Press Release
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O'KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q3 AND 9M 2017

O'KEY Group S.A. (LSE: OKEY, the "Group"), one of the leading Russian food retailers, announces its unaudited operating results for the third quarter and first nine months of 2017. All the materials published by the Group are available on its website www.okeyinvestors.ru.

Q3 2017 operating highlights

- Group net retail revenue increased by 0.7% YoY to RUB 40,854 mln from RUB 40,565 mln;
- Net retail revenue from our hypermarket and supermarket segment decreased by 2.1% YoY to RUB 38,270 mln. The decline in revenue was attributable to a decrease in the store base versus the same period last year and subdued LFL traffic resulting from increasing competitive pressure;
- Net retail revenue from our discounter segment grew by 75.9% YoY to RUB 2,584 mln. The discounters continued to demonstrate stable growth, with average ticket growing 13.0% and traffic up 55.7% YoY;
- Like-for-like (LFL) Group net retail revenue was virtually unchanged YoY as negative hypermarket and supermarket LFL performance was largely offset by solid growth in the discounter segment;
- Like-for-like (LFL) net retail revenue from our hypermarket and supermarket segment decreased by 2.2% YoY, on the back of a 6.2% YoY decline in LFL traffic and a 4.2% YoY increase in LFL average ticket;
- Like-for-like (LFL) net retail revenue from our discounter segment increased by 54.1% YoY driven by a 34.1% YoY increase in LFL traffic and a 14.9% YoY increase in LFL average ticket;
- Four new discounters were opened in Moscow, the Moscow region and the Ryazan region during Q3 2017.

9M 2017 operating highlights

- Group net retail revenue increased by 2.0% YoY, from RUB 122,976 mln to RUB 125,443 mln;
- Net retail revenue from our hypermarket and supermarket segment decreased by 0.9% YoY to RUB 118,225 mln;
- Net retail revenue from our discounter segment grew by 95.9% YoY to RUB 7,218 mln;
- Like-for-like (LFL) Group net retail revenue decreased by 1.8% YoY, due to a 2.8% YoY decrease in LFL traffic and a 1.0% YoY increase in average ticket;
- Like-for-like (LFL) net retail revenue from our hypermarket and supermarket segment decreased by 3.7% YoY, on the back of a 5.6% YoY decrease in LFL traffic and a 2.0% YoY increase in LFL average ticket;
- Like-for-like (LFL) net retail revenue from our discounter segment increased by 62.1% YoY, driven by a 39.0% YoY increase in LFL traffic and a 16.6% YoY increase in LFL average ticket.

Miodrag Borojevic, Chief Executive Officer of the hypermarket and supermarket segment, said:

"In the third quarter, the economic environment remained subdued despite the first signs of recovery coming into view in the last two months. Selling space growth has accelerated across the market putting considerable pressure on our like-for-like traffic. This, combined with the closure of inefficient stores conducted earlier this year, was ultimately reflected in the decline of net retail revenue by 2.1% YoY.

Nevertheless, we remain firmly committed to our strategy aimed at increasing efficiency and profitability. During the quarter, our team continued to take further steps to improve business effectiveness, maintaining a focus on the modernization of our assortment structure and pricing policy, further development of logistics centralization, along with optimization of processes at the store and head office level. We also continued to strengthen the team by taking on board several strong managers with extensive experience in sales operations and commerce. We believe that recently launched initiatives, combined with better consumption trends, will support our top line in Q4'17. We have already seen our LFLs turning positive towards the end of October.

I strongly believe that by continuing to deliver progress on our strategic priorities we remain on track to build an efficient and modern company, which creates value for its shareholders."

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

"During the third quarter, our discounters continued to demonstrate further growth with net retail revenue increasing by 76% YoY. The consistently strong performance of our LFL numbers is largely attributable to our unique discounter concept in the Russian market, aimed at continuous evolution to adapt to the changing needs of consumers. We continue to enhance our range of private label products and modernize our in-store layout, so as to increase the overall attractiveness of our discounters."

