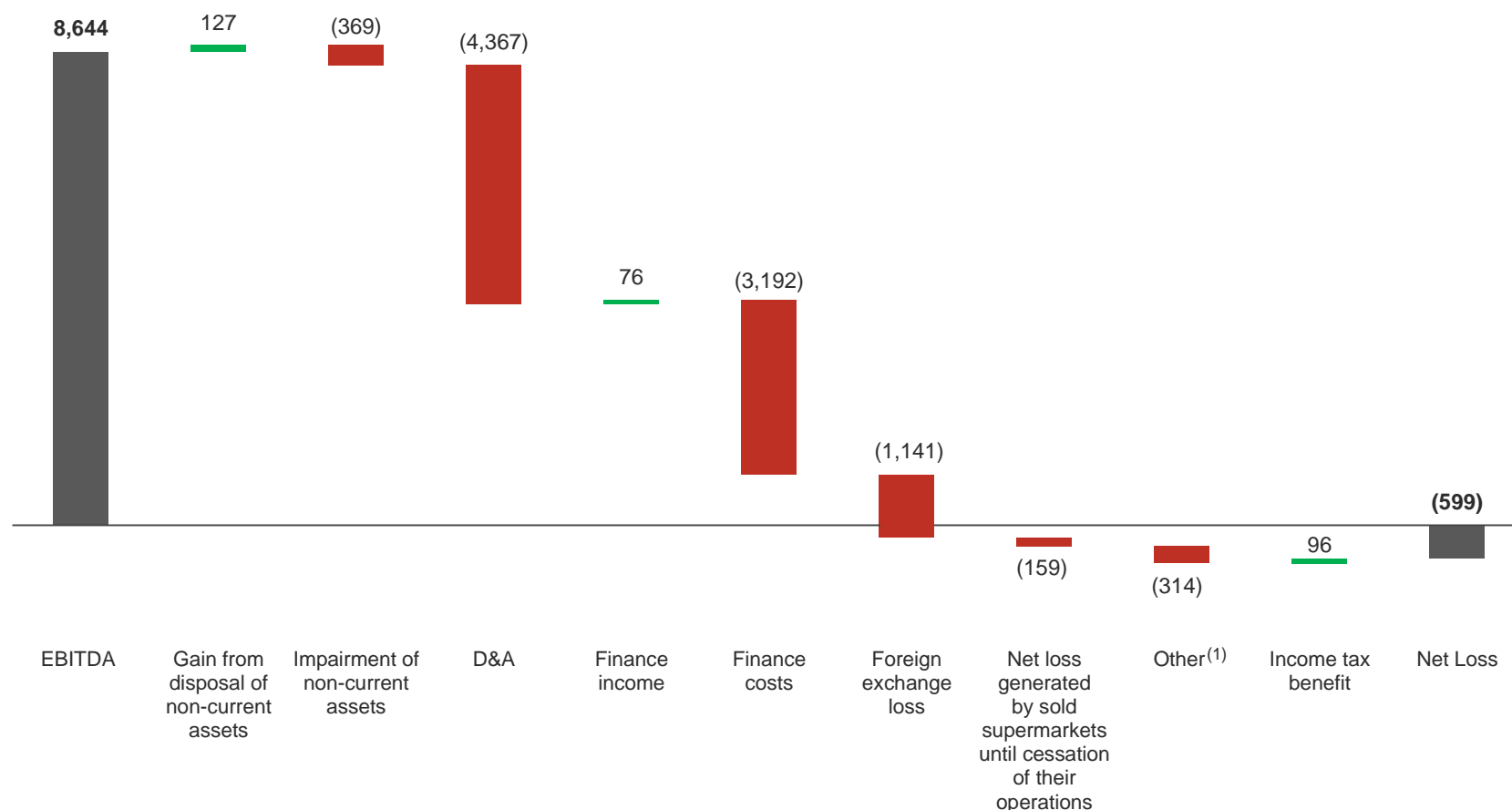


EBITDA
margin

In 2018 net loss was partly triggered by an increase in foreign exchange losses as well as opening of 19 new discounters

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EBITDA to Net Loss reconciliation, RUB mln



