

Press Release
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O`KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q3 AND 9M 2018

O`KEY Group S.A. (LSE: OKEY, the 'Group') announces its unaudited operating results for the third quarter and nine months of 2018.

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

9M 2018 operating highlights

- Organic Group net retail revenue, excluding the effect of the supermarket business sale, fell by 1.9% YoY. Group net retail revenue decreased by 9.4% YoY, from RUB 125,443 mln to RUB 113,697 mln;
- Organic net retail revenue generated by O`KEY hypermarkets, excluding the effect of the supermarket business sale, decreased by 4.2% YoY. Net retail revenue generated by O`KEY hypermarkets decreased by 12.0% YoY to RUB 104,092 mln;
- Net retail revenue generated by DA! grew by 33.2% YoY to RUB 9,605 mln;
- Like-for-like (LFL) Group net retail revenue decreased by 3.5% YoY, due to a 2.4% YoY decrease in LFL traffic and a 1.2% YoY decrease in average ticket;
- Like-for-like (LFL) net retail revenue generated by O`KEY hypermarkets decreased by 4.6% YoY on the back of a 4.5% YoY decrease in LFL traffic and a 0.1% YoY decrease in LFL average ticket;
- Like-for-like (LFL) net retail revenue generated by DA! increased by 13.3% YoY, driven by a 12.9% YoY increase in LFL traffic and a 0.4% YoY increase in LFL average ticket;
- Two hypermarkets (in Moscow¹ and Novocherkassk) and eight new discounters (in Moscow and Tver regions) were opened during the first nine months of 2018 while three discounters were closed.

Q3 2018 operating highlights

- Organic Group net retail revenue, excluding the effect of the supermarket business sale, decreased by 2.4% YoY. Group net retail revenue decreased by 10.7% YoY to RUB 36,484 mln, down from RUB 40,853 mln in Q3 2017. The revenue decline was primarily influenced by the sale of supermarket business in December 2017;
- Organic net retail revenue generated by O`KEY hypermarkets, excluding the effect of the supermarket business sale, decreased by 4.8% YoY. Net retail revenue generated by O`KEY hypermarkets decreased by 13.4% YoY to RUB 33,146 mln primarily on the back of the supermarket business sale as well as macroeconomic headwinds, strong competition, low shelf inflation, less effective promotional campaigns and less favourable weather conditions compared to the same period last year;
- Net retail revenue generated by DA! grew by 29.3% YoY to RUB 3,338 mln, supported by steady growth in traffic (up 25.7% YoY) and average ticket (up 2.8% YoY);
- Like-for-like (LFL) net retail revenue of the Group decreased by 5.9% YoY, mainly due to the reasons outlined above;
- Like-for-like (LFL) net retail revenue generated by O`KEY declined by 6.9% YoY, on the back of a 6.2% YoY decline in LFL traffic and a 0.8% YoY decrease in LFL average ticket;

¹ RIO hypermarket in Moscow was closed in July 2017 and reopened in May 2018.

- Like-for-like (LFL) net retail revenue generated by DA! increased by 8.8% YoY, driven by a 10.3% YoY increase in LFL traffic and a 0.5% YoY increase in LFL items per client, while LFL average price per item decreased by 1.8% as a result of customer basket assortment mix redistribution towards larger share of higher margin private labels.

Stores development of the Group

Indicator	Q3 2018	Q3 2017	Net change	Change (%)
Number of stores	151	168	(17)	(10.1%)
Number of net store openings	4	4	0	0.0%
Total selling space (sq. m.)	579,150	611,300	(32,150)	(5.3%)
Total selling space added (sq. m.)	5,955	2,794	3,161	113.1%

Group key operating indicators for the nine months of 2018

Segment	9M 2018			9M 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL group	(3.5%)	(2.4%)	(1.2%)	(1.8%)	(2.8%)	1.0%

Group key operating indicators for the quarter

Segment	Q3 2018			Q3 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL group	(5.9%)	(4.0%)	(2.0%)	(0.2%)	(3.1%)	3.0%

Group key operating indicators for the three months of Q3 2018

Indicator	July	August	September
LFL net retail revenue	(8.2%)	(5.2%)	(4.4%)
LFL customer traffic	(4.2%)	(4.0%)	(3.7%)
LFL average ticket	(4.2%)	(1.2%)	(0.7%)

O`KEY: Operating Review

Stores development

Indicator	Q3 2018	Q3 2017	Net change	Change (%)
Number of stores	79	109	(30)	(27.5%)
Number of net store openings	1	0	1	n/a
Total selling space (sq. m.) ²	529,469	570,896	(41,427)	(7.3%)
Total selling space added (sq. m.)	3,967	0	3,967	n/a

In Q3 2018, one O`KEY new format compact hypermarket was opened in Novocherkassk, Rostov region. As of 30 September 2018, total space leased to Familia and other strategic partners amounted to 9,728

² Total selling space net of 9,728 sq. m leased to Familia and other strategic partners.

sq. m. As of 30 September 2018, the total number of stores stood at 79, while total selling space came to 529,469 sq. m.³

