Press Release
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O`KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q2 and 1H 2018

O`KEY Group S.A. (LSE: OKEY, the 'Group'), one of the leading Russian food retailers, announces its unaudited operating results for the second quarter and first half of 2018.

All materials published by the Group are available on its website www.okeyinvestors.ru.

1H 2018 operating highlights

- Organic Group net retail revenue, excluding the effect of the supermarket business sale, fell by 1.6% YoY. Group net retail revenue decreased by 8.7% YoY from RUB 84,590 mln to RUB 77,213 mln;
- Organic net retail revenue generated by O`KEY, excluding the effect of the supermarket business sale, decreased by 3.9% YoY. Net retail revenue generated by O`KEY decreased by 11.3% YoY to RUB 70,946 mln;
- Net retail revenue generated by DA! grew by 35.4% YoY to RUB 6,267 mln;
- Like-for-like (LFL) Group net retail revenue decreased by 2.3% YoY, due to a 1.5% YoY decrease in LFL traffic and a 0.8% YoY decrease in average ticket;
- Like-for-like (LFL) net retail revenue generated by O`KEY decreased by 3.4% YoY on the back of a 3.6% YoY decrease in LFL traffic and a 0.2% YoY increase in LFL average ticket;
- Like-for-like (LFL) net retail revenue generated by DA! increased by 15.8% YoY, driven by a 14.3% YoY increase in LFL traffic and a 1.3% YoY increase in LFL average ticket;
- One hypermarket was reopened after a temporary closure and 5 new discounters were opened during H1 2018 while 3 discounters were closed.

Q2 2018 operating highlights

- Organic Group net retail revenue, excluding the effect of the supermarket business sale, decreased by 2.5% YoY. Group net retail revenue decreased by 10.6% YoY to RUB 37,373 mln, down from RUB 41,793 mln in 2017. The revenue decline was primarily influenced by the sale of supermarket business in December 2017;
- Organic net retail revenue generated by O`KEY, excluding the effect of the supermarket business sale, decreased by 5.1% YoY. Net retail revenue generated by O`KEY decreased by 13.4% YoY to RUB 34,037 mln primarily on the back of the supermarket business sale as well as negative shelf inflation trends which came significantly below our expectations, persistently strong competition growth in the key regions, the FIFA World Cup, the closure of hypermarket in Sterlitamak in Q2 2017 and the temporary closure of a hypermarket RIO in Moscow from July 2017 to May 2018;
- Net retail revenue generated by DA! grew by 34.9% YoY to RUB 3,336 mln, supported by steady growth in traffic (up 33.2% YoY) and average ticket (up 1.6% YoY);
- Like-for-like (LFL) net retail revenue of the Group decreased by 4.0% YoY, mainly due to the reasons outlined above;
- Like-for-like (LFL) net retail revenue generated by O`KEY declined by 5.4% YoY, on the back of a 4.8% YoY decline in LFL traffic and a 0.6% YoY decrease in LFL average ticket;

- Like-for-like (LFL) net retail revenue generated by DA! increased by 15.7% YoY, driven by a 15.8% YoY increase in LFL traffic and a 0.8% YoY increase in LFL items per client, while LFL average price per item marginally decreased in line with the decline in shelf inflation.

Stores development of the Group

Indicator	Q2 2018	Q2 2017	Net change	Change (%)
Number of stores	147	164	(17)	(10.4%)
Number of net store openings	2	(1)	3	n/a
Total selling space (sq. m.)	577,248	611,679	(34,431)	(5.6%)
Total selling space added (sq. m.)	1,314	(11,932)	13,246	n/a

Group key operating indicators for the first half of 2018

Segment	1H 2018			1H 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL group	(2.3%)	(1.5%)	(0.8%)	(2.5%)	(3.6%)	1.1%

Group key operating indicators for the quarter

Segment	Q2 2018			Q2 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL group	(4.0%)	(2.2%)	(1.8%)	(0.1%)	(1.6%)	1.6%

Group key operating indicators for the three months of Q2 2018

Indicator	April	May	June
LFL net retail revenue	(2.7%)	(4.6%)	(4.9%)
LFL customer traffic	(2.1%)	(1.3%)	(3.4%)
LFL average ticket	(0.6%)	(3.3%)	(1.6%)

O`KEY: Operating Review

Stores development

Indicator	Q2 2018	Q2 2017	Net change	Change (%)
Number of stores	78	109	(31)	(28.4%)
Number of net store openings	0	(1)	1	n/a
Total selling space (sq. m.)[1]	529,555	574,069	(44,514)	(7.8%)
Total selling space added (sq. m.)	0	(11,932)	11,932	n/a

In Q2 2018, one O`KEY hypermarket was reopened in Moscow after a temporary closure. Under the framework agreement on the sale of the supermarket business, all 32 supermarkets were closed by the

[1] Total selling space net of 5,675 sq. m leased out under strategic partnership with Familia.

end of the second quarter of 2018. As of 30 June 2018 total space leased out under the strategic partnership with Familia, initiated in July 2017, amounted to 5,675 sq. m. As of 30 June 2018, the total number of stores stood at 78, while total selling space came to 529,555 sq. m.[2]

Key operating indicators for the first half of 2018

Segment	1H 2018			1H 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL hypermarkets and supermarkets	(3.4%)	(3.6%)	0.2%	(4.3%)	(5.3%)	1.0%

Key operating indicators for the quarter

Segment	Q2 2018			Q2 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL hypermarkets and supermarkets	(5.4%)	(4.8%)	(0.6%)	(2.1%)	(4.6%)	2.5%

