

Press Release
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O'KEY GROUP ANNOUNCES OPERATING RESULTS FOR 4Q & 12M 2016

O'KEY Group S.A. (LSE: OKEY, "the Group"), one of the leading Russian food retailers, announces its unaudited operating results for the fourth quarter and twelve months of 2016. All materials published by the Group are available on its website www.okeyinvestors.ru.

Q4 2016 Highlights

- The Group net retail revenue increased by 4.8% YoY from RUB 47,241 million to RUB 49,503 million
- Traffic increased by 2.4% YoY with average ticket growing by 2.2% YoY
- Retail revenue net of discounter sales grew by 1.9% YoY to RUB 47,527 million
- Average ticket net of discounters increased by 5.2% YoY with traffic net of discounters decreasing by 3.2% YoY
- Like-for-like (LFL)¹ revenue decreased by 1.0% YoY driven by a 3.3% increase in average ticket and a 4.2% decrease in traffic
- Like-for-like (LFL) revenue net of discounters decreased by 1.7% YoY driven by a 3.8% increase in average ticket and a 5.3% decrease in traffic
- Like-for-like (LFL) revenue of discounters increased by 64.1% YoY driven by a 36.4% increase in traffic and a 20.4% increase in average ticket
- In Q4 2016, the Group opened one hypermarket and six discounters

12M 2016 Highlights

- The Group net retail revenue increased by 7.6% YoY from RUB 160,285 million to RUB 172,480 million
- Traffic increased by 9.3% YoY with average ticket declining by 1.7% YoY
- Retail revenue net of discounter sales grew by 4.5% YoY to RUB 166,814 million
- Traffic net of discounters rose by 2.6% YoY with average ticket net of discounters growing by 1.7% YoY
- The LFL revenue increased by 2.2% YoY driven by a 1.2% increase in traffic and a 0.9% increase in average ticket
- The LFL revenue net of discounters increased by 2.0% YoY driven by a 0.9% increase in traffic and a 1.0% increase in average ticket
- In 12M 2016, the Group opened four hypermarkets (one closed), one supermarket (five closed) and nineteen discounters.
- Total selling space increased by 5.1% YoY to 622,891m² with the selling space of hypermarkets growing by 4.1% to 539,784 m², the supermarket selling space declining to 46,217 m² and the selling space of discounters growing to 36,890 m².

Heigo Kera, CEO and Chairman of O'KEY Group, said:

"In 2016, we put continuous efforts into boosting efficiency of our business in the segment of hypermarkets/supermarkets and further developing our discounters.

¹ Stores are included in LFL parameter in the 14th month after their opening

The larger retail formats faced increasing competition against the aggressively expanding convenience stores, while the purchasing power was declining, especially in the regions.

Addressing the challenge of preserving traffic and average ticket, we continued enhancing our customer value proposition, which is based on competitive pricing and availability of high-quality goods, including our private label products.

Overall, our strategy delivered strong operating results in the fourth quarter and in 2016, in general, – the Group's annual net retail revenue increased by 7.6%, while traffic grew by 9.3%. The fourth quarter performance was also positive showing a revenue increase of 4.8% and traffic growth of 2.4%.

The retail revenue of hypermarkets and supermarkets (net of discounters) rose by 4.5% for the year with traffic growing by 2.6% and average ticket increasing by 1.7%. The main annual LFL indicators are also positive in this segment. The retail revenue of all the Group's LFL stores was marked by a 2.2% growth in 2016.

Last year we continued our ambitious transformation of key business processes and IT systems in order to step change the Company's performance. By opening new distribution centers (DC) in Moscow and St Petersburg, we increased our logistics centralization level from 15% in 2015 to 40%.

Another milestone was strengthening of our loyalty program – we launched a new payment product in the market, which is a co-branded card with one of the major Russian banks that gives additional savings opportunities to customers. We maintain our leadership in developing online sales of food products within the full range of a hypermarket covering Moscow and St Petersburg with our delivery service.

Our approach to expansion of traditional retail formats remained conservative – as planned, we opened 4 hypermarkets and 1 supermarket. In our stores we have implemented some elements of the new store concept based on the modern standards of navigation, zoning and design. The number of DA! stores increased to 54 by the end of 2016.

Looking back at 2016, I can say that we managed to clearly follow our business transformation program and timely respond to market challenges and customer needs.”

Armin Burger, Chief Executive Officer of the discounter chain, added:

“We have finished the fourth quarter of 2016 with 54 discount stores in Moscow and Moscow region. We have continuously been working on the assortment mix (PLs, branded products, in-outs), fine-tuning it to the needs of our customers. As a result of these successful changes and growing awareness of our Private labels brands as well as the concept we are pleased to see LFL revenue of discounters growing at 64.1% in the fourth quarter with traffic and basket increasing by 36.4% and 20.4%, respectively. We see similar trends at the beginning of the year. In 2017 we will continue improving our product mix, working on quality of our Private Labels brands and improving overall in store shopping experience. In 2017 we plan to open more than 20 stores.”

<i>Number of stores, end of period</i>	Q4 2015	Q4 2016	YoY change
Hypermarkets	71	74	3
Supermarkets	40	36	-4
Discounters	35	54	19
Total	146	164	18

<i>Selling space, end of period, m²</i>	Q4 2015	Q4 2016	YoY change
Hypermarkets	518 330	539 784	4.1%
Supermarkets	51 009	46 217	-9.4%
Discounters	23 586	36 890	56.4%
Total	592 925	622 891	5.1%

<i>YoY change</i>	Q4 2015			Q4 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	10.2%	13.5%	-3.1%	4.8%	2.4%	2.2%
Group LFL	3.8%	4.3%	-0.5%	-1.0%	-4.2%	3.3%
Group net of discounters	8.7%	10.0%	-1.3%	1.9%	-3.2%	5.2%
Group net of discounters LFL	3.8%	4.3%	-0.5%	-1.7%	-5.3%	3.8%
Discounters LFL	-	-	-	64.1%	36.4%	20.4%

<i>YoY change</i>	12M 2015			12M 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	6.9%	7.2%	-0.4%	7.6%	9.3%	-1.7%
Group LFL	0.6%	-0.7%	1.3%	2.2%	1.2%	0.9%
Group net of discounters	6.4%	6.2%	0.2%	4.5%	2.6%	1.7%
Group net of discounters LFL	0.6%	-0.7%	1.3%	2.0%	0.9%	1.0%
Discounters LFL	-	-	-	64.1%	36.4%	20.4%

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 January 30, 2017, O'KEY operates 164 stores across Russia – 74 hypermarkets, 36 supermarkets and 54 discounters.

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For further information please contact:

Investor Relations
e-mail: ir@okmarket.ru
www.okeyinvestors.ru