

O`KEY GROUP FINANCIAL RESULTS

1H 2018

30 August 2018

O`KEY
GROUP OF COMPANIES

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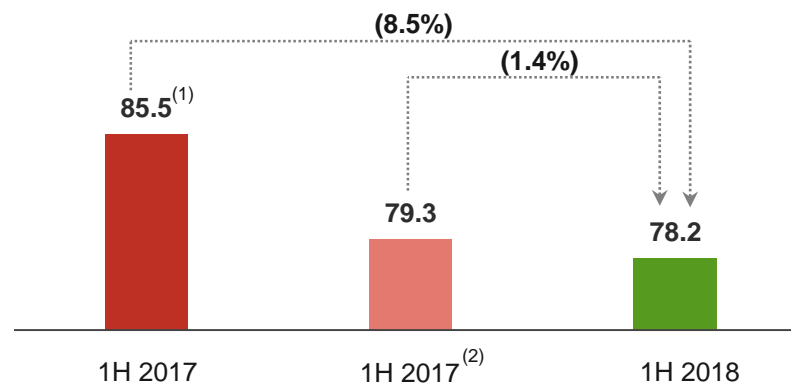
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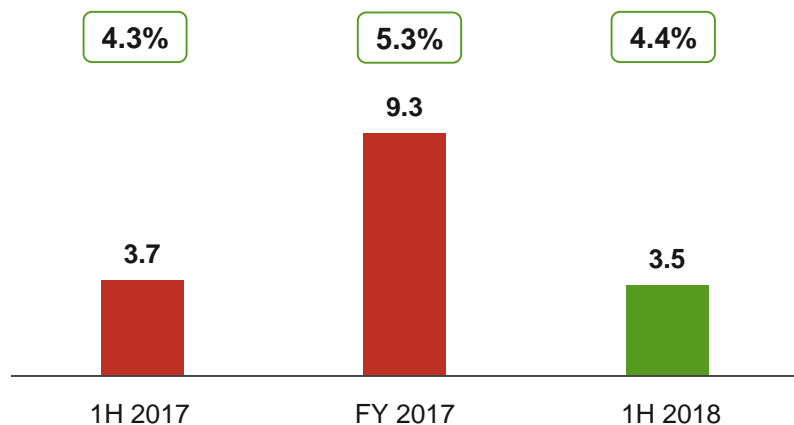
Highlights

- The Group revenue decline in 1H 2018 by 8.5% was primarily triggered by the supermarket business sale
- Adjusted Group revenue decreased by 1.4% YoY in 1H 2018, on the back of increasing competition and negative macroeconomic trends
- Despite 4.9% decrease YoY in EBITDA, the margin increased by 17 bps YoY, driven by improved purchasing conditions and the increased efficiency of operations across the Company

