

Press Release
17 Apr 2018

O`KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q1 2018

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

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

Q1 2018 operating highlights

- Group net retail revenue decreased by 6.9% YoY to RUB 39,840 mln from RUB 42,797 mln. The revenue decline was primarily influenced by the unwinding of the supermarket business in December 2017 and January 2018. Group net retail revenue, adjusted for the sale of the supermarket business, decreased by 0.7% YoY;
- Net retail revenue generated by O`KEY decreased by 9.1% YoY to RUB 36,909 mln. Adjusted for the sale of the supermarkets business, net retail revenue decreased by 2.7% YoY as a result of the closure of hypermarkets in Cherepovets and Sterlitamak in Q2 2017, the temporary closure of a hypermarket in Moscow in Q3 2017 and growing competitive pressures;
- Net retail revenue generated by DA! grew by 35.9% YoY to RUB 2,931 mln, supported by stable dynamics in traffic (up 32.1% YoY) and average ticket (up 3.0% YoY);
- Like-for-like (LFL) net retail revenue of the Group marginally decreased by 0.7% YoY, mainly driven by weaker than expected results in January, while February and March saw sequential improvement, driven by better promotional campaigns;
- Like-for-like (LFL) net retail revenue generated by O`KEY decreased by 1.6% YoY, on the back of a 2.5% YoY decline in LFL traffic and a 0.9% YoY increase in LFL average ticket;
- Like-for-like (LFL) net retail revenue generated by DA! increased by 15.9% YoY, bolstered by a 12.7% YoY increase in LFL traffic and a 2.9% YoY increase in LFL average ticket.

Guidance

- We expect net retail revenue generated by our hypermarkets business (excluding the supermarkets business) to grow by low single digits in 2018, with new stores openings limited to two. We anticipate the EBITDA margin will be within a range of 7-8% in 2018-2020. In 2020 we expect growth to accelerate as a consequence of improved sales density and new store additions;
- We forecast net retail revenue generated by our discounters business to grow by approximately 50% YoY in 2018, driven by the opening of up to 30 new stores and improved sales density. EBITDA loss is expected to decline by up to 50% YoY.

Stores development of the Group

Indicator	Q1 2018	Q1 2017	Net change	Change (%)
Number of stores	145	165	(20)	(12.1%)
Number of net store openings	0	1	(1)	(100.0%)
Total selling space (sq. m.)	577,968	623,611	(45,643)	(7.3%)
Total selling space added (sq. m.)	164	720	(556)	(77.2%)

Group key operating indicators for the quarter

Segment	Q1 2018			Q1 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL group	(0.7%)	(0.8%)	0.1%	(4.9%)	(3.7%)	(1.2%)

Group key operating indicators for the first three months of 2018

Indicator	January	February	March
LFL net retail revenue	(4.8%)	(0.9%)	3.5%
LFL customer traffic	0.5%	(1.2%)	(1.7%)
LFL average ticket	(5.2%)	0.3%	5.3%

O`KEY: Operating Review

Stores development

Indicator	Q1 2018	Q1 2017	Net change	Change (%)
Number of stores	78	110	(32)	(29.1%)
Number of net store openings	0	0	0	n/a
Total selling space (sq. m.)	531,589	586,001	(54,412)	(9.3%)
Total selling space added (sq. m.)	0	0	0	n/a

In Q1 2018, O`KEY did not open any new hypermarkets. Under the framework agreement on the sale of the supermarket business, 28 supermarkets were closed by the end of the first quarter of 2018. The closure of the remaining part of the supermarket business, which consists of four supermarket stores, is expected within the next 12 months. As of 31 March 2018, our total number of stores stood at 78, while total selling space came to 531,589 sq. m.

Key operating indicators for the quarter

Segment	Q1 2018			Q1 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL hypermarkets and supermarkets	(1.6%)	(2.5%)	0.9%	(6.4%)	(6.1%)	(0.4%)

Key operating indicators for the first three months of 2018

Indicator	January	February	March
LFL net retail revenue	(6.0%)	(1.7%)	2.9%
LFL customer traffic	(1.7%)	(2.6%)	(3.0%)
LFL average ticket	(4.4%)	0.9%	6.0%

The unwinding of the supermarkets business, effective from the beginning of December 2017 and continuing into January 2018, weighed most heavily on the Company's revenue dynamic in Q1 2018. Adjusted for the sale of the supermarket business, net retail revenue dynamics remained largely unchanged from the corresponding period last year, primarily influenced by growing competitive pressures, the temporary closure of a hypermarket in Moscow and the closure of hypermarkets in Cherepovets and Sterlitamak. The poor performance in January 2018 was for the most part attributable to a decline in average price per item on the back of slowdown in food inflation and less effective marketing campaigns throughout the month. However, in February and March 2018, the Company's like-for-like performance demonstrated the first signs of recovery, underpinned by the catch-up in average ticket which was driven by an increase in items purchased per client as a result of efficient promotional activities. Remaining focused on the improvement of the hypermarkets price perception in Q1 2018, the Company continued to enhance the quality of marketing initiatives and promotional assortment zoning. The share of announced promotions increased by almost 10% YoY to 27% as at the end of Q1 2018, attributable to more proactive communication with customers. The Company continues to put considerable effort into enhancing the customer value proposition in line with the 'best value for money' concept and increasing the overall efficiency of business processes.

DA!: Operating Review

Store development

Indicator	Q1 2018	Q1 2017	Net change	Change (%)
Number of stores	67	55	12	21.8%
Number of net store openings	0	1	(1)	(100.0%)
Total selling space (sq. m.)	46,379	37,610	8,769	23.3%
Total selling space added (sq. m.)	164	720	(556)	(77.2%)

In the first quarter of 2018, the Company opened three new discounters in the Moscow region and closed three discounters in Ryazan, Tula and Moscow regions. Total selling space amounted to 46,379 sq. m, as of 31 March 2018.

Key operating indicators for the quarter

Segment	Q1 2018			Q1 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	35.9%	32.1%	3.0%	126.1%	96.6%	16.3%
LFL discounters	15.9%	12.7%	2.9%	63.8%	41.6%	15.7%

Key operating indicators for the first three months of 2018

Indicator	January	February	March
Net retail revenue	41.0%	32.9%	34.8%
LFL net retail revenue	20.3%	12.3%	15.5%
Customer traffic	41.3%	30.4%	26.2%
LFL customer traffic	19.4%	10.4%	8.8%
Average ticket	(0.2%)	1.9%	6.8%
LFL average ticket	0.7%	1.7%	6.1%

Total sales amounted to RUB 2.9 bn in the first quarter, compared to RUB 2.2 bn for the same period last year. Stable and consistent growth in traffic and average ticket, driven by increasing customer loyalty, supported revenue this quarter. During the quarter, the Company continued to enhance the commercial model by fine-tuning the private label assortment, implementing various marketing initiatives and improving the overall customer experience. New discounter openings are expected to accelerate from Q2 2018 onwards.

OVERVIEW

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

As at April 17, 2018, the Group operates 145 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 Company 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.

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

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.

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