

Press Release
28 April 2017

O'KEY GROUP ANNOUNCES OPERATING RESULTS FOR 1Q 2017

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

Q1 2017 Highlights

- The Group net retail revenue increased by 0.5% YoY from RUB 42,586 million to RUB 42,797 million driven by expansion of our discounters business. The Group net retail revenue growth accelerated to 4.9% in March.
- Net retail revenue from our hypermarket and supermarket segment declined by 2.4% to RUB 40,641 million in Q1 due to a bigger focus on profitability and efficiency in this segment and lower inflation figures. In March, net retail revenue in hypermarket and supermarket segment went into positive territory (+1.9%).
- Net retail revenue of our discounter segment grew by 126.1% to RUB 2,156 million in Q1 driven by both new store openings and a higher sales density growth (79% YoY).
- Like-for-like (LFL) net retail revenue of hypermarket and supermarket segment decreased by 6.4% YoY on the back of 0.4% decrease in average ticket and a 6.1% decrease in traffic. The deepest LFL decline was observed in January-February. In March, the decline rates slowed down to 2.5% respectively.
- Like-for-like (LFL) net retail revenue of discounters increased by 63.8% YoY driven by a 41.6% increase in LFL traffic and a 15.7% increase in LFL average ticket. The strong momentum continues into Q2. Sales density growth drives the profitability increase on YoY basis.

Guidance

- We expect our hypermarket and supermarket segment to grow low single digits in 2017. In accordance with the previously highlighted strategy, we will continue focusing on profitability and efficiency of our business operations. Net retail revenue of our discounter segment will at least double in 2017 driven by a higher numbers of stores and improved sales density.
- We plan to open at least 20 discounter stores in 2017 and 2 stores in the segment of hypermarkets and supermarkets. We continue to follow an opportunistic approach to hypermarket openings.

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

“While the first two months were a particular challenge for us and we were affected by a challenging macroeconomic environment, slowing inflation, changing consumer behavior and high base of Q1'16, we saw an improvement of our hypermarket and supermarket segment's top line growth at the end of Q1 with the trend continuing into Q2. During the quarter we continued to focus on the transformation of business in line with our turnaround strategy.

Discounters, on the other hand, continued demonstrating a good performance growing at a rate of 126.1% YoY.”

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

“It was another strong quarter of our discounters business. We believe we managed to develop a unique concept for Russian market, which has been recognized by Russian consumers. Our customer base continues to grow rapidly despite the competitive pressure. High customer satisfaction with our product offering leads to a higher than expected number of items in the basket, which translates into robust LFL numbers. The segment continues to post positive dynamics in Q2. In addition, with higher sales density, our profitability started improving significantly as well.”

The Group key operating indicators for the quarter

Segment	Q1 2017			Q1 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	0.5%	1.6%	(1.1%)	14.4%	13.8%	0.3%
LFL group	(4.9%)	(3.7%)	(1.2%)	8.6%	4.9%	3.5%

The Group key operating indicators for the first three months of 2017

Indicator	January	February	March
Net retail revenue	(4.5%)	1.5%	4.9%
LFL net retail revenue	(9.5%)	(4.0%)	(0.9%)
Customer traffic	0.9%	0.1%	3.5%
LFL customer traffic	(4.3%)	(5.1%)	(2.0%)
Average ticket	(5.4%)	1.3%	1.4%
LFL average ticket	(5.5%)	1.2%	1.1%

Hypermarkets and supermarkets: operating review

In the first quarter of 2017, O'KEY didn't open any stores. The total number of stores remained 110 (74 hypermarkets and 36 supermarkets). The total selling space as of 31 March 2017 stood at 586,001 sq. m. We continued to optimize our store portfolio closing a store in Cherepovets at the beginning of Q2.

Store developments

Indicator	Q1 2017	Q1 2016	Net change	Change (%)
Number of stores	110	107	3	2.8%
Number of net store openings	0	1	(1)	na
Total selling space (sq. m.)	586,001	563,191	22,810	4.1%
Total net selling space added (sq. m.)	0	1,061	(1,061)	na

Net retail revenue from our hypermarket and supermarket segment in Q1 amounted to RUB 40.6bn compared to RUB 41.6 a year ago. The Company's topline result was affected by a weak macroeconomic environment, slowing inflation, higher competition and last year's high base. From January to mid-February last year, we had an exceptionally good promo campaign, which resulted in a solid LFL figures growth (17.4% and 6.5% LFL net retail revenue growth in January and February 2016, respectively). Despite the challenging start, on a monthly basis net retail revenue growth went into the positive territory (+1.9% in March) and continues to show positive performance up to date.

Key operating indicators for the quarter

Segment	Q1 2017			Q1 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Hypermarkets and supermarkets	(2.4%)	(3.5%)	1.1%	11.7%	8.0%	3.4%
LFL hypermarkets and supermarkets	(6.4%)	(6.1%)	(0.4%)	8.8%	4.9%	3.7%

Key operating indicators for the first three months of 2017

Indicator	January	February	March
Net retail revenue	(7.2%)	(1.4%)	1.9%
LFL net retail revenue	(10.9%)	(5.5%)	(2.5%)
Customer traffic	(4.1%)	(4.9%)	(1.6%)
LFL customer traffic	(6.5%)	(7.3%)	(4.6%)
Average ticket	(3.3%)	3.5%	3.5%
LFL average ticket	(4.7%)	1.9%	2.2%

Discounters: operating review

In the first quarter of 2017, the Company opened one new discounter taking the total number of stores to 55. The total selling space as of 31 March 2017 increased to 37,610 sq. m., up 27% YoY. The Company expects its new store openings to accelerate in line with the previously announced strategy towards the year end. During the last six months, the Company was largely focused on the assortment fine tuning, merchandizing, improvement of in-out strategy.

Store developments

Indicator	Q1 2017	Q1 2016	Net change	Change (%)
Number of stores	55	41	14	34.1%
Number of net store openings	1	6	(5)	(83.3%)
Total selling space (sq. m.)	37,610	29,700	7,910	26.6%

Total sales amounted to RUB 2.5 billion in the first quarter, compared to RUB 1.1 billion for the same period last year. The trade revenue dynamics was largely driven by a continued rollout of stores as well as a solid growth of the loyal customer base. In Q1, both customer and basket growth continued being strong as in Q4.

We continue working on the extension of our in-out assortment, optimizing the product range by increasing the share of private labels and improving merchandising to offer the most customer friendly experience. We believe that these measures will boost our sales density even further in the second half of 2017.

Key operating indicators for the quarter

Segment	Q1 2017			Q1 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	126.1%	96.6%	16.3%	-	-	-
LFL discounters	63.8%	41.6%	15.7%	-	-	-

Key operating indicators for the first three months of 2017

Indicator	January	February	March
Net retail revenue	151.1%	118.9%	115.2%
LFL net retail revenue	67.0%	63.3%	61.8%
Customer traffic	111.7%	92.3%	89.1%
LFL customer traffic	44.6%	38.3%	42.0%
Average ticket	15.3%	17.7%	16.0%
LFL average ticket	15.5%	18.1%	13.9%

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 April 28, 2017, O'KEY operates 165 stores across Russia – 73 hypermarkets, 37 supermarkets and 55 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.

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.

For further information please contact:

Veronika Kryachko

Head of Investor Relations

+7 495 663 6677 ext. 404

Veronika.Kryachko@okmarket.ru

www.okeyinvestors.ru