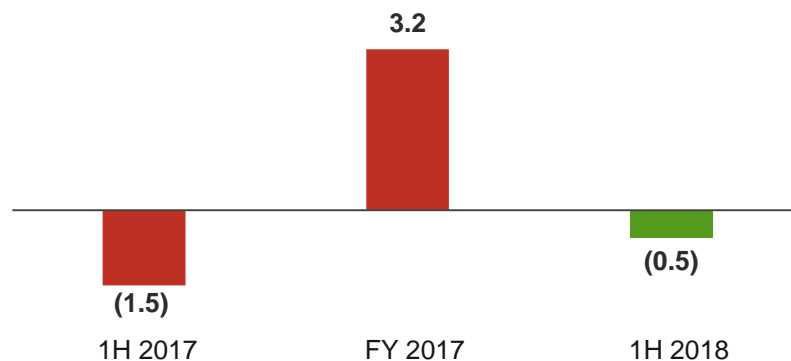
Revenue, RUB bn



EBITDA, RUB bn



Net Income/(loss), RUB bn

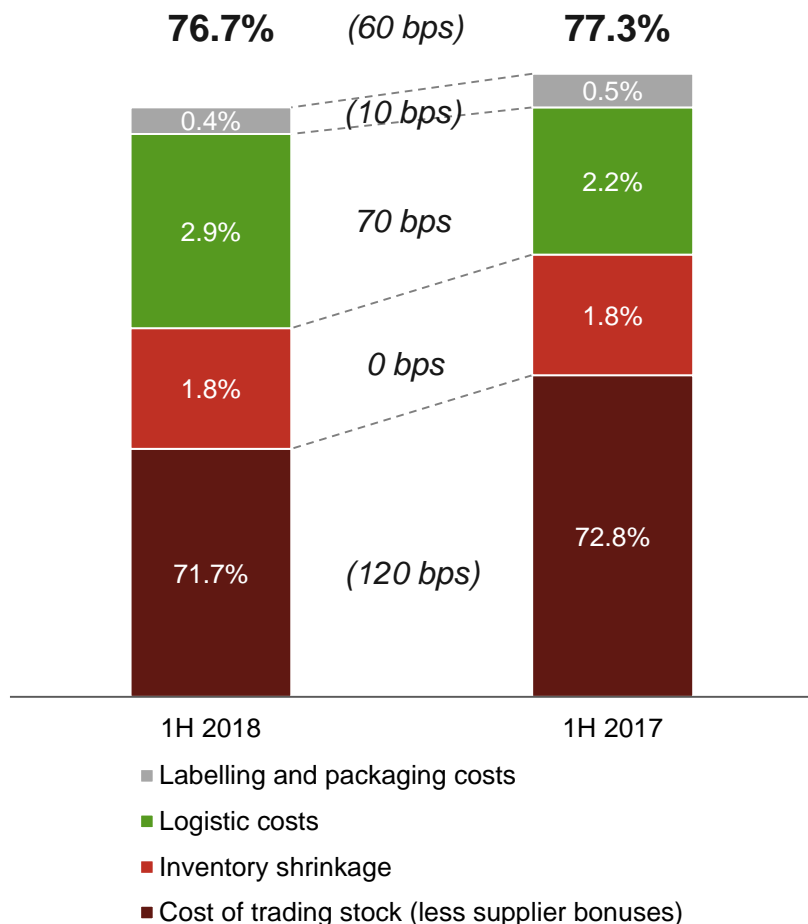


EBITDA margin

Notes: ⁽¹⁾ From 1 January 2018 the Group adopted IFRS 15 which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim statement of profit or loss and other comprehensive income; ⁽²⁾ Excluding the effect of the supermarket business sale.

In 1H 2018 COGS decreased by 60 bps driven by more favourable purchasing terms

COGS breakdown as percentage of revenue

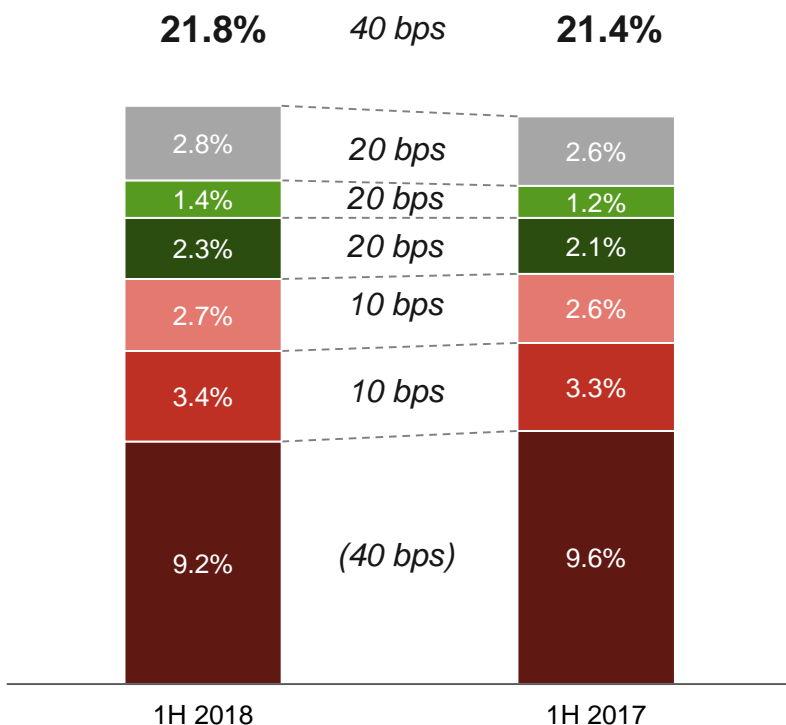


Highlights

- Cost of trading stock (less supplier bonuses) decreased by 120 bps YoY on the back of:
 - more favourable purchasing terms as a result of successful negotiations with suppliers;
 - positive effect from continuous expansion of logistic centralisation.
- Logistic cost increase by 70 bps YoY largely driven by:
 - ongoing work on logistics centralisation;
 - continued expansion of the discounters format during 1H 2018.

