

Press Release
29 October 2015

O'KEY GROUP ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR 3Q 2015

O'Key Group S.A (LSE: OKEY), one of a leading food retailers in Russia, today releases its unaudited consolidated financial results for the third quarter and nine months ended September, 30th 2015.

3Q 2015 Highlights:

- Total revenue increased by 7.9% YoY to RUB 38.7 billion.
- Gross profit increased by 9.8% YoY to RUB 9.2 billion with the gross margin expanding 0.4 p.p. to 23.9%.
- While EBITDAR adjusted for operating costs of launching discounter format increased by 1.3% to RUB 3.7 billion, unadjusted EBITDAR decreased by 5.5% YoY to RUB 3.3 billion.
- EBITDA adjusted for discounter format launching costs decreased by 7.2% with EBITDA margin falling by 1.0 p.p. Unadjusted EBITDA decreased by 17.4% YoY to RUB 2.2 billion.

9M 2015 Highlights:

- Total revenue was up 5.6% YoY to RUB 114.6 billion.
- Gross profit increased by 5.3% to RUB 27.3 billion with gross margin remaining stable YoY.
- EBITDAR adjusted for discounter format launching costs increased by 4.6%, whereas EBITDAR margin stayed at the same level YoY. Unadjusted EBITDAR stayed almost unchanged at RUB 10.2 billion.
- EBITDA adjusted for discounter format launching costs remained almost flat in rubles with EBITDA margin softening by 0.5 p.p. Unadjusted EBITDA margin declined by 0.9 p.p. YoY.

Commenting on the results, Heigo Kera, CEO of O'KEY Group, said:

"Successful work related to revision of the assortment matrix, timely reaction to the market in terms of our pricing policy, better communication with consumers as well as improvement of purchasing conditions have made it possible for us to prepare an optimal value proposition for our customers. Given the current economic environment and the changing demands of consumers, we have made our assortment more affordable and attractive for them, while maintaining the high level of service that is inherent to O'KEY. That is why in Q3 we can see a significant growth of the number of customers in our stores, which is also a result of our joint efforts to revise the pricing policy for a number of goods. Still, we have managed to keep our gross profit at the same level as last year despite the significant investment in promotions and pricing.



We continue focusing on the strategic development of our core business, proactively developing and improving the hypermarket format. As part of our investment strategy focused on improving operational performance and business in general, we have optimized our real estate portfolio, having closed two hypermarkets and one supermarket in 2015. At the same time, we launched the discounter format in Q3 and opened 15 stores under the DA! brand in Moscow, the Moscow Region and Ryazan.

We have made our management team substantially stronger as we have created a team of experts with strong track record in international retail to join us. I am confident that the extensive experience and the deep knowledge of the Russian market will allow us to continue demonstrating positive dynamics in growth rates".

Armin Burger, CEO of O'KEY Discounter Format, added:

"In the third quarter we opened simultaneously 15 discounters under the DA! brand in Moscow, the Moscow Region and Ryazan. Our project is extremely well-timed for the Russian market. While working on the concept of DA! we factored in the specifics of consumer behavior in the period of economic turmoil and we have shaped the best value-for-money assortment for the discounter. We operate on the basis of an infrastructure that is already in place, we have a state-of-the-art distribution center, we rely on deep knowledge of the local market and advanced international practices in "hard discounter" format development".

Operating Summary

| Number of new stores (net)* | 9M 2015 | 9M 2014 |
|-----------------------------|---------|---------|
| Group | 18 | 4 |
| Hypermarkets | 1 | 4 |
| Supermarkets | 2 | 0 |
| Discounters | 15 | 0 |

* The Group closed 2 hypermarkets and 1 supermarket during 9M 2015

| Total stores at the end of the period (net) | 9M 2015 | 9M 2014 |
|---|---------|---------|
| Group | 126 | 98 |
| Hypermarkets | 70 | 64 |
| Supermarkets | 41 | 34 |
| Discounters | 15 | 0 |

| Trading space as at the end of the period, '000 m ² | 9M 2015 | 9M 2014 | Change, % |
|--|---------|---------|-----------|
| Group | 572 | 512 | 11.6% |
| Hypermarkets | 509 | 469 | 8.5% |
| Supermarkets | 52 | 43 | 20.1% |
| Discounters | 11 | - | - |



| Revenue performance | 9M 2015 | | | 3Q 2015 | | |
|------------------------------------|-------------------|--------------|---------------|-------------------|--------------|---------------|
| | Retail revenue, % | Traffic, % | Av. Ticket, % | Retail revenue, % | Traffic, % | Av. Ticket, % |
| Group | 5.6% | 4.9% | 0.5% | 7.9% | 7.9% | 0.0% |
| <i>Group excluding discounters</i> | <i>5.5%</i> | <i>4.8%</i> | <i>0.6%</i> | <i>7.7%</i> | <i>7.4%</i> | <i>0.2%</i> |
| Group, LFL | -0.7% | -2.5% | 1.9% | 1.4% | -0.4% | 1.8% |

