

# O'KEY GROUP TRADING UPDATE

Q3 AND 9M 2018

*13 November, 2018*

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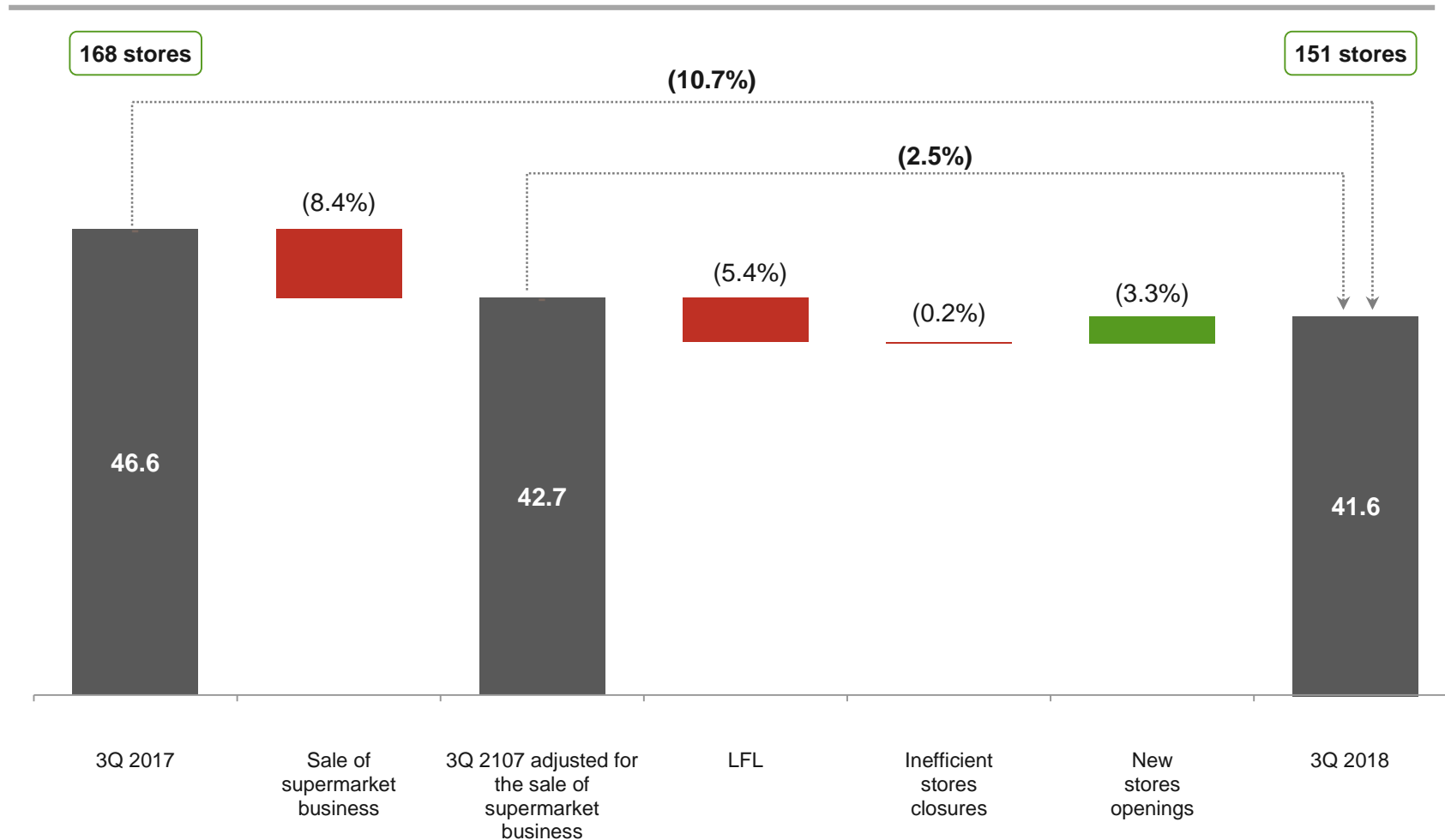
## Group operating highlights

- Total revenue in 9M 2018 decreased by 9.4% YoY to RUB 129,678 mln
  - Organic total revenue<sup>(1)</sup> decreased by 1.9% YoY
- LFL revenue in 9M 2018 decreased by 3.5% YoY
  - LFL traffic decreased by 2.4%
  - LFL ticket decreased by 1.2%
- Total revenue in Q3 2018 decreased by 10.7% YoY to RUB 41,610 mln
  - Organic total revenue decreased by 2.5% YoY
- LFL revenue in Q3 2018 decreased by 5.9% YoY
  - LFL traffic decreased by 4.0%
  - LFL ticket decreased by 2.0%
- One hypermarket was opened and three discounters were opened in Q3 2018
- Total selling space amounted to 579,150 sq. m as of September 30<sup>th</sup> 2018 (decrease by 5.3% YoY)

