

O'KEY GROUP TRADING UPDATE

Q4 AND 12M 2018

30 January, 2019

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12M and Q4 2018 operating highlights

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Group operating highlights

- Underlying Group net retail revenue⁽¹⁾ in 12M 2018 decreased by 1.1% YoY to RUB 159,380 mln
- LFL revenue in 12M 2018 decreased by 3.3% YoY
- Underlying Group net retail revenue⁽¹⁾ in Q4 2018 increased by 0.7% YoY to RUB 45,684 mln
- LFL revenue in Q4 2018 decreased by 2.7% YoY
- Eleven discounters were opened in Q4 2018
- Total selling space amounted to 584,914 sq. m as of December 31st 2018 (increase by 1.2% YoY)

Notes: (1) Excluding the effect from supermarket business sale

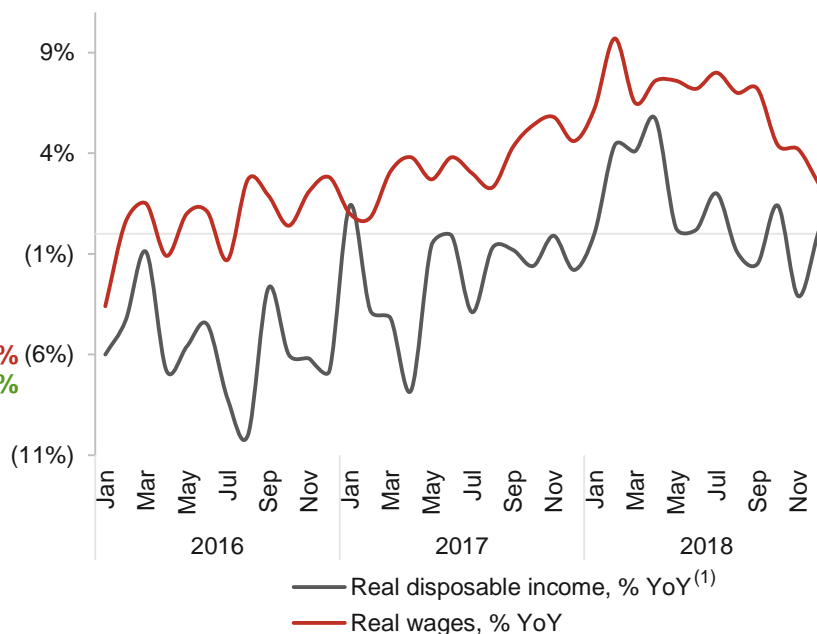
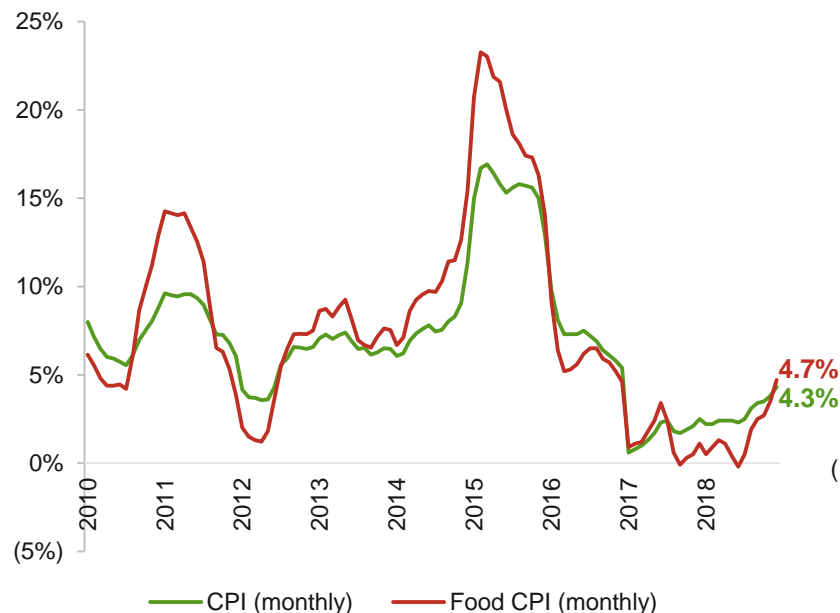
Macro: headwinds for grocery persisted but easing

