

Press Release
29 January 2019

O'KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q4 AND 12M 2018

O'KEY Group S.A (LSE: OKEY, the 'Group') announces its unaudited operating results for the fourth quarter and twelve months of 2018.

All materials published by the Group are available on its website www.okeyinvestors.ru.

Q4 2018 operating highlights

- Underlying Group net retail revenue, excluding the effect of the supermarket business sale, increased by 0.7% YoY to RUB 45,684 mln;
- Underlying net retail revenue generated by O'KEY hypermarkets decreased by 1.3% YoY to RUB 41 729 mln as a result of temporary closure of hypermarket in Moscow (Pyatnitskoye highway, 7th km) in December^[1] and weaker than expected sales in October. Sequential pick up in sales in November and December, driven by higher shelf inflation and growing number of items per client, supported the revenue trend improvement;
- Net retail revenue generated by DA! grew by 28.8% YoY to RUB 3,954 mln, supported by steady growth in traffic (up 22.1% YoY) and average ticket (up 5.4% YoY);
- Like-for-like (LFL) net retail revenue of the Group decreased by 2.7% YoY, mainly due to the reasons outlined above.

12M 2018 operating highlights

- Underlying Group net retail revenue, excluding the effect of the supermarket business sale, fell by 1.1% YoY to RUB 159,380 mln;
- Underlying net retail revenue generated by O'KEY hypermarkets, excluding the effect of the supermarket business sale, decreased by 3.4% YoY to RUB 145,821 mln;
- Net retail revenue generated by DA! grew by 31.9% YoY to RUB 13,559 mln;
- Like-for-like (LFL) Group net retail revenue decreased by 3.3% YoY, due to a 2.6% YoY decrease in LFL traffic and a 0.6% YoY decrease in average ticket;
- Two hypermarkets (in Moscow^[2] and Novocherkassk) and nineteen new discounters (in Moscow, Tver and Tula regions) were opened in 2018 while four discounters (in Ryazan, Tula and Moscow regions) and one supermarket in Omsk were closed.

Stores development of the Group

Indicator	Q4 2018	Q4 2017	Net change	Change (%)
Number of stores	160	145	15	10.3%
Number of net store openings	10	(23)	n/a	n/a
Total selling space (sq. m)	584,914	577,804	7,110	1.2%
Total selling space added (sq. m)	6,485	(29,856)	36,341	n/a

Group key operating indicators for the twelve months of 2018

Segment	12M 2018			12M 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL group	(3.3%)	(2.6%)	(0.6%)	(1.4%)	(2.2%)	0.8%

Group key operating indicators for the quarter

Segment	Q4 2018			Q4 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL group	(2.7%)	(3.4%)	0.8%	(0.5%)	(0.7%)	0.2%

Underlying Group revenue dynamics by quarter, YoY

Parameter	Q1 2018	Q4 2018	Q3 2018	Q4 2018
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Underlying Group revenue	(0.7%)	(2.5%)	(2.4%)	0.7%
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O'KEY: Operating Review

Stores development

Indicator	Q4 2018	Q4 2017	Net change	Change (%)
Number of stores	78	78	0	0.0%
Number of net store openings	(1)	(31)	30	n/a
Total selling space (sq. m) ^[3]	528,124	531,589	(3,465)	(0.7%)
Total selling space added (sq. m)	(1,272)	(35,667)	34,395	n/a

In Q4 2018, one O'KEY supermarket was closed in Omsk in line with the Group's strategic objectives. As of 31 December 2018, the total number of stores stood at 78, while total selling space came to 528,124 sq. m.

Key operating indicators for the twelve months of 2018

Segment	12M 2018			12M 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL O'KEY	(4.3%)	(4.8%)	0.4%	(3.2%)	(5.0%)	1.9%

Key operating indicators for the quarter

Segment	Q4 2018			Q4 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL O'KEY	(3.7%)	(5.6%)	2.0%	(1.9%)	(3.2%)	1.3%

Underlying O'KEY revenue dynamics by quarter, YoY

Parameter	Q1 2018	Q4 2018	Q3 2018	Q4 2018
Underlying O'KEY revenue	(2.7%)	(5.1%)	(4.8%)	(1.3%)

The Company's performance in Q4 2018 was predominantly influenced by the sale of its supermarkets business, which was initiated in December 2017. Underlying O'KEY revenue, excluding the effect of the supermarket business sale, demonstrated marginal improvement in Q4 2018. In the beginning of the reporting quarter we initiated a number of initiatives aimed to improve logistics operations and planning as well as overall quality of fresh and ultra-fresh goods what along with a partial easing of the macroeconomic environment resulted in sequential pick up of sales in November and December. Growing competition in the retail sector with key competitors adding as much as 15% net retail space on YoY basis remained the key growth constraint resulting in underlying O'KEY revenue decrease by 1.3% YoY.