# Organic Group total revenue in Q3'18 decreased by 2.5% YoY on the back of strong competition and macro headwinds

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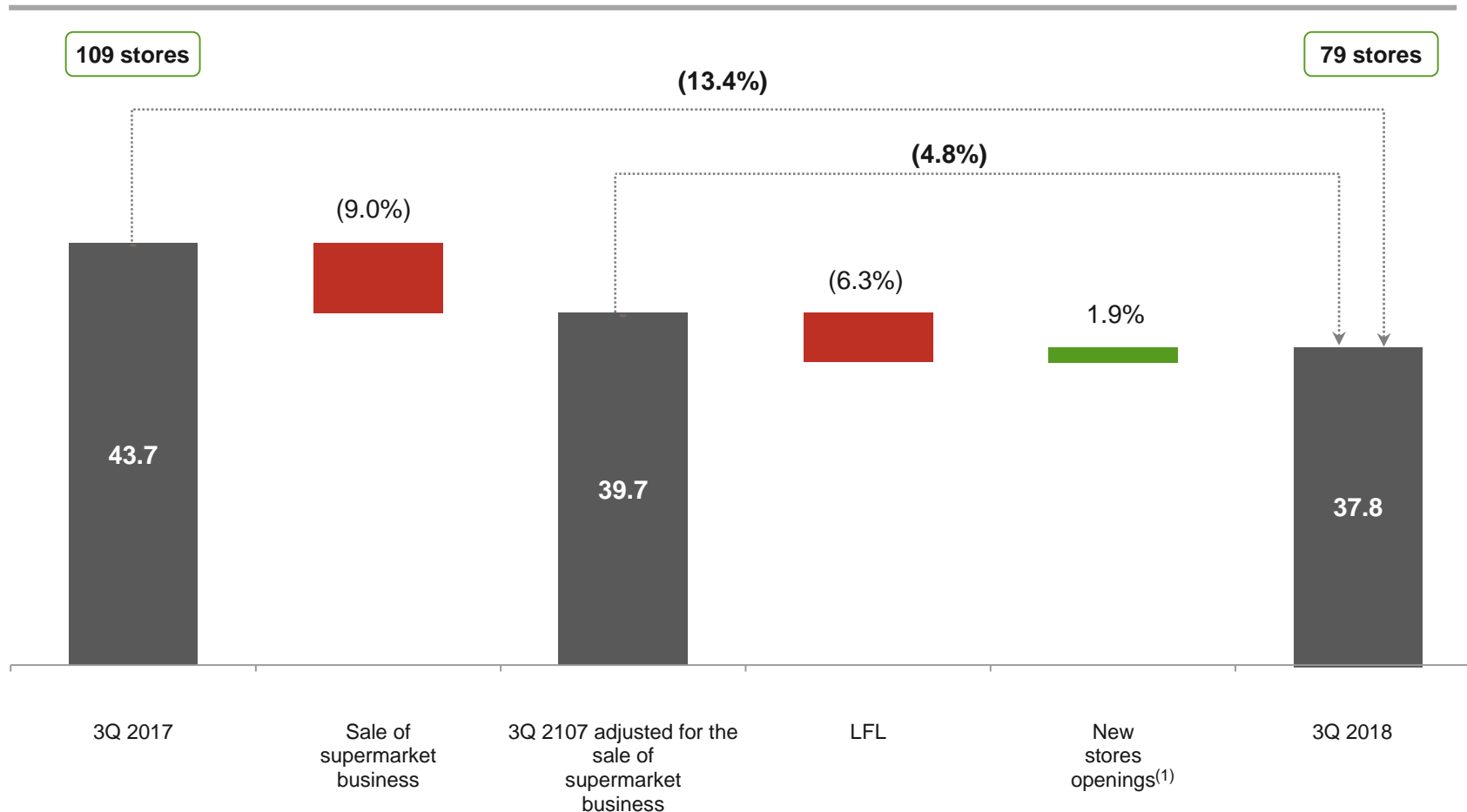
Total revenue, Q3 2017 vs. Q3 2018, RUB bn



Intensifying competition, macroeconomic headwinds and unfavorable weather conditions affected O'KEY organic revenue growth in Q3 '18

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Total revenue, Q3 2017 vs. Q3 2018, RUB bn