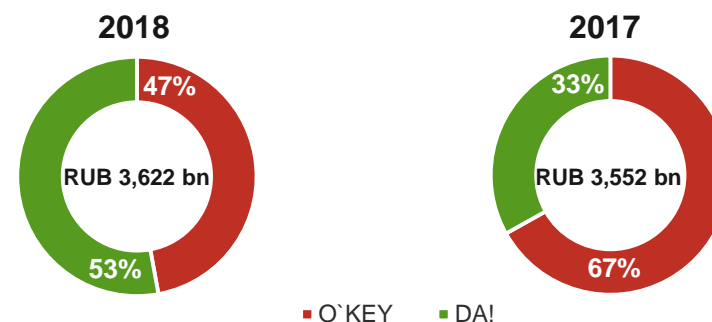
Notes: ⁽¹⁾ Revaluation of investment property, loss from write-off of receivables, impairment of receivables and other.

Capital expenditures in 2018 marginally increased YoY driven by investments into the development of the discounter format

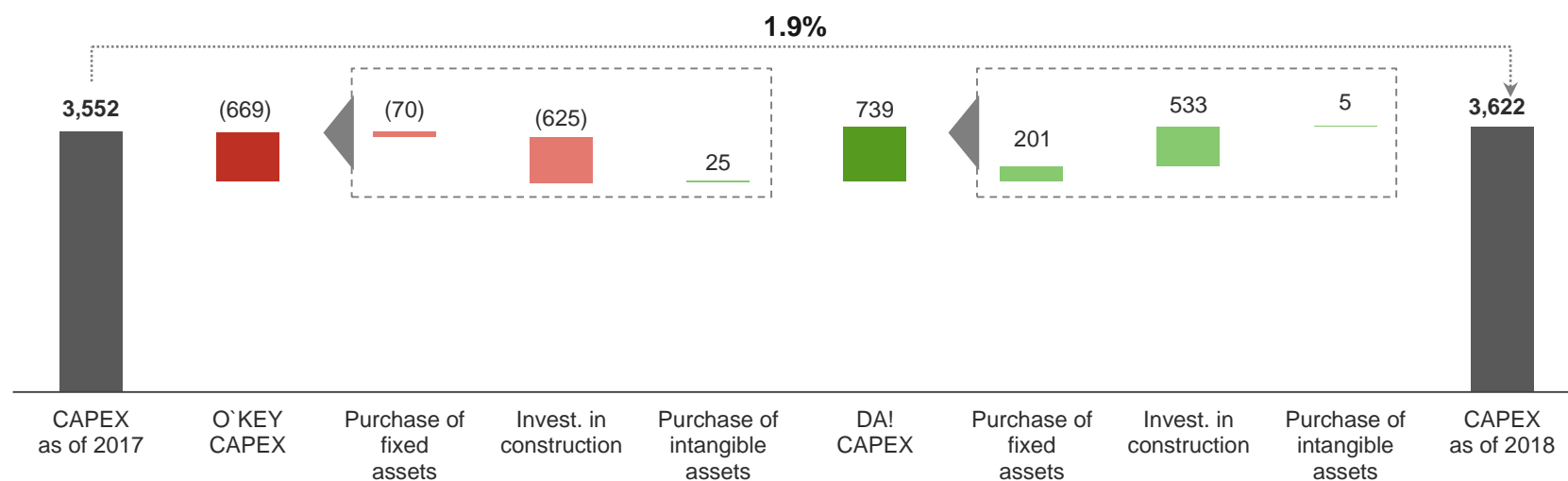
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- In 2018, the Group invested RUB 1,706 mln (excluding VAT) into the development of its hypermarket business
- In 2018, the Group invested RUB 1,916 mln (excluding VAT) in growing its discounter business

