

Press Release
27 April 2015

O'KEY GROUP ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR Q1 2015

O'KEY Group S.A (LSE: OKEY), a leading food retailer in Russia, today released unaudited financial results for the first quarter ended 31 March 2015. All materials published by the Group can be found on its website, <http://okeyinvestors.ru/>

Q1 2015 Financial Highlights:

- Total revenue grew 7.4% y-o-y to RUB 37,724 million
- Gross margin was stable at 23.5%, while gross profit rose 7.3% y-o-y to RUB 8,849 million
- EBITDA margin was flat y-o-y, as EBITDA grew 5.1% to RUB 1,756 million
- EBITDAR increased 11.4% y-o-y to RUB 2,883 million with EBITDAR margin improving by 0.2 p.p. to 7.6%
- The Group posted a net loss of RUB 153 million, primarily due to an increased cost of financing

Q1 2015 Operating Highlights

- LFL revenue increased 1.1 % y-o-y;
- LFL average ticket rose 3.0% y-o-y
- 2 new hypermarkets and 3 new supermarkets opened

Commenting on the results, Tony Maher, CEO of O'KEY Group, said:

"The first quarter brought to us some signs of recovery. Our like-for-like revenue moved out of the negative zone, but more importantly we are seeing an improved trend in like-for-like traffic. We maintained our gross profit margin despite our heavy investment in the selling price. We are starting to see the impact of steps taken in late 2014 to address the challenges facing our business, such as updating our product offering in line with our mission to deliver Quality for the Whole Family, enhancing our supply chain and optimising business processes. We maintained our store-opening programme, with five new stores opened during the first three months of the year."



Operating Summary

Number of new stores	Q1 2015	Q1 2014
Group	5	2
Hypermarkets	2	2
Supermarkets	3	0

Total stores at the end of the period	Q1 2015	Q1 2014
Group	113	96
Hypermarkets	71	62
Supermarkets	42	34

Trading space as at the end of the period, '000 m ²	Q1 2015	Q1 2014	Change, %
Group	568	501	13.5%
Hypermarkets	515	456	12.9%
Supermarkets	53	45	18.9%

Sales Performance	Q1 2015			Q1 2014		
	Retail revenue, %	Traffic, %	Av. Ticket, %	Retail revenue, %	Traffic, %	Av. Ticket, %
Group	7.4%	4.8%	2.5%	12.6%	6.1%	5.9%
Group, LFL	1.1%	-1.9%	3.0%	4.1%	-2.0%	6.3%

Financial Summary

RUB, millions	Q1 2015	Q1 2014	y-o-y
Revenue	37,724	35,121	7.4%
Gross Profit	8,849	8,247	7.3%
Gross margin (%)	23.5%	23.5%	
EBITDAR	2,883	2,588	11.4%
EBITDAR margin (%)	7.6%	7.4%	
EBITDA	1,756	1,670	5.1%
EBITDA margin (%)	4.7%	4.8%	
Net Profit/(Loss)	(153)	(22)	>100%
Net profit margin (%)	-0.4%	-0.1%	



Revenue and Gross Profit

Revenue grew 7.4% in the first quarter to RUB 37,724 million, driven primarily by additional trading space, which expanded 13.5% year-on-year (y-o-y).

Like-for-like revenue increased by 1.1%. We are still seeing a downward trend, which began in autumn 2014, in the number of items per customer basket, which resulted in a relatively small increase in the average ticket compared to the inflation level.

Gross profit grew 7.3% y-o-y to RUB 8,849 million, while the gross profit margin remained virtually flat. During the first quarter, we materially improved the terms and conditions of our supplier agreements. This positive impact on our gross profit margin was partially offset by our investments in the selling price.

EBITDAR and EBITDA

Selling, general and administrative (SG&A) costs (excluding operational leases and depreciation charges) grew 5.4% y-o-y, which was slower than the pace of revenue growth. The slower growth in SG&A costs was attributable to the cost optimisation programme launched in the second half of 2014, with the largest savings achieved in personnel costs, which fell 1.5% y-o-y during the first quarter of 2015.

As a result of stable gross profit dynamics and cost optimisation, our Earnings Before Interest, Taxes, Depreciation, Amortisation, and Rent (EBITDAR) increased by 11.4% to RUB 2,883 million, while EBITDAR margin improved by 0.2 p.p. and reached 7.6%.

EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortisation) increased 5.1% to RUB 1,756 million, while EBITDA margin declined slightly, by 0.1 p.p., to 4.7%. The primary reason for the margin decline was a rise in the cost of operating leases, which grew 25% y-o-y, driven by new store openings as well as exchange rate dynamics of foreign-currency linked contracts. Although the Group successfully renegotiated the terms of a number of such agreements, the overall y-o-y impact of the weaker ruble on these leases was significant.

Net Profit

The Group posted a net loss of RUB 153 RUB million in the first quarter of 2015, compared to a net loss of RUB 22 million in the first quarter of 2014. The loss was primarily a result of a higher debt balance and increased depreciation charges linked to new stores openings.

Disclaimer

These materials contain statements about future events and expectations that are forward-looking statements. These statements typically contain words such as "expects" and "anticipates" and words of similar import. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.



None of the future projections, expectations, estimates or prospects in this announcement should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in this announcement. We assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

COMPANY OVERVIEW

O'KEY is one of the largest retail chains in Russia. Its primary retail format is the modern Western European hypermarket under the "O'KEY" brand, complemented by "O'KEY" supermarkets.

The Group opened its first hypermarket in St. Petersburg in 2002 and has demonstrated continuous growth ever since. As of 31 March 2015, O'KEY operated 113 stores in 29 cities across Russia: 71 hypermarkets with an aggregate selling space of approximately 515,000 square meters and 42 supermarkets with an aggregate trading space of approximately 53,000 square meters. As of 31 March 2014, O'KEY employed more than 23,000 people.

For further information please contact:

Marina Kagan
Head of Corporate Communications and IR
Tel.: +7(495)663-6677, ext.127
e-mail: ir@okmarket.ru
www.okmarket.ru

Gennadiy Babenko
IR Manager
Tel: +7(495)663-6677, ext. 285
e-mail: gennadiy.babenko@okmarket.ru
www.okmarket.ru