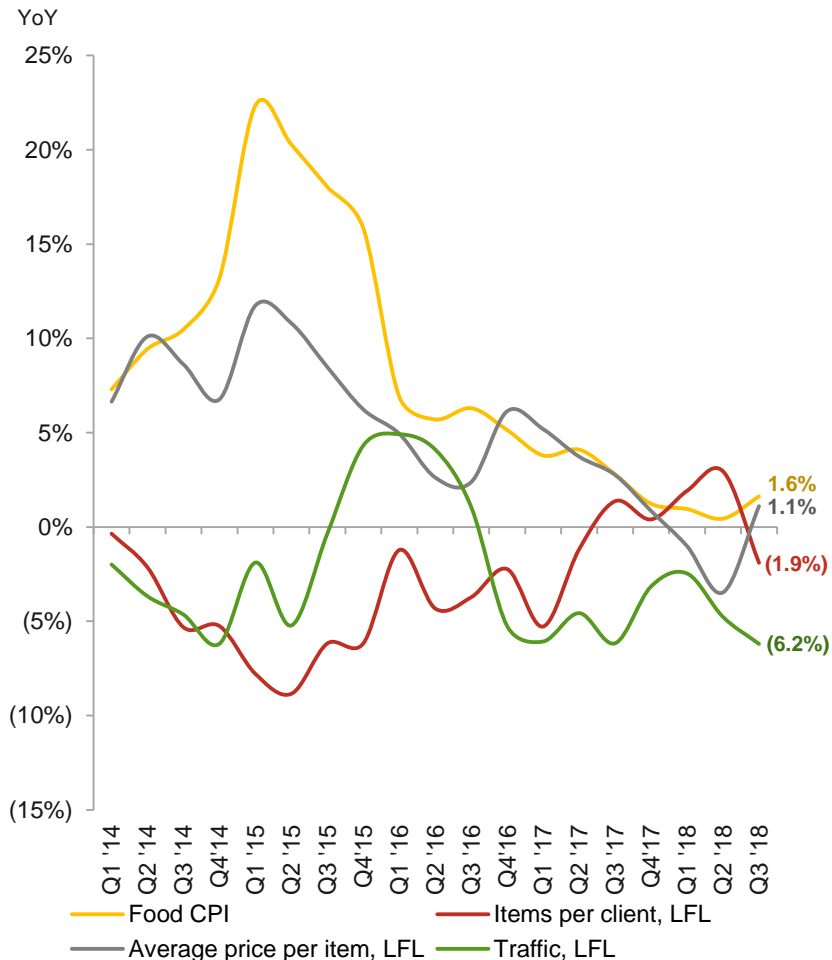


Notes: (1) Opening of hypermarket in Yekaterinburg in 4Q '17 and Novochoerkassk in 3Q '18.

# O'KEY Q3 2018 operating results overview

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Diminishing real disposable income put a negative pressure on LFL performance in Q3 '18



Notes: (1) Based on loyalty cards data.

The majority of key performance drivers demonstrated the negative dynamics in Q3 '18

	Q3 2018	Q3 2017
<b>LFL traffic, YoY</b>	<b>(6.2%)</b>	<b>(6.2%)</b>
Competition	↑	↑
Weather conditions	↑	↓
Frequency of visits <sup>(1)</sup>	↓	↓
<b>LFL ticket, YoY</b>	<b>(0.8%)</b>	<b>4.2%</b>
Food CPI	↑	↑
Price per item	↑	↑
Items per client	↓	↑