CAPEX structure



Capital Expenditures YoY change analysis, excluding VAT, RUB mln

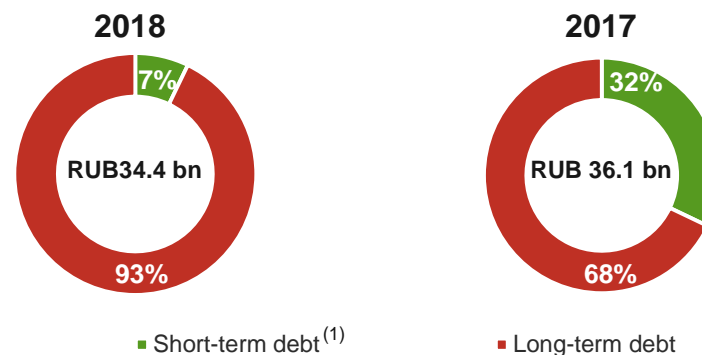


Debt portfolio structure

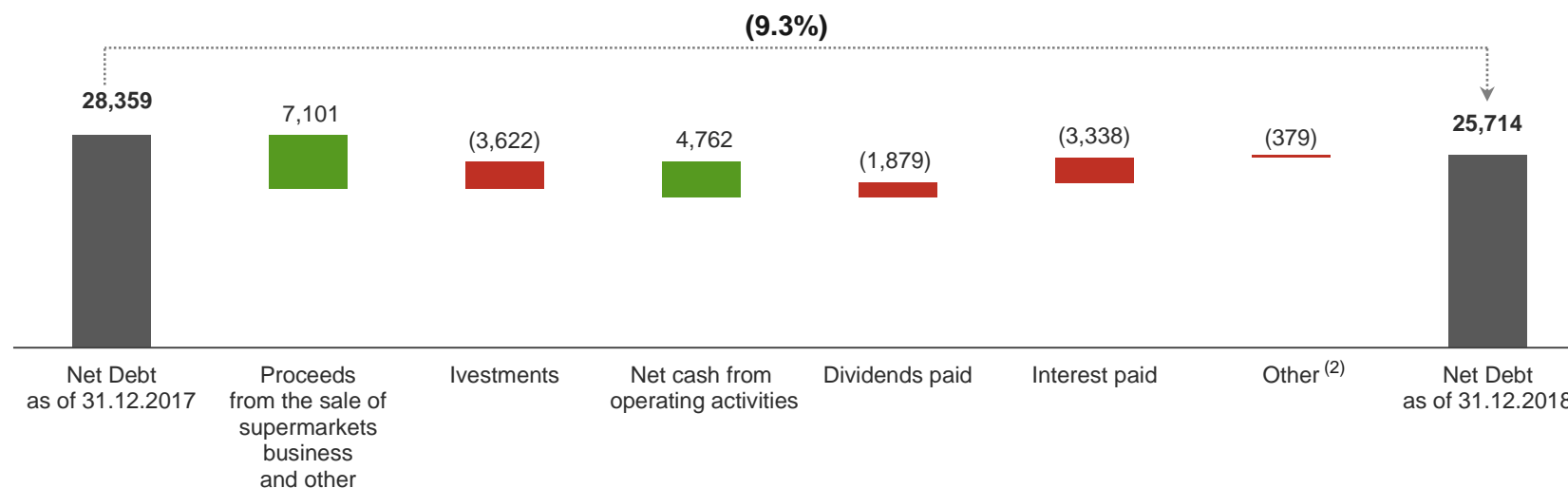
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- 97% of debt portfolio is RUB-denominated
- In July, 2018 RAEX (EXPERT RA) assigned O`KEY a 'ruA-' rating with positive outlook
- In 2018, total debt of the Group decreased by RUB 1.7 bn YoY

Debt structure



Net Debt YoY change analysis, RUB mln



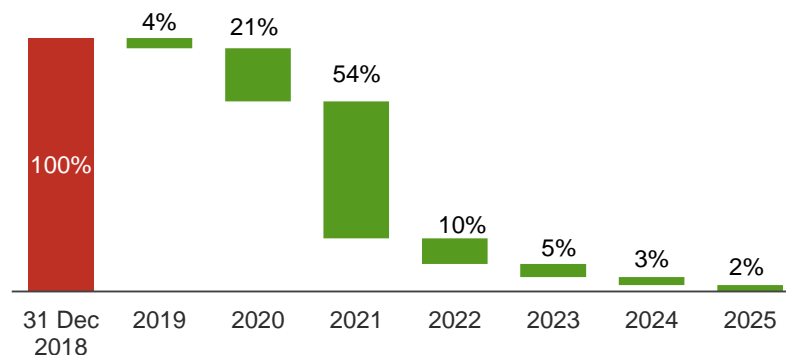
Notes: ⁽¹⁾ Short-term debt does not include interest accrued on loans and borrowings; ⁽²⁾ Other financial payments, effect of exchange rate fluctuations on cash and cash equivalents and other.

