

Press Release
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O'KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q4 AND 12M 2017

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 2017.

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

Q4 2017 operating highlights

- Group net retail revenue decreased by 1.2% YoY to RUB 48,894 mln from RUB 49,503 mln. The revenue decline was primarily influenced by growing competition and start of supermarket business unwinding in December;
- Net retail revenue generated by O'KEY decreased by 3.5% YoY to RUB 45,824 mln;
- Net retail revenue generated by DA! grew by 55.6% YoY to RUB 3,070 mln, supported by stable dynamics in traffic (up 49.2% YoY) and average ticket (up 4.3% YoY);
- Like-for-like (LFL) net retail revenue generated by O'KEY decreased by 1.9% YoY, on the back of a 3.2% YoY decline in LFL traffic and a 1.3% YoY increase in LFL average ticket;
- Like-for-like (LFL) net retail revenue generated by DA! increased by 33.3% YoY, driven by a 25.7% YoY increase in LFL traffic and a 6.1% YoY increase in LFL average ticket;
- One new city hypermarket was opened in Ekaterinburg and eight new discounters were opened in Moscow and the wider Moscow region during Q4 2017.

12M 2017 operating highlights

- Group net retail revenue increased by 1.1% YoY, from RUB 172,480 mln to RUB 174,337 mln;
- Net retail revenue generated by O'KEY decreased by 1.6% YoY to RUB 164,055 mln;
- Net retail revenue generated by DA! grew by 81.8% YoY to RUB 10,282 mln;
- Like-for-like (LFL) Group net retail revenue decreased by 1.4% YoY, due to a 2.2% YoY decrease in LFL traffic and a 0.8% YoY increase in average ticket;
- Like-for-like (LFL) net retail revenue generated by O'KEY decreased by 3.2% YoY, on the back of a 5.0% YoY decrease in LFL traffic and a 1.9% YoY increase in LFL average ticket;
- Like-for-like (LFL) net retail revenue generated by DA! increased by 52.0% YoY, driven by a 34.8% YoY increase in LFL traffic and a 12.7% YoY increase in LFL average ticket.

Miodrag Borojevic, Chief Executive Officer of “O’KEY”, said:

“With the sale of our supermarket business in December 2017, we began a new stage in the development of our company. Our organisational structure was updated in line with our strategic vision. This will allow us to focus on the key priorities of the Group: achieving improved efficiency in our city hypermarkets and the accelerated expansion of discounters.

On the operational front, in Q4’17 and throughout 2017 we remained focused on enhancing our customer value proposition through the introduction of a competitive pricing policy, the implementation of effective marketing initiatives and assortment structure improvement. During the fourth quarter, we put considerable effort into aligning our hypermarket price perceptions with the “best value for money” concept. In this context, we launched an extended marketing campaign based on the price-match guarantee across the wide range of top-selling products offered at our hypermarkets.

At the same time, we continued to increase logistics centralisation and the effectiveness of operations at store and head office levels. The continuous and timely work with our suppliers resulted in an improved overall centralisation rate of almost 60% at the end of 2017, up from 40% at the end of 2016. In line with our commitment to the “lean store – lean office” concept, we carried out a restructuring of our head office in Q4’17 which resulted in a more transparent and efficient organisational structure.

In 2017 we opened one new-style hypermarket in Yekaterinburg. This store will become a reference for us going forward.

I believe that with our experienced team of professionals and our clear strategic focus, OKEY Group is well positioned to continue to create value for its stakeholders.”

Armin Burger, Chief Executive Officer of “DA!”, added:

“We are pleased with the results our discounters produced in 2017, with net retail revenue increasing by 81.8% YoY. During the year we put significant effort into diversifying and enhancing our value proposition to customers by improving the assortment mix and overall customer experience. The value of these efforts can be seen in our LFL numbers staying strong YoY.

Enhancing the quality and expanding the range of our PL products, while offering a high-level shopping experience, remain our key objectives going forward, as we plan to open more than 30 discounters in 2018.”