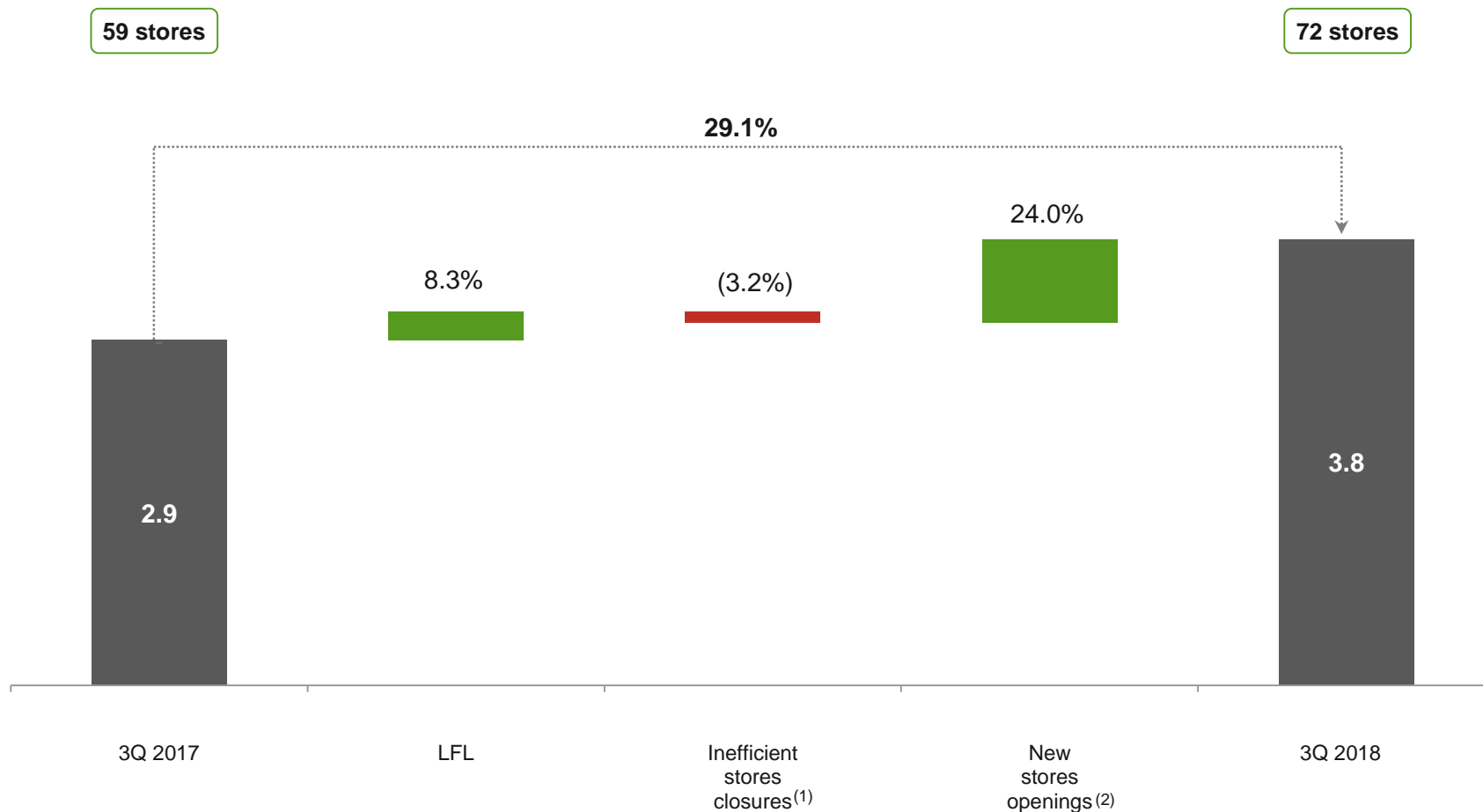
↑ Increased    ↓ Decreased    — Stayed the same

Note: Positive changes, from the hypermarkets' standpoint, are marked in green, negative in red.

# DA! discounters continued to demonstrate healthy growth trends in Q3 '18

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Total revenue, Q3 2017 vs. Q3 2018, RUB bn

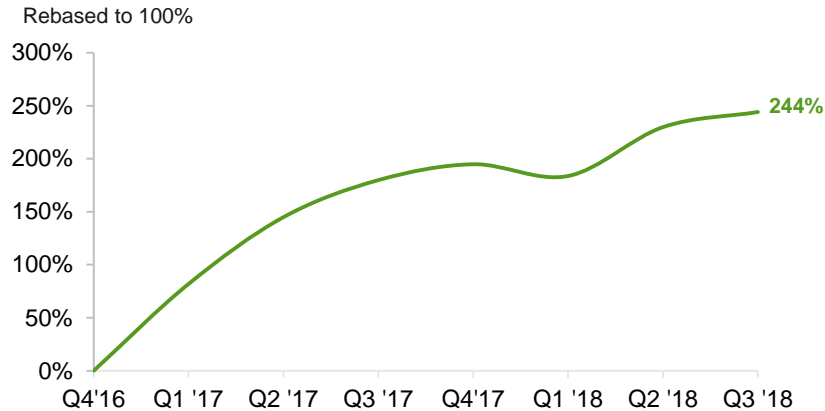


Notes: (1) Closure of three discounters in 1Q '18; (2) Opening of 16 new discounters in October '17- September '18.

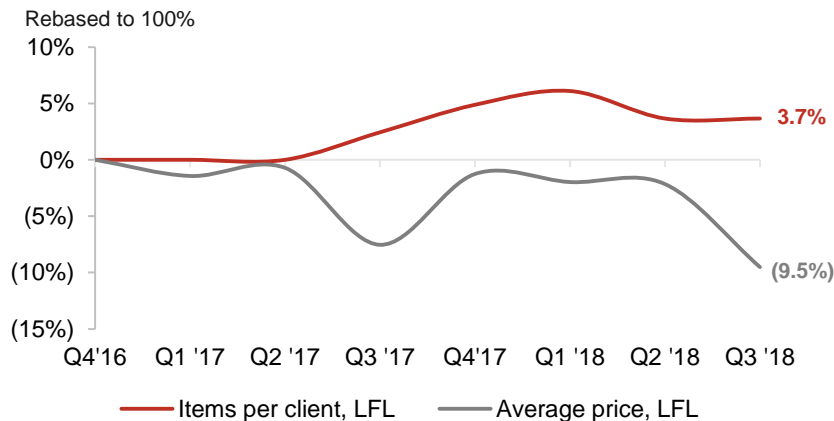
# DA! Q3 2018 operating results overview

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While growing popularity of the discounters' value proposition continue to yield solid LFL traffic and steady growth of LFL items per client ...