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- In Q4 '18 inflation accelerated, however, consumers felt pain as incomes didn't increase at the same pace
- Consumer confidence was under pressure declining to 83 p.p. in Q4'18 from 89 p.p. a year ago
- In Q4 '18 competition marginally eased, adding less space and being less active in promo, as the key focus was moved to VAT increase compensation and pass through of increasing buying prices

Food CPI continued to accelerate further in Q4 '18 on the back of lower harvest and RUB depreciation

Real disposable income growth continued to slow down leading to soft consumption backdrop in Q4' 18



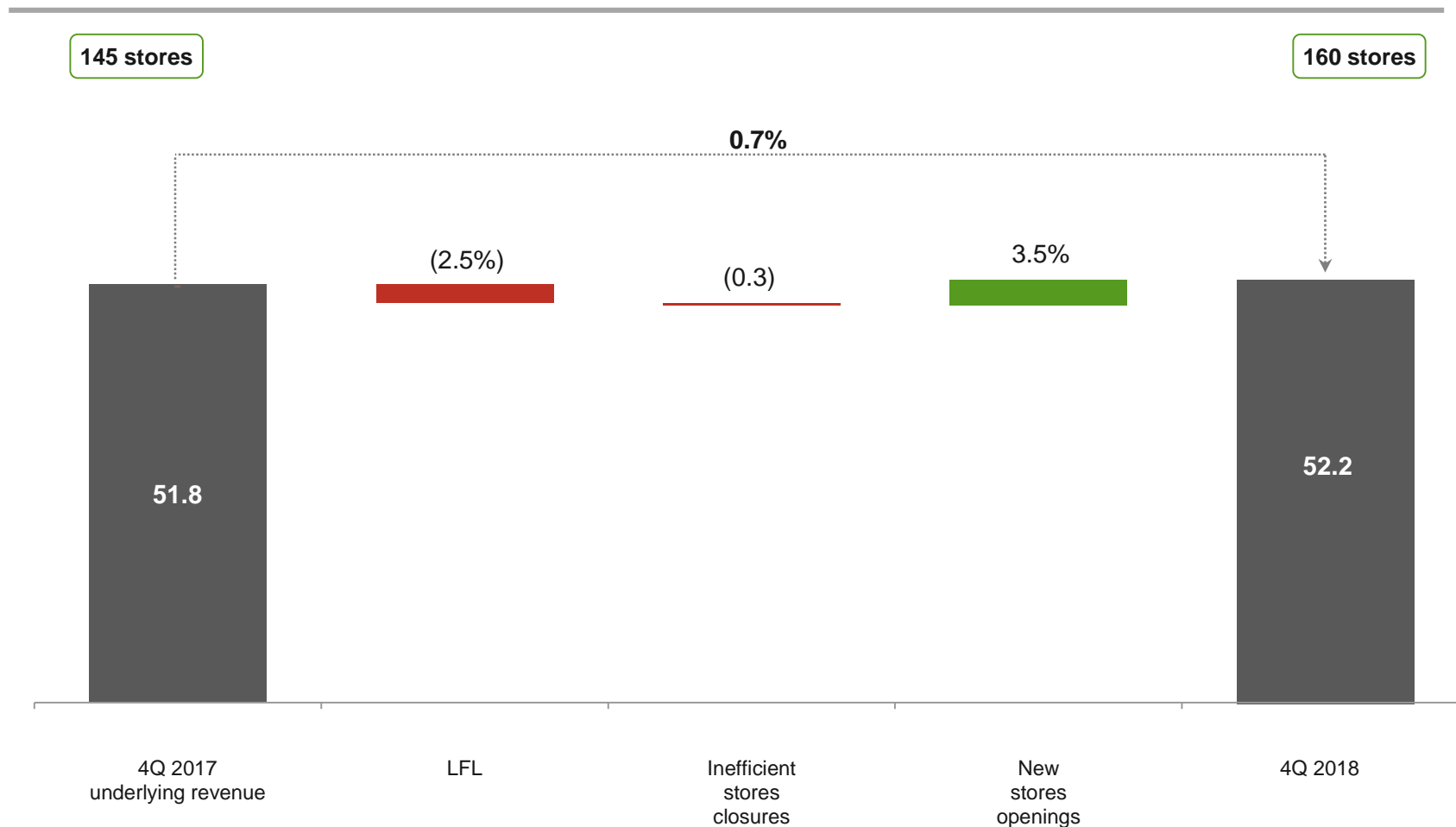
Source: Rosstat

Notes: (1) Real disposable income growth YoY in Jan '17 excluding one time payment to the pensioners.