In 1H 2018 SG&A expenses increased by 40 bps

SG&A expenses breakdown as percentage of revenue



- Other expenses⁽¹⁾
- Advertising and marketing
- Communication and utilities
- Depreciation and amortisation
- Operating leases
- Personnel costs

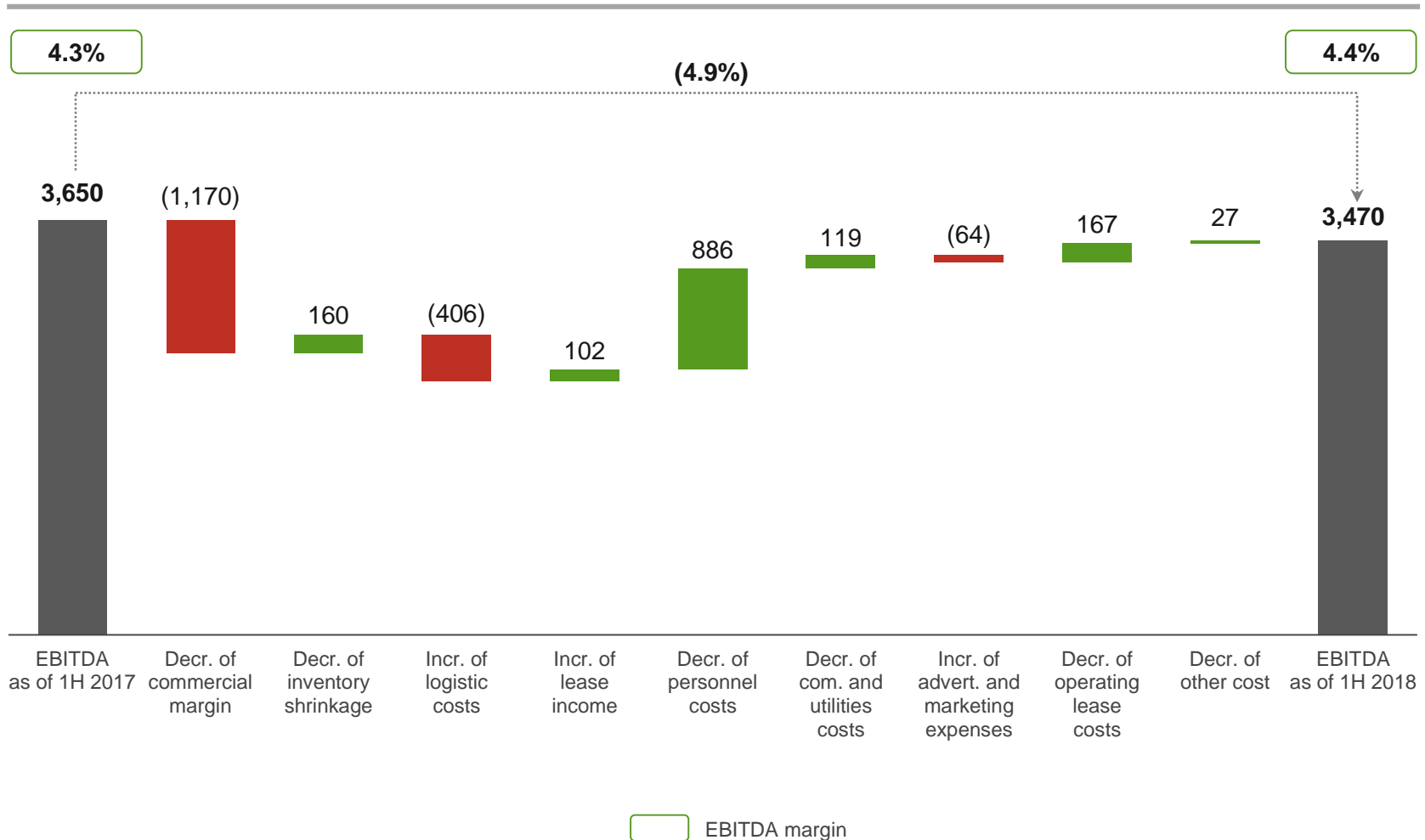
Highlights

- Personnel costs down by 40 bps YoY largely driven by ongoing business processes optimisation at both store and head office levels;
- Operating lease costs up by 10 bps YoY primarily attributable to rollout of discounters during the reporting period;
- Communication and utilities expenses increased by 20 bps YoY due to tariffs indexation in the second half of 2017;
- Advertising and marketing expenses up by 20 bps YoY primarily driven by marketing campaigns aimed at promoting the 'best value for money' concept and building a stronger brand.