... the average price per item declines as the clients' preferences shift towards higher margin PL<sup>(1)</sup> brands



Rising recognition of the discounters business model reflected in the higher share of PL items per basket aided the Company's performance in Q3 '18

	Q3 2018	Q3 2017
LFL traffic, YoY	10.3%	34.1%
Competition	↑	↑
Weather conditions	↑	↓
LFL ticket, YoY	(1.3%)	14.9%
Food CPI	↑	↑
Price per item	↓	↑
Items per client	↑	↑

↑ Increased    ↓ Decreased    — Stayed the same

Note: Positive changes, from the discounters' standpoint, are marked in green, negative in red.

Notes: (1) Private labels.



# Group transformation under way: O'KEY

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## Strategic commitments

## Initiatives launched and completed in Q3 2018



### SUPPLY CHAIN

- ✓ Transformation of imported goods supply chain to increase efficiency of operations ahead of New Year season



### STORE

- ✓ New format compact city hypermarket opened in Novocherkassk, Rostov region
- ✓ 4<sup>th</sup> Familia store opened in O'KEY hypermarket Pulkovskoe (Saint Petersburg)



### NEW IT INFRASTRUCTURE

- ✓ Pilot phase of supply chain management system (Oracle RPAS) completion. Integration into the supply chain operations
- ✓ Roll out of self-scanning technology in Saint Petersburg and Moscow



### ASSORTMENT & MARKETING

- ✓ Launch of "O'KEY selection" private label brand
- ✓ Price competitiveness improvement by 4 p. p. YoY to 35%<sup>(1)</sup>

**O'KEY**  
ОТЛИЧНО ЖИТЬ ПРАКТИЧНО

Notes: (1) According to the research conducted by third party agency.

**O'KEY**  
GROUP OF COMPANIES

# Group transformation under way: DA!

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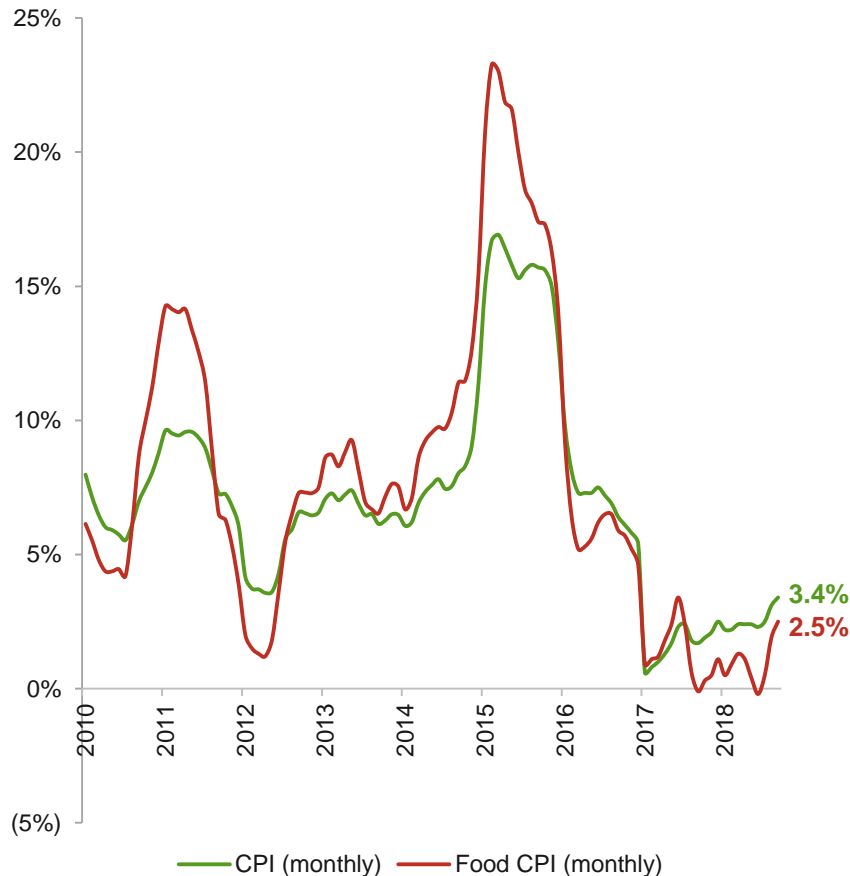


Notes: (1) Shrimps, khinkali, pelmeni, candies, nuts.

