

# O'KEY GROUP

Investors' presentation, June 2019

**O'KEY**  
GROUP OF COMPANIES

By attending the meeting where this presentation is made, or by reading the presentation slides, you agree to be bound by the following limitations:

The materials contained in this presentation ("Presentation") have been prepared solely for the use in this Presentation and have not been independently verified. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. None of O'Key Group S.A. ("the Company"), nor any shareholder of the Company, nor any of its or their affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection with the Presentation.

No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

This Presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration nor licensing within such jurisdiction.

Matters discussed in this Presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "will," "may," "should" and similar expressions identify forward looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for products; economic outlook and industry trends; developments of markets; the impact of regulatory initiatives; and the strength of competitors.

The forward-looking statements in this Presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. These assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control and it may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of profitability, growth, cost, the timely development of new projects, the impact of competitive pricing, the ability to obtain necessary regulatory approvals, and the impact of general business and global economic conditions. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance.

Neither the Company, nor any of its agents, employees or advisors intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this Presentation or to update or to keep current any other information contained in this Presentation. The information and opinions contained in this document are provided as at the date of this Presentation and are subject to change without notice.

By reviewing this Presentation and/or accepting a copy of this document, you acknowledge and agree to be bound by the foregoing.

01	O'KEY GROUP OVERVIEW	3
02	O'KEY GROUP Q1 2019 OPERATING RESULTS	9
03	O'KEY GROUP STRATEGIC UPDATE	17
04	O'KEY GROUP 2018 FINANCIAL RESULTS	52
05	APPENDIX	62

# O'KEY Group at a glance

4

**O'KEY** 78  
ОТЛИЧНО ЖИТЬ ПРАКТИЧНО  
Hypermarkets Stores

**ДА!** 86  
Discounters Stores

 **586**  
selling space  
(thb sqm)



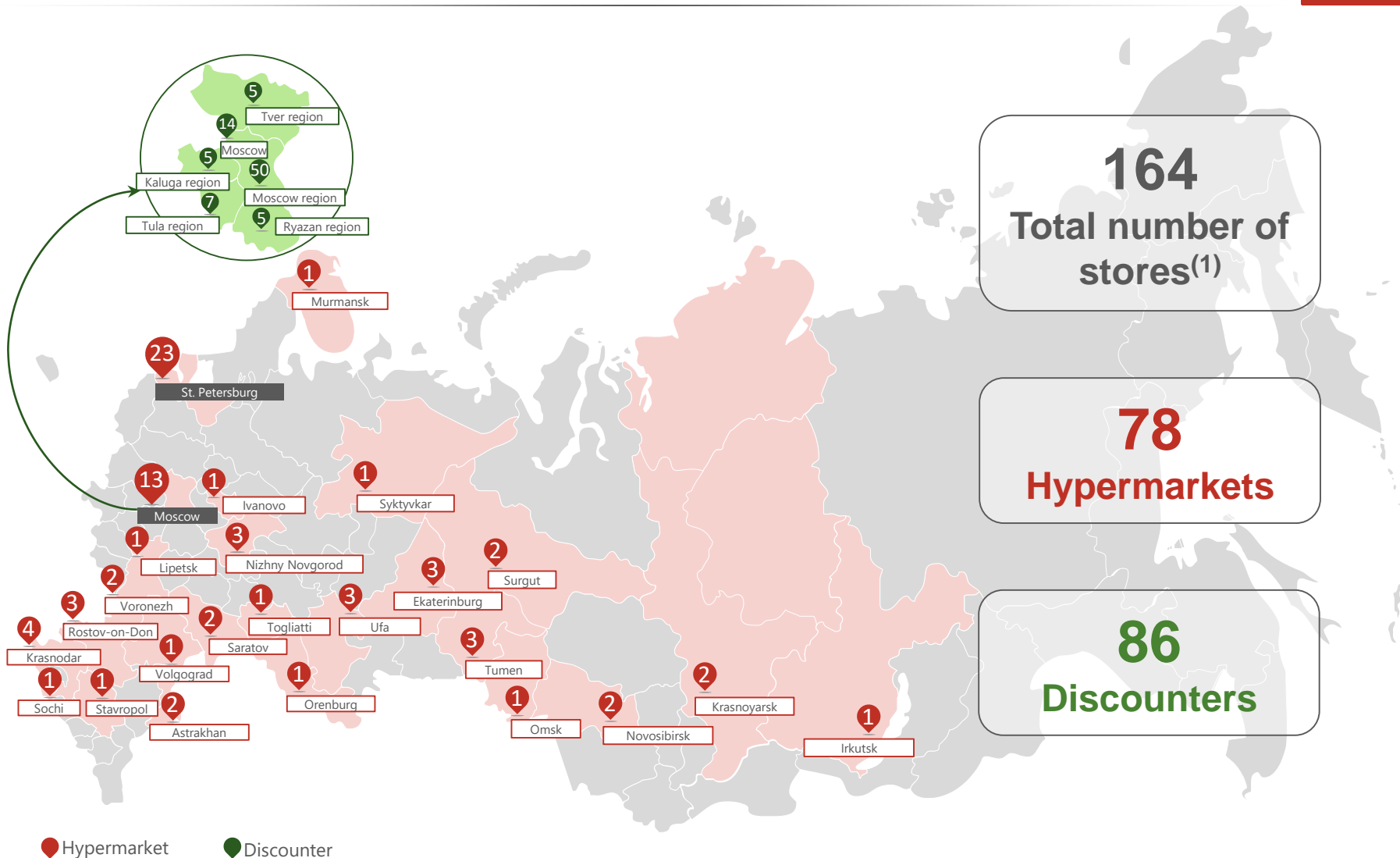
**RUB 159bn**  
Revenue 2018



**9.9%**  
Revenue CAGR  
2009-2018



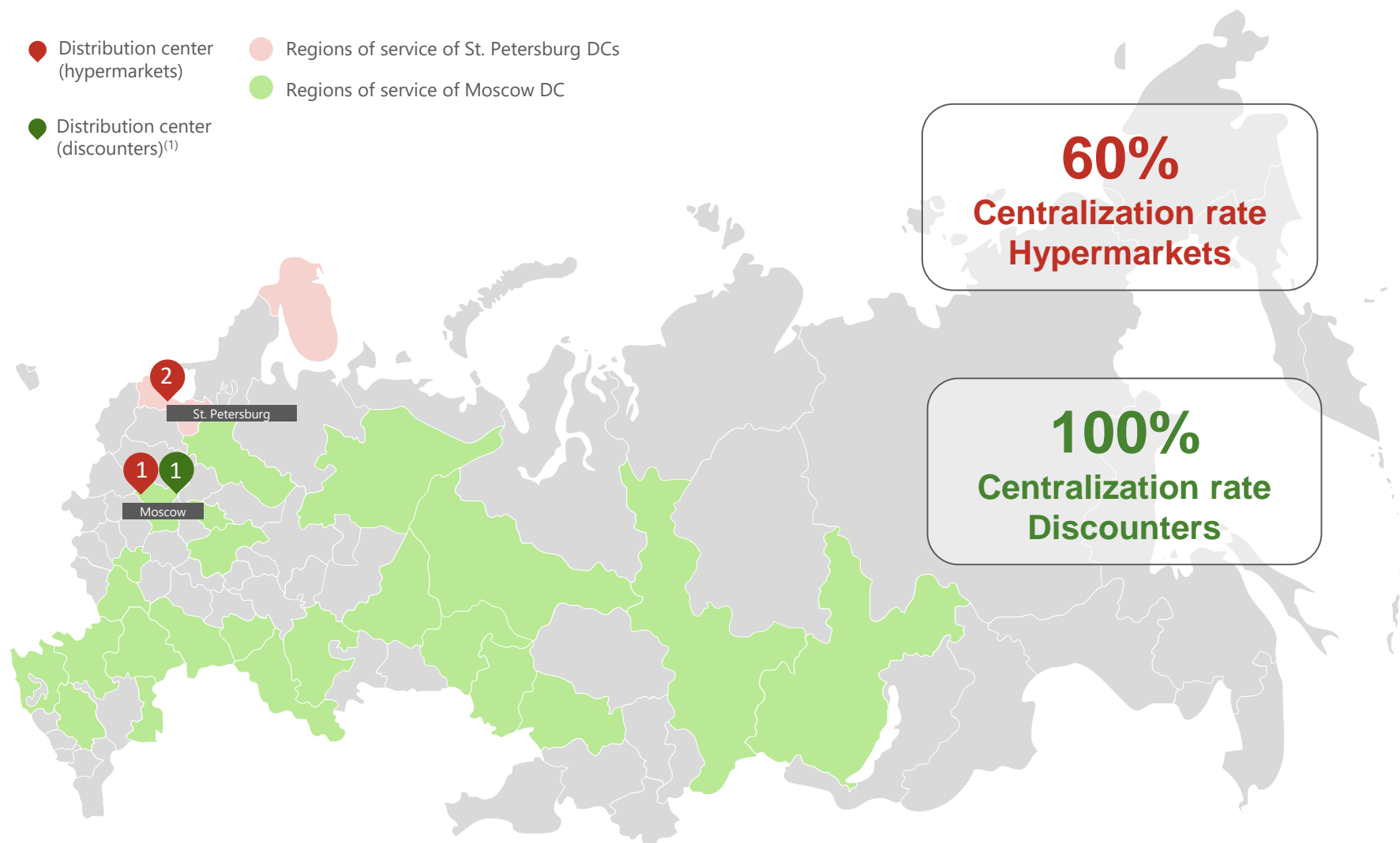
**198 mln**  
Clients shopped in 2018



Notes: (1) Number of stores as of May 2019.

# O'KEY supply chain

6



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

# O'KEY Group – An established history

7

- **O'KEY GROUP** was founded
- **FIRST O'KEY HYPERMARKET** opened in St Petersburg

2001 - 2003

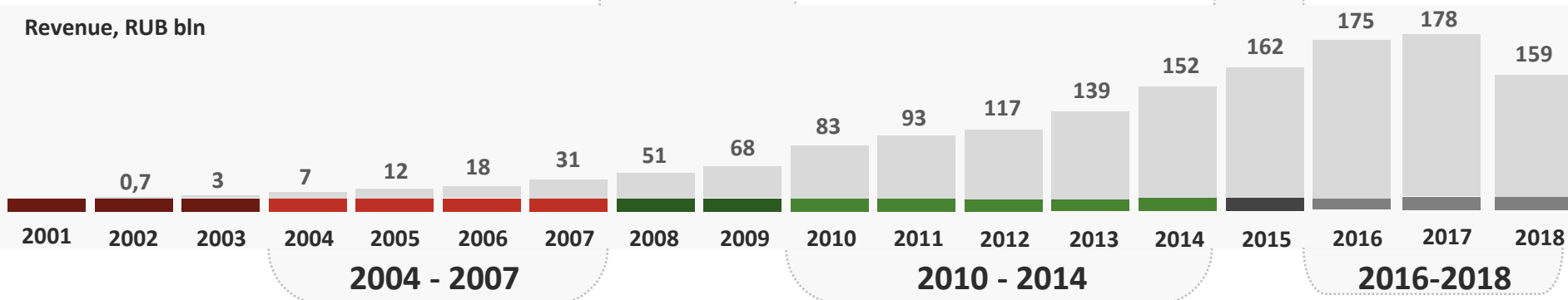
- Focus on **EXPANSION** in Russia's key regional markets
- **6 NEW REGIONS**
- **TOP-10** retailer by revenue
- 37 total stores
- **DOUBLED** selling space to >190 k m2

2008 - 2009

- **ONLINE SALES PLATFORM** launched
- **STRENGTHENING** of management team
- **NEW DISCOUNTER FORMAT** under the DA! brand
- 146 total stores
- **>590 K M2** selling space

2015

Revenue, RUB bln



2004 - 2007

2010 - 2014

2016-2018

- Strategy of establishing **REGIONAL MARKET LEADERSHIP**
- **8 HYPERMARKETS AND 2 SUPERMARKETS** opened in St Petersburg
- **×15 TIMES** increased selling space to 87 k m2

- Emergence as a **ONE OF THE LEADING** national Russian retailers
- **RAPID EXPANSION** in Moscow and key regional markets
- IPO on the London Stock Exchange
- >100 total stores
- **>550 K M2** selling space

- **60%** logistics centralisation level
- Presence in **25 CITIES**
- **MOBILE APP** for iOS and Android launched in 2016
- 145 total stores
- **578 K M2** selling space

# O'KEY has an experienced management team

8



**Armin Burger**  
**CEO of O'KEY**

**2013-2018:** CEO of Da! discounters  
**2012-2013:** CEO and a Member of the Supervisory Board of Praktiker AG  
**2008-2011:** Member of the Super. Board Aldi Süd  
**1999-2008:** CEO Hofer KG, Sattledt, Austria



**Konstantin Arabidis**  
**Chief Financial Officer**

**2012-2016:** various positions in O'KEY Group  
**Before 2012:** various positions in PWC



**Anton Farlenkov**  
**Corporate Development Director**

**2006-2016:** Various leadership positions at Goldman Sachs  
**2003-2006:** various positions in Royal Dutch Shell, Infoshare



**Ivan Dropuljic**  
**Commercial and marketing Director**

**2012-2017:** Purchasing and Marketing Director, Member of the Board of Kaufland Croatia  
**2007-2012:** Fresh Food Director at Kaufland Croatia  
**Up to 2007:** various positions at Pik Vrbovec and Jamnica



**Sergey Shadrin**  
**Supply Chain Director**

**2017-2018:** Auchan Moscow, Supply Chain Director  
**2004-2018:** various positions at Danone Russia, Ukraine, Saudi Arabia



**Pavel Lokshin**  
**Operations Director**

**2016-2018:** CEO of Perekrestok Express  
**2013-2016:** CEO of K-Rauta  
**2001-2013:** various positions in METRO Cash & Carry Russia Co.