Notes: ⁽¹⁾ Other expenses include repairs and maintenance, security expense, insurance and bank commissions, operating taxes, legal and professional expenses, materials and supplies and other costs.

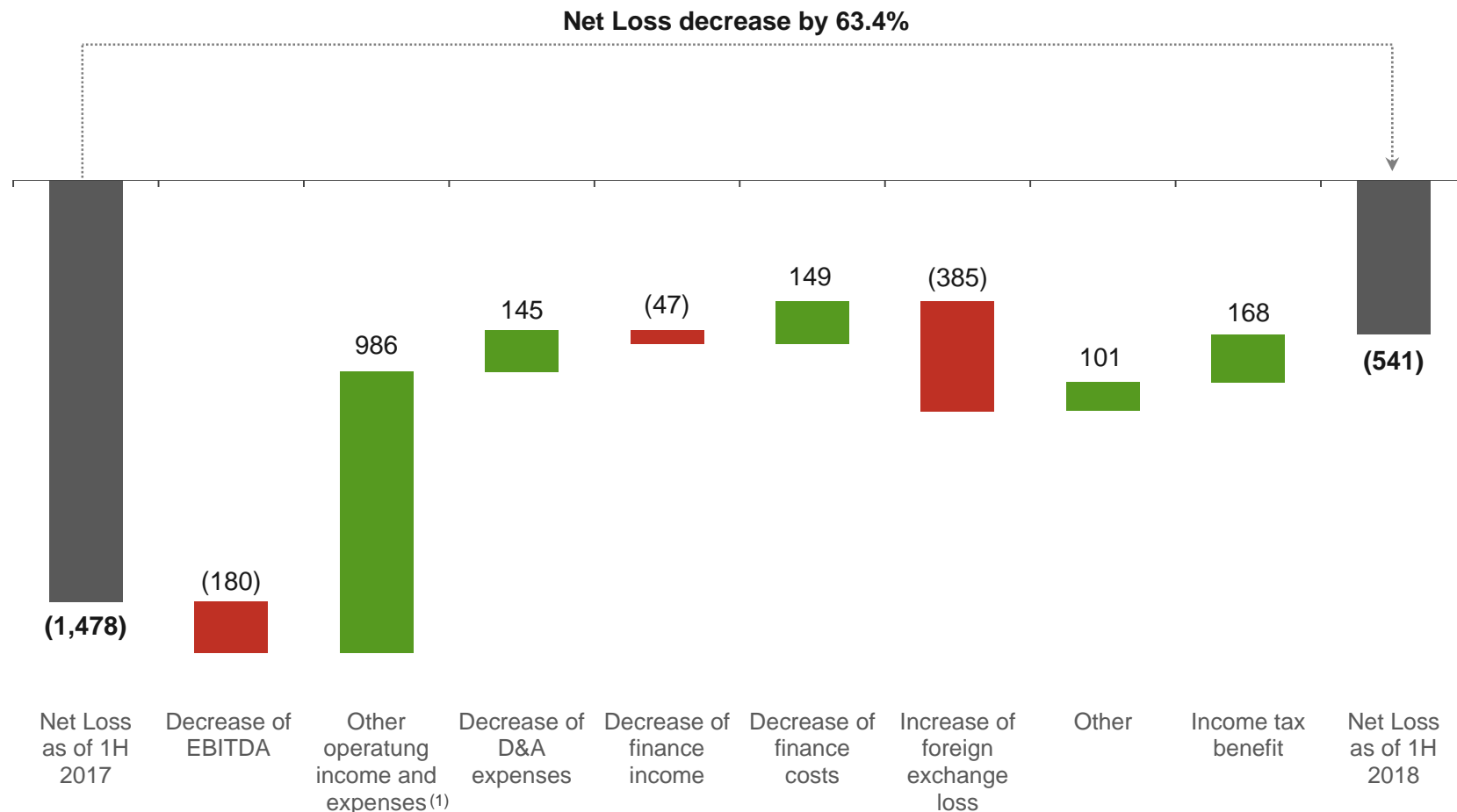
In 1H 2018 EBITDA margin increased by 17 bps driven by better purchasing terms and increased efficiency of operations

