

25 April 2016

## **O'KEY ANNOUNCES UNAUDITED OPERATING RESULTS FOR Q1 2016**

O'KEY Group S.A. (LSE: OKEY), a leading food retailer in Russia, announces unaudited operating results for the First Quarter 2016. All materials published by the Group are available on its website [www.okeyinvestors.ru](http://www.okeyinvestors.ru).

### **Key highlights for Q1 2016:**

- Group net retail revenue increased by 14.4% y-o-y from RUB 37,239 million to RUB 42,586 million, by 11.8% to RUB 41,632 million net of sales in the discounter chain
- Traffic increased 13.8% y-o-y with average ticket rising 0.3% y-o-y
- Traffic net of discounters rose 8.0% y-o-y with average ticket net of discounters rising 3.3% y-o-y
- Trade LFL revenue increased 8.6% y-o-y while LFL traffic grew 4.9% and average LFL ticket rose 3.5%
- In Q1 2016, the Group opened one supermarket and 6 discounters and closed 4 supermarkets and one hypermarket in line with its strategy of improving business profitability
- Total selling area increased by 6.1% до 592,891 m<sup>2</sup>, selling area of hypermarkets increased by 1.7% to 514,976 m<sup>2</sup> and selling area of discounters reached 29,700 m<sup>2</sup>

### **Commentary**

#### **Heigo Kera, CEO and Chairman of the Board of Directors of O'KEY Group, said,**

«In Q1 2016, we delivered an increase in the pace of growth of the key operating indicators compared to the previous quarter. Strong growth of LFL traffic and LFL revenue demonstrates that we have rightly understood customers willingness to reduce spend without compromising on product quality and have managed to overhaul our business strategy to respond to the customer needs. During the quarter, we continued to enhance our price positioning and optimize our assortment, conducted promo-campaigns. In 2015, we relaunched our private labels and have already delivered substantial growth in sales.

Not only we are growing traffic and sales, we are also focused on improving business efficiency. We are working with the suppliers to get more favorable purchasing conditions, renegotiating lease agreements to reduce rent, closing unprofitable stores. The rate of centralization of supply chain is improving. In Q1, we closed two smaller warehouses in Moscow and St. Petersburg and opened a new regional distribution center in St. Petersburg in line with the new strategy of managing supply chain. In May, we will open a new federal distribution center with an area of roughly 60,000 m<sup>2</sup> in the Sever-2 logistics park in the North of Moscow. In Q2, we will also discontinue working with two logistics operators. We have already increased centralization rate from 15% in 2015 to 30% in Q1 2016 and aim to reach around 60% till the end of 2017. I am confident that all these initiatives will allow us to build a sound foundation for sustainable growth of the business and increase in margins».

#### **Armin Burger, Chief Executive of the Discounter Chain, added,**

«In Q1 2016, we opened six more stores under the DA! brand, having increased our footprint up to 41 stores. Q1 results demonstrate that new discounter format is finding its target audience. Customers are looking for better value propositions and our stores are the best shopping destination for clients who want to keep their spend under control while still demanding quality products. In Q1, we saw rising demand for our private label products which already generate a substantial share of sales. We continue assortment

optimization and increase the share of fresh products and fruits and vegetables to cater to the customer needs. Our footprint is growing. By June, we will have around 50 discounters in Moscow, the Moscow region and neighboring regions which will allow us to further improve purchasing conditions and positively impact gross margin».

<i>Number of stores, end of period</i>	<b>Q1 2015</b>	<b>Q1 2016</b>
Hypermarkets	69	70
Supermarkets	42	37
Discounters	0	41
<b>Total</b>	<b>111</b>	<b>148</b>
<i>Selling area, end of period, m<sup>2</sup></i>	<b>Q1 2015</b>	<b>Q1 2016</b>
Hypermarkets	506,334	514,976
Supermarkets	53,538	48,215
Discounters	0	29,700
<b>Total</b>	<b>558,872</b>	<b>592,891</b>

<i>Change, y-o-y</i>	<b>Q1 2015</b>			<b>Q1 2016</b>		
	<b>Net retail revenue</b>	<b>Traffic</b>	<b>Average ticket</b>	<b>Net retail revenue</b>	<b>Traffic</b>	<b>Average ticket</b>
Group	7.4%	4.8%	2.5%	14.4%	13.8%	0.3%
Group LFL	1.1%	-1.9%	3.0%	8.6%	4.9%	3.5%
Group net of discounters	7.4%	4.8%	2.5%	11.8%	8.0%	3.3%

## Revenue

Net retail revenue increased 14.4% y-o-y to RUB 42,586 million due to the growth of LFL traffic and LFL sales, expansion of the selling area, primarily due to the openings of discounter stores, and the leap year effect.

LFL sales grew 8.6% driven by 4.9% improvement in LFL traffic and 3.5% increase in average ticket influenced by our success in rebalancing assortment and enhancing of price positioning of the stores, launch of promo campaigns and increase in sales of private label products.

## 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.

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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 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 31 March 2016, O'KEY operates 148 stores across 49 cities in Russia: 70 hypermarkets with an aggregate trading space of 514,976 m<sup>2</sup>, 37 supermarkets with an aggregate trading space of 48,215 m<sup>2</sup> and 41 discounters with an aggregate trading space of 29,700 m<sup>2</sup>. O'KEY employs around 26,000 people as of 31 March 2016.

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