Financial Summary

| RUB, millions | 9M 2015 | 9M 2014 | Y-o-Y | 3Q 2015 | 3Q 2014 | Y-o-Y |
|---|----------------|----------------|--------------|---------------|---------------|---------------|
| Revenues | 114 579 | 108 535 | 5.6% | 38 694 | 35 863 | 7.9% |
| Gross Profit | 27 319 | 25 954 | 5.3% | 9 235 | 8 413 | 9.8% |
| <i>Gross margin (%)</i> | <i>23.8%</i> | <i>23.9%</i> | | <i>23.9%</i> | <i>23.5%</i> | |
| EBITDAR | 10 245 | 10 239 | 0.1% | 3 330 | 3 524 | -5.5% |
| <i>EBITDAR margin (%)</i> | <i>8.9%</i> | <i>9.4%</i> | | <i>8.6%</i> | <i>9.8%</i> | |
| EBITDA | 6 901 | 7 535 | -8.4% | 2 199 | 2 664 | -17.4% |
| <i>EBITDA margin (%)</i> | <i>6.0%</i> | <i>6.9%</i> | | <i>5.7%</i> | <i>7.4%</i> | |
| <i>Without operating expenses of launching discounter format:</i> | | | | | | |
| EBITDAR | 11 064 | 10 580 | 4.6% | 3 710 | 3 661 | 1.3% |
| <i>EBITDAR margin (%)</i> | <i>9.7%</i> | <i>9.7%</i> | | <i>9.6%</i> | <i>10.2%</i> | |
| EBITDA | 7 771 | 7 892 | -1.5% | 2 609 | 2 812 | -7.2% |
| <i>EBITDA margin (%)</i> | <i>6.8%</i> | <i>7.3%</i> | | <i>6.8%</i> | <i>7.8%</i> | |

Revenue and Gross Profit

Like-for-like revenue increased by 1.4% YoY in the third quarter driven by resumed traffic and average ticket growth. Despite challenging macroeconomic environment and declining consumer purchasing power the Group managed to reverse the negative trend in key operating parameters. Following intensive promo activities and renewed customer proposition like-for-like traffic increased by 4.9% in September with items per visit also showing positive dynamics.

Total revenue for the nine months of 2015 increased by 5.6% as O'KEY Group's selling space grew by 11.6% (by 9.5% excluding discounters) YoY following the opening of six hypermarkets, seven supermarkets (net) and fifteen discounter stores.

The Group managed to retain gross profit margin at around same level YoY for nine months of 2015 while carrying out attractive promo campaigns. Furthermore, gross profit margin expanded by 0.4 p.p. in the third quarter due to improved purchasing conditions.



Selling, General and Administrative expenses

Selling, general and administrative costs increased by 8.6% YoY mainly as a result of higher operating leases. Operating leases increase of 23.7% YoY was driven by opening of eleven new rented stores (net) and ruble devaluation. However, the Group has already undertaken a series of actions to fix or decrease lease rates in order to limit the negative impact of the latter.

EBITDA

In addition to being influenced by factors above EBITDA for the nine months of 2015 was also impacted by discounter format launching costs of 0.9 billion rubles, which lead to a 8.4% decrease YoY. EBITDA without operating costs of launching discounter format has remained stable YoY for the nine months of 2015 and stood at 6.8% of revenue.

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.

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 supermarkets and DA! discounters. The Group's e-commerce agenda is driven by its online store.

The Group opened its first hypermarket in St. Petersburg in 2002 and has demonstrated continuous growth ever since. As of September 30, 2015, O'KEY operates 126 stores across 30 cities in Russia: 70 hypermarkets with an aggregate selling space of approximately 509,000 m², 41 supermarkets with an aggregate trading space of approximately 52,000 m² and 15 discounters with an aggregate trading space of approximately 11,000 m². O'KEY employs over 23,000 people as of September 30, 2015.

For further information please contact:

Investor Relations

Ph. +7(495)663-6677 ext. 343

e-mail: ir@okmarket.ru

www.okmarket.ru