EBITDA YoY change analysis, RUB mln



Net loss decreased almost 3x driven by net gain from the sale of supermarket business and increased operational efficiency

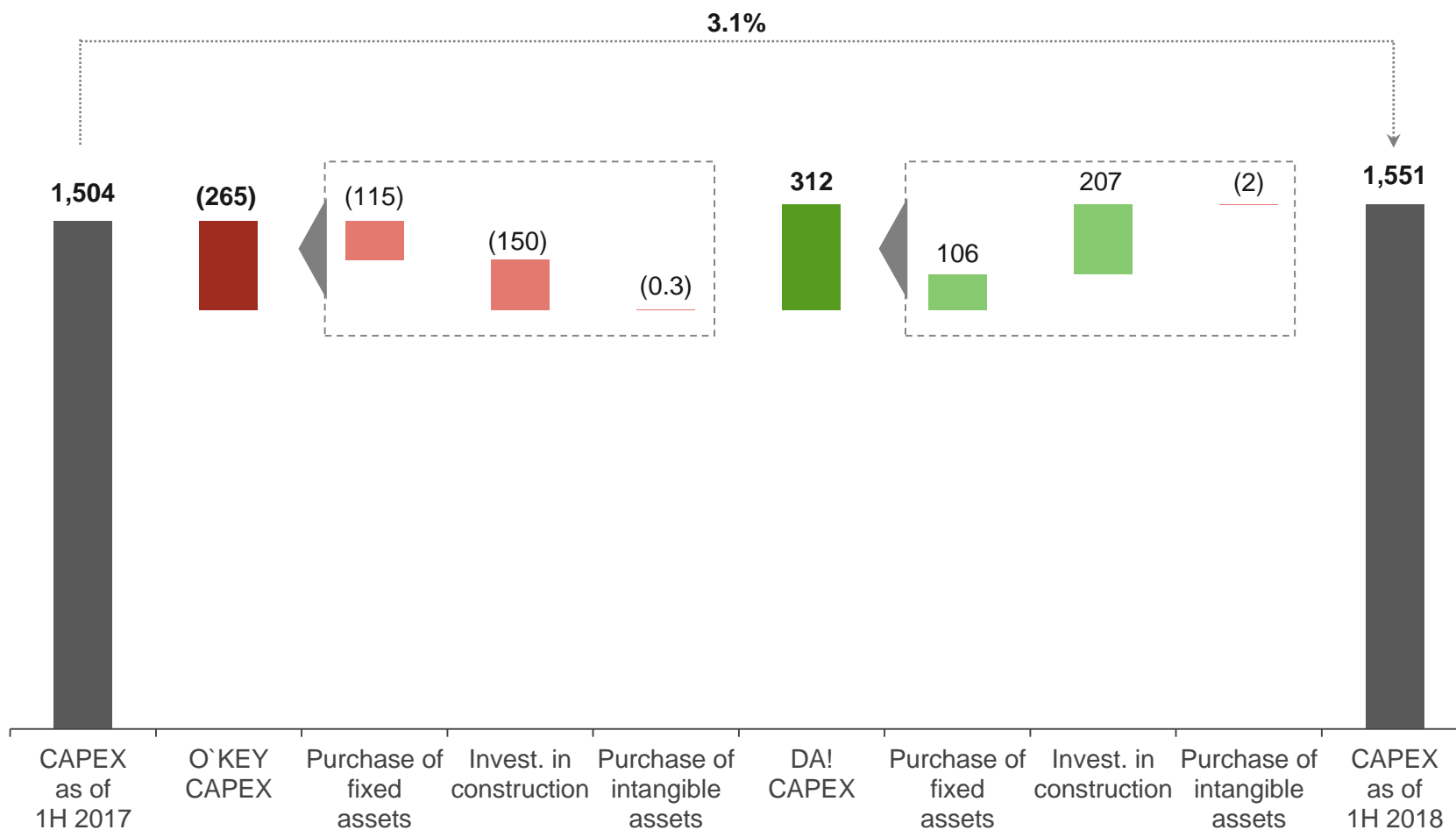
Net Loss YoY change analysis, RUB mln



Notes: ⁽¹⁾ Consists of net gain from disposal of non-current assets (gain on disposal of supermarket business and loss on disposal of other non-current assets), impairment of receivables and non-current assets in 1H 2017, which did not take place in 1H 2018.