Underlying Group total revenue in Q4'18 increased by 0.7% YoY driven by gradual LFL improvement and opening of the new stores

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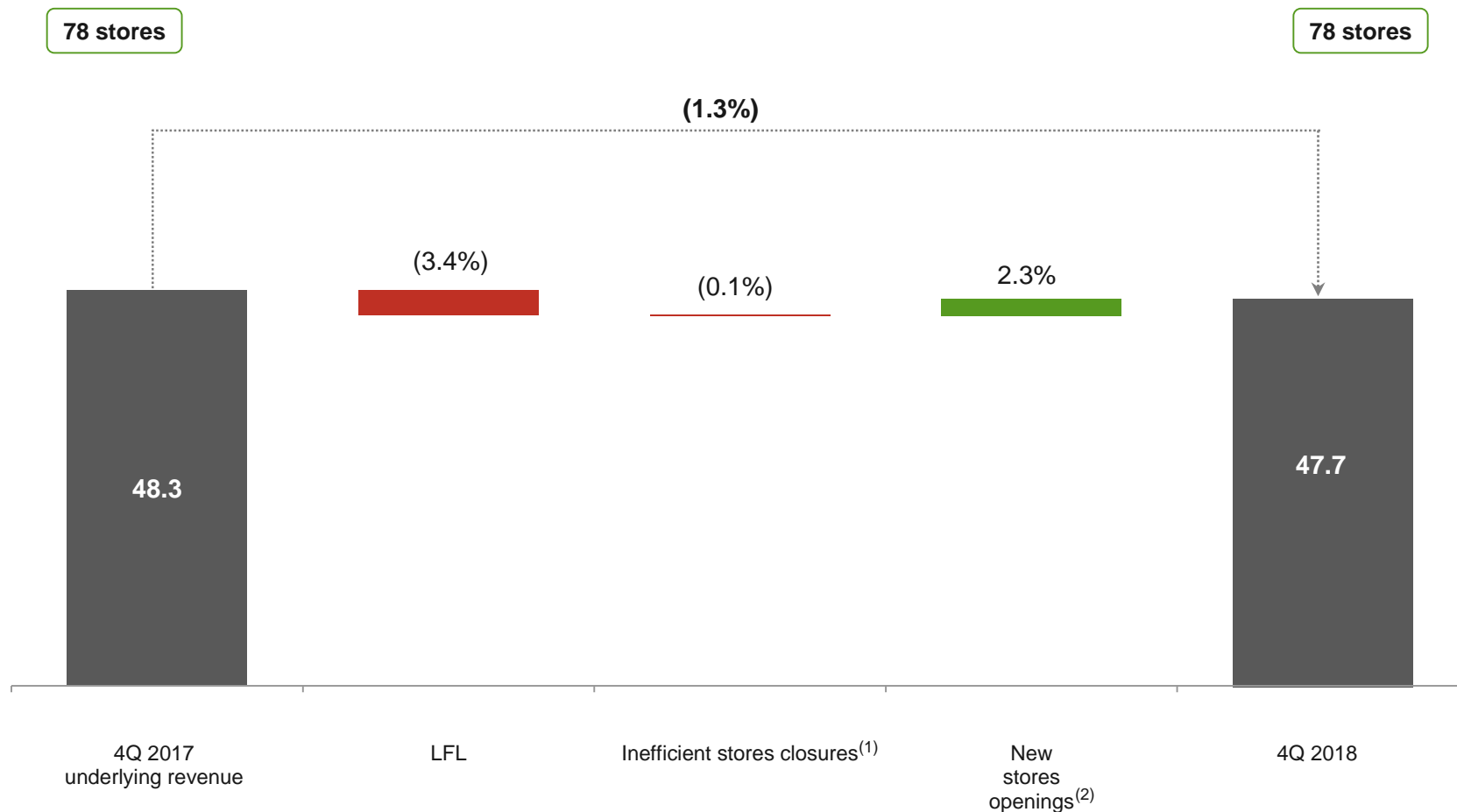
Total revenue, Q4 2017 vs. Q4 2018, RUB bn