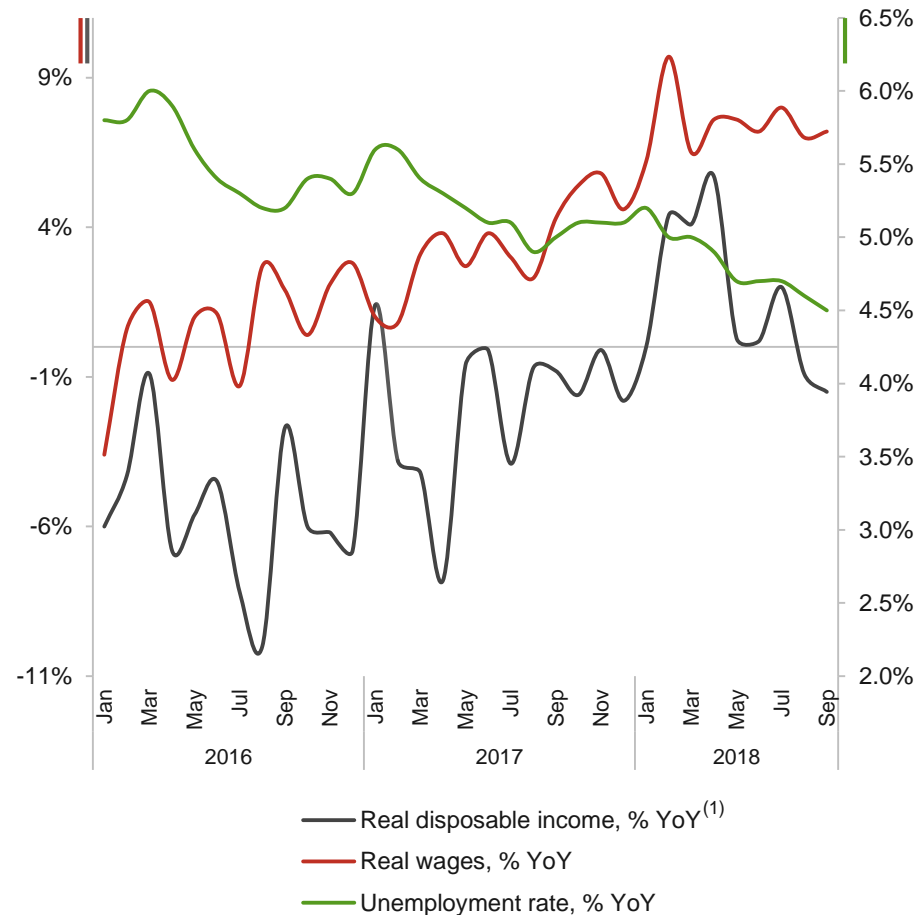
# Macro: headwinds for grocery persisted in Q3 '18

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Food CPI growth picked up in Q3 '18 driven by ruble depreciation and low harvest



In Q3' 18 consumer sentiment weakened as a result of real disposable income moving back to the negative territory