**Elena Polozova**  
**Human Resources Director**

**2013-2015:** Senior HR, OKEY  
**2003-2013:** HR Business partner in Magnit



**Pavel Remezov**  
**Real Estate Director**

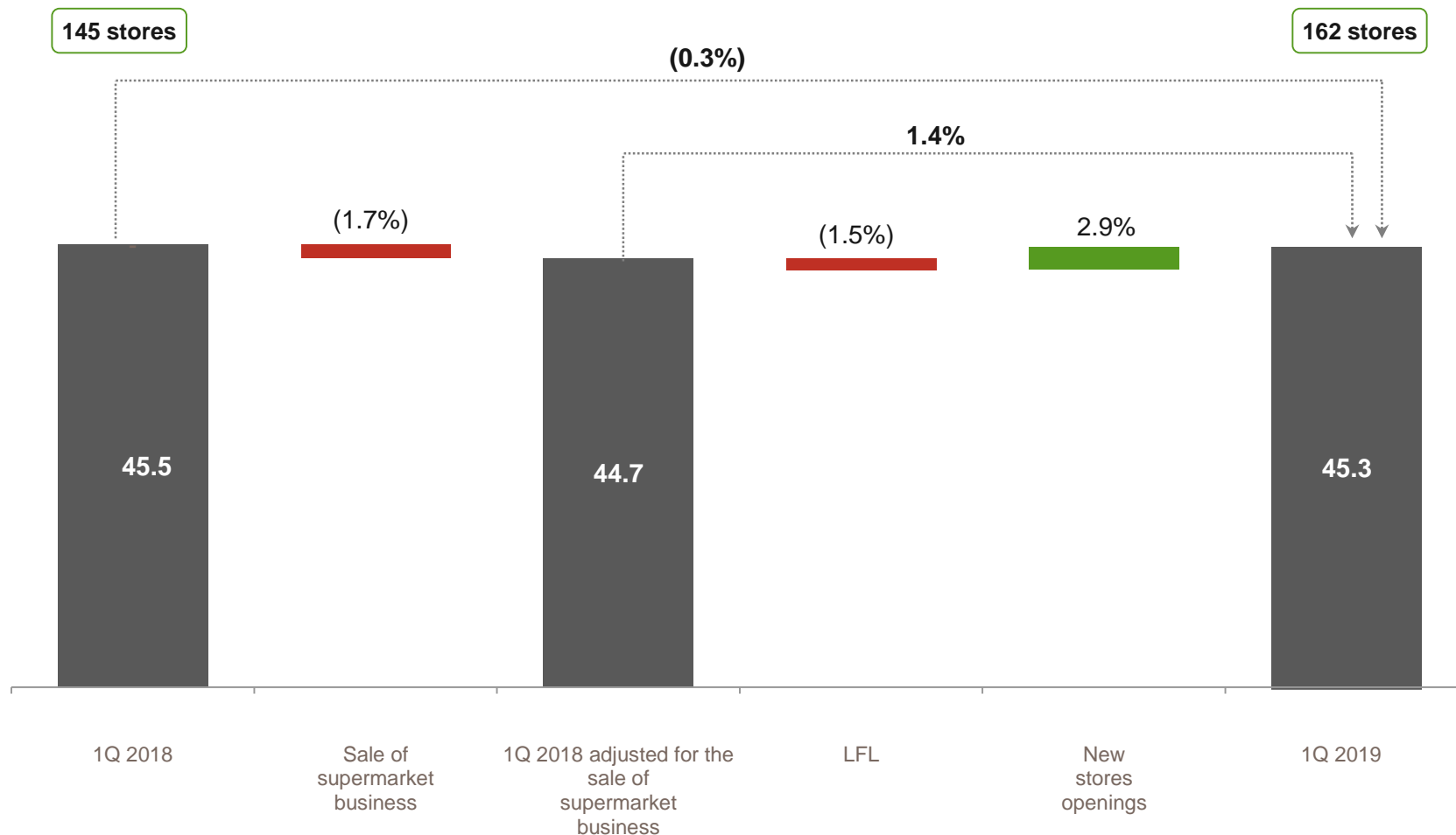
**2017-2018:** Real Estate and Development Director at OBI  
**2013-2017:** Format development Director at Lenta

01	O'KEY GROUP OVERVIEW	3
02	O'KEY GROUP Q1 OPERATING RESULTS	9
03	O'KEY GROUP STRATEGIC UPDATE	17
04	O'KEY GROUP 2018 FINANCIAL RESULTS	52
05	APPENDIX	62

# Underlying Group total revenue in Q1'19 increased by 1.4% YoY driven by new stores openings

10

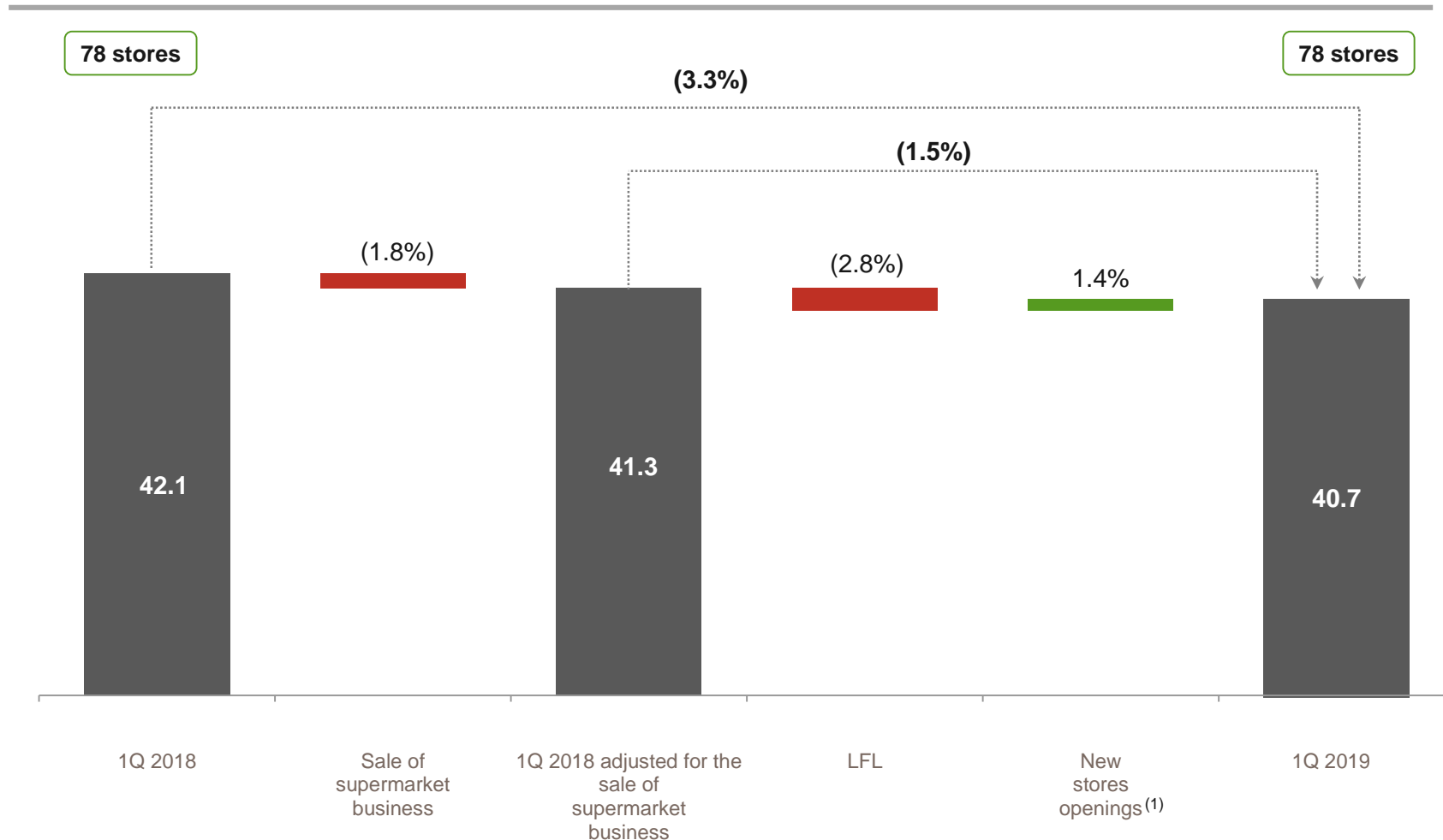
Total revenue, Q1 2019 vs. Q1 2018, RUB bn



# Intensifying competition affected O`KEY organic revenue growth in Q1'19

11

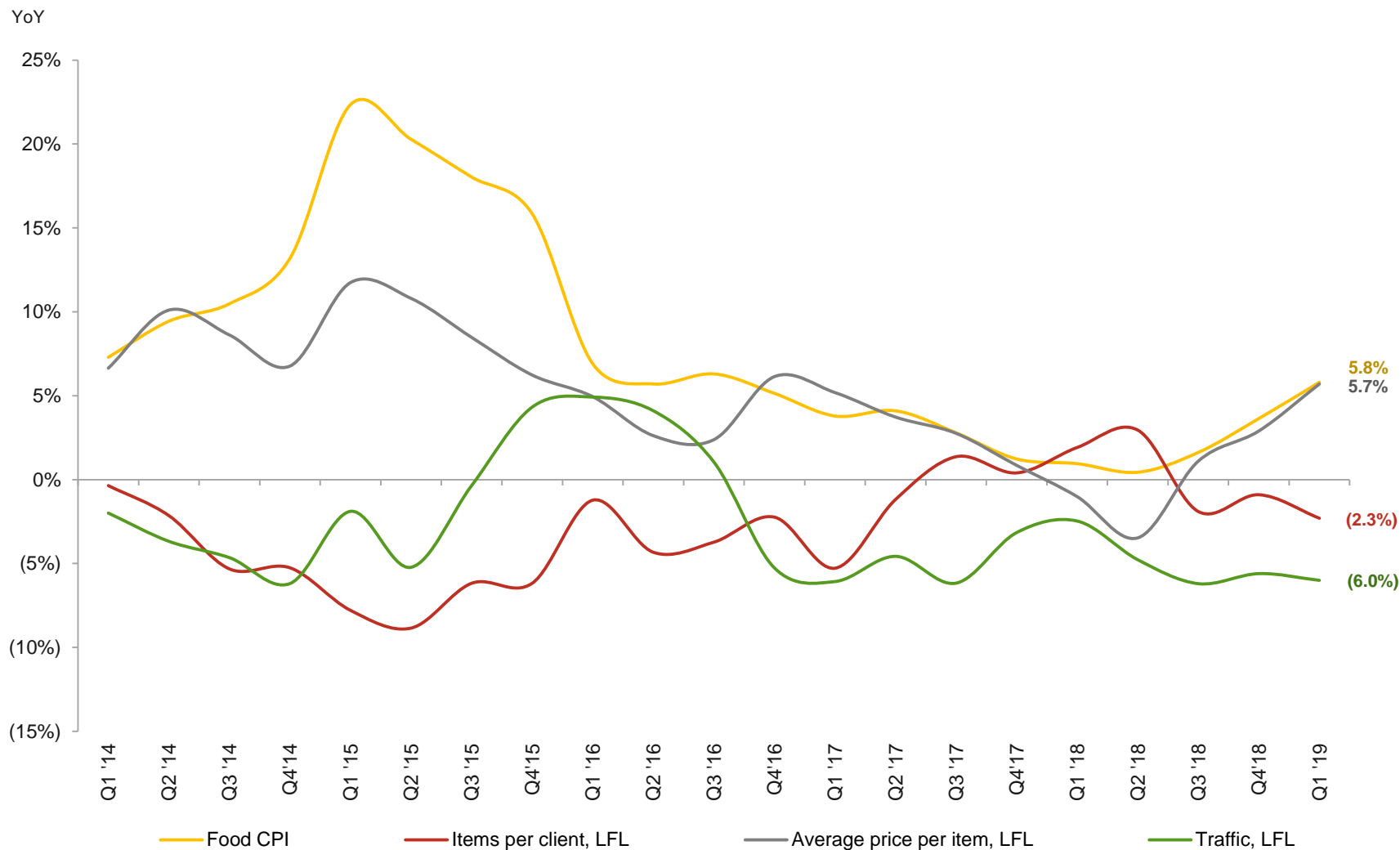
Total revenue, Q1 2019 vs. Q1 2018, RUB bn



Notes: (1) RIO hypermarket reopening, opening of hypermarket in Novocherkassk in 3Q '18.