Underlying O'KEY revenue in Q4'18 decreased by 1.3% YoY as gradual LFL improvement remained capped by strong competition

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Total revenue, Q4 2017 vs. Q4 2018, RUB bn



Notes: (1) Closure of supermarket in Omsk in 4Q '18; (2) Opening of hypermarkets in Yekaterinburg in 4Q '17 and Novocherkassk in 3Q '18.

O'KEY Q4 2018 operating results overview

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- In the beginning of the Q4 2018 we initiated a number of initiatives:
 - Different approach to advertisement
 - More focus on fresh & ultra-fresh
 - Harmonization of logistics operations
- New stores (including newly built as well as renovated) demonstrated strong LFL growth in Q4 2018
- Negative LFL results were mainly driven by weaker than expected sales in October and temporary closure of hypermarket in Moscow in December⁽¹⁾



Facade of hypermarket in Yekaterinburg



Interior of hypermarket in Yekaterinburg

Notes: (1) Hypermarket at trade center 'Otrada' (Pyatnitskoye highway, 7th km) was temporary closed from 4th to 11th of December due to the reasons pertinent to trade center operations.

Initiatives launched and completed in Q4 2018



NEW IT INFRASTRUCTURE

- ✓ Launch of CRM Manzana system. The new system is set to make O'KEY mobile app more functional and perform promo campaigns more efficiently by offering the customers goods on promo based on their shopping history
- ✓ Integration of supply management system Oracle RPAS into supply management operations completed. The new system is aimed to automate sales forecasting and optimize supply chain orders, thus decreasing stock levels and improving OSA⁽¹⁾



SUPPLY CHAIN

- ✓ Distribution Center Shushary (7,579 sq m) capacity was increased by 20% on the back of internal space reorganization and optimization, what will lead to cost decrease in future
- ✓ Focus on more centralization in key categories



ASSORTMENT & MARKETING

- ✓ Pilot version of the new loyalty program, based on CRM Manzana, was completed
- ✓ Expansion of middle range and premium assortment
- ✓ Focus on fresh and ultra-fresh categories
- ✓ Price competitiveness improvement by 5 p. p. YoY to 36%⁽²⁾