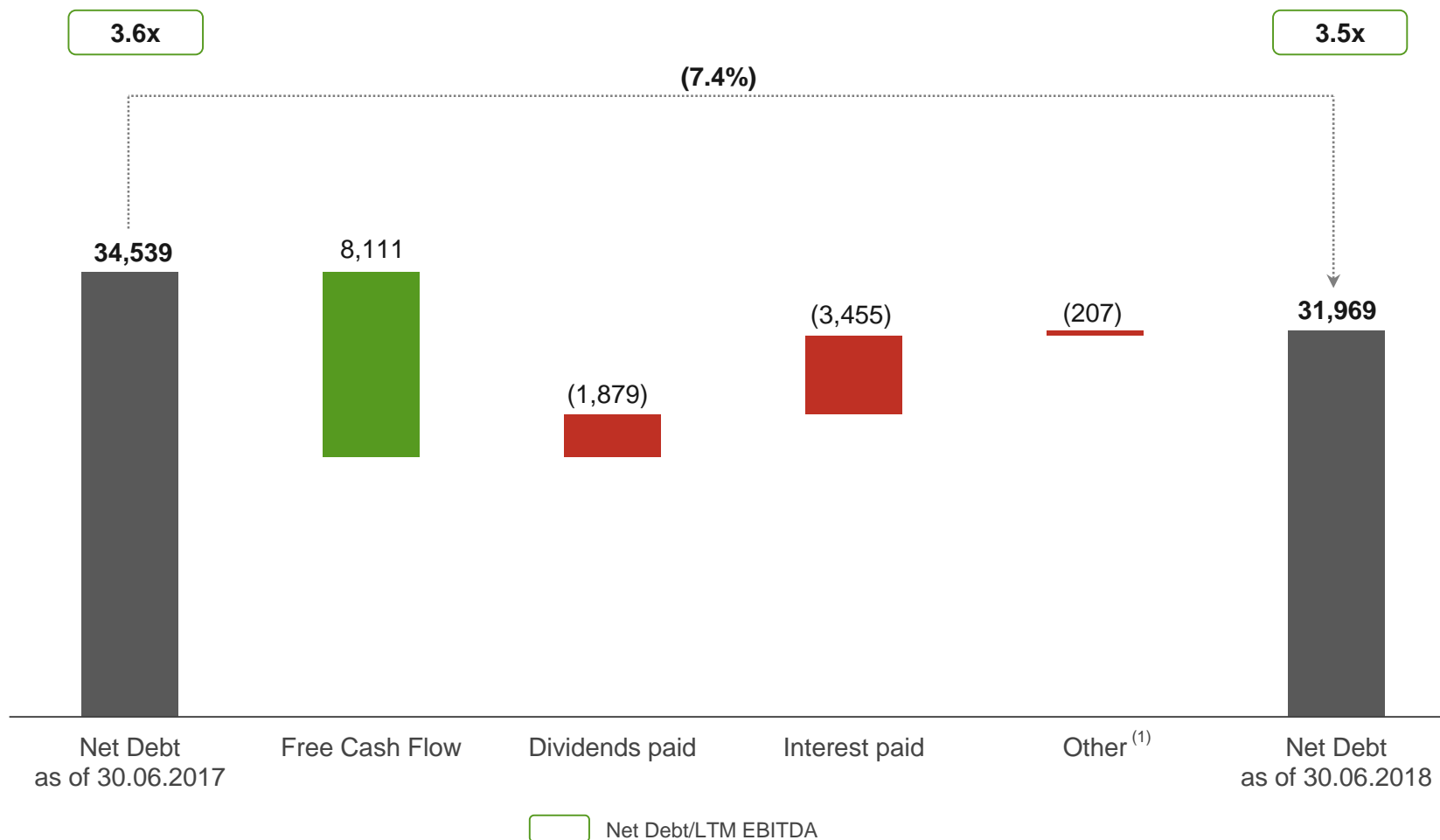
Capital expenditures in 1H 2018 marginally increased YoY driven by investments into the development of the discounter format