# O'KEY Q1'19 operating results overview

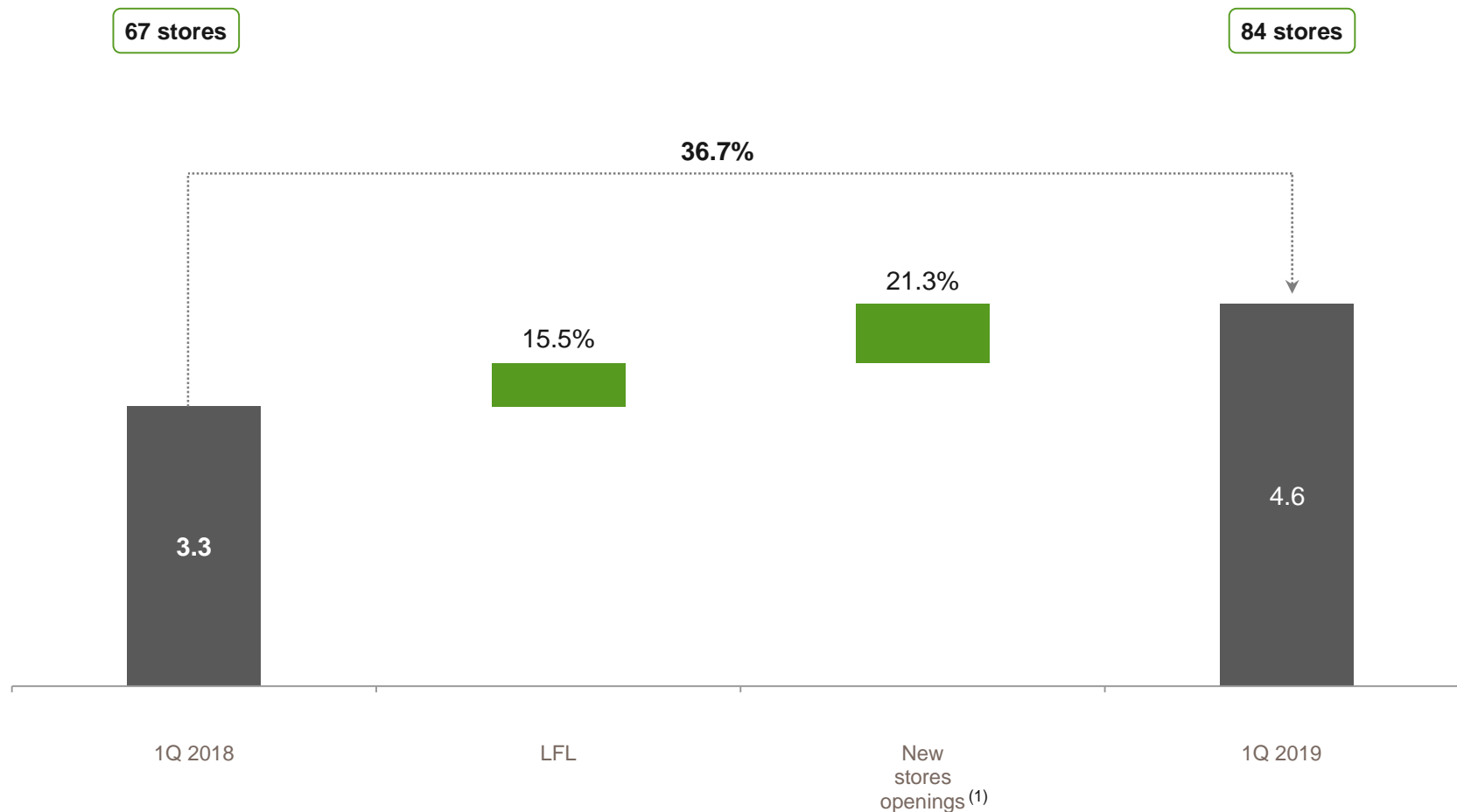
12



# DA! discounters continued to demonstrate strong growth trends in Q1'19

13

Total revenue, Q1 2019 vs. Q1 2018, RUB bn

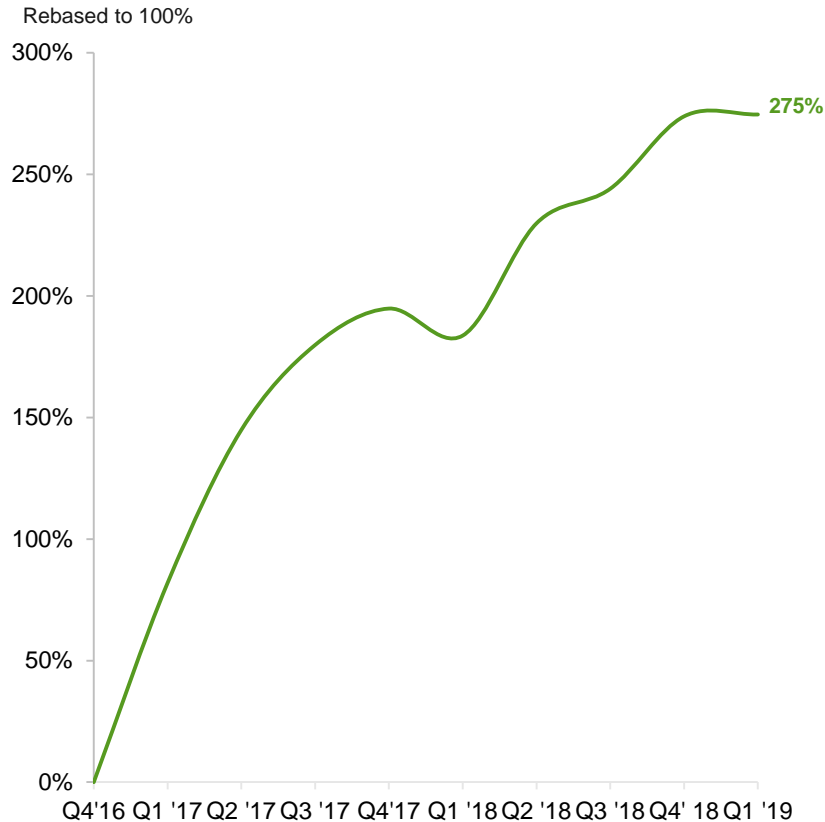


Notes: (1) Opening of 2 new discounters in Q1'2019.

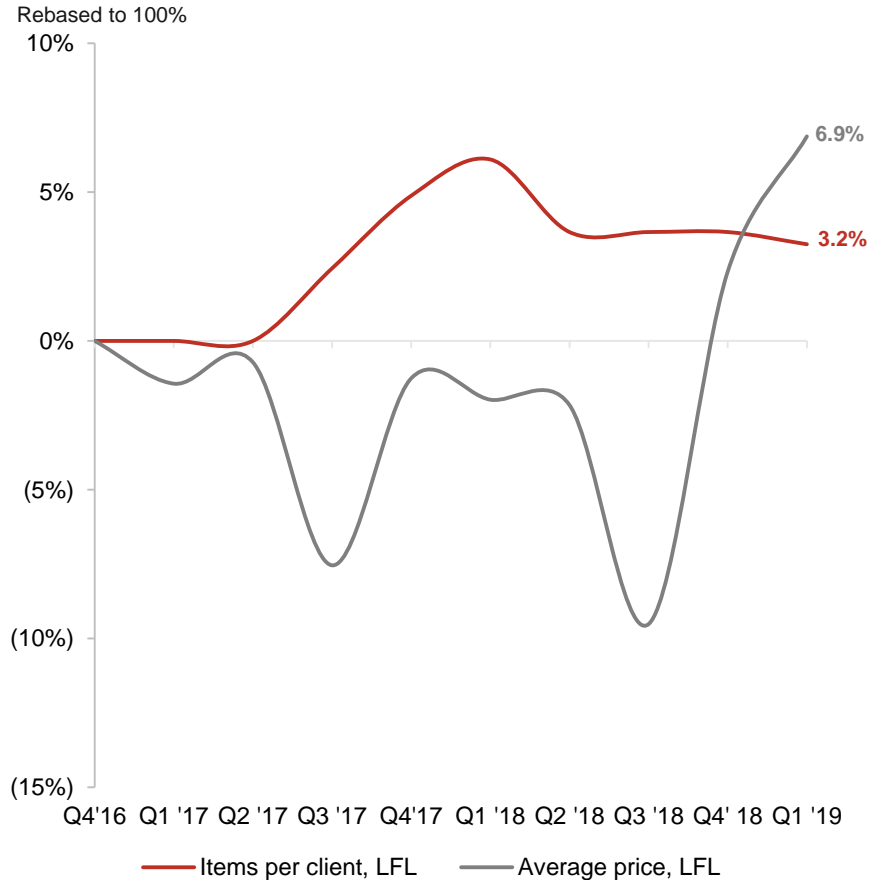
# DA! Q1'19 operating results overview

14

## Growing popularity of the discounters' value proposition continue to yield solid LFL traffic



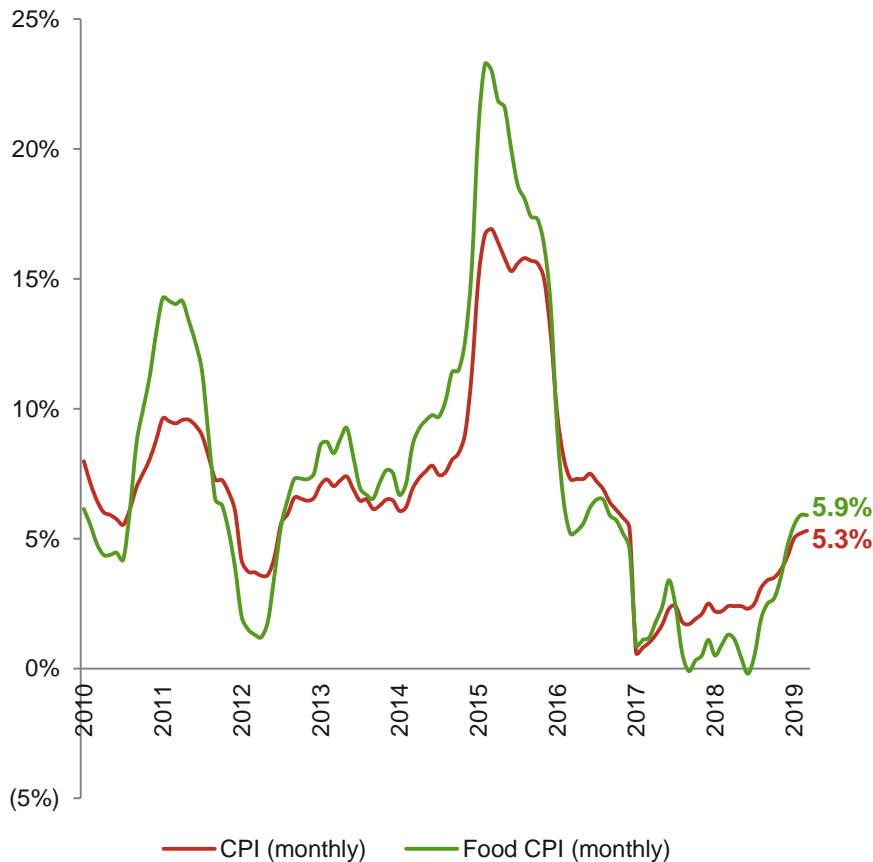
## Average price per item increased in Q1'19 driven by steady growth of inflation



# Food CPI continued to edge up in Q1 2019

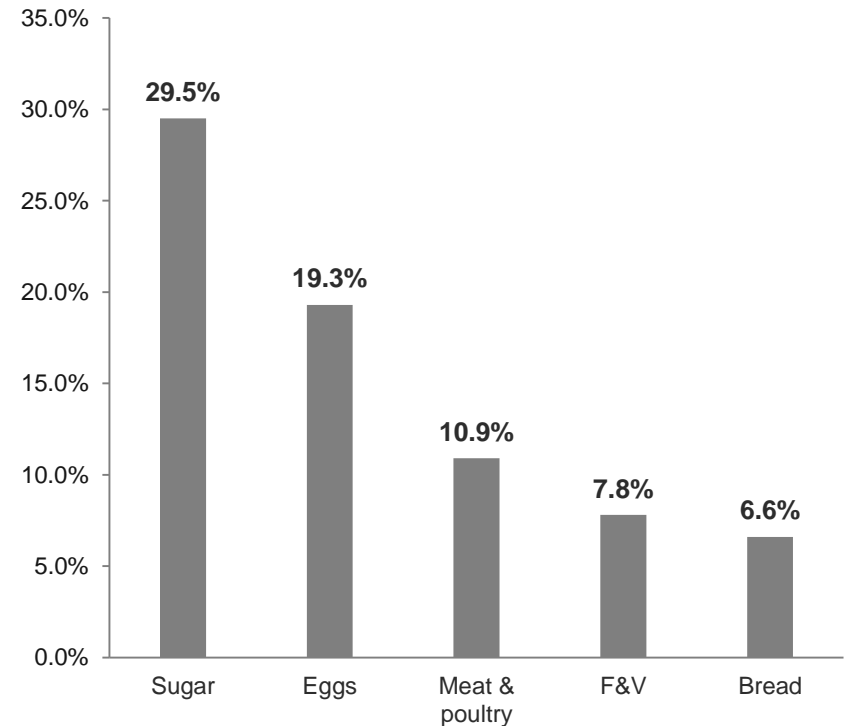
15

In Q1'19 food CPI reached the highest level since September'16...