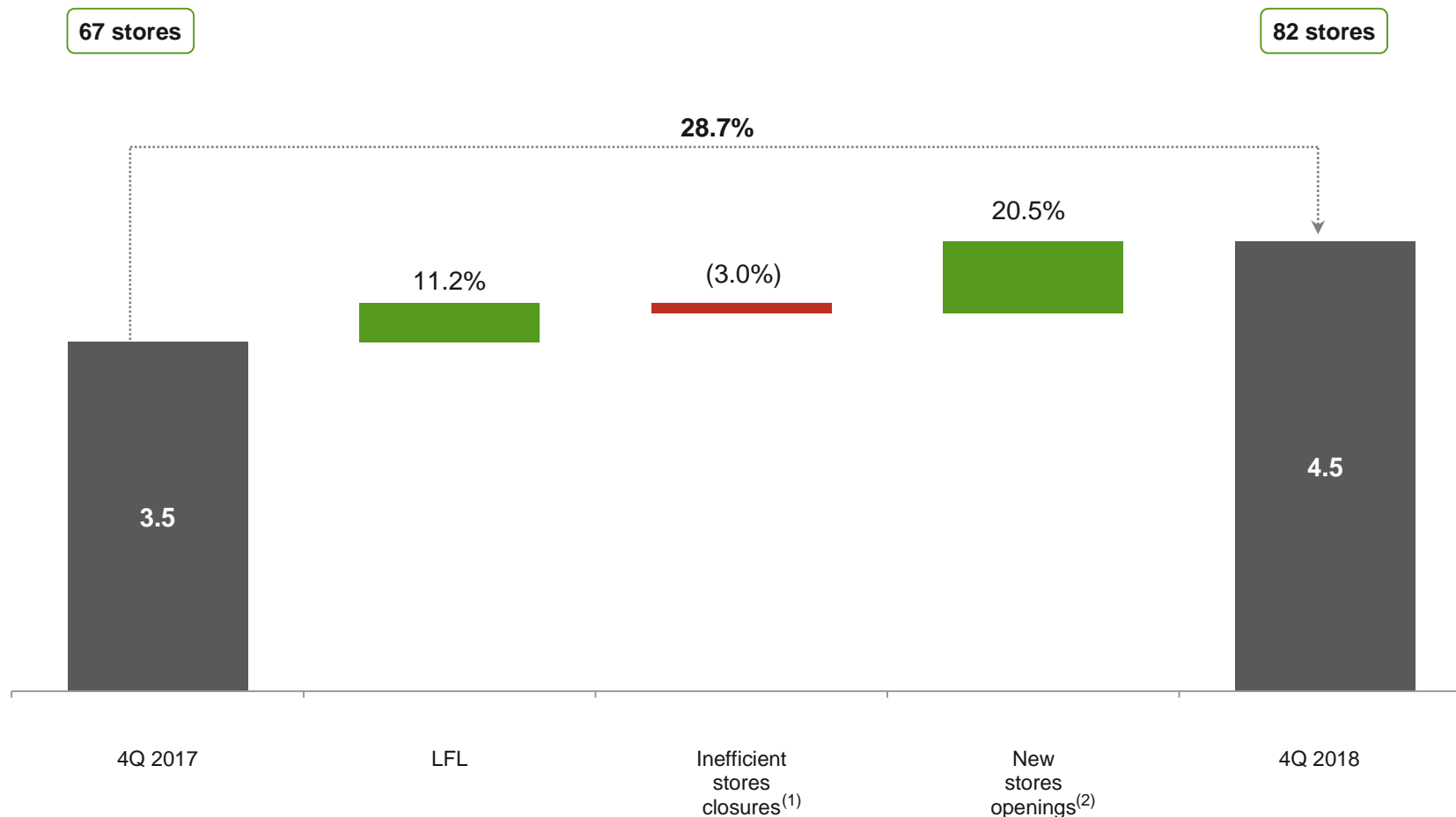


- Global assortment review and repositioning
- Deeper integration of private labels development with Da!
- Further development of direct import
- Stores renovation program set up
- Logistics operations review with an aim to significantly decrease the cost and improve level of freshness and service
- IT initiatives:
 - JDA roll-out
 - RPAS roll-out
 - Finalization of Axapta roll-out
 - Roll-out of self-scanning
- Further development of e-commerce business
- Wholesale

DA! discounters continued to demonstrate healthy growth trends in Q4 '18

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Total revenue, Q4 2017 vs. Q4 2018, RUB bn



Notes: (1) Closure of four discounters in 2018; (2) Opening of 19 new discounters in 2018.

DA! Q4 2018 operating results overview

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- Solid 12.2% YoY LFL revenue growth driven by stable growth of LFL traffic (+ 9.5% YoY) and LFL basket (+ 2.5% YoY)
- Average LFL price per item increased by 3.8% in Q4 2018, primarily driven by price rises for flour, vegetable oil and sugar – key traffic building categories
- LFL items per client in Q4 '18 decreased by 1.2% YoY but frequency increased

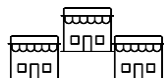


Interior of discounter in Moscow region



Interior of discounter in Moscow region

Initiatives launched and completed in Q4 2018



GROWTH & EXPANSION

- ✓ Eleven new discounters were opened
- ✓ Addition of shelves in bakery, beer/drinks and grocery sections
- ✓ Enhancement of lighting system in cosmetics, fruit/vegetables and in-outs sections
- ✓ Installation of new cash till equipment
- ✓ Installation of additional equipment for loose items



ASSORTMENT & MARKETING

- ✓ Expansion of regular catalogues with additional pages covering private label range
- ✓ Listing of products and sold by weight⁽¹⁾
- ✓ Private labels rebranding



