

Press Release
 26 March 2014

O'KEY GROUP ANNOUNCES FY 2013 AUDITED FINANCIAL RESULTS

17.0% INCREASE IN EBITDA TO RUB 11.0 BILLION

O'Key Group S.A., ("O'Key Group", "the Group" or "the Company"), one of the leading food retailers in Russia (LSE ticker: OKEY), today released its audited consolidated financial results for the year ended 31 December 2013. All materials published by the Company can be found on its website, <http://okeyinvestors.ru/>.

2013 Year-end Highlights:

- Total revenue grew by 18.9% to RUB 139.5 billion, while like-for-like revenue increased by 8.0% year-on-year (y-o-y);
- 11 new stores were opened during 2013;
- Gross margin increased by 0.4% to 23.9%;
- EBITDA up 17.0% exceeding RUB 11.0 billion or 7.9% of revenue;
- Net profit reached RUB 5.0 billion.

Financial Performance

Income Statement Highlights

<i>RUB million, unless otherwise indicated</i>	2013	2012	y-o-y change
Revenue	139,460.4	117,333.2	18.9%
Gross profit	33,336.0	27,627.0	20.7%
Gross Margin	23.9%	23.5%	0.4 p.p.
EBITDA	11,032.2	9,426.6	17.0%
<i>EBITDA Margin</i>	7.9%	8.0%	(0.1 p.p.)
Profit before tax	6,851.7	6,468.1	5.9%
Profit for the period	4,976.4	4,678.9	6.4%
<i>Net Profit Margin</i>	3.6%	4.0%	(0.4 p.p.)
Earnings per share			
Basic and diluted earnings per share (RUB)	18.5	17.4	6.3%



Revenue

Revenue for the year ending 31 December 2013 increased by 18.9% y-o-y to RUB 139,460.4 million, compared to RUB 117,333.2 million in 2012. The increase was driven by higher levels of selling space and like-for-like revenue growth¹.

Like-for-like (LFL) revenue grew by 8.0% y-o-y and was driven by a 7.5% increase in the LFL basket. In addition, the LFL number of transactions increased by 0.5% y-o-y in 2013, demonstrating growth through the majority of the year. Both LFL basket growth and the increase in the number of transactions were supported by very successful promotional campaigns during 2013.

Selling space increased by 14.3% after 8 hypermarkets and 3 supermarkets were opened.

Cost of Goods Sold and Gross Profit

The cost of goods sold increased by 18.3% y-o-y in 2013 to RUB 106,124.4 million. This was largely caused by higher volumes of trading stock sales as a result of new store openings and expansion in LFL revenue.

Gross profit increased by 20.7% to RUB 33,336.0 million in 2013, compared to RUB 27,627.0 million in 2012. The gross margin for 2013 expanded by 0.4 p.p. to 23.9%, following an improvement in purchasing conditions driven by our growing purchasing power.

General, Selling and Administrative Expenses

	Year ended 31 December 2013	Percentage of revenue	Year ended 31 December 2012	Percentage of revenue	Change, p.p.
	(RUB millions)	(%)	(RUB millions)	(%)	
Personnel costs	(12,686.8)	9.1	(10,235.9)	8.7	0.4
Depreciation and amortisation	(2,513.2)	1.8	(2,149.9)	1.8	0.0
Operating leases	(3,081.7)	2.2	(2,298.0)	2.0	0.2
Communication and utilities.....	(2,326.4)	1.7	(1,812.4)	1.6	0.1
Security expenses	(825.7)	0.6	(707.3)	0.6	0.0
Advertising and marketing	(1,132.4)	0.8	(990.3)	0.8	0.0
Materials and supplies	(302.7)	0.2	(258.8)	0.2	0.0
Operating taxes.....	(562.2)	0.4	(497.6)	0.4	0.0
Insurance and bank commission.....	(597.6)	0.4	(505.8)	0.4	0.0

¹ LFL analysis included 80 stores



Repairs and maintenance costs	(597.9)	0.4	(452.2)	0.4	0.0
Legal and professional expenses.....	(277.9)	0.2	(306.1)	0.3	(0.1)
Other costs	(36.2)	0.0	(149.6)	0.1	(0.1)
Total general, selling and administrative expenses	(24,940.8)	17.9	(20,363.9)	17.4	0.5

The Group's general, selling and administrative expenses grew by 22.5% y-o-y to RUB 24,940.8 million in 2013, mainly due to O'KEY's expanded operations and increased personnel, operating leases and utilities costs. As a percentage of revenue, the Group's general, selling and administrative expenses increased by 0.5 p. p. to 17.9% in 2013.

Personnel costs grew by 23.9% y-o-y to RUB 12,686.8 million in 2013. This was mainly a result of an approximately 12.0% increase in average headcount and by a 7.0% indexation of salaries that took place in July 2013. A further 2% increase came from recruiting, training and travel expenses that starting 2013 are reclassified into Personnel expenses from Other costs.

Operating leases increased to RUB 3,081.7 million in 2013, a 34.1% increase from RUB 2,298.0 million in 2012. The main catalyst for this increase was the 7 rented stores, or 21% of rented space, which were added in 2012 and had their first full operational year in 2013. The second major element of this growth is related to the expenses of 9 rented stores opened during 2013, which account for 20% of additional rented space. Operating leases for stores opened prior to 2012 increased by around 10%, which was driven by growing sales and the weakening of the ruble exchange rate.