...largely driven by soaring prices for sugar, eggs, meat & poultry and others

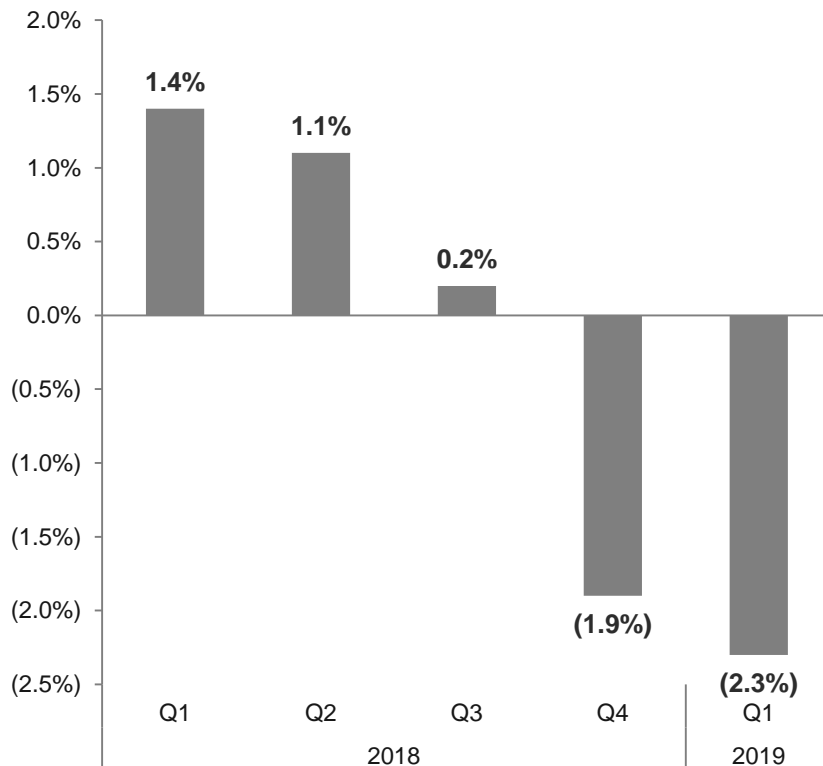
Price dynamics in Q1'19 vs Q1'18



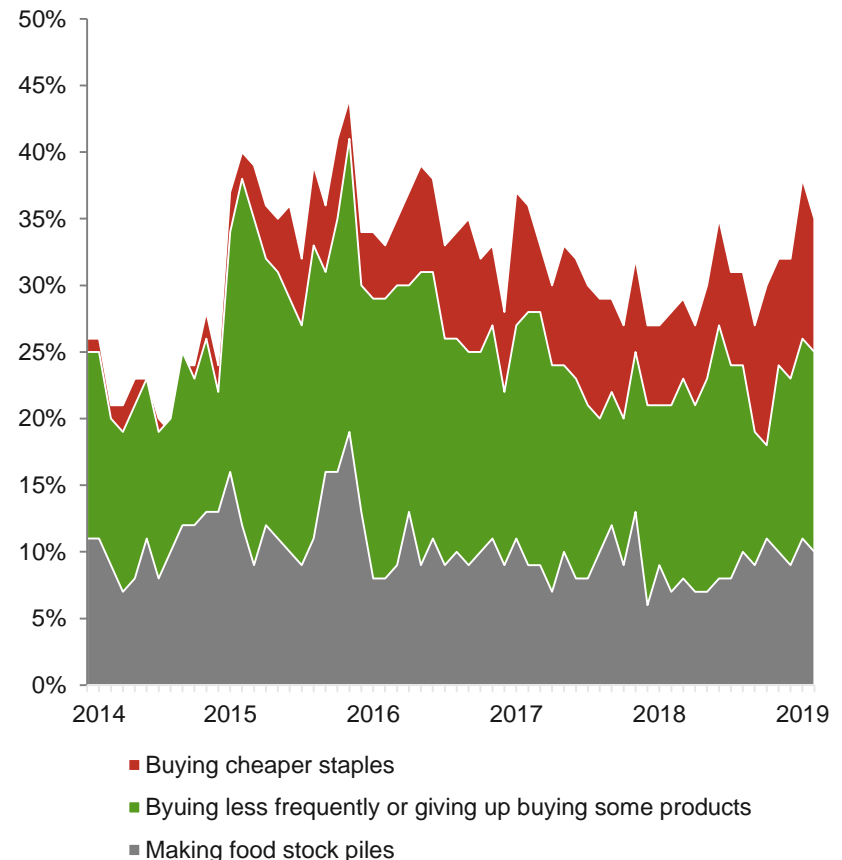
# In Q1'19 consumer sentiment remained weak

16

In Q1'19 real disposable income decreased by 2.3% YoY largely owing to the high base of the respective period a year ago



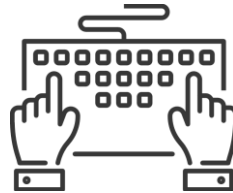
The percentage of customers who traded down rose on average to 35% in Q1'19 from 27% a year ago, gradually coming closer to the peak levels of 2015-2016



01	O'KEY GROUP OVERVIEW	3
02	O'KEY GROUP Q1 OPERATING RESULTS	9
03	O'KEY GROUP STRATEGIC UPDATE	17
04	O'KEY GROUP 2018 FINANCIAL RESULTS	52
05	APPENDIX	62



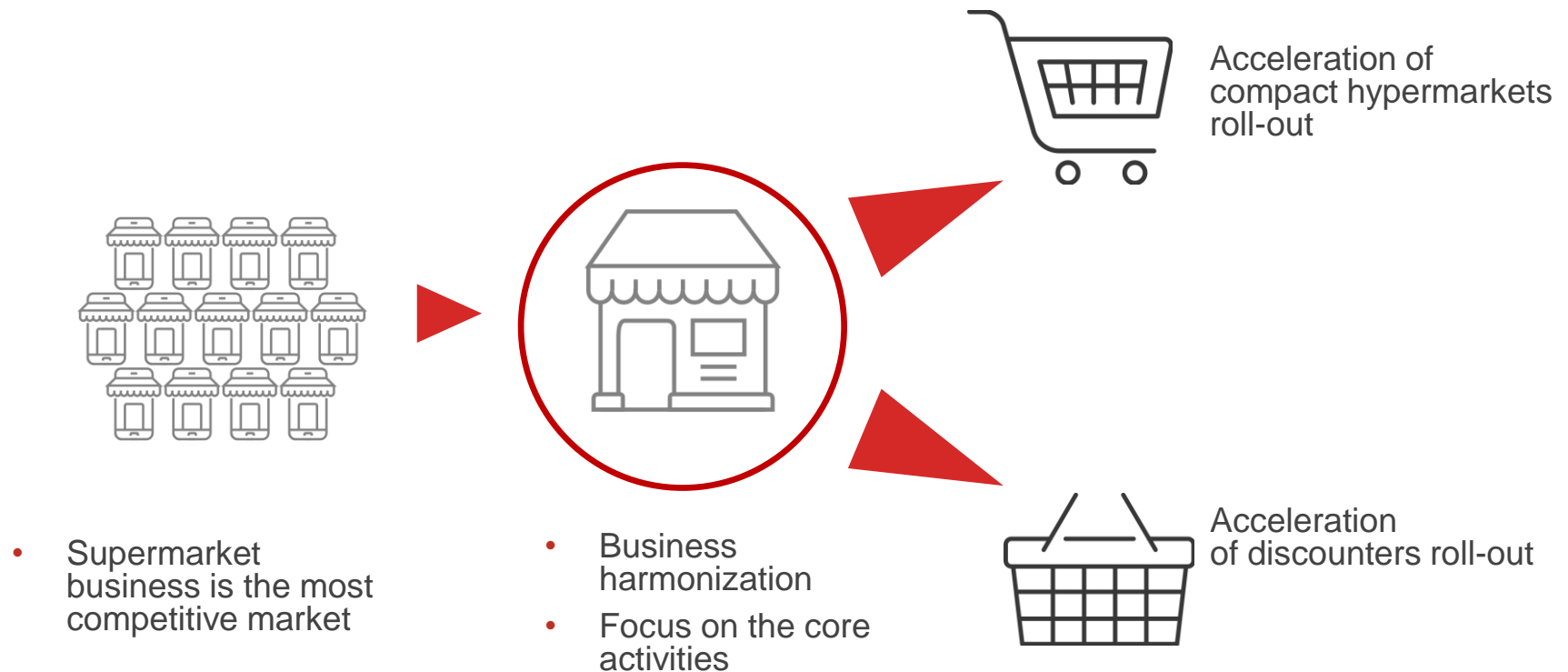
**COMPACT  
HYPERMARKETS**



**E-COMMERCE**



**DISCOUNTERS**



# Divestment of supermarket business overview

20

## KEY DEAL PARAMETERS

### Seller

O'KEY

### Acquirer

X5 Retail Group

### Assets sold

32 supermarkets in St. Petersburg, Moscow, Volgograd, Moscow and Leningrad regions, Astrakhan, Voronezh, Lipetsk, Togliatti, Krasnodar, Novocherkassk

### Selling space

- Total: 68,063 sq. m (34% owned and 66% rented)
- Net: 40,500 sq. m (30% owned and 70% rented)

### Transaction consideration

RUB 7.2bn RUB (Enterprise value)

**12 Dec 2017**

Framework agreement  
to sell supermarket  
business signed

**Dec 2017**

15 supermarkets  
transferred to  
Perekrestok

**Jan 2018**

13 supermarkets  
transferred to  
Perekrestok

**April 2018**

4 supermarkets  
transferred to  
Perekrestok

# Hypermarket Profile

21

Share in sales in 2018	91.5%
Number of stores	78
Average store selling space, '000m <sup>2</sup>	7.1
Total selling space (m <sup>2</sup> )	528,124
Percentage of owned trade space	54%
Average CAPEX per owned store	RUB 1.1 bln
Average CAPEX per leased store	RUB 350 mln
Payback period per owned store	7 years
Payback period for leased store	4-5 years
Product range	SKUs: 34,000 Fresh + UltraFresh: 45.0% Dry: 15% Non-food: 14% Drinks: 13% Cosmetics/Detergents: 9% Own production: 4%
Average ticket (RUB) in 2018	1,008
Target audience	Lives within 15 min by car
Locations	Near public transportation hubs, in areas with limited competition



Facade of hypermarket in Yekaterinburg



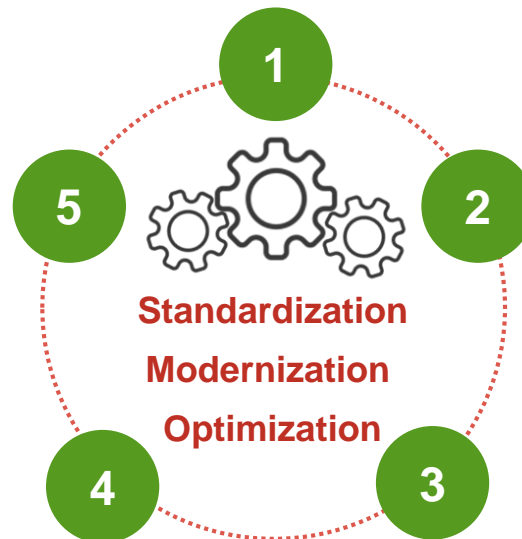
Interior of hypermarket in Yekaterinburg

## Efficiency to value

Process excellence  
Improvement of working environment  
Being professional in everything we do

## Assortment & Marketing

Standard diverse assortment portfolio  
Private labels evolution  
New marketing tools



## Enhancing of Supply chain

Easy stock replenishment  
Maximum level of availability

## New IT Infrastructure

More automation  
Fast and user friendly IT tools

## Store enhancement

Store renovation

# Group transformation under way: O`KEY

23

## Initiatives launched and completed in Q1 2019



### NEW IT INFRASTRUCTURE

- ✓ Modernization of IT infrastructure in line with the adopted strategy



### SUPPLY CHAIN

- ✓ Change of pick-by-line supplies work scheme. Costs optimization up to 5%
- ✓ New alcohol unit at Litvinovo DC is prepared for licensing



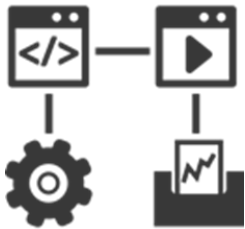
### ASSORTMENT & MARKETING

- ✓ Expansion of premium assortment
- ✓ Focus on fresh and ultra-fresh categories

**O`KEY**  
ОТЛИЧНО ЖИТЬ ПРАКТИЧНО

Notes: (1) On shelf availability; (2) According to the research conducted by third party agency.

**O`KEY**  
GROUP OF COMPANIES



## **STANDARD BUSINESS PROCESSES**

Establishing process baseline in order to prepare to breakthrough



## **ENHANCEMENT OF IN-STORE OPERATING GOVERNANCE MODEL**

Leveraging corporate platform to create value as a company



## **STRIVING FOR EXCELLENCE**

Best-in-class team to achieve quality leadership and service excellence

	2018A	2019F
Centralization	60%	60%
# of DCs	1 federal & 2 regional DCs	1 federal & 2 regional DCs
WH and transport management	Manhattan WMS <sup>(1)</sup> Cloud TMS <sup>(2)</sup>	Manhattan WMS <sup>(1)</sup> Cloud TMS <sup>(2)</sup>
Replenishment (WH and store)	ORACLE RPAS pilot phase	ORACLE RPAS roll out phase



**MODERN  
LOOKING  
STORES**

---



**«LIFE-STYLE»  
DESTINATION**

---



**SIMPLIFIED  
SHOPPING  
EXPERIENCE**

---

- ✓ Modern look & feel to respond to the customers' expectations for fun and hassle-free shopping
- ✓ Orientation is facilitated by multicolored navigation
- ✓ More efficient organisation of the selling space to respond to the customer expectations
- ✓ Self-checkout counters with Self Scanning technology
- ✓ “Freshh Area” – styled as an open market, area where customers can find the variety of fresh products
- ✓ “Farmer’s Corner” – the area with fresh dairy products delivered every morning from farms
- ✓ Self-service green salad bar
- ✓ Sections of men and women clothes and shoes put at the central positions in the store
- ✓ Enhanced drinks and alcohol sections placed at the far-right corner of the shop



Cafe and bakery in O'KEY hypermarket, Yekaterinburg



“Fresh area” in O'KEY hypermarket, Yekaterinburg













	2018A	2019F
ERP	Microsoft Dynamics AXAPTA 2004/2012 (implemented in all stores)	Microsoft Dynamics AXAPTA 2004/2012 (implementation in all DCs and HQ)
Supply Chain	Manhattan WMS, Cloud TMS Oracle RPAS (5% of sales)	Manhattan WMS, Cloud TMS Oracle RPAS (70-80% of sales)
Category management	Oracle RPAS (start of implementation)	Oracle RPAS (implementation in all categories)
Space management	JDA <sup>(1)</sup> (start of implementation)	JDA (implementation in top-18 categories)
CRM	Manzana Loyalty 2015 based on Microsoft Dynamics CRM 2015 (upgraded stage)	Manzana Loyalty 2015 based on Microsoft Dynamics CRM 2015

Notes: (1) JDA - management of stores planogram.



