

Press Release
26 April 2013

O'KEY GROUP ANNOUNCES FY 2012 AUDITED FINANCIAL RESULTS

44.4% INCREASE IN NET PROFIT TO 4.7 BILLION ROUBLES

O'Key Group S.A., ("O'Key Group", "the Group" or "the Company"), one of the leading food retailers in Russia (LSE ticker: OKEY), today released its audited consolidated IFRS financial results for the year ended 31 December 2012. These and the company's 2012 Annual Report have been published on the company's website, <http://okeyinvestors.ru/>.

2012 Year-end Highlights:

- Total revenue grew 26.0% to RUB 117.3 billion, while like-for-like revenue increased by 7.0% year-on-year (y-o-y)
- 12 new stores opened during 2012, with a presence established in 4 new cities
- Gross margin increases to a historic high of 23.5%
- 44.4% increase in net profit to RUB 4.7 billion
- 39.6% increase in cash flows from operating activities to RUB 8.9 billion

O'Key Group CEO Patrick Longuet said: "We are delighted with the progress we made during 2012, having enjoyed a successful year on several fronts. We grew our retail revenues by 25.7% to RUB 115.9 billion, or by 7% on a like-for-like basis, to deliver on the sales and LFL revenue targets that were set at the beginning of 2012. Furthermore, our EBITDA margin of 8.0%, demonstrates that our focus on delivering exceptional customer experience is generating high returns.

"While most Russian retailers benefited from growing inflation in 2012, few managed to deliver positive LFL traffic growth. On a like-for-like basis, our store traffic grew by 2.5% during 2012, and as the year progressed, more and more customers chose to shop at O'KEY stores. The strength of our customer oriented business model and the strength of our brand played a significant role in helping us achieve these LFL results.

"We opened 12 new stores during 2012, which included openings in 4 new cities, ensuring that O'KEY is well on its way to meeting its target of establishing a presence in 25 Russian cities by 2015. In terms of our expectations moving forward, the organic expansion of our hypermarket network remains a priority. We currently have 26 hypermarkets in our pipeline and we are rapidly expanding our land bank to ensure that our flow of planned new store openings remains high.

"Our long-term profitability target remains at 8% on the EBITDA line, and we still think there is scope to improve our operating efficiency going forward. We continue to develop our range of products through our non-food offering, our private labels and own production, and as efficiencies are realised, we intend to pass these savings on to our customers."



Financial performance

Income Statement Highlights

RUB millions, unless otherwise indicated	2012	2011	Change 2012/2011
Revenue	117,333.2	93,134.4	26.0%
Gross profit	27,627.0	21,281.0	29.8%
Gross Margin	23.5%	22.8%	0.7 p.p.
EBITDA	9,426.6	7,510.1	25.5%
<i>EBITDA Margin</i>	8.0%	8.1%	-0.1 p.p.
Profit before tax	6,468.1	4,369.7	48.0%
Profit for the period	4,678.9	3,239.9	44.4%
<i>Net Profit Margin</i>	4.0%	3.5%	0.5 p.p.
Earnings per share			
Basic and diluted earnings per share (RUB)	17.4	12.0	45%

Revenue

Revenue for the year ended 31 December 2012 was RUB 117,333.2 million, a 26.0% increase over the 2011 figure of RUB 93,134.4 million, driven by an increase in the amount of selling space and like-for-like revenue growth¹.

Like-for-like (LFL) revenue, increased by 7.0% year-on-year (y-o-y) driven by a 4.3% increase in the LFL basket primarily due to rising inflation. The LFL number of transactions increased by 2.5% in 2012, with healthy growth dynamics occurring throughout the majority of the year. O'KEY attributes this growth to the strength of its business model, the Group's attractive proposal to its customer and its competitive pricing policy. Among the specific factors that impacted positively on store traffic generation in 2012, include the low base effect for the first quarter, intensified promotional activities for several cities and O'KEY's 10th anniversary sale campaign.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased by 24.8% in 2012 to RUB 89,706.3 million driven by higher sales of trading stock driven by new store openings and LFL revenue expansion.

Gross profit increased by 29.8% to RUB 27,627.0 million in 2012, compared to RUB 21,281.0 million in 2011. The gross margin for 2012 increased by 0.7 p.p. to 23.5%, following an improvement in purchasing conditions driven by the increased scale of O'KEY's operations and the Group's growing purchasing power.