THE BEST VALUE PROPOSITION

- ✓ Improvement of recipes in private label assortment
- ✓ Introduction of regular private label degustation campaigns for customers



- Further expansion of the format
- Optimization of cost for the newly built stores
- Improvement of private labels portfolio
- Further development of direct import

- 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

APPENDIX

Appendix: key operating data by quarter

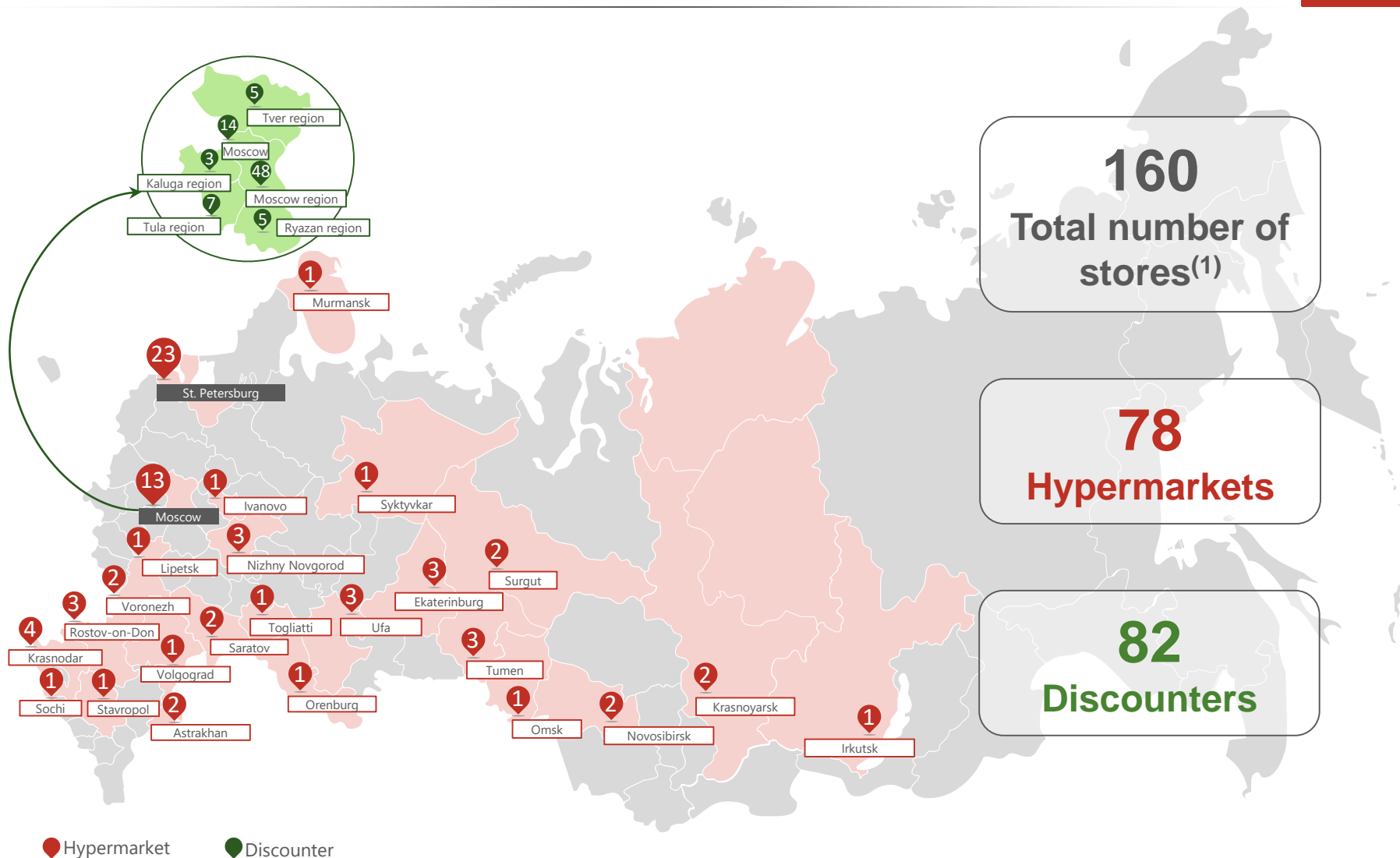
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| Category ⁽¹⁾ | Q4 2016 | FY 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | FY 2018 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total sales, 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