Source: Rosstat

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

# Appendix: key operating data by quarter

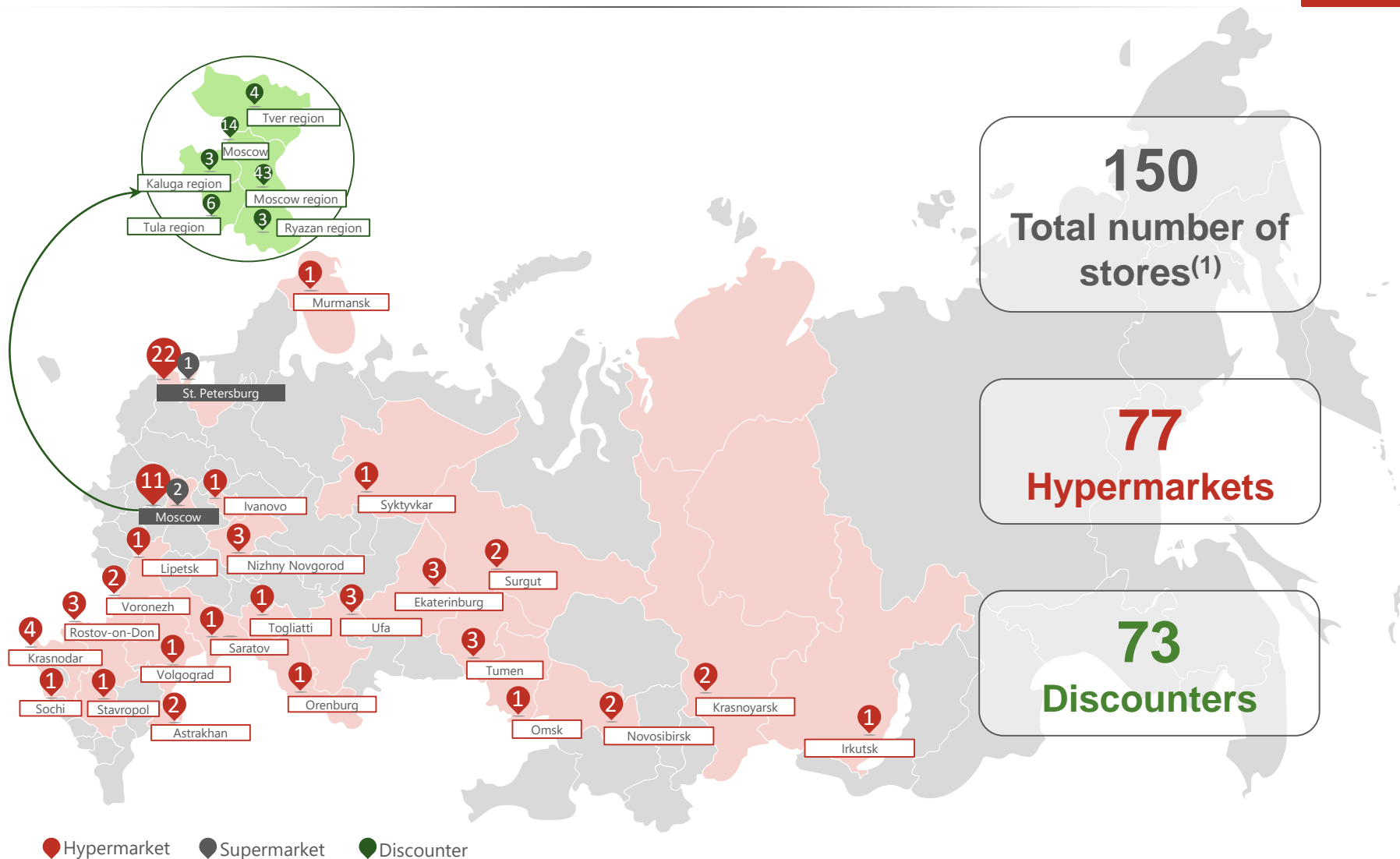
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Category <sup>(1)</sup>	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
<b>Total sales, RUB bn</b>	<b>45.4</b>	<b>46.3</b>	<b>56.6</b>	<b>196.9</b>	<b>48.8</b>	<b>47.6</b>	<b>46.6</b>	<b>55.9</b>	<b>198.9</b>	<b>45.5</b>	<b>42.6</b>	<b>41.6</b>
<i>Growth</i>	<i>5.7%</i>	<i>6.1%</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>
O'KEY	43.9	44.6	54.3	190.4	46.4	44.8	43.7	52.4	187.3	42.1	38.8	37.8
DA!	1.4	1.7	2.2	6.4	2.4	2.8	2.9	3.5	11.7	3.3	3.8	3.8
<b>Number of stores</b>	<b>156</b>	<b>160</b>	<b>164</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>
O'KEY	108	110	110	110	110	109	109	78	78	78	78	79
DA!	48	50	54	54	55	55	59	67	67	67	69	72
<b>Selling space, ths sqm</b>	<b>602,208</b>	<b>621,098</b>	<b>622,891</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>579,150</b>
O'KEY	569,525	587,024	586,001	586,001	586,001	574,069	570,896	531,589	531,589	531,589	529,555	529,469
DA!	32,683	34,074	36,890	36,890	37,610	37,610	40,404	46,215	46,215	46,379	47,693	49,681
<b>LFL sales growth</b>	<b>2.2%</b>	<b>(0.4%)</b>	<b>(1.0%)</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>(5.9%)</b>
O'KEY	2.2%	(0.4%)	(1.7%)	2.0%	(6.4%)	(2.2%)	(2.3%)	(1.9%)	(3.2%)	(1.6%)	(5.4%)	(6.9%)
DA!			65.5%	65.5%	67.8%	67.4%	54.1%	33.3%	52.0%	15.9%	15.7%	8.8%
<b>LFL traffic growth</b>	<b>4.1%</b>	<b>1.1%</b>	<b>(4.1%)</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>(4.0%)</b>
O'KEY	4.1%	1.1%	(5.3%)	0.9%	(6.1%)	(4.6%)	(6.2%)	(3.2%)	(5.0%)	(2.5%)	(4.8%)	(6.2%)
DA!			37.4%	37.4%	45.3%	40.4%	34.1%	25.7%	34.8%	12.7%	15.8%	10.3%
<b>LFL ticket growth</b>	<b>(1.8%)</b>	<b>(1.4%)</b>	<b>3.3%</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>(2.0%)</b>
O'KEY	(1.8%)	(1.4%)	3.8%	1.0%	(0.4%)	2.5%	4.2%	1.3%	1.9%	0.9%	(0.6%)	(0.8%)
DA!			20.4%	20.4%	15.5%	19.2%	14.9%	6.1%	12.7%	2.9%	0.0%	(1.4%)

