

Press Release
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O'KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q2 AND H1 2017

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

Q2 2017 operating highlights

- Group net retail revenue increased by 4.9% YoY to RUB 41,793 mln from RUB 39,826 mln;
- Net retail revenue from our hypermarket and supermarket segment increased by 2.0% YoY to RUB 39,313 mln. The improved trend in revenue was largely driven by higher average ticket, up 3.8% YoY;
- Net retail revenue from our discounter segment grew by 95.3% YoY to RUB 2,473 mln. Trends we observed in the last two quarters continued, with average ticket growing 18.3% and traffic up 64.6%;
- Like-for-like (LFL) Group net retail revenue was almost flat 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 2.1% YoY (vs. 6.4% decrease in Q1'17) on the back of a 4.6% YoY decrease in LFL traffic and a 2.5% YoY increase in LFL average ticket;
- Like-for-like (LFL) net retail revenue from our discounter segment increased by 67.4% YoY driven by a 40.4% YoY increase in LFL traffic and a 19.2% YoY increase in LFL average ticket.

H1 2017 operating highlights

- Group net retail revenue increased by 2.6% YoY from RUB 82,412 mln to RUB 84,590 mln;
- Net retail revenue from our hypermarket and supermarket segment decreased by 0.3% YoY to RUB 79,955 mln;
- Net retail revenue from our discounter segment grew by 108.5% YoY to RUB 4,629 mln;
- Like-for-like (LFL) Group net retail revenue decreased by 2.5% YoY, due to a 3.6% YoY decrease in LFL traffic and a 1.1% YoY increase in average ticket;
- Like-for-like (LFL) net retail revenue from our hypermarket and supermarket segment decreased by 4.3% YoY, on the back of a 5.3% YoY decrease in LFL traffic and a 1.0% YoY increase in LFL average ticket;
- Like-for-like (LFL) net retail revenue from our discounter segment increased by 67.5% YoY, driven by a 42.5% YoY increase in LFL traffic and a 17.6% YoY increase in LFL average ticket;
- One new supermarket was opened during H1 2017 while 2 hypermarkets were closed.

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

“During the second quarter we saw some improvement in the underlying performance of the business with net retail revenue growing by 2.0% YoY.

In the reporting period the team continued working on the assortment improvement, promotion strategy, and on-shelf availability. These measures are expected to accelerate our traffic and average basket growth in the second half of the year. The quarter was also marked by changes in the management team, which was strengthened by a new commercial and marketing director and a new IT director. During the quarter we also announced a partnership with Familia, a leading off-price retailer in Russia.

We strongly believe that the ongoing strategic developments will act as an efficiency booster for our hypermarkets and supermarket business in the future, attracting additional traffic and driving up the profitability.”

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

“In the second quarter our discounters continued to demonstrate solid results with 109% YoY net retail revenue growth. Our unique discounter concept is becoming increasingly popular with consumers, as more of them choose DA! as their destination store. Focusing on the quality of our private label brands as well as improving the overall in-store shopping experience has helped us to achieve outstanding LFL numbers. We expect to accelerate store openings in the second half of the year, in line with our guidance.”

Group key operating indicators for the quarter

Segment	Q2 2017			Q2 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	4.9%	2.7%	2.1%	5.8%	11.3%	(5.0%)
LFL group	(0.0%)	(1.6%)	1.6%	2.3%	4.1%	(1.8%)

Group key operating indicators for the first half of 2017

Segment	1H 2017			1H 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	2.6%	1.6%	1.1%	10.1%	12.6%	(2.3%)
LFL group	(2.5%)	(3.6%)	1.1%	5.5%	4.5%	1.0%

Group key operating indicators for three months of 2017

Indicator	April	May	June
Net retail revenue	4.5%	6.3%	4.1%
LFL net retail revenue	(1.3%)	1.0%	0.1%
Customer traffic	3.2%	3.6%	1.3%
LFL customer traffic	(2.1%)	(0.7%)	(2.0%)
Average ticket	1.2%	2.5%	2.7%
LFL average ticket	0.8%	1.8%	2.1%

Hypermarkets and supermarkets: operating review

In the second quarter of 2017, O'KEY opened one supermarket in Saint Petersburg and closed two hypermarkets in Cherepovets and Sterlitamak, in line with the ongoing program of store portfolio optimization. The total number of stores reached 109 (72 hypermarkets and 37 supermarkets). The total selling space as of 30 June 2017 stood at 574,069 sq. m.