The effect of the gradual growth of food CPI in Q4 2018 was in part capped by the soft consumption backdrop as real disposable income remained weak and customers highly price sensitive. Smart promotional campaigns ahead of the holiday season, along with improvements in assortment and marketing, helped us slow down the decrease in items per client by 1p.p. QoQ. This achievement, along with shelf inflation growth of 2.9% YoY, resulted in LFL basket growth of 2.0% YoY.

During the quarter the Company continued to work on the enhancement of its customer value proposition by revising the assortment matrix, focusing on imported goods and further expansion of new private label brand 'O'KEY Selection'. While upgrading of marketing campaigns remains one of the core priorities we constantly strive to keep the share of promotions at healthy stable levels with greater emphasis placed on promotions communicated directly to customers (ca. 30%). The performance of promo campaigns in Q4 2018 was largely supported by successful launch of the customer relationship system CRM Manzana, which helped to run the campaigns in a more efficient way by providing customers special offers on goods based on their preferences.

DAI: Operating Review

Store development

Indicator	Q4 2018	Q4 2017	Net change	Change (%)
Number of stores	82	67	15	22.4%
Number of net store openings	11	8	3	37.5%
Total selling space (sq. m)	56,790	46,215	10,575	22.9%
Total selling space added (sq. m)	7,757	5,811	1,946	33.5%

In Q4 2018, the Company opened eleven new discounters in the Moscow, Tver and Tula regions. Total selling space amounted to 56,790 sq. m as of 31 December 2018.

Key operating indicators for the twelve months of 2018

Segment	12M 2018			12M 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	31.9%	27.8%	3.3%	81.8%	62.8%	11.7%
LFL discounters	12.7%	9.5%	1.2%	52.0%	34.8%	12.7%

Key operating indicators for the quarter

Segment	Q4 2018			Q4 2017		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	28.7%	22.1%	5.4%	55.6%	49.2%	4.3%
LFL discounters	12.2%	9.5%	2.5%	33.3%	25.7%	6.1%

In Q4 2018 the Company demonstrated solid LFL net retail revenue growth of 12.2% YoY driven by stable LFL traffic growth of 9.5% YoY and LFL basket increase by 2.5% YoY. While the former remains the result of growing popularity of the customer value proposition, the latter was largely influenced by the food CPI increase in Q4 2018. Average LFL price per item increased by 3.8% in Q4 2018, primarily driven by price rises for flour, vegetable oil and sugar - key traffic building categories, resulting in LFL items per client decreasing by 1.2% YoY as the discounter format target customer audience is usually more price sensitive.

In Q4 2018 the Company continued to enhance its customer value proposition by improving the assortment mix and fine tuning in-store interiors to make the customer shopping experience even better. During the last quarter the Company rebranded several existing private label brands and introduced new private label SKUs, while the total number of SKUs reached 2,571 (the share of private label in revenue as of the end of Q4 is 48%). The regular promo catalogues were expanded with additional pages dedicated to the private label range. In order to make the in-store interior more comfortable and customer friendly in Q4 2018 we installed additional shelves in the bakery, beer/drinks and grocery sections, improved the lighting system in cosmetics, fruit/vegetables and in-outs sections and installed new cash till equipment.

OVERVIEW

O'KEY Group S.A. (LSE: OKEY, RAEX - 'ruA') operates under two main formats: hypermarkets, under the 'O'KEY' brand and discounters, under the 'DAI' brand.

As at 29 January 2019, the Group operates 160 stores across Russia. The Group opened its first hypermarket in St. Petersburg in 2002 and has since demonstrated continuous growth. O'KEY is the first among Russian food retailers to launch and actively develop e-commerce operations in St. Petersburg and Moscow, offering a full range of hypermarket products for home delivery. The Group operates four distribution centres across the Russian Federation.

For the full year 2017, revenue totalled RUB 177,454,848 thousand, EBITDA reached RUB 9,334,993 thousand, and the net income for the period amounted to RUB 3,166,913 thousand.

The O'KEY shareholder structure is as follows: NISEMAX Co Ltd - 50.95%, GSU Ltd - 29.52%, free float - 19.53%.

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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^[1] Hypermarket at trade center 'Otrada' (Pyatnitskoye highway, 7th km) was temporary closed from 4th to 11th of December due to the reasons pertinent to trade center operations.

^[2] RIO hypermarket in Moscow was closed in July 2017 and reopened in May 2018.

^[3] Total selling space net of 9,728 sq. m leased to Familia and other strategic partners.

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