Stores development of the Group

Indicator	Q3 2017	Q3 2016	Net change	Change (%)
Number of stores	168	160	8	5.0%
Number of net store openings	4	4	0	0.0%
Total selling space (sq. m.)	611,300	621,098	(9,798)	(1.6%)
Total selling space added (sq. m.)	2,794	18,890	(16,096)	(85.2%)

Group key operating indicators for the quarter

Segment	Q3 2017			Q3 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	0.7%	(1.7%)	2.5%	6.3%	11.0%	(4.4%)
LFL group	(0.2%)	(3.1%)	3.0%	(0.4%)	1.1%	(1.4%)

Group key operating indicators for the nine months of 2017

Segment	9M 2017			9M 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	2.0%	0.8%	1.2%	8.8%	12.0%	(3.0%)
LFL group	(1.8%)	(2.8%)	1.0%	3.5%	3.3%	0.2%

Hypermarkets and supermarkets: operating review

In the third quarter of 2017, O'KEY didn't open any new stores. The total number of stores remained constant at 109 (72 hypermarkets and 37 supermarkets). The total selling space as of 30 September 2017 stood at 570,896 sq. m.

Hypermarkets and supermarkets development

Indicator	Q3 2017	Q3 2016	Net change	Change (%)
Number of stores	109	110	(1)	(0.9%)
Number of net store openings	0	2	(2)	(100.0%)
Total selling space (sq. m.)	570,896	587,024	(16,128)	(2.7%)
Total selling space added (sq. m.)	0	17,499	(17,499)	(100.0%)

Although the Company's topline result was impacted by negative traffic performance resulting from growing competitive pressure, a series of marketing initiatives launched during Q3, along with additional activities to improve category management, assortment mix and on-shelf availability, led to a substantial improvement in average ticket despite continuing shelf price growth slow down on the back of lowering inflation. We have already seen an improvement of the LFL trend in October.

Key operating indicators for the quarter

Segment	Q3 2017			Q3 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Hypermarkets and supermarkets	(2.1%)	(6.5%)	4.7%	2.6%	3.0%	(0.5%)
LFL hypermarkets and supermarkets	(2.2%)	(6.2%)	4.2%	(0.4%)	1.1%	(1.4%)

Key operating indicators for the nine months of 2017

Segment	9M 2017			9M 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Hypermarkets and supermarkets	(0.9%)	(4.0%)	3.2%	5.6%	4.9%	0.6%
LFL hypermarkets and supermarkets	(3.7%)	(5.6%)	2.0%	3.5%	3.3%	0.2%

Discounters: operating review

In the third quarter of 2017, the Company opened four new discounters: one in Moscow, two in the Moscow region and one in the Ryazan region. Total selling space reached 40,404 sq. m, as of 30 September 2017. The Company expects new store openings to accelerate towards the year end, in line with the previously announced strategy.

Discounters development

Indicator	Q3 2017	Q3 2016	Net change	Change (%)
Number of stores	59	50	9	18.0%
Number of net store openings	4	2	2	100.0%
Total selling space (sq. m.)	40,404	34,074	6,330	18.6%
Total selling space added (sq. m.)	2,794	1,391	1,403	100.9%

Total sales amounted to RUB 2.6 bln in the third quarter, compared to RUB 1.5 bln for the same period last year. Revenue dynamics were largely driven by the continued rollout of stores, as well as the solid growth of our loyal customer base, as more customers choose our discounters as their destination store. We hope to sustain our strong momentum in LFL traffic and average basket going forward.

Key operating indicators for the quarter

Segment	Q3 2017			Q3 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	75.9%	55.7%	13.0%	>100%	>100%	9.7%
LFL discounters	54.1%	34.1%	14.9%	na	na	na

Key operating indicators for the nine months of 2017

Segment	9M 2017			9M 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	95.9%	69.0%	15.9%	>100%	>100%	12.6%
LFL discounters	62.1%	39.0%	16.6%	na	na	na

COMPANY OVERVIEW

O'KEY is one of the largest retail chains in Russia. The Company operates via three main formats: hypermarkets and supermarkets under the "O'KEY" brand and discounters under the "DA!" brand. O'KEY is the first Russian food retailer to launch e-commerce operations in St. Petersburg and Moscow, based on its hypermarket assortment.

The Group opened its first hypermarket in St. Petersburg in 2002 and has since demonstrated continuous growth. As of October 27, 2017, the Group operates 169 stores across Russia – 72 hypermarkets, 37 supermarkets and 60 discounters.

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.

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