Debt portfolio maturity

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- The main Group covenant – Net Debt/LTM EBITDA below 4x
- In 2018, the Group extended the maturity dates of several long-term loans
- In August 2018, the Group signed non-revolving loan facility agreements with Sberbank in the total amount of RUB 12 bn, which were used for refinancing the current loan agreements and enabled lengthening the debt portfolio duration
- In October, the Group redeemed the bond issue 4B02-04-36415-R placed on 15 October 2013 with a coupon rate of 8.9%–11.7% for the total amount of RUB 5,050,112 ths
- As at the end of 2018, the Group's weighted average interest rate decreased from 9.8% as at the end of 2017 to 8.8%. The Group maintains its strong focus on debt portfolio optimisation

Debt portfolio maturity



Covenants and liquidity

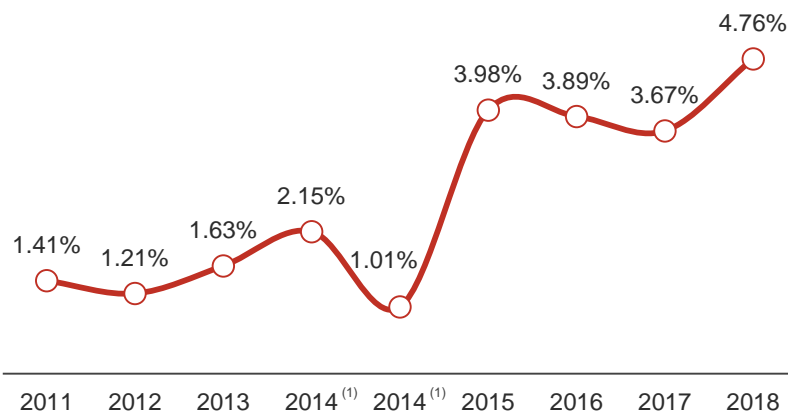
Parameter	2018	2017
Cash & cash equivalents, RUB mln	8,712	7,750
Available credit lines, RUB mln	12,206	13,800
Net debt/EBITDA ⁽¹⁾	2.97x	3.03x

Notes: ⁽¹⁾ Short-term debt does not include interest accrued on loans and borrowings.

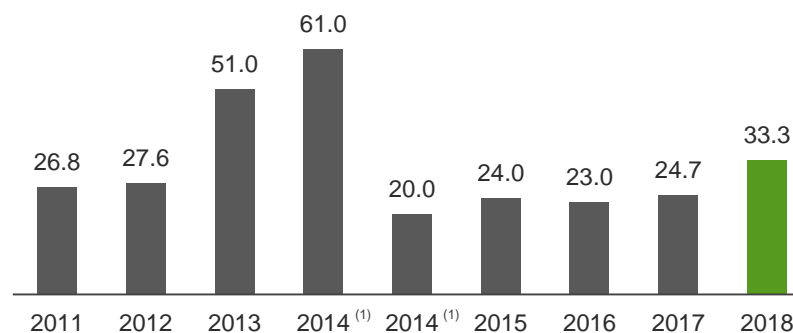
- O`KEY's dividend policy:

- Depends on net income and retained earnings of the key subsidiaries of O`KEY Group S.A.
- Frequency of payments per year is not limited
- Target payout – 25% of consolidated net profit
- The payout amount may vary subject to BoD decision

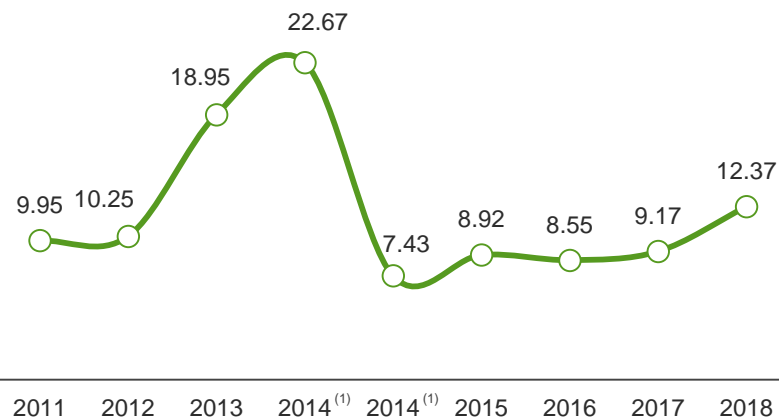
Dividend yield⁽²⁾



Interim dividend paid, US\$ mln



Dividend per GDR, US\$ cents, gross



Notes: ⁽¹⁾ In 2014 the Group distributed dividends two times; ⁽²⁾ At the record date.