Store developments

Indicator	Q2 2017	Q2 2016	Net change	Change (%)
Number of stores	109	108	1	0.9%
Number of net store openings	1	1	0	0.0%
Total selling space (sq. m.)	574,069	569,525	4,544	0.8%

Net retail revenue from our hypermarket and supermarket segment in Q2 amounted to RUB 39.3 bln compared to RUB 38.6 bln a year ago. Net retail revenue growth of 2.0% YoY was mainly driven by an increase in average ticket of 3.8% YoY, reinforced by our continuous work on our assortment, and prices catching up with inflation. At the same time, traffic during the quarter was in negative territory, mainly due to growing competitive pressure, along with unfavorable weather conditions in the European area of Russia.

Key operating indicators for the quarter

Segment	Q2 2017			Q2 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Hypermarkets and supermarkets	2.0%	(1.8%)	3.8%	2.4%	3.7%	(1.3%)
LFL hypermarkets and supermarkets	(2.1%)	(4.6%)	2.5%	2.2%	4.1%	(1.8%)

Key operating indicators for the first half of 2017

Segment	1H 2017			1H 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Hypermarkets and supermarkets	(0.3%)	(2.6%)	2.4%	7.1%	5.8%	1.2%
LFL hypermarkets and supermarkets	(4.3%)	(5.3%)	1.0%	5.5%	4.5%	1.0%

Key operating indicators for three months of 2017

Indicator	April	May	June
Net retail revenue	1.5%	3.2%	1.3%
LFL net retail revenue	(3.1%)	(1.2%)	(2.0%)
Customer traffic	(1.7%)	(1.1%)	(2.8%)
LFL customer traffic	(4.9%)	(4.0%)	(4.9%)
Average ticket	3.1%	4.2%	4.2%
LFL average ticket	1.8%	2.8%	2.9%

Discounters: operating review

Total selling space as of 30 June 2017, remained flat QoQ at 37,610 sq. m. The Company expects its new store openings to accelerate towards the year end, in line with the previously announced strategy. In July, the company opened two new stores in Podolsk and Ryazan.

Store developments

Indicator	Q2 2017	Q2 2016	Net change	Change (%)
Number of stores	55	48	7	14.6%
Number of net store openings	0	7	(7)	N/A
Total selling space (sq. m.)	37,610	32,683	4,927	15.1%

Total sales amounted to RUB 2.5 bln in the second quarter, compared to RUB 1.3 bln for the same period last year, driven by continued strong momentum in both LFL traffic and average basket.

Key operating indicators for the quarter

Segment	Q2 2017			Q2 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	95.3%	64.6%	18.3%	-	-	-
LFL discounters	67.4%	40.4%	19.2%	-	-	-

Key operating indicators for the first half of 2017

Segment	1H 2017			1H 2016		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	108.5%	78.1%	17.5%	-	-	-
LFL discounters	67.5%	42.5%	17.6%	-	-	-

Key operating indicators for three months of 2017

Indicator	April	May	June
Net retail revenue	109.3%	99.2%	80.2%
LFL net retail revenue	67.2%	76.3%	59.6%
Customer traffic	76.0%	66.9%	52.7%
LFL customer traffic	41.5%	46.0%	34.6%
Average ticket	18.8%	19.2%	17.2%
LFL average ticket	18.2%	20.7%	18.6%

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 July 28, 2017, the Group operates 166 stores across Russia – 72 hypermarkets, 37 supermarkets and 57 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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For further information please contact:

Veronika Kryachko

Head of Investor Relations

+7 495 663 6677 ext. 404

Veronika.Kryachko@okmarket.ru

www.okeyinvestors.ru