¹ LFL analysis included 66 stores



General, Selling and Administrative Expenses

	Year ended 31 December 2012	Percentage of revenue	Year ended 31 December 2011	Percentage of revenue	Change, p.p.
	(RUB millions)	(%)	(RUB millions)	(%)	
Personnel costs	(10,235.9)	8.7	(7,538.3)	8.1	0.6
Depreciation and amortisation.....	(2,149.9)	1.8	(1,977.3)	2.1	(0.2)
Operating leases.....	(2,298.0)	2.0	(1,672.6)	1.8	0.2
Communication and utilities	(1,812.4)	1.5	(1,503.2)	1.6	(0.1)
Security expenses.....	(707.3)	0.6	(659.7)	0.7	(0.1)
Advertising and marketing.....	(990.3)	0.8	(508.3)	0.5	0.3
Materials and supplies	(258.8)	0.2	(404.6)	0.4	(0.2)
Operating taxes.....	(497.6)	0.4	(369.1)	0.4	0.0
Insurance and bank commission	(505.8)	0.4	(349.4)	0.4	0.0
Repairs and maintenance costs	(452.2)	0.4	(308.1)	0.3	0.1
Legal and professional expenses	(306.1)	0.3	(262.0)	0.3	0.0
Other costs	(149.6)	0.1	(197.3)	0.2	(0.1)
Total general, selling and administrative expenses	(20,363.9)	17.4	(15,749.9)	16.9	0.5

The Group's general, selling and administrative expenses grew by 29.3% to RUB 20,363.9 million in 2012, mainly due to the growth of O'KEY's operations and increased costs related to personnel, operating leases and advertising costs. As a percentage of revenue, our general, selling and administrative expenses increased by 0.5 percentage points to 17.4% in 2012.

Personnel costs grew by 35.8% to RUB 10,235.9 million in 2012. This was mainly driven by an increase in staffing requirements for the 12 stores opened in 2012, which saw headcount increase by approximately 20% in 2012, and an indexation of salaries that took place in July 2012. Higher pre-opening costs of new stores due to delays in opening time, the addition of local offices in 4 new cities and growing expenses of the supermarket project further accelerated growth in this expense.

Operating leases increased to RUB 2,298.0 million in 2012, a 37.4% increase from RUB 1,672.6 million in 2011. The first full year contribution of 11 rented stores that opened in 2011 is the largest contributor to this increase. A second major contributor to this growth is rent increases for existing stores, which grew in-line with the level of revenue growth generated by the stores.



Lastly, during 2012 we opened 5 rented hypermarkets and 2 supermarkets and increased our leased area by 17%, resulting in additional lease expenses.

Advertising and marketing costs increased to RUB 990.3 million in 2012, representing an 94.8% increase over the previous period. Half of this increase relates to advertising and marketing support behind the 10th anniversary campaign, with the other half tied to intensified promotional activities in existing locations and in the cities where O'KEY stores were opened for the first time. In 2012 we significantly intensified our billboard and media advertising in cities like St. Petersburg, Moscow, N.Novgorod, Togliatti, Murmansk, Krasnoyarsk and Ufa. During 2012 we also started advertising activities in new cities like Ekaterinburg, Tumen, Surgut, Sochi, Saratov and Omsk.

Costs relating to communications and utilities increased by 20.6% in 2012 to RUB 1,812.3 million, mostly as a result of the number of new stores opened during the year. The tariff freeze secured during the first half of 2012, means that communication and utilities declined as a percentage of revenue to 1.5%.

Net other operating income and expenses resulted in a gain of RUB 63.2 million for the year ended 31 December 2012, compared to a loss for the year ended 31 December 2011. In 2011 we had other operating expenses of RUB 174.3 million associated with an accident at one of our stores. These expenses were one off and did not recur in 2012, which led to significant improvement in this line.

O'KEY reported a 36.0% increase in operating profit to RUB 7,326.2 million in 2012 from RUB 5,388.5 million in 2011. Operating profit increased ahead of revenue growth due to a strong increase in gross profit, driven by the same factors that contributed to growth in gross margins as explained above.