Market

- Consumer sentiment to remain mixed in 2019
- Growing inflation and a slow-down in real disposable income growth will continue to put pressure on consumer confidence



- **Revenue growth:** low single digits
- **Profitability:** in line with previous year



- **Expansion:** up to 20-25 new discounters
- **Revenue:** double digit LFL growth

APPENDIX

Three major shareholders

- Mr. Dmitry Korzhev
- Mr. Dmitry Troitskiy
- Mr. Boris Volchek

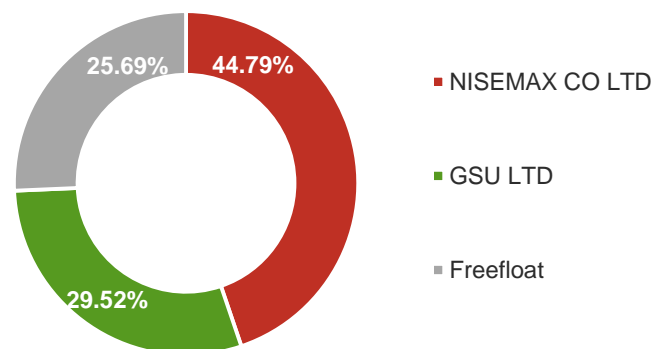
Board of Directors

- Mr. Heigo Kera, Chairman
- Mr. Dmitry Troitskiy, Non-Executive Director
- Mr. Dmitry Korzhev, Non-Executive Director
- Boris Volchek, Non-Executive Director
- Mykola Buinycky, Independent Director

Committees of the Board of Directors

- Remuneration Committee
 - Committee Chairman – Mr. Heigo Kera
- Audit Committee
 - Committee Chairman – Mr. Mykola Buinycky