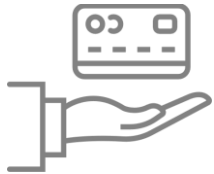
## SMART PROMO

- New promo tools
- Co-promo and incremental sales
- Flexible approach across store formats, customer segments & geo-locations



## TARGET MARKETING

- Personalized offers
- Cross & Up-sell activities



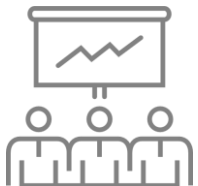
## LOYALTY PROGRAM

- Reward initial loyalty and encourage more purchases
- Providing customers a sense of value
- Target segment-focused solution



## PRICING POSITION IMPROVEMENT

- Changing of customer's pricing perception



## PRIVATE LABEL EVOLUTION

- Increase of Private Label share



## ALIGNMENT OF ASSORTMENT

- Focus on imports to create a differentiating factor

- ✓ Our supermarkets and hypermarkets offer two types of PL brand:
  - ✓ **“That’s What You Need!”** - to cater to the price-sensitive customers (874 SKU)
  - ✓ **“O’KEY”** - to address the needs of customers seeking value-for-money (827 SKU)
- ✓ 85% of products produced by local suppliers
- ✓ Our PL brands are on average cheaper by 20-30% than branded products of the same quality
- ✓ Implemented special quality control programme “Trademark O’KEY – Customers` Guarantee”<sup>(1)</sup> aids for testing both production facilities as well as samples in independent accredited laboratories
- ✓ O’KEY products are featured in regular catalogues and in dedicated catalogues published twice a year
- ✓ Dedicated section at the e-commerce website, direct mailing to customer base and advertising campaigns supports sales of our PL products
- ✓ In coming years we plan to double the share of private label brands, including non-food categories
- ✓ In 3Q 2018 we launched premium private label brand “O’KEY selection”



### PL AS % OF REVENUE

2018  
6.6%



### SKU

2018  
1,600+  
under three brands



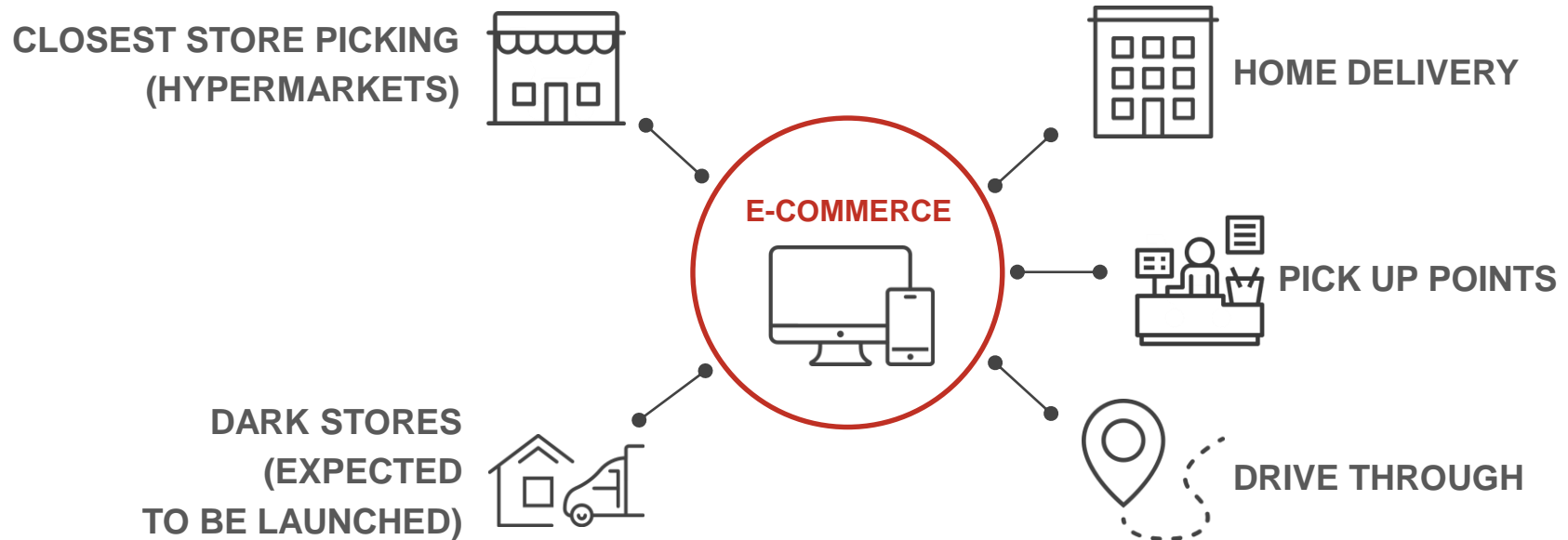
### AWARD

2018  
Best PL brand in non-food segment  
Best PL in the economy segment  
Responsible approach to PL  
4<sup>rd</sup> International Exhibition by IPLS

Notes: (1) Is a part of our quality control system for products and goods under our private label.

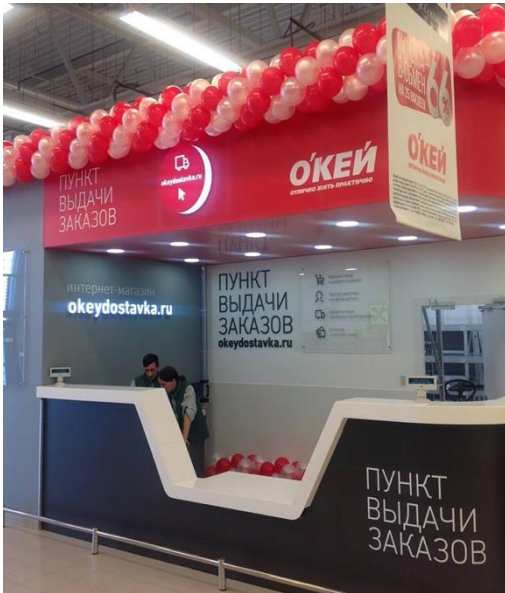
## OPERATIONAL MODEL FOR ORDER MANAGEMENT

## CONSUMER CHOICES FOR ORDER COLLECTION



# Omni: Simple. Fast. Convenient.

38



Pick-up point - "click and collect"



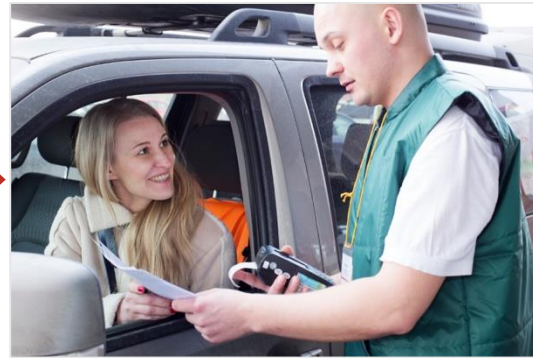
Main page of O'KEY online store



Home delivery service



"Drive through" (1)



"Drive through" (2)



"Drive through" (3)



O'KEY recognized as the **“Best Food Retail Chain”** in 2018 and **“Consumer Choice”** for **“Best Prices”**



O'KEY awarded **gold and two silver medals** at the international competition **"Quality Assurance 2018"**



In 2018 O'KEY was awarded the **Russian mark of quality** (Roskachestvo)



O'KEY mobile app (Mobile Family) won the **platinum award** in the **“Convenience and Ease of Use”** nomination in 2018

# Discounters at glance

40



**86**

Stores



**RUB 13bn**

Revenue 2018



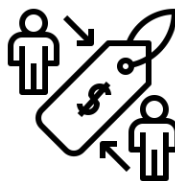
**700 sq. m**

Average store  
selling space



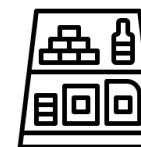
**100%**

Logistics  
centralisation



**2,571**

SKU



**42%**

Private label SKUs

# Discounters Profile

41

Share in sales in 2018	8.5%
No. of stores, May 2019	86
Average store selling space ('000m <sup>2</sup> )	0.7
Total selling space (m <sup>2</sup> ) 2018	58,233
Percentage of owned space	27.0%
Average CAPEX per owned store	RUB 150 mln
Average CAPEX per leased store	RUB 50 mln
SKU	SKUs: 2,350 PL SKUs: 42% of total SKUs
Product range	Fresh: 45% Dry: 28% F&V: 15% Non-food: 8% Non-food special: 3% Food special: 1%
Full time equivalent	8
Average ticket (RUB) in 2018	465
Target audience	Lives within 5 minutes by car/ 15 min walking distance
Locations	Within highly populated residential districts in close proximity to roads



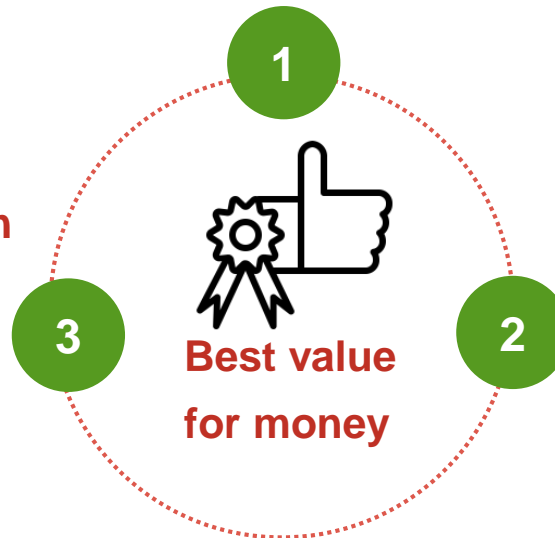
Interior of discounter in Moscow region



Interior of discounter in Moscow region

## Growth and expansion

Up to 170 stores by the end of 2020  
Enhancing shopping experience



## The best value proposition

Best quality  
Best price  
Convenient locations  
Excellent customer service

## Assortment & Marketing

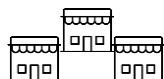
Strong private labels and  
exclusive assortment  
New marketing tools

# Group transformation under way: DA!

43

## Strategic commitments

## Initiatives launched and completed in Q1 2019



### GROWTH & EXPANSION

- ✓ Two new discounters were opened
- ✓ Installation of additional drinks chillers
- ✓ Remerchandising of PL products driven by high demand



### ASSORTMENT & MARKETING

- ✓ Listing of new SKUs under PL brand “Farm collection”
- ✓ Seasonal changes in assortment and merchandising
- ✓ Private label rebranding



### THE BEST VALUE PROPOSITION

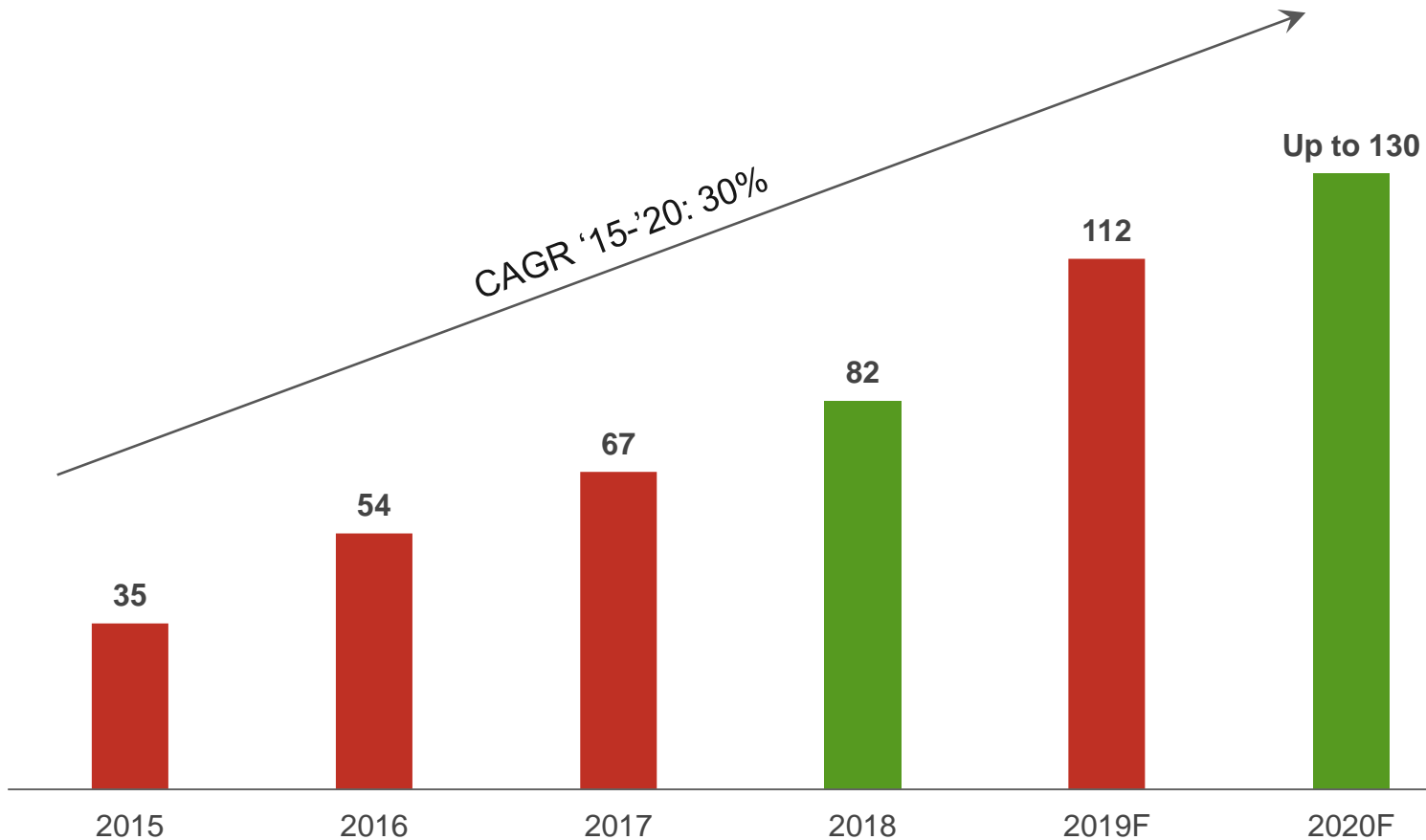
- ✓ Improvement of recipes in private label assortment