Costs relating to communications and utilities increased by 28.4% y-o-y in 2013 to RUB 2,326.4 million, mostly as a result of adding new stores and increased tariffs. Revision of utility tariffs in 2013 led to a 10% increase in this expense.

Net other operating income and expenses resulted in a RUB 519.0 million loss for the year ended 31 December 2013. The largest items within this loss are expenses related to an accident in one of our stores, provision for the write-off of receivables and impairment of non-current assets. In 2013, the Company had other operating expenses of RUB 231.6 million and a revaluation loss of RUB 92.5 million, which was associated with the accident at one of its stores. Large part of provision for the write-off of receivables relates to RUB 100.0 million of advance payment as part of a construction contract at one of O'KEY's stores where a subcontractor started an insolvency process. Impairment of non-current assets amounts to RUB 164.7 million and mostly relates to a legal dispute around land lease rights that the Company had previously acquired and also to the closure of one of its supermarkets in Volgograd. All the expenses described above are non-recurring and are not expected to have any further impact on future periods.

O'KEY reported a 7.5% increase in operating profit to RUB 7,876.2 million in 2013 from RUB 7,326.2 million in 2012.



Finance costs increased by 10.1% y-o-y to RUB 1,139.8 million for the full year ended 31 December 2013, mainly due to the Group's higher average loan portfolio. O'KEY's weighted average interest rate for 2013 decreased to 8.9% in 2013 from 9.4% in 2012 driven by improving market conditions.

Profit before income tax increased by 5.9% y-o-y to RUB 6,851.7 million in 2013, with the improvement of operating profit being partially offset by growing finance costs.

Total income tax expense grew by 4.8% y-o-y to RUB 1,875.3 million in 2013, primarily due to increased profit before income tax.

As at 31 December 2013, net profit rose by 6.4% y-o-y to RUB 4,976.4 million with a net profit margin of 3.6%.

Cash Flows and Working Capital

(RUB millions)	2013	2012
Net cash from operating activities.....	7,908.5	8,937.7
Net cash used in investing activities	(10,534.1)	(8,491.0)
Net cash used in financing activities	1,083.5	1,135.7
Net increase/(decrease) in cash and cash equivalents	(1,542.0)	1,582.3
Effect of exchange rate fluctuations on cash and cash equivalents.....	13.0	11.4

Net cash from operating activities decreased to RUB 7,908.5 million in 2013, due to a lower contribution from working capital. Cash from operating activities before changes in working capital increased in line with operating profit growth.

Contribution from working capital amounted to RUB 388.1 million in 2013, a decrease of RUB 1,974.6 million compared to 2012. This was primarily due to growing trade and other receivables, which have offset the increase in trade payables. Key elements of growth in trade and other receivables are the increases in VAT receivable and bonuses receivable from suppliers.

Net cash used in investing activities increased to RUB 10,534.1 million in 2013 and was mainly used to purchase property, plant and equipment required for fitting out new stores that were opened during 2013 and constructing future stores. In 2013 additions to construction in progress increased four times compared to 2012 and amounted to RUB 4,172.9 million.

Net cash from financing activities generated a cash inflow of RUB 1,083.5 million. During 2013, the Group raised additional financing in the form of bonds and long-term loans to optimize the structure and costs of its credit portfolio.

Working Capital

O'KEY's primary sources of liquidity are cash derived from operating activities and debt financing. As of 31 December 2013, the Group's working capital, defined as current assets (excluding cash



and cash equivalents and short-term investments) less current liabilities (excluding short-term loans), was a negative RUB 9,606.4 million. Working capital figures in the food retail industry are usually negative, and the Group intends to maintain a negative working capital position.

O'KEY considers the net debt / EBITDA ratio as the principal means for evaluating the impact of the total size of the Group's borrowings on its operations. As at 31 December 2013, O'KEY's net debt/ EBITDA ratio was 1.2x.

RUB million	2013	2012
Total Debt	16,754	13,690
Short-Term Debt	2,313	3,826
Long-Term Debt	14,442	9,864
Less cash and equivalents	(3,007)	(4,536)
Net Debt	13,748	9,154
Net Debt / EBITDA	1.2	1.0

Significant events during the reporting year

- In October 2013, the EGM of O'KEY's shareholders approved the termination of powers of the Board directors and approved the following members to the Company's new Board: Dmitrii TROITCKII, Dmitry KORZHEV, Heigo KERA, Tony MAHER, and Boris VOLCHEK, as new Caraden Director.
- In November 2013, the Board of Directors has appointed Tony MAHER as chairman of the Board
- In 2013, the Group paid a total of US\$ 51 million in dividends for 2013.

COMPANY OVERVIEW

"O'KEY" is one of the largest retail chains in Russia. Its primary retail format is the modern Western European hypermarket under the "O'KEY" brand, complemented by "O'KEY - Express" supermarkets.

The Company opened its first hypermarket in St. Petersburg in 2002 and has demonstrated continuous growth ever since. As of December 31, 2013, O'KEY operated 94 stores in 22 cities across Russia: 60 hypermarkets with an aggregate selling space of approximately 444,000 square meters and 34 supermarkets with an aggregate trading space of approximately 45,000 square meters. As at 31 December 2013, O'KEY employed more than 24,500 people.

Based on the audited consolidated financial statements for the FY 2013, O'KEY's revenue was RUB 139.5 billion, like-for-like revenue growth rate was 8.0% and its EBITDA margin was 7.9%.

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