

**Press Release**  
**29.04.2014**

**O'KEY GROUP S.A. announces unaudited financial and operating results for 1Q 2014**

O'KEY GROUP S.A. (the "Company" or "O'KEY"), one of the leading Russian food retailers, announces its unaudited financial and operating results for the first quarter of 2014.

**Operating Highlights**

- Retail revenue increased by 12.6% year-on-year (y-o-y) in 1Q 2014;
- LFL revenue grew by 4.1 % y-o-y;
- A 6.3% increase in LFL average ticket;
- Selling space exceeded half a million sq.m. as at 31 March 2014;
- 2 new hypermarkets opened during the first three months of 2014.

**Financial Highlights:**

- Total revenue reached RUB 35.1 billion;
- Gross margin increased by 130 p.p. to 23.5%;
- EBITDA up 13.5% y-o-y to RUB 1.7 billion with EBITDA margin of 4.8%.

Tony Maher, CEO of O'KEY Group, commented:

"In the first quarter of 2014, the Company went through a period of changes driven by external and internal factors. The market environment became more challenging with the weakening rouble, rising inflation and growing consumer uncertainty. In these circumstances, the ongoing revision of our existing processes and structure becomes even more important."

"Our first quarter results demonstrate improvements yet reflect the challenges we face. Our selling space increased by 15% exceeding 500,000 m<sup>2</sup>. At the same time retail revenue increased by 12.6%, while gross profit grew by 19.3%."

"Since the first quarter of 2013, we have opened 12 new stores. The majority of openings took place in cities where we already operate. As a result of these openings, we have significantly grown our customer base and our market share. "

"At the same time, for existing stores in several cities, total revenue progress came at a cost since LFL traffic and revenue were put under pressure. As a result, LFL revenue increased by 4.1% y-o-y. Internal cannibalization and increasing competition are the main factors that led to a LFL traffic outflow in the first quarter of 2014."

"Throughout 2013 and in the first quarter of 2014, we continued to improve our purchasing conditions. As a result, gross margin reached 23.5% in the reporting quarter, demonstrating an



improvement of 130p.p. y-o-y. While growing SG&A expenses consumed a large part of the improvement, the EBITDA margin increased as a percent of revenue.”

“During this financial year, we will continue to focus on improving operational efficiency and providing new impetus to the Company’s development.”

## OPERATING SUMMARY

Number of new stores	1Q 2014	1Q 2013
Company	2	1
Hypermarkets	2	1
Supermarkets	-	-

Stores at the end of the period	1Q 2014	1Q 2013
Company	96	84
Hypermarkets	62	53
Supermarkets	34	31

Trading space at the end of the period, '000 sq.m.	1Q 2014	1Q 2013	Change
Company	501	435	15.2%
Hypermarkets	456	394	15.7%
Supermarkets	45	41	9.8%

Net Retail Revenue, mln RUB	1Q 2014	1Q 2013	Change
Company	34,657	30,778	12.6%

LFL indicators, %	1Q 2014	1Q 2013
Retail Revenue, LFL	4.1	5.3
Average ticket, LFL	6.3	5.0
Number of tickets, LFL	-2.0	0.4

## Number of New Stores Under Development

	Locations secured	Preparing documentation/ obtaining construction permits	Land works, shell&core construction in progress	Fit-out in progress	Obtaining operating permit	Total number of stores under development
Hypermarkets	10	13	15	3	1	42
Small formats	26	1	1	1	0	29



## FINANCIAL SUMMARY

<i>RUB, millions</i>	<b>1Q 2014</b>	<b>1Q 2013</b>	<b>Increase</b>
Revenues	35,121.2	31,174.8	12.7%
Gross Profit	8,246.6	6,915.3	19.3%
<i>Gross margin (%)</i>	23.5%	22.2%	
EBITDAR	2,587.8	2,162.8	19.6%
<i>EBITDAR margin (%)</i>	7.4%	6.9%	
EBITDA	1,670.3	1,471.1	13.5%
<i>EBITDA margin (%)</i>	4.8%	4.7%	
Net Profit	(22.2)	144.5	n/a
<i>Net margin (%)</i>	0.0%	0.5%	

### *Revenue and Gross Profit*

In the first quarter of 2014, revenue grew by 12.7% y-o-y to RUB 35,121.2 million, mainly as a result of the y-o-y increase in selling space. Since 31 March 2013, selling space has increased by 15.2% following the opening of nine hypermarkets and three supermarkets.

Gross profit increased by 19.3% y-o-y to RUB 8,246.6 million in the first quarter of 2014, compared to the corresponding period of 2013. The gross margin expanded by 130 p.p. to 23.5% driven by improvements in purchasing conditions.

### *EBITDA and EBITDA Margin*

In the first quarter of 2014, the Group's EBITDA increased by 13.5% y-o-y to RUB 1,670.3 million, while the EBITDA margin increased by 10 p.p. to 4.8%. A large part of the gross margin expansion was consumed by growing personnel expenses and operating leases. Personnel expenses grew as a result of a 15% increase in headcount and the indexation of salaries that took place in July 2013. The rise in expenses relating to operating leases was driven by the addition of nine rented stores compared to the first quarter of 2013 and the appreciation of the USD exchange rate, which impacted part of existing leases.

### *Net Profit*

In the first quarter of 2014, O'KEY's net loss amounted to RUB 22.2 million, compared to a net profit of RUB 144.5 million in the corresponding period of 2013. The decrease in net profit was driven by foreign exchange losses and a tax charge related to the payment of dividends in February 2014. Foreign exchange losses occurred due to the revaluation of loans and a dividend payment.



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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 hypermarket under the “O’KEY” brand, complemented by “O’KEY - Express” supermarkets.

The Company opened its first hypermarket in St. Petersburg in 2002 and has demonstrated continuous growth ever since. As of December 31, 2013, O’KEY operated 94 stores in 22 cities across Russia: 60 hypermarkets with an aggregate selling space of approximately 444,000 square meters and 34 supermarkets with an aggregate trading space of approximately 45,000 square meters. As at 31 December 2013, O’KEY employed more than 24,500 people.

Based on the audited consolidated financial statements for the FY 2013, O’KEY’s revenue was RUB 139.5 billion, like-for-like revenue growth rate was 8.0% and its EBITDA margin was 7.9%.

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For further information please contact:

Maksim Kravtsov

Head of Investor Relations

Num. +7(495)6636677, ext. 220

e-mail: [ir@okmarket.ru](mailto:ir@okmarket.ru)

[www.okmarket.ru](http://www.okmarket.ru)

Artem Glushchenko

Head of Public Relations

Num. +7(495)6636677, ext. 338

e-mail: [corpcom@okmarket.ru](mailto:corpcom@okmarket.ru)

[www.okmarket.ru](http://www.okmarket.ru)