# 1 Growth and expansion: up to 130 stores

44

Number of stores



# 1 Enhancing the shopping experience

45



# 1 Enhancing the shopping experience

46



# 1 Enhancing the shopping experience

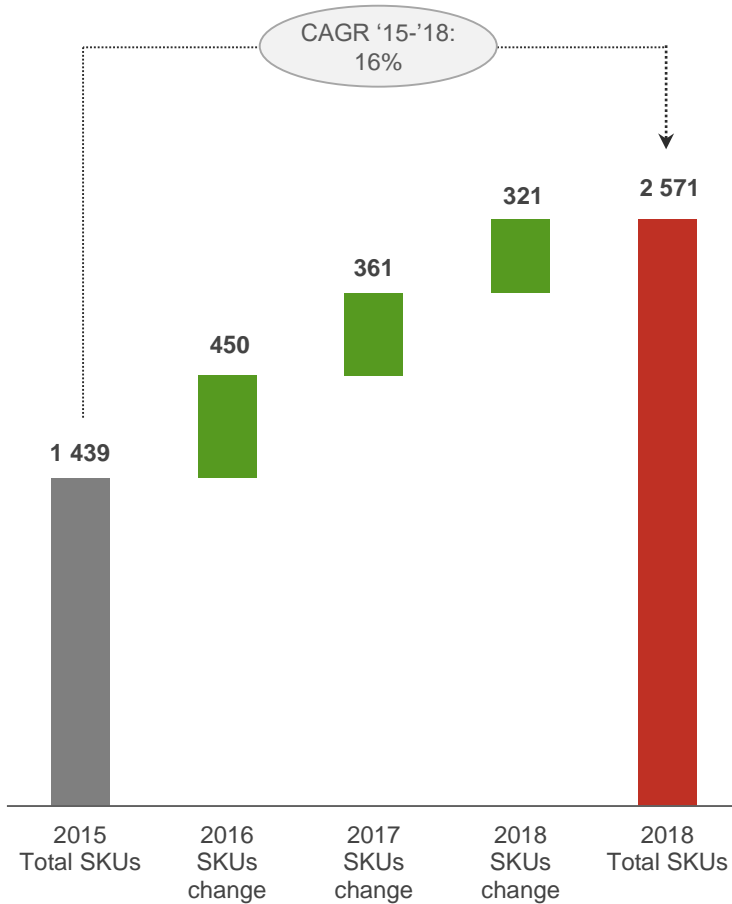
47



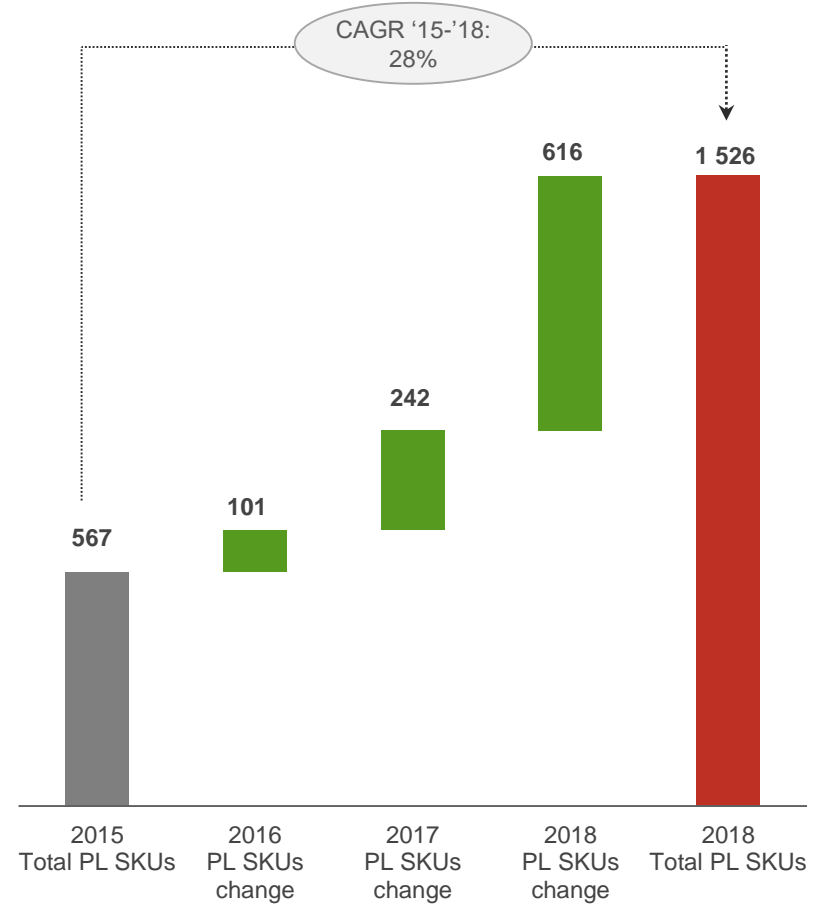
## 2 Assortment and marketing

48

### Total SKUs growth



### Private label SKUs growth



## LIMITED PRODUCT RANGE

Low prices

High turnover per SKU



## STRONG PRIVATE LABELS



## SUPPLY CHAIN

Own distribution centre –

100% centralisation



## OUR STAFF

More than 1,700 employees

Well trained personnel

Positive working environment

Excellent customer service



**Modern and attractive  
store design**

- 1 Joint buying
- 2 Office relocation
- 3 Direct import
- 4 Private Labels synergies



- **Revenue growth:** around zero
- **Profitability:** in line with previous year

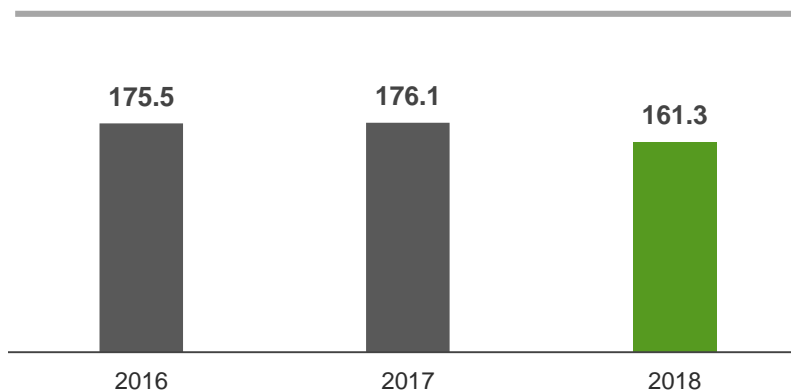


- **Expansion:** up to 30 new discounters
- **Revenue:** double digit LFL growth
- **Breakeven:** by the end of 2019

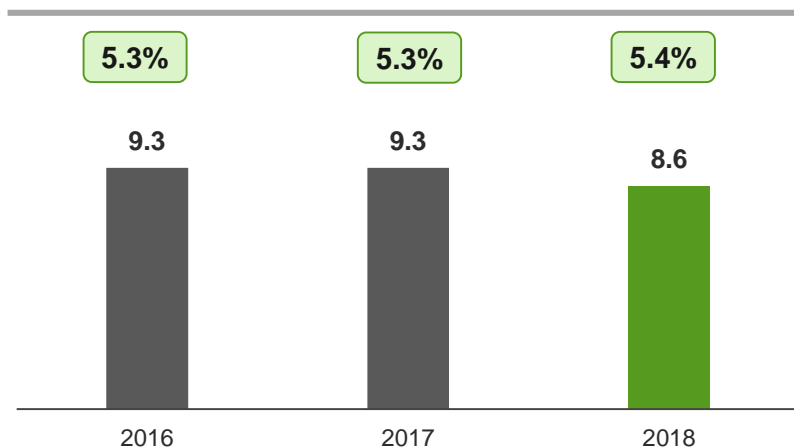
01	O'KEY GROUP OVERVIEW	3
02	O'KEY GROUP Q1 OPERATING RESULTS	9
03	O'KEY GROUP STRATEGIC UPDATE	17
04	O'KEY GROUP 2018 FINANCIAL RESULTS	52
05	APPENDIX	62

- 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

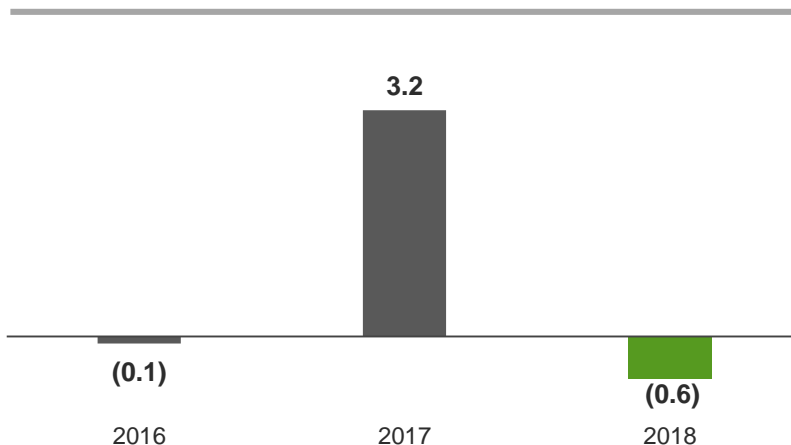
Revenue<sup>(1)</sup>, RUB bn



EBITDA<sup>(2)</sup>, RUB bn



Net Income/(loss), RUB bn



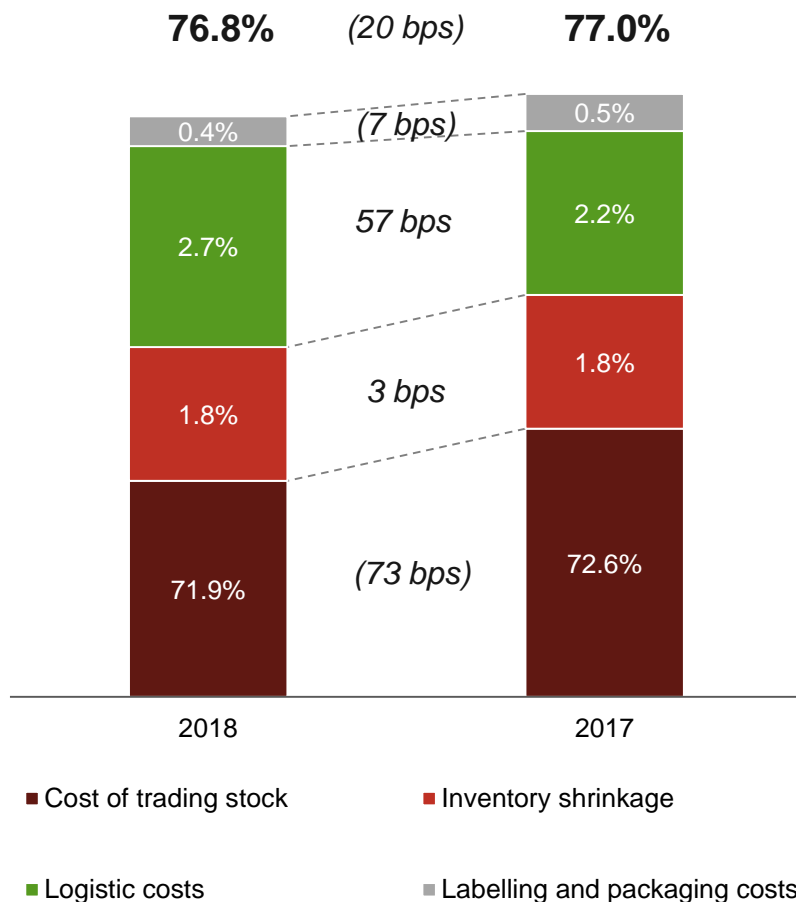
EBITDA margin

Notes: <sup>(1)</sup> 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; <sup>(2)</sup> 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