Appendix: O'KEY geography

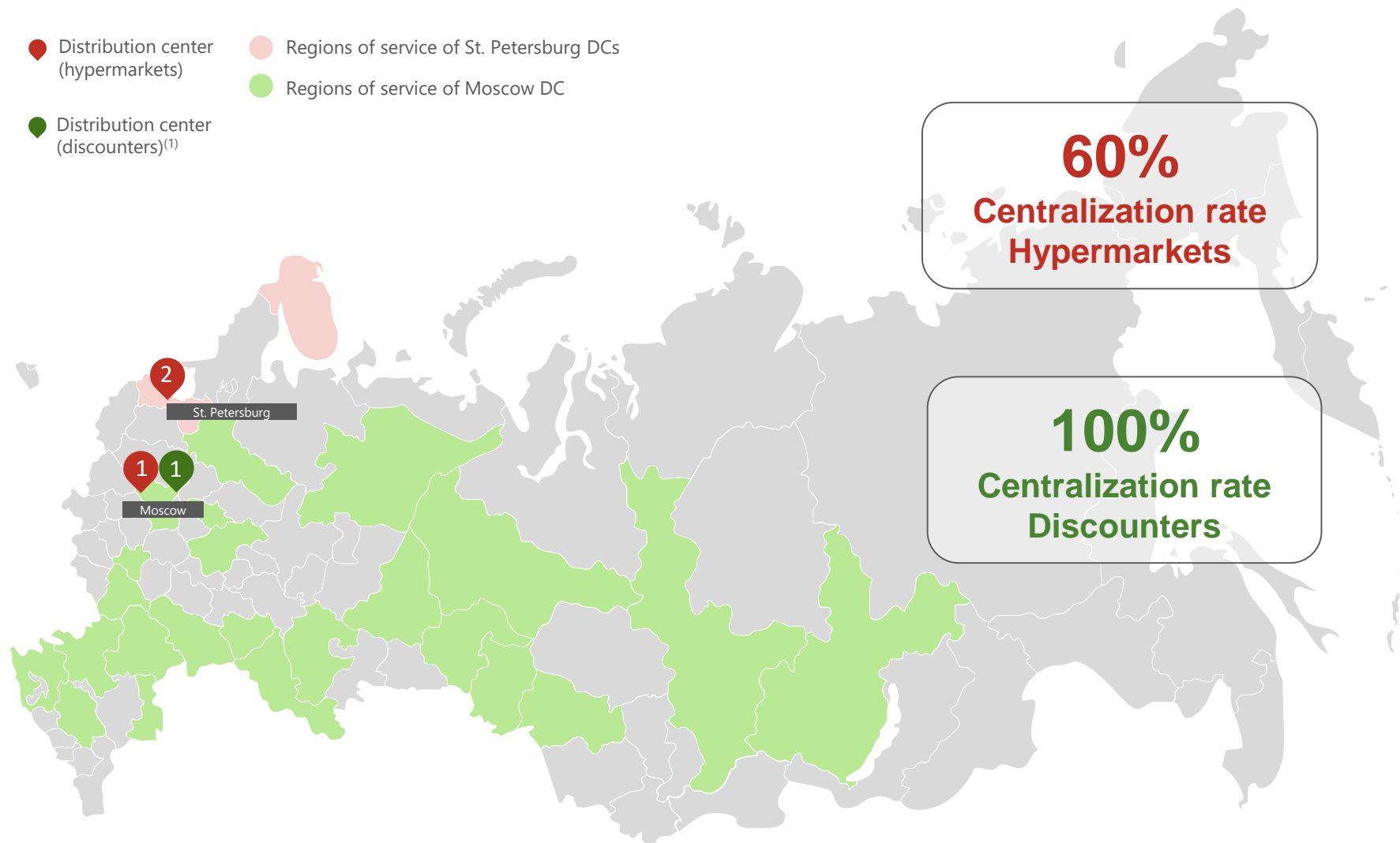
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Notes: (1) Number of stores as of December 31st 2018.

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.

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