Key operating indicators for the nine months of 2018

Segment	9M 2018			9M 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL hypermarkets and supermarkets	(4.6%)	(4.5%)	(0.1%)	(3.7%)	(5.6%)	2.0%

Key operating indicators for the quarter

Segment	Q3 2018			Q3 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL hypermarkets and supermarkets	(6.9%)	(6.2%)	(0.8%)	(2.2%)	(6.2%)	4.2%

Key operating indicators for the three months of Q3 2018

Indicator	July	August	September
LFL net retail revenue	(9.2%)	(6.1%)	(5.4%)
LFL customer traffic	(6.3%)	(6.1%)	(6.2%)
LFL average ticket	(3.1%)	(0.1%)	0.8%

The Company's revenue trend in Q3 2018 was heavily influenced by the sale of its supermarkets business, which was initiated in December 2017. The 4.8% YoY decrease in organic net retail revenue, excluding the effect from the supermarket business sale, was predominantly caused by persistent macroeconomic headwinds, intensifying competition and some of the changes we made in key business areas including service level, assortment mix and freshness.

The weakening of consumer purchasing power resulting from diminishing real disposable income put negative pressure on LFL basket growth in Q3 2018 as the decline in items per items wasn't fully offset by increase in shelf inflation.

To tailor our service level to the needs of modern customers who value the shopping experience as much as the quality of goods, in Q3 2018 we initiated a rollout of self-scanning technology in St. Petersburg and Moscow hypermarkets (the technology is now operational in six hypermarkets) and started the integration of a new supply chain management system, Oracle RPAS into the business processes. The new system is expected to drive a significant increase in the efficiency of volume forecasts, ordering and logistics operations.

To strengthen our position in the assortment mix and further improve the quality of fruit and vegetables we sell, we aim to place more emphasis on own import development and on the realisation of synergies with our discounter business in respect of purchasing terms improvement and enhancement of private label brand quality. To this end, in Q3 we launched a premium private label brand, 'O'KEY selection'.

³ Total selling space net of 9,728 sq. m leased to Familia and other strategic partners.

DA!: Operating Review

Store development

Indicator	Q3 2018	Q3 2017	Net change	Change (%)
Number of stores	72	59	13	22.0%
Number of net store openings	3	4	(1)	(25.0%)
Total selling space (sq. m.)	49,681	40,404	9,277	23.0%
Total selling space added (sq. m.)	1,988	2,794	(806)	(28.8%)

In Q3 2018, the Company opened three new discounters in the Moscow region. Total selling space amounted to 49,681 sq. m as of 30 September 2018. In Q4 2018, the Company expects to open ten new stores.

Key operating indicators for the nine months of 2018

Segment	9M 2018			9M 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	33.2%	30.1%	2.5%	95.90%	69.0%	15.9%
LFL discounters	13.3%	12.9%	0.4%	62.1%	39.0%	16.6%

Key operating indicators for the quarter

Segment	Q3 2018			Q3 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	29.3%	25.7%	2.8%	75.9%	55.7%	13.0%
LFL discounters	8.8%	10.3%	(1.3%)	54.1%	34.1%	14.9%

Key operating indicators for the three months of Q3 2018

Indicator	July	August	September
Net retail revenue	29.2%	29.5%	28.9%
LFL net retail revenue	6.2%	9.1%	11.1%
Customer traffic	28.3%	23.6%	25.3%
LFL customer traffic	9.8%	9.1%	12.2%
Average ticket	0.7%	4.7%	2.8%
LFL average ticket	(3.3%)	(0.0%)	(0.9%)

The growing popularity of the discounters' customer value proposition continued to yield solid LFL traffic growth of 10.3% YoY in Q3 2018, while there was a gradual change in the consumption pattern with a shift towards higher margin private label brands. As private label brands occupy a larger proportion of the basket the average price per item tends to decline and this was reflected in a 1.8% YoY decline in average LFL price per item in Q3 2018. The moderate growth in the number of items per client which came at 0.5% YoY in Q3 2018 was primarily caused by the change in the customer consumption behaviour during the

quarter versus the respective period a year ago. The unusually warm weather which prevailed during Q3 2018 led to an increase in the frequency of visits to convenience stores and a higher demand for traditional summer categories. As a result, the positive trend in LFL traffic, along with the steady increase in the share of private labels in baskets, led to LFL net retail revenue growth of 8.8% YoY.

The Company is continuously adapting and improving its assortment mix to meet the needs of modern customers. As a result, in Q3 2018 the Company rebranded several existing private label brands and introduced 50 new private label SKUs, while the total number of SKUs reached 2,350 (the share of private label in the total SKUs as of the end of Q3 is 42%). In response to the higher demand for private label goods during Q3 2018, a new flexible shelf system was introduced across all our discounters along with the remerchandising of our private label assortment.

OVERVIEW

O`KEY Group S.A. (LSE: OKEY, Fitch – ‘B+’, RAEX – ‘ruA-’) operates under two main formats: hypermarkets, under the ‘O`KEY’ brand and discounters, under the ‘DA!’ brand.

As at 13 November 2018, the Group operates 150 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 Group 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.

The 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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