54

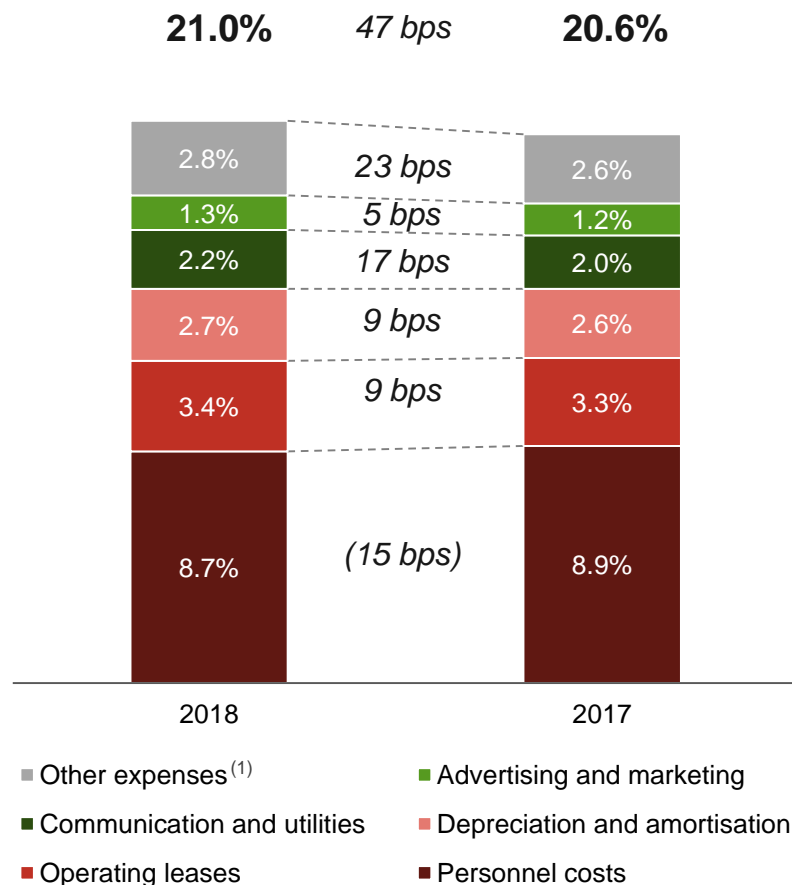
## COGS breakdown as percentage of revenue



- 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: <sup>(1)</sup> 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

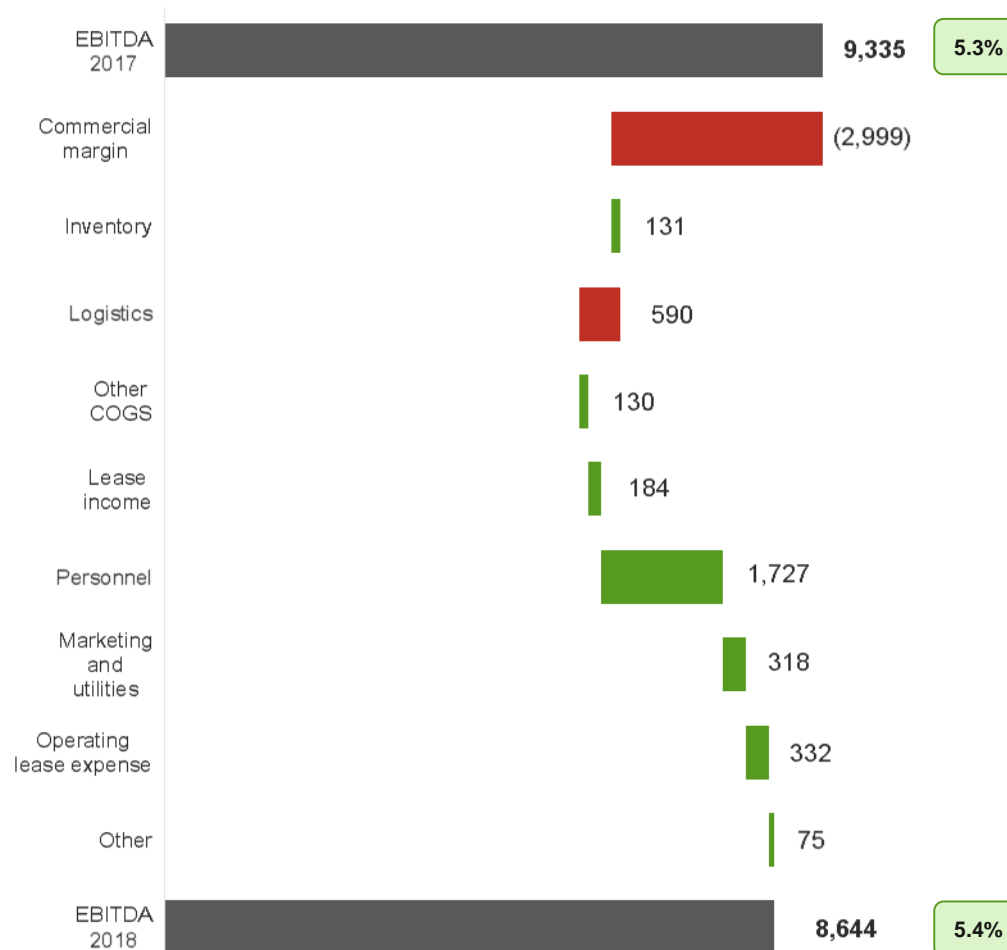
56

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

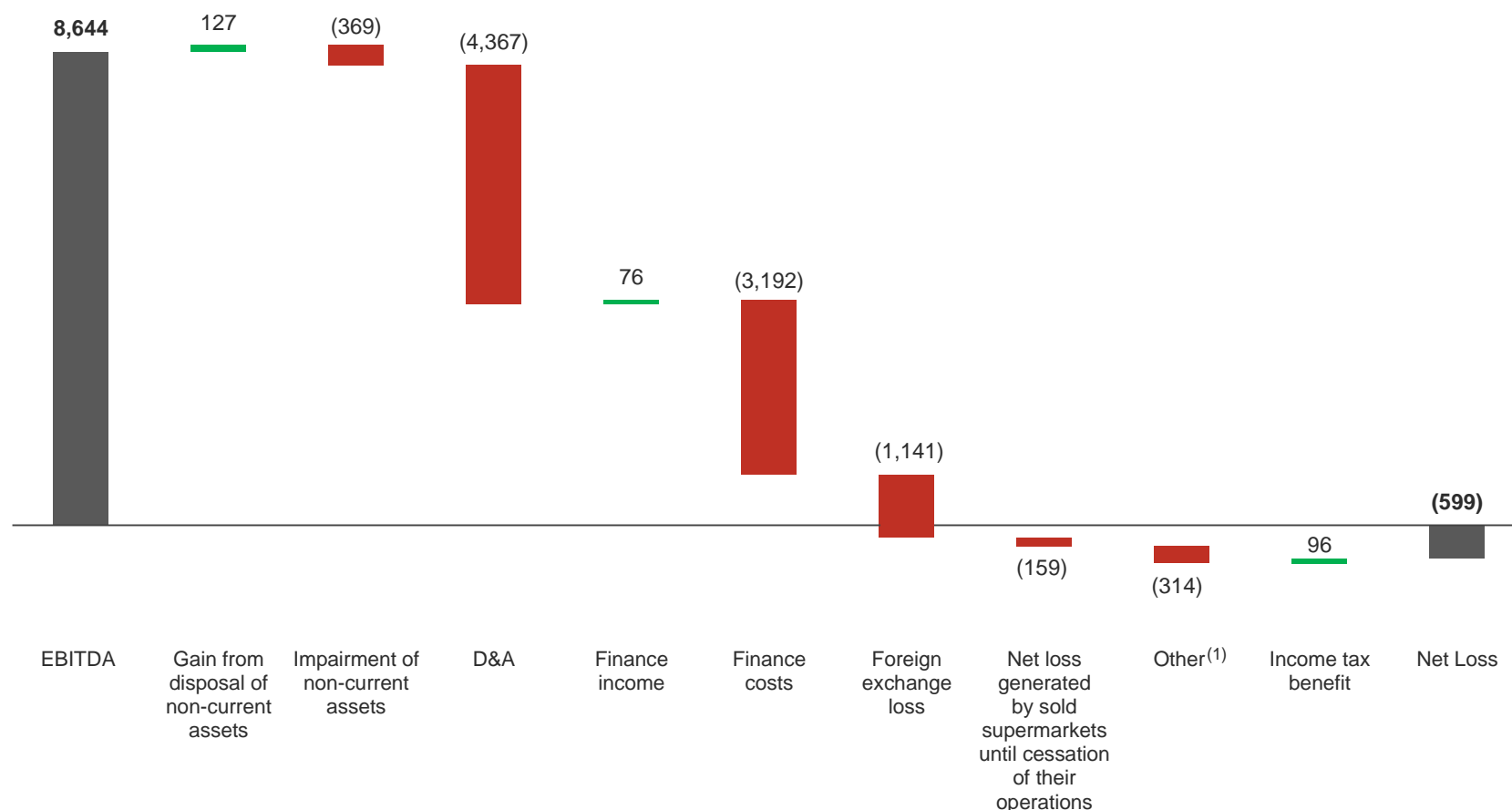


EBITDA  
margin

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

57

### EBITDA to Net Loss reconciliation, RUB mln



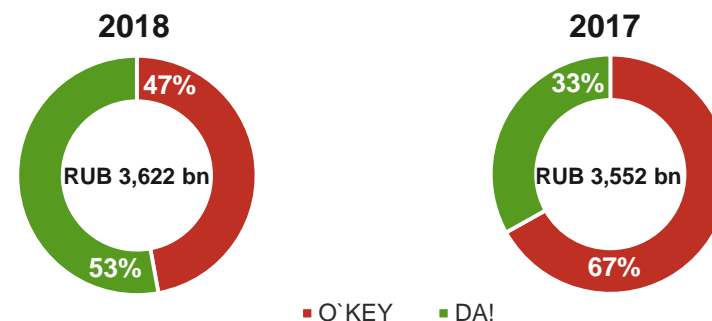
Notes: <sup>(1)</sup> Revaluation of investment property, loss from write-off of receivables, impairment of receivables and other.

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

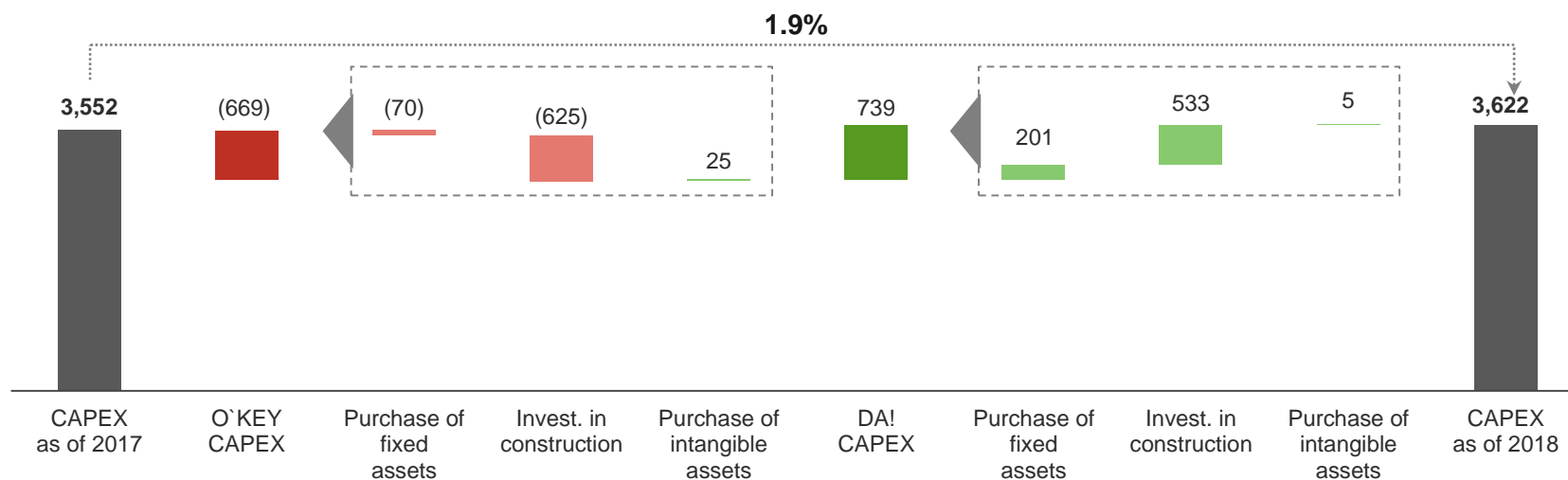
58

- 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

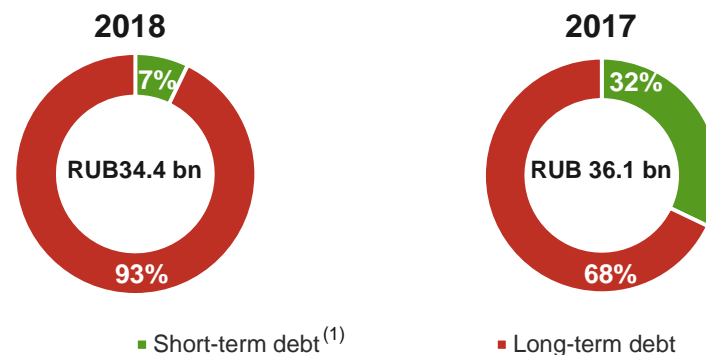


## Capital Expenditures YoY change analysis, excluding VAT, RUB mln

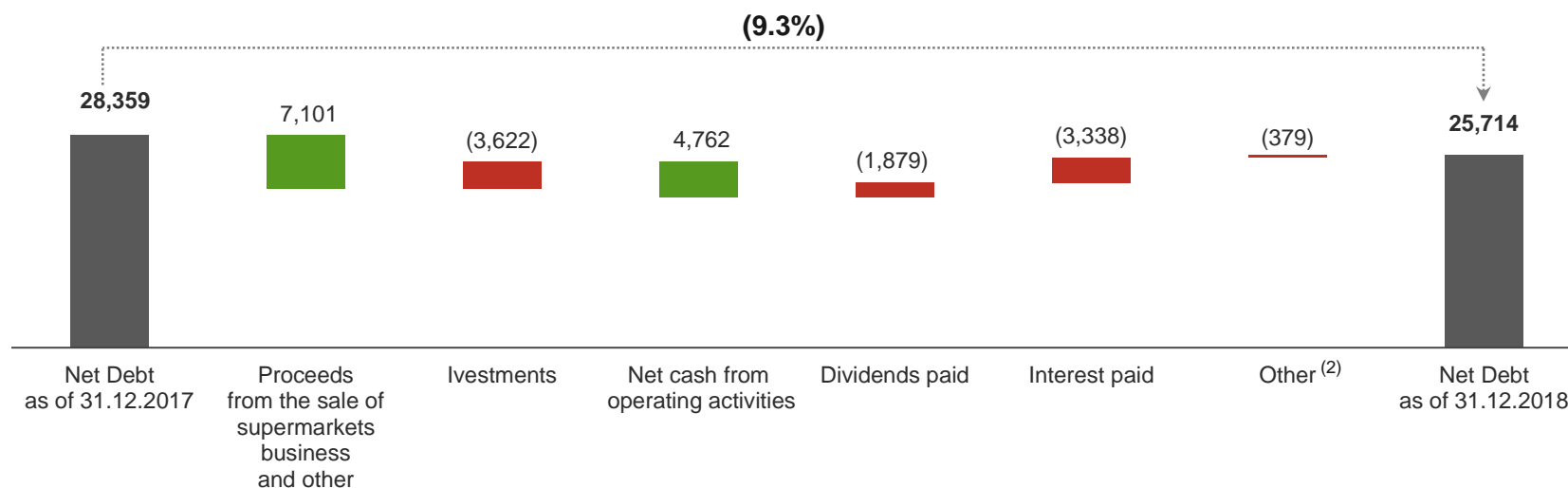


- 97% of debt portfolio is RUB-denominated
- In July, 2018 RAEX (EXPERT RA) assigned O'KEY a 'ruA-' rating with positive outlook
- In 2018, total debt of the Group decreased by RUB 1.7 bn YoY