Stores development of the Group

Indicator	Q4 2017	Q4 2016	Net change	Change (%)
Number of stores	145	164	(19)	(11.6%)
Number of net store openings	(23)	7	(30)	na
Total selling space (sq. m.)	577,804	622,891	(45,087)	(7.2%)
Total selling space added (sq. m.)	(29,856)	1,793	(31,649)	na

Group key operating indicators for the quarter

Segment	Q4 2017			Q4 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	(1.2%)	(0.7%)	(0.5%)	4.8%	2.4%	2.2%
LFL group	(0.5%)	(0.7%)	0.2%	(1.0%)	(4.2%)	3.3%

Group key operating indicators for the twelve months of 2017

Segment	12M 2017			12M 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	1.1%	0.4%	0.6%	7.6%	9.3%	(1.7%)
LFL group	(1.4%)	(2.2%)	0.8%	2.2%	1.2%	0.9%

O'KEY: operating review

In the fourth quarter of 2017, O'KEY opened one new hypermarket in Yekaterinburg and signed an agreement to sell the business of supermarkets, comprising of 32 stores. As of 31 December 2017 our total number of stores stood at 78 while total selling space came to 531,589 sq. m.

Stores development

Indicator	Q4 2017	Q4 2016	Net change	Change (%)
Number of stores	78	110	(32)	(29.1%)
Number of net store openings	(31)	1	(32)	na
Total selling space (sq. m.)	531,589	586,001	(54,412)	(9.3%)
Total selling space added (sq. m.)	(35,667)	(1,023)	(34,644)	na

The unwinding of supermarkets business effective from the beginning of December along with growing competitive pressures and falling food inflation were the biggest challenges weighing on the Company's revenue dynamic in Q4. Nevertheless, the Company continues to put considerable effort into assortment structure improvement, competitive pricing policy implementation and the development of effective marketing initiatives.

Key operating indicators for the quarter

Segment	Q4 2017			Q4 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Hypermarkets and supermarkets	(3.5%)	(5.3%)	1.8%	1.9%	(3.2%)	5.2%
LFL hypermarkets and supermarkets	(1.9%)	(3.2%)	1.3%	(1.7%)	(5.3%)	3.8%

Key operating indicators for the twelve months of 2017

Segment	12M 2017			12M 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Hypermarkets and supermarkets	(1.6%)	(4.3%)	2.7%	4.5%	2.6%	1.7%
LFL hypermarkets and supermarkets	(3.2%)	(5.0%)	1.9%	2.0%	0.9%	1.0%

DA!: operating review

In the fourth quarter of 2017, the Company opened eight new discounters: two in Moscow and six in the Moscow region. Total selling space reached 46,215 sq. m, as of 31 December 2017.

Stores development

Indicator	Q4 2017	Q4 2016	Net change	Change (%)
Number of stores	67	54	13	24.1%
Number of net store openings	8	6	2	33.3%
Total selling space (sq. m.)	46,215	36,890	9,325	25.3%
Total selling space added (sq. m.)	5,811	2,816	2,995	106.4%

Total sales amounted to RUB 3.1 bln in the fourth quarter, compared to RUB 1.9 bln for the same period last year. Accelerated store rollout towards the end of the year along with solid traffic and basket dynamics supported revenue this quarter.

Key operating indicators for the quarter

Segment	Q4 2017			Q4 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	55.6%	49.2%	4.3%	>100%	>100%	15.9%
LFL discounters	33.3%	25.7%	6.1%	65.5%	37.4%	20.4%

Key operating indicators for twelve months of 2017

Segment	12M 2017			12M 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	81.8%	62.8%	11.7%	>100%	>100%	5.6%
LFL discounters	52.0%	34.8%	12.7%	65.5%	37.4%	20.4%

COMPANY 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 "O'KEY" brand and discounters under the "DA!" brand.

As of January 26, 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 4 distribution centres across the Russian Federation.

For the full year 2016, revenue totalled RUB 175,470,671 thousand, EBITDA reached RUB 9,253,206 thousand, and the net loss for the period amounted to RUB 137,790 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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