Finance costs increased by 33.2% to RUB 1,035.2 million for the full year ended 31 December 2012, mainly due to the Group's higher average loan portfolio in 2012 and increasing interest rates. O'KEY's effective interest rate for 2012 increased to 9.4% in 2012 from 8.1% in 2011 driven by changing market conditions and the issuance of rouble bonds.

Profit before income tax increased by 48% to RUB 6,468.1 million in 2012, with the improvement over operating profit achieved due to foreign exchange gains which was partially offset by growing finance costs.

Total income tax expense increased by 58.4% to RUB 1,789.3 million in 2012, primarily due to the growth in profit before income tax and in the amount of tax withheld on dividends.

Net profit for the year ending 31 December 2012 increased by 44.4% to RUB 4,678.9 million, ahead of revenue and operating profit growth.

Cash Flows and Working Capital

(RUB millions)	2012	2011
Net cash from operating activities.....	8,937.7	6,400.9
Net cash used in investing activities	(8,491.0)	(8,692.5)



Net cash used in financing activities	1,135.7	(449.3)
Net increase/(decrease) in cash and cash equivalents.....	1,582.3	(2,740.9)
Effect of exchange rate fluctuations on cash and cash equivalents	11.4	(24.4)

Net cash from operating activities increased by 39.6% to RUB 8,937.7 million in 2012, due to a higher level of profitability and higher working capital. The higher level of profitability generated RUB 1,507.4 million of additional operating cash in 2012, while working capital accounted for the remaining part of the improvement or RUB 1,029.4 million. An increase in trade and other payables also strengthened the working capital position as purchasing conditions improved.

Net cash used in investing activities increased to RUB 8,491.0 million in 2012 and was mainly for the purchase of property, plant and equipment relating to the completion of new stores that were opened during the year as well as the acquisition of plots of land.

Net cash from financing activities generated a cash inflow of RUB 1,135.7 million mostly due to the issuance of rouble bonds at the end of 2012. The Group raised bonds as a source of long-term financing for the expansion program and as a means of optimizing the Group's borrowings.

Working Capital

O'KEY's primary sources of liquidity are cash derived from operating activities and debt financing. As of 31 December 2012, the Group's working capital, defined as current assets (excluding cash and cash equivalents and short-term investments) less current liabilities (excluding short-term loans), was negative RUB 7,923.0 million. O'KEY believes that working capital figures in the food retail industry are usually negative, and the group intends to maintain a negative working capital position.

O'KEY considers the ratio of net debt to EBITDA as the principal means for evaluating the impact of the total size of the Group's borrowings on its operations. At 31 December 2012, O'KEY's net debt to EBITDA ratio was 1.0.

RUB million	2012	2011
Total Debt	13,690	12,071
Short-Term Debt	3,826	5,303
Long-Term Debt	9,864	6,768
Less cash and equivalents	(4,536)	(2,942)
Net Debt	9,154	9,129
Net Debt / EBITDA	1.0	1.2



New Store Developments

As at 31 December 2012, O'Key operated a total of 83 stores, which comprised of 52 hypermarkets and 31 supermarkets. O'KEY's expansion plans are ambitious and the Company's goal is to have stores in 25 cities by 2015, a target which it is on-track to meeting.

As part of O'Key's commitment to transparency, the Company is providing greater visibility on store developments as they progress from site identification through to opening, a process which typically takes 18 months subject to external forces such as the granting of standard local authorization permits required for the opening of commercial premises.

The table breaks down stores that are currently under development by stages of development.

Number of New Stores Under Development

	<i>Locations secured</i>	<i>Preparing documentation/obtaining construction permits</i>	<i>Land works, shell&core construction in progress</i>	<i>Fit-out in progress</i>	<i>Obtaining operating permit</i>	<i>Total number of stores under development</i>
Hypermarkets	7	11	5	3	0	26
Supermarkets	9	1	1	0	0	11

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 at December 31, 2012, O'KEY operated 83 stores in 21 cities across Russia: 52 hypermarkets with an aggregate selling space of approximately 387,000 square meters and 31 supermarkets with an aggregate trading space of approximately 41,000 square meters. As at December 31, 2012, O'KEY employed more than 23,000 people.

In accordance with the unaudited consolidated financial statements for the FY 2012, O'KEY's revenue was RUR 117.3 billion, like-for-like revenue growth rate was 7.0% and its EBITDA margin was 8.0%.

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