Key operating indicators for the three months of Q2 2018

Indicator	April	May	June
LFL net retail revenue	(4.0%)	(6.0%)	(6.2%)
LFL customer traffic	(4.4%)	(4.0%)	(6.0%)
LFL average ticket	0.4%	(2.0%)	(0.2%)

The Company's revenue trend in Q2 2018 was heavily influenced by the sale of the supermarkets business initiated in December 2017. The remaining supermarkets, out of 32 stores included into the deal perimeter, were closed in April. The decrease in organic net retail revenue, excluding the effect from supermarket business sale, of 5.1% YoY was predominantly caused by weakening inflation, intensifying competition, the FIFA World Cup and less favorable than a year ago weather conditions. Monthly average temperatures in the Company's key operating regions in Q2 2018 were consistently higher than the historical median and combined with World Cup put pressure on LFL traffic. We believe this dynamics to be a one-off event largely attributable to unexpected exogenous factors. The closure of hypermarket in Sterlitamak in Q2 2017, along with the temporary closure of a RIO hypermarket in Moscow from July 2017 to May 2018 also impacted the Company's results during the reported quarter. LFL basket growth was largely capped by near-zero food inflation and the rising share of cherry pickers in hypermarkets, reflecting cautious consumer sentiment despite a gradual recovery in real disposable incomes. At the same time continuous work on hypermarkets' price perception improvement through the reinforcement on assortment and marketing fronts resulted in the reversal of the trend in items purchased per client growth for the four consecutive quarters.

The Company continues to work on the enhancement of its customer value proposition by revising the assortment matrix and focusing on imported goods, as well as launching diverse marketing campaigns while keeping the share of promotions at healthy levels with greater emphasis placed on promotions communicated directly to customers (27% in Q2 2018 vs. 19% in Q2 2017).

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[2] Total selling space net of 5,675 sq. m leased out under strategic partnership with Familia.

During the quarter the Company reached another milestone in its drive to improve the efficiency of overall business processes as stage one of new Enterprise Resource Planning system (Microsoft Dynamics AXAPTA) installation (integration within the perimeter of all stores) was completed.

DA!: Operating Review

Store development

Indicator	Q2 2018	Q2 2017	Net change	Change (%)
Number of stores	69	55	14	25.5%
Number of net store openings	2	0	2	n/a
Total selling space (sq. m.)	47,693	37,610	10,083	26.8%
Total selling space added (sq. m.)	1,314	0	1,314	n/a

In Q2 2018, the Company opened two new discounters in the Moscow region. Total selling space amounted to 47,693 sq. m as of 30 June 2018. The opening of new discounters is expected to accelerate in 2H 2018 in line with guidance.

Key operating indicators for the first half of 2018

Segment	1H 2018			1H 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	35.6%	32.7%	2.2%	108.5%	78.1%	17.5%
LFL discounters	15.8%	14.3%	1.3%	67.5%	42.5%	17.6%

Key operating indicators for the quarter

Segment	Q2 2018			Q2 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	35.2%	33.2%	1.6%	95.3%	64.6%	18.3%
LFL discounters	15.7%	15.8%	0.0%	67.4%	40.4%	19.2%

Key operating indicators for the three months of Q2 2018

Indicator	April	May	June
Net retail revenue	34.8%	35.3%	35.7%
LFL net retail revenue	16.7%	16.3%	14.2%
Customer traffic	30.9%	35.2%	33.3%
LFL customer traffic	14.4%	17.8%	15.0%
Average ticket	2.9%	0.0%	1.8%
LFL average ticket	2.0%	(1.3%)	(0.7%)

Rising recognition of the discounters' customer value proposition supported LFL traffic growth in Q2 2018. The LFL basket remained largely unchanged from the previous year. The greater number of items per client YoY was primarily driven by the growing popularity of the private labels, which accounted for the larger part of the basket in comparison with the previous year. Combined with a slowdown in food inflation, this led to a marginal decrease in the average price per item. As a result the positive trend in LFL traffic alongside the steadily growing share of private labels in the basket led to LFL net retail revenue growth of 15.7% YoY.

The Company continued to focus on adapting the assortment mix to the current needs of customers' in Q2 2018 and introduced 55 new private label SKUs, while the total number of SKUs reached 2,350 (the share of private label in the total SKUs as of the end of Q2 is 40%). During the quarter the Company expanded the assortment matrix with new frozen products and goods sold by weight and further improved the assortment quality of the Fruit & Vegetables and Bakery sections. In the reported period the Company continued to enhance the customer experience by introducing an upgraded version of customer baskets – bigger and more comfortable, and implemented a new lightning concept – applying focused light in the Fruit & Vegetables section, as well as at the end caps.

OVERVIEW

O`KEY Group S.A. (LSE: OKEY, Fitch – 'B+', RAEX – 'ruA-') is one of the largest retail chains in Russia. The Group operates under two main formats: hypermarkets, under the 'O`KEY' brand and discounters, under the 'DA!' brand.

As at July 24, 2018, the Group operates 148 stores across Russia. The Group opened its first hypermarket in St. Petersburg in 2002 and has since demonstrated continuous growth. O`KEY is the first among Russian food retailers to launch and actively develop e-commerce operations in St. Petersburg and Moscow, offering a full range of hypermarket products for home delivery. The Group operates four distribution centres across the Russian Federation.

For the full year 2017, revenue totalled RUB 177,454,848 thousand, EBITDA reached RUB 9,334,993 thousand, and the net income for the period amounted to RUB 3,166,913 thousand.

The O`KEY shareholder structure is as follows: NISEMAX Co Ltd – 50.95%, GSU Ltd – 29.52%, free float – 19.53%.

DISCLAIMER

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.

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