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

# Appendix: O'KEY geography

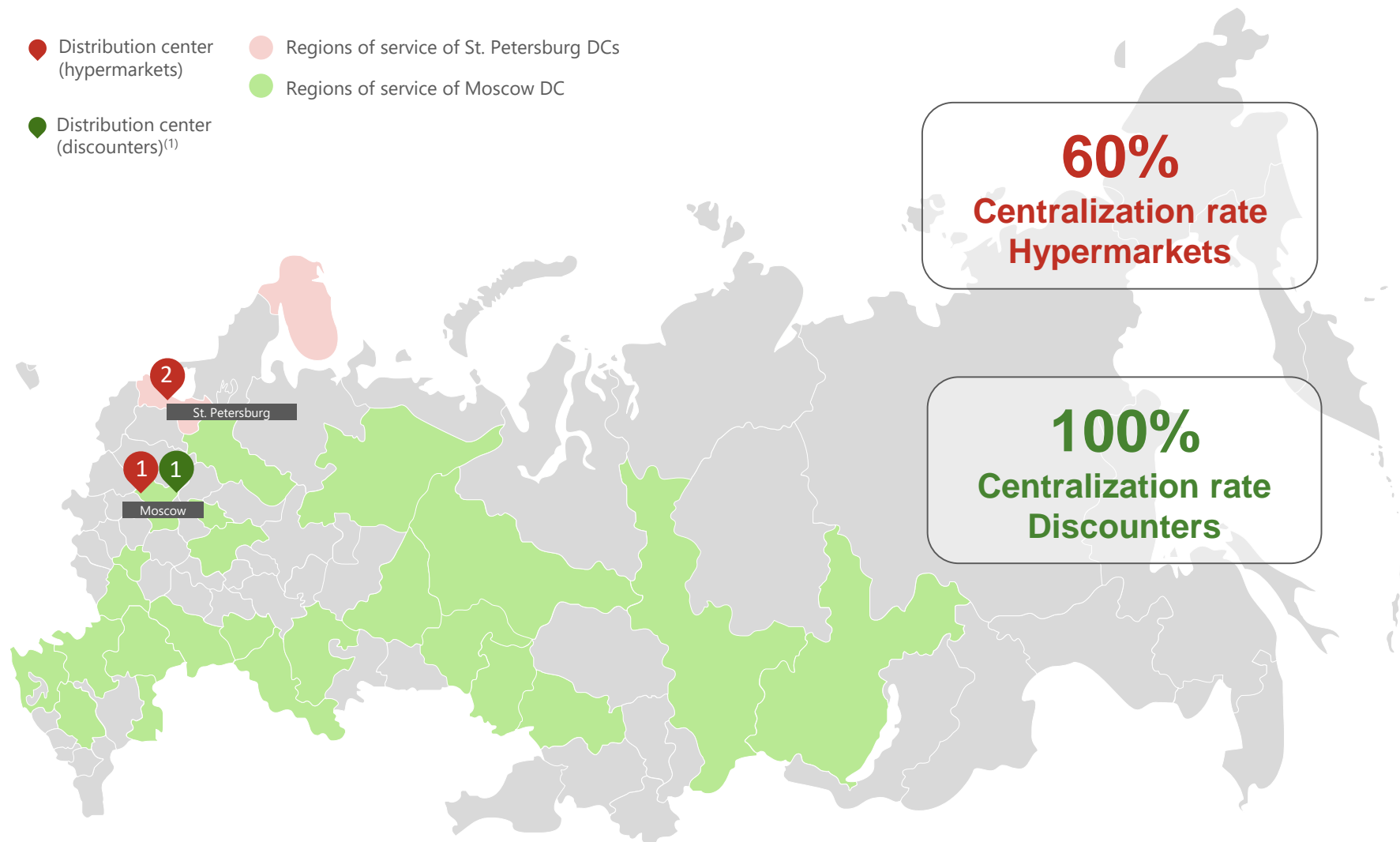
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Notes: (1) Number of stores as of November 13<sup>th</sup> 2018. Including three supermarkets that will be refurbished into compact hypermarkets by the end of 2019.

# 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.

# IR CONTACTS

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**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)