Shareholder structure



Appendix: key operating data by quarter

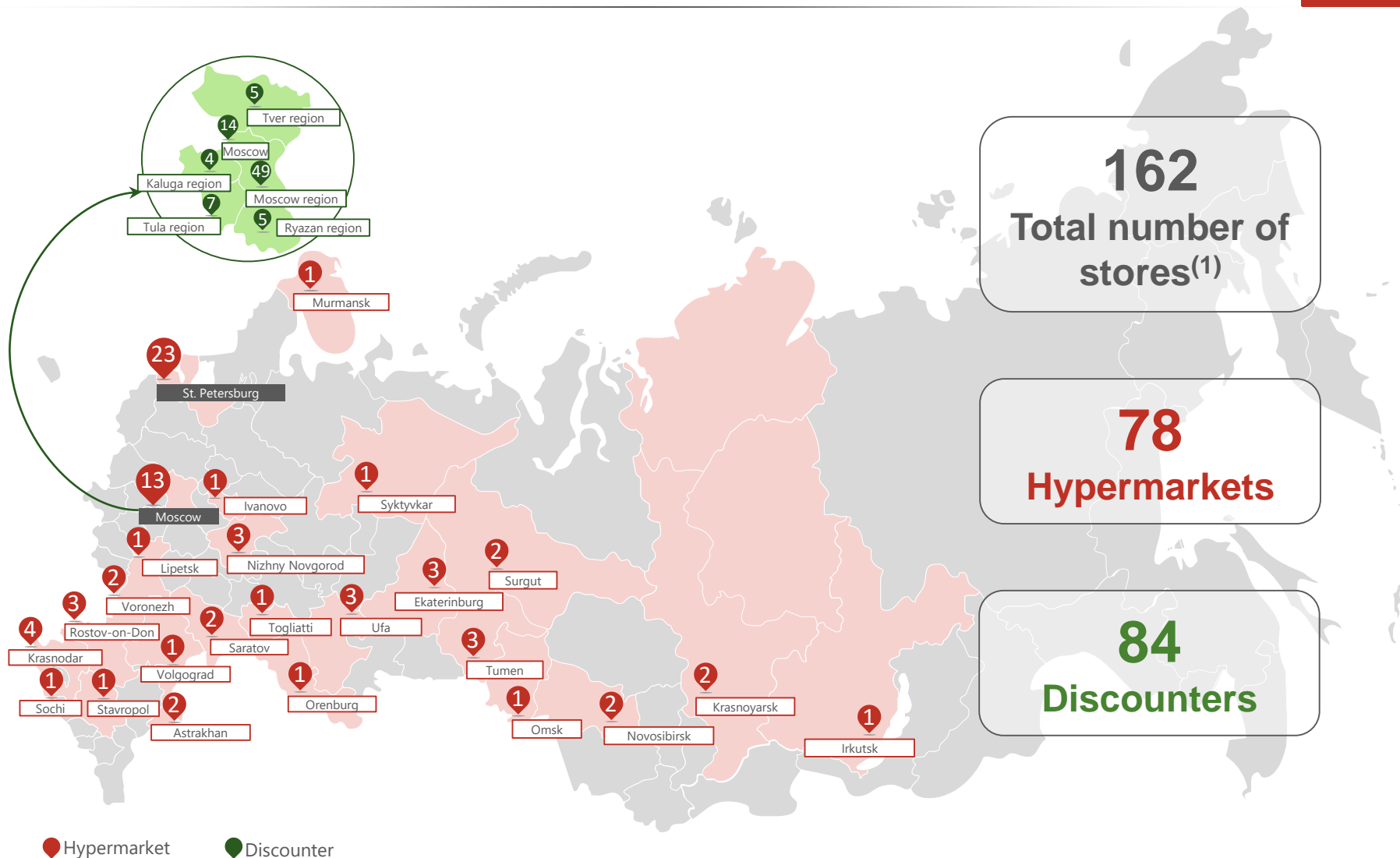
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Category ⁽¹⁾	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Retail sales⁽²⁾, RUB bn	56.6	196.9	48.8	47.6	46.6	55.9	198.9	45.5	42.6	41.6	52.2	181.9
<i>Growth</i>	<i>4.7%</i>	<i>7.5%</i>	<i>0.5%</i>	<i>4.9%</i>	<i>0.7%</i>	<i>(1.2%)</i>	<i>1.1%</i>	<i>(6.9%)</i>	<i>(10.6%)</i>	<i>(10.7%)</i>	<i>(6.6%)</i>	<i>(8.5%)</i>
O'KEY	54.3	190.4	46.4	44.8	43.7	52.4	187.3	42.1	38.8	37.8	47.7	166.5
DA!	2.2	6.4	2.4	2.8	2.9	3.5	11.7	3.3	3.8	3.8	4.5	15.4
Number of stores	164	164	165	164	168	145	145	145	147	151	160	160
O'KEY	110	110	110	109	109	78	78	78	78	79	78	78
DA!	54	54	55	55	59	67	67	67	69	72	82	82
Selling space, ths sqm	622,891	622,891	623,611	611,679	611,300	577,804	577,804	577,968	577,248	579,150	584,914	584,914
O'KEY	586,001	586,001	586,001	574,069	570,896	531,589	531,589	531,589	529,555	529,469	528,124	528,124
DA!	36,890	36,890	37,610	37,610	40,404	46,215	46,215	46,379	47,693	49,681	56,790	56,790
LFL sales growth	(1.0%)	2.2%	(4.9%)	(0.1%)	(0.2%)	(0.5%)	(1.4%)	(0.7%)	(4.0%)	(5.9%)	(2.7%)	(3.3%)
O'KEY	(1.7%)	2.0%	(6.4%)	(2.2%)	(2.3%)	(1.9%)	(3.2%)	(1.6%)	(5.4%)	(6.9%)	(3.7%)	(4.3%)
DA!	65.5%	65.5%	67.8%	67.4%	54.1%	33.3%	52.0%	15.9%	15.7%	8.8%	12.2%	12.7%
LFL traffic growth	(4.1%)	1.2%	(3.6%)	(1.6%)	(3.1%)	(0.7%)	(2.2%)	(0.8%)	(2.2%)	(4.0%)	(3.4%)	(2.6%)
O'KEY	(5.3%)	0.9%	(6.1%)	(4.6%)	(6.2%)	(3.2%)	(5.0%)	(2.5%)	(4.8%)	(6.2%)	(5.6%)	(4.8%)
DA!	37.4%	37.4%	45.3%	40.4%	34.1%	25.7%	34.8%	12.7%	15.8%	10.3%	9.5%	9.5%
LFL ticket growth	3.3%	0.9%	(1.3%)	1.5%	2.9%	0.2%	0.8%	0.1%	(1.8%)	(2.0%)	0.8%	(0.6%)
O'KEY	3.8%	1.0%	(0.4%)	2.5%	4.2%	1.3%	1.9%	0.9%	(0.6%)	(0.8%)	2.0%	0.4%
DA!	20.4%	20.4%	15.5%	19.2%	14.9%	6.1%	12.7%	2.9%	0.0%	(1.4%)	2.5%	1.2%

Notes: (1) O'KEY category includes hypermarkets, DA! category includes discounters; (2) Including VAT.

