

20 July 2016

## **O'KEY ANNOUNCES OPERATING RESULTS FOR Q2 AND H1 2016**

O'KEY Group S.A. (LSE: OKEY), one of the largest food retailers in Russia, announces operating results for the Second Quarter and the First Half of 2016. All materials published by the Group are available on its website [www.okeyinvestors.ru](http://www.okeyinvestors.ru).

### **Key highlights for Q2 2016:**

- Group net retail revenue increased by 5.8% y-o-y from RUB 37,608 million to RUB 39,825 million
- Traffic increased 11.3% y-o-y with average ticket declining 5.0% y-o-y
- Trade LFL revenue increased 2.3% y-o-y while LFL traffic grew 4.1% and average LFL ticket declined 1.8%
- Retail revenue net of sales in the discounter chain grew by 2.4% to RUB 38,559 million
- Traffic net of discounters rose 3.7% y-o-y with average ticket net of discounters declining 1.3% y-o-y
- In Q2 2016, the Group opened one hypermarket and 7 discounters
- Total selling area increased by 6.4% to 602,208 m<sup>2</sup>, selling area of hypermarkets increased by 1.7% to 521,068 m<sup>2</sup>, selling area of supermarkets declined by 9.9% to 48,457 m<sup>2</sup> and selling area of discounters reached 32,683 m<sup>2</sup>

### **Key highlights for H1 2016:**

- Group net retail revenue increased by 10.1% y-o-y from RUB 74,880 million to RUB 82,412 million
- Traffic increased 12.6% y-o-y with average ticket declining 2.3% y-o-y
- Trade LFL revenue increased 5.5% y-o-y while LFL traffic grew 4.5% and average LFL ticket rose by 1.0%
- Retail revenue net of sales in the discounter chain rose by 7.1% to RUB 80,191 million
- Traffic net of discounters rose 5.8% y-o-y with average ticket net of discounters growing 1.2% y-o-y
- In H1 2016, the Group opened one supermarket (closed four supermarkets), opened one hypermarket (closed one) and added 13 discounter stores

### **Commentary**

**Heigo Kera, CEO and Chairman of the Board of Directors of O'KEY Group, said,**

«In Q2 2016, we demonstrated solid growth of the key operating indicators in spite of the weak macroeconomic environment and intensifying competitive pressure. We delivered strong LFL growth driven by sustained increase in traffic as our customers increasingly appreciate the recent changes in the sales mix, enhanced assortment and more appealing value proposition. However, the average ticket declined as trading down among our customer base continued while food inflation slowed down.

In H2 2016, we will continue to maintain competitive pricing and further improve our value proposition. We continue development of our food private labels and plan to add overall 200-300 SKUs to our *That's What You Need* and *O'KEY* lines. We are also redesigning and relaunching our non-food private labels with increased focus on product quality. In Q3 we will open two more hypermarkets (in Moscow and Tyumen) with elements of a new store concept, a more modern look and feel, new approaches to organization and zoning of the floor space and easier navigation».

**Armin Burger, Chief Executive of the Discounter Chain, added,**

«During the quarter, we continued expansion of our discounter chain the DA! brand, having opened 7 additional stores in Moscow and neighboring regions. We are seeing steady increase in customer traffic adjusted for seasonal trends. In Q2 2016, my team continued to enhance assortment, adding more private label items across all categories, and worked on improving organisation of the floor space. Overall, the hard discounter project is finding its target audience, the rational customers appreciating value-for-money we are offering in our chain».

<i>Number of stores, end of period</i>	Q2 2015	Q2 2016	Y-o-Y change
Hypermarkets	70	71	+1
Supermarkets	42	37	-5
Discounters	0	48	+48
<b>Total</b>	<b>112</b>	<b>156</b>	<b>+44</b>

<i>Selling area, end of period, m<sup>2</sup></i>	Q2 2015	Q2 2016	Y-o-Y change
Hypermarkets	512,257	521,068	+1.7%
Supermarkets	53,788	48,457	-9.9%
Discounters	0	32,683	N/A
<b>Total</b>	<b>566,045</b>	<b>602,208</b>	<b>+6.4%</b>

<i>Change, y-o-y</i>	Q2 2015			Q2 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	1.6%	2.2%	-0.7%	5.8%	11.3%	-5.0%
Group LFL*	-4.3%	-5.2%	1.0%	2.3%	4.1%	-1.8%
Group net of discounters	1.6%	2.2%	-0.7%	2.4%	3.7%	-1.3%

\*In Q2 2015, LFL for the Group net of discounters equal LFL for the Group results as roll-out of the discounter chain started in September 2015

Change, y-o-y	H1 2015			H1 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	4.4%	3.4%	0.9%	10.1%	12.6%	-2.3%
Group LFL*	-1.7%	-3.6%	2.0%	5.5%	4.5%	1.0%
Group net of discounters	4.4%	3.4%	0.9%	7.1%	5.8%	1.2%

\*In H1 2015, LFL for the Group net of discounters equal LFL for the Group results as roll-out of the discounter chain started in September 2015

## Revenue

In Q2 2016, net retail revenue increased 5.8% y-o-y to RUB 39,825 million primarily driven by strong improvement in traffic as a result of the Company's focus on enhancing value proposition, rebalancing assortment, changing the sales mix, as well as the growing contribution from discounter stores.

In Q2 2016, LFL sales grew 2.3% as a result of the 4.1% improvement in LFL traffic and in spite of the 1.8% decline in LFL ticket as consumer purchasing power remains under pressure in a tough macroeconomic environment. May results were impacted by 2016 holidays calendar as Easter coincided with Spring and Labor Day, as well as unusually hot weather in the North-West region resulting in lower consumer spending in big cities compared to May 2015. In June, the Group delivered much stronger results though growing from higher base as June 2015 numbers already reflect the impact of the turnaround initiatives which management of the Group introduced a year ago.

## Additional information

The Group will report its First Half 2016 Reviewed Operating and Financial Results on 17 August 2016. Management of the Group will be holding a conference call to provide an update and discuss the results.

## 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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## COMPANY OVERVIEW

O'KEY is one of the largest retail chains in Russia. Its primary retail format is the modern Western European style hypermarket under the "O'KEY" brand reinforced by O'KEY supermarket. The Group is developing the

innovative discounter format under the “DA!” brand. O’KEY is the first among Russian food retailers to launch e-commerce operations in St. Petersburg and Moscow based on hypermarket assortment.

The Group opened its first hypermarket in St. Petersburg in 2002 and has demonstrated continuous growth ever since. As of 20 July 2016, O’KEY operates 157 stores across Russia: 71 hypermarkets, 37 supermarkets and 49 discounters.

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