## Debt structure



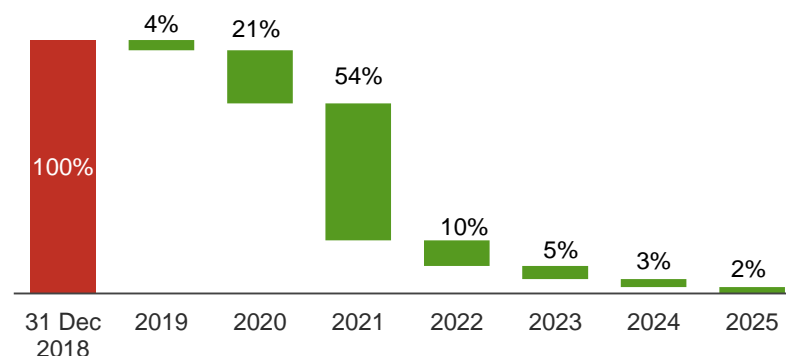
## Net Debt YoY change analysis, RUB mln



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

- 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

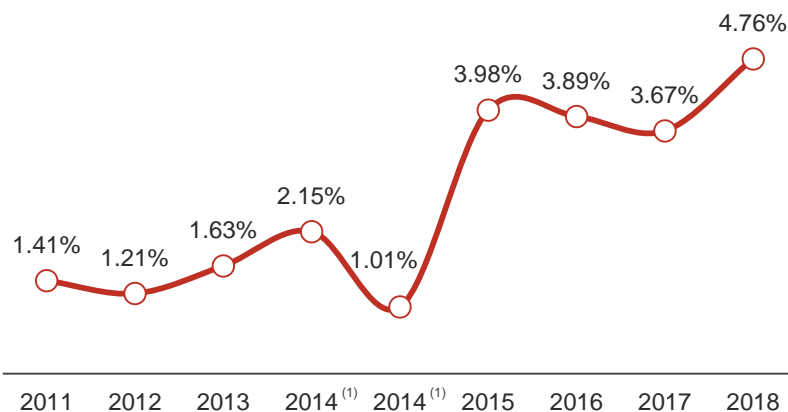
Parameter	2018	2017
Cash & cash equivalents, RUB mln	8,712	7,750
Available credit lines, RUB mln	12,206	13,800
Net debt/EBITDA <sup>(1)</sup>	2.97x	3.03x

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

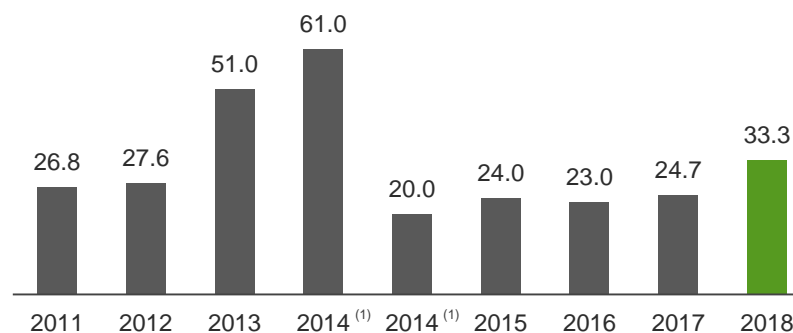
- O`KEY's dividend policy:

- 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

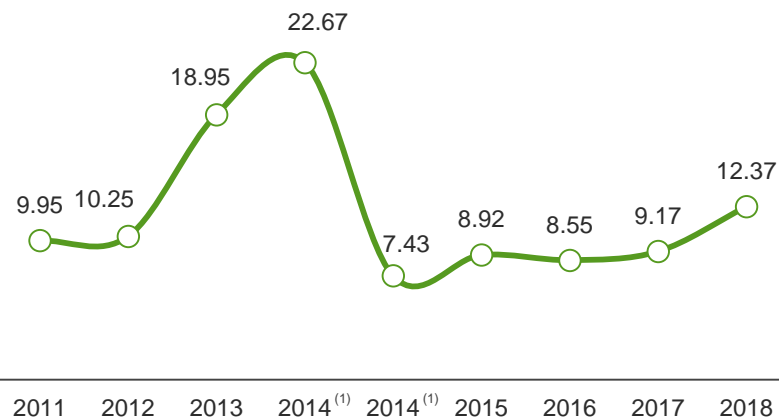
**Dividend yield<sup>(2)</sup>**



**Interim dividend paid, US\$ mln**



**Dividend per GDR, US\$ cents, gross**



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

01	O'KEY GROUP OVERVIEW	3
02	O'KEY GROUP Q4 AND 12M OPERATING RESULTS	9
03	O'KEY GROUP STRATEGIC UPDATE	17
04	O'KEY GROUP FINANCIAL RESULTS	52
05	APPENDIX	62

## Three major shareholders

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

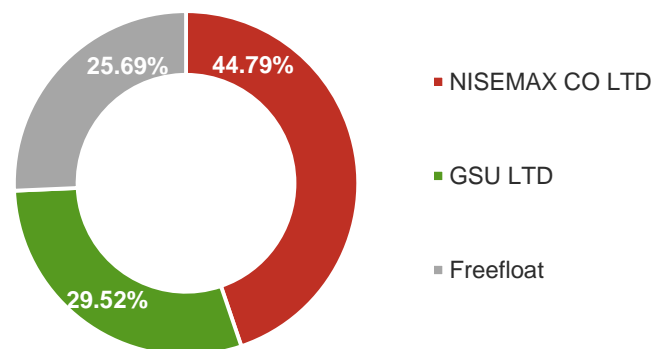
## Board of Directors

- 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



# Key operating data by quarter

64

Category <sup>(1)</sup>	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019
<b>Total sales, RUB bn</b>	<b>196.9</b>	<b>48.8</b>	<b>47.6</b>	<b>46.6</b>	<b>55.9</b>	<b>198.9</b>	<b>45.5</b>	<b>42.6</b>	<b>41.6</b>	<b>52.2</b>	<b>181.9</b>	<b>45.3</b>
<i>Growth</i>	7.5%	0.5%	4.9%	0.7%	(1.2%)	1.1%	(6.9%)	(10.6%)	(10.7%)	(6.6%)	(8.5%)	(0.4%)
O'KEY	190.4	46.4	44.8	43.7	52.4	187.3	42.1	38.8	37.8	47.7	166.5	40.7
DA!	6.4	2.4	2.8	2.9	3.5	11.7	3.3	3.8	3.8	4.5	15.4	4.6
<b>Number of stores</b>	<b>164</b>	<b>165</b>	<b>164</b>	<b>168</b>	<b>145</b>	<b>145</b>	<b>145</b>	<b>147</b>	<b>151</b>	<b>160</b>	<b>160</b>	<b>162</b>
O'KEY	110	110	109	109	78	78	78	78	79	78	78	78
DA!	54	55	55	59	67	67	67	69	72	82	82	84
<b>Selling space, ths sqm</b>	<b>622,891</b>	<b>623,611</b>	<b>611,679</b>	<b>611,300</b>	<b>577,804</b>	<b>577,804</b>	<b>577,968</b>	<b>577,248</b>	<b>586,357</b>	<b>584,914</b>	<b>584,914</b>	<b>586,357</b>
O'KEY	586,001	586,001	574,069	570,896	531,589	531,589	531,589	529,555	528,124	528,124	528,124	528,124
DA!	36,890	37,610	37,610	40,404	46,215	46,215	46,379	47,693	58,233	56,790	56,790	58,233
<b>LFL sales growth</b>	<b>2.2%</b>	<b>(4.9%)</b>	<b>(0.1%)</b>	<b>(0.2%)</b>	<b>(0.5%)</b>	<b>(1.4%)</b>	<b>(0.7%)</b>	<b>(4.0%)</b>	<b>(1.3%)</b>	<b>-2.70%</b>	<b>(3.3%)</b>	<b>(1.3%)</b>
O'KEY	2.0%	(6.4%)	(2.2%)	(2.3%)	(1.9%)	(3.2%)	(1.6%)	(5.4%)	(3.7%)	-3.70%	(4.3%)	(3.7%)
DA!	65.5%	67.8%	67.4%	54.1%	33.3%	52.0%	15.9%	15.7%	20.2%	12.20%	13.1%	21.4%
<b>LFL traffic growth</b>	<b>1.2%</b>	<b>(3.6%)</b>	<b>(1.6%)</b>	<b>(3.1%)</b>	<b>(0.7%)</b>	<b>(2.2%)</b>	<b>(0.8%)</b>	<b>(2.2%)</b>	<b>(3.4%)</b>	<b>-3.40%</b>	<b>(2.6%)</b>	<b>(3.4%)</b>
O'KEY	0.9%	(6.1%)	(4.6%)	(6.2%)	(3.2%)	(5.0%)	(2.5%)	(4.8%)	(6.0%)	-5.60%	(4.8%)	(6.0%)
DA!	37.4%	45.3%	40.4%	34.1%	25.7%	34.8%	12.7%	15.8%	12.1%	9.50%	12.0%	9.5%
<b>LFL ticket growth</b>	<b>0.9%</b>	<b>(1.3%)</b>	<b>1.5%</b>	<b>2.9%</b>	<b>0.2%</b>	<b>0.8%</b>	<b>0.1%</b>	<b>(1.8%)</b>	<b>2.2%</b>	<b>0.80%</b>	<b>(0.6%)</b>	<b>2.2%</b>
O'KEY	1.0%	(0.4%)	2.5%	4.2%	1.3%	1.9%	0.9%	(0.6%)	3.3%	2.00%	0.4%	3.3%
DA!	20.4%	15.5%	19.2%	14.9%	6.1%	12.7%	2.9%	0.0%	7.2%	2.50%	1.0%	7.4%

Notes: (1) O'KEY category includes hypermarkets and supermarkets, DA! category includes discounters

# Appendix: Consolidated Balance Sheet

65

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
<b>Total non-current assets</b>	<b>58,023,097</b>	<b>58,486,308</b>
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
<b>Total current assets</b>	<b>27,214,176</b>	<b>32,970,791</b>
<b>Total assets</b>	<b>85,237,273</b>	<b>91,457,099</b>
<b>Total equity</b>	<b>22,481,181</b>	<b>24,250,979</b>
Loans and borrowings	31,964,302	24,679,352
Deferred tax liabilities	679,921	888,997
Other non-current liabilities	112,047	121,890
<b>Total non-current liabilities</b>	<b>32,756,270</b>	<b>25,690,239</b>
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
<b>Total current liabilities</b>	<b>29,999,822</b>	<b>41,515,881</b>
<b>Total liabilities</b>	<b>62,756,092</b>	<b>67,206,120</b>
<b>Total equity and liabilities</b>	<b>85,237,273</b>	<b>91,457,099</b>

# Appendix: Consolidated P&L

66

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

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

# Appendix: Consolidated Cash Flow

67

RUB, 000s	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)
<b>Net cash from/(used in) operating activities</b>	<b>4,761,788</b>	<b>4,874,238</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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
<b>Net cash used in investing activities</b>	<b>3,479,261</b>	<b>(3,365,171)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)
<b>Net cash used in financing activities</b>	<b>(7,248,457)</b>	<b>(5,187,143)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>992,592</b>	<b>(3,678,076)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>7,750,177</b>	<b>11,463,467</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(30,516)	(35,214)
<b>Cash and cash equivalents at end of the year</b>	<b>8,712,253</b>	<b>7,750,177</b>

# IR CONTACTS

---

**Veronika Kryachko**  
**Head of Investor Relations**

**Tel: +7 495 663 6677 ext 404**

**Mob: + 7 915 380 6266**

**[Veronika.Kryachko@okmarket.ru](mailto:Veronika.Kryachko@okmarket.ru)**

**[www.okeyinvestors.ru](http://www.okeyinvestors.ru)**