Appendix: O'KEY geography

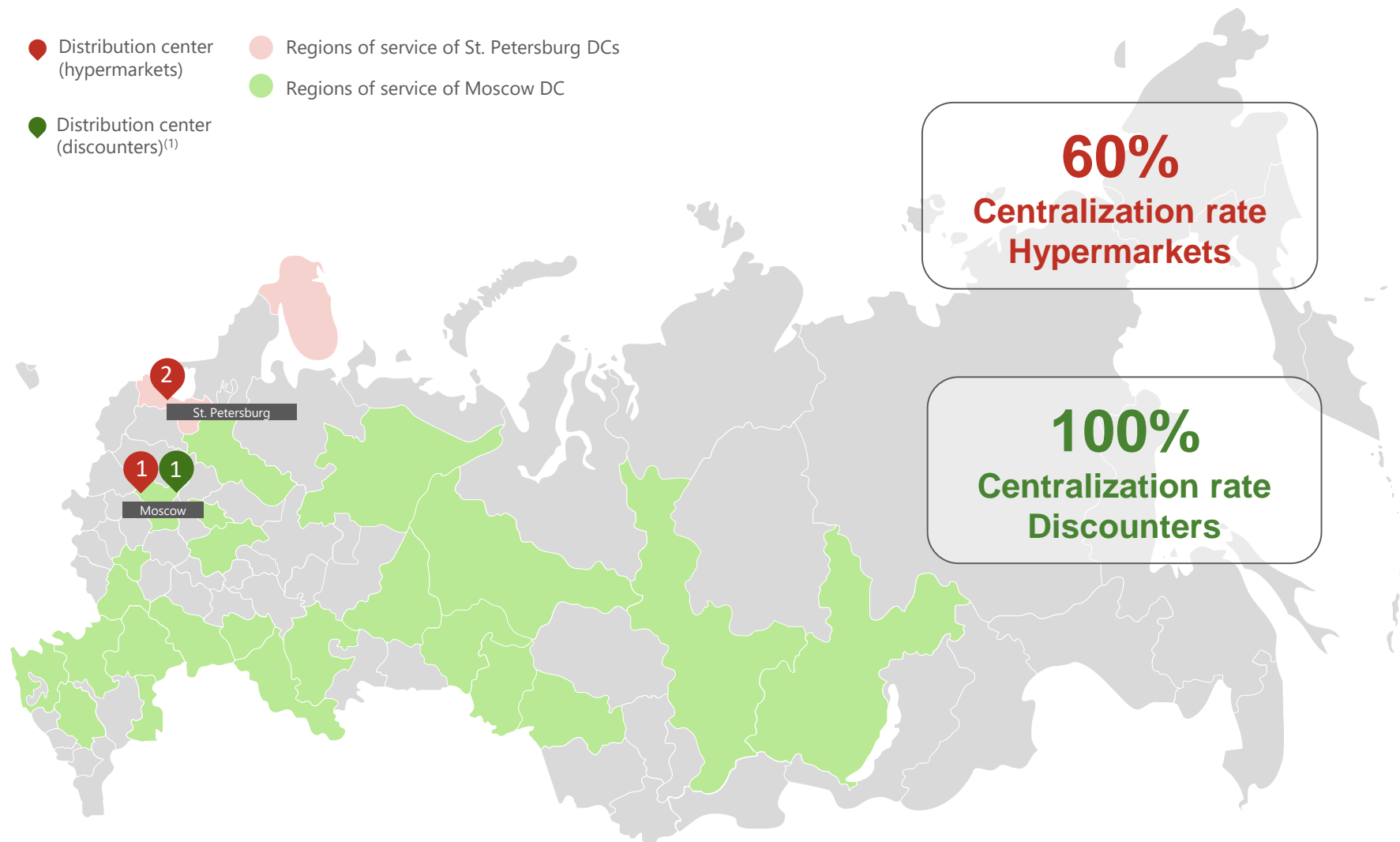
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Notes: (1) Number of stores as of April 1st 2019.

Appendix: O'KEY supply chain

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Notes: (1) Service areas are limited to Moscow, Moscow region, Tula region, Tver region, Kaluga region and Ryazan region.

Appendix: Consolidated Balance Sheet

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RUB, 000s	2018	2017
Investment property	1,047,000	1,075,010
Property, plant and equipment	43,770,640	44,964,135
Construction in progress	3,754,546	3,313,175
Lease rights	4,312,159	4,437,856
Intangible assets	1,294,214	961,108
Deferred tax assets	2,438,928	1,917,572
Other non-current assets	1,405,610	1,817,452
Total non-current assets	58,023,097	58,486,308
Inventories	13,684,473	13,524,236
Trade and other receivables	3,402,946	10,275,841
Prepayments	1,389,038	1,280,658
Other current assets	25,466	10,290
Cash and cash equivalents	8,712,253	7,750,177
Non-current assets held for sale	-	129,589
Total current assets	27,214,176	32,970,791
Total assets	85,237,273	91,457,099
Total equity	22,481,181	24,250,979
Loans and borrowings	31,964,302	24,679,352
Deferred tax liabilities	679,921	888,997
Other non-current liabilities	112,047	121,890
Total non-current liabilities	32,756,270	25,690,239
Loans and borrowings	2,461,437	11,429,881
Interest accrued on loans and borrowings	97,364	231,897
Trade and other payables	26,861,848	28,854,731
Current income tax payable	579,173	999,372
Total current liabilities	29,999,822	41,515,881
Total liabilities	62,756,092	67,206,120
Total equity and liabilities	85,237,273	91,457,099

Appendix: Consolidated P&L

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RUB, 000s	2018	2017 (Restated)
Revenue	161,303,411	176,075,867
Cost of goods sold	(123,921,850)	(135,631,464)
Gross profit	37,381,561	40,444,403
<i>Gross margin</i>	23.2%	23.0%
General, selling and administrative expenses	(33,914,624)	(36,189,311)
Other operating income and expenses	95,045	3,335,349
Operating profit	3,561,982	7,590,441
Finance income	76,286	114,239
Finance costs	(3,192,959)	(3,532,915)
Foreign exchange (loss)/gain	(1,141,353)	(376,375)
Loss before income tax	(696,044)	3,795,390
Income tax expense	96,289	(628,477)
Loss for the year	(599,755)	3,166,913
Net profit margin	N/A	1.8%

RUB, 000s	2018	2017
Group EBITDA	8,644	9,335
<i>Group EBITDA margin</i>	5.4%	5.3%
O`KEY EBITDA	10,416	11,359
<i>O`KEY EBITDA margin</i>	7.1%	6.9%
DAI EBITDA	(1,772)	(2,024)

Appendix: Consolidated Cash Flow

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RUB, 000s	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	185,385,687	202,566,776
Other cash receipts	1,021,735	497,880
Interest received	54,545	104,391
Cash paid to suppliers and employees	(177,167,778)	(194,385,579)
Taxes other than on income	(859,009)	(672,429)
Other cash payments	(80,216)	(125,740)
VAT paid	(2,513,869)	(2,182,232)
Income tax paid	(1,079,307)	(928,829)
Net cash from/(used in) operating activities	4,761,788	4,874,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of PP&E and initial cost of land lease (excluding VAT)	(3,150,785)	(3,112,061)
Purchase of other intangible assets (excluding VAT)	(470,989)	(439,980)
Proceeds from sale of supermarkets (excluding VAT)	7,069,951	-
Proceeds from sales of PP&E and intangible assets (excluding VAT)	31,084	186,870
Net cash used in investing activities	3,479,261	(3,365,171)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	15,006,000	7,685,500
Repayment of loans and borrowings	(16,896,776)	(7,663,017)
Interest paid	(3,337,810)	(3,655,488)
Dividends paid	(1,879,021)	(1,465,798)
Other financial payments	(140,850)	(88,340)
Net cash used in financing activities	(7,248,457)	(5,187,143)
Net increase/(decrease) in cash and cash equivalents	992,592	(3,678,076)
Cash and cash equivalents at beginning of the period	7,750,177	11,463,467
Effect of exchange rate fluctuations on cash and cash equivalents	(30,516)	(35,214)
Cash and cash equivalents at end of the year	8,712,253	7,750,177

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