Capital Expenditures YoY change analysis, excluding VAT, RUB mln



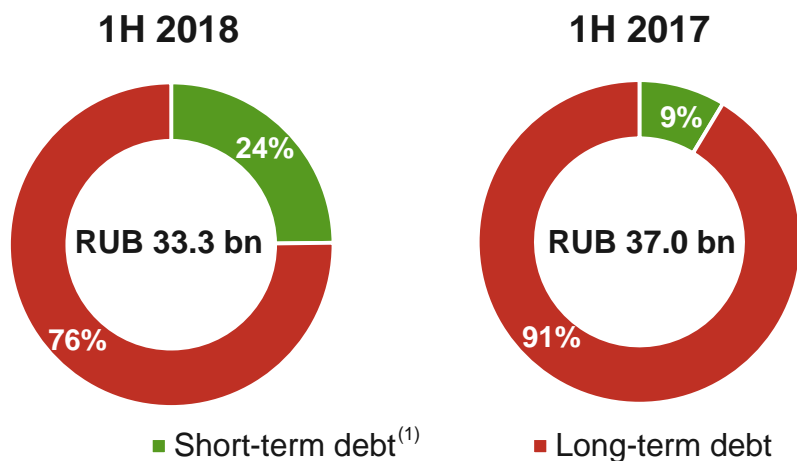
In 1H 2018 Net Debt decreased by RUB 2.6 bn YoY

Net Debt YoY change analysis, RUB mln



Notes: ⁽¹⁾ Other financial payments, effect of exchange rate fluctuations on cash and cash equivalents and other.

Debt structure overview



Highlights

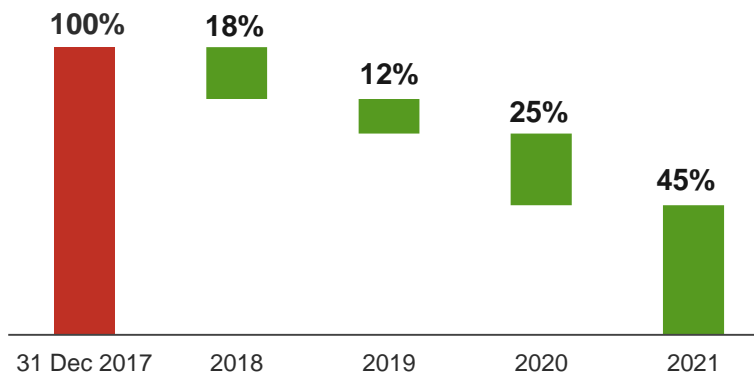
- 97% of debt portfolio is RUB-denominated
- The main Group covenant – Net Debt/EBITDA below 4x
- In January 2018 Fitch Ratings confirmed the Group’s rating at B+ with stable forecast
- In July 2018 RAEX (EXPERT RA) assigned O`KEY a ‘ruA-’ rating with positive outlook

Covenants and liquidity

(RUB mln)

Parameter	1H 2018	1H 2017
Cash&cash equivalents	1,335	2,498
Available credit lines	12,700	16,600
Net debt/LTM EBITDA ⁽¹⁾	3.5x	3.6x

Debt portfolio maturity



Notes: ⁽¹⁾ Short-term debt does not include interest accrued on loans and borrowings.

Hypermarkets

- Store openings 2018–19: 2–3 stores annually
- Net retail revenue: low single digits decrease

Discounters

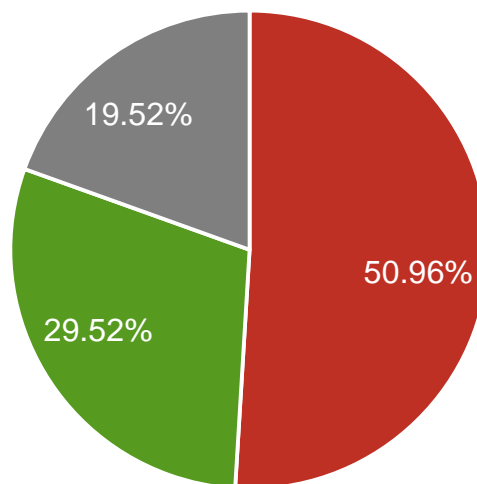
- New openings: up to 25 stores in 2018
- Total number of stores: up to 150 stores by the end of 2020
- Net retail revenue: to grow by up to 50% YoY in 2018

Three major shareholders are its founders

- Mr. Dmitry Korzhev (owns 11.73%)
- Mr. Dmitrii Troitskii (owns 33.05%)
- Mr. Boris Volchek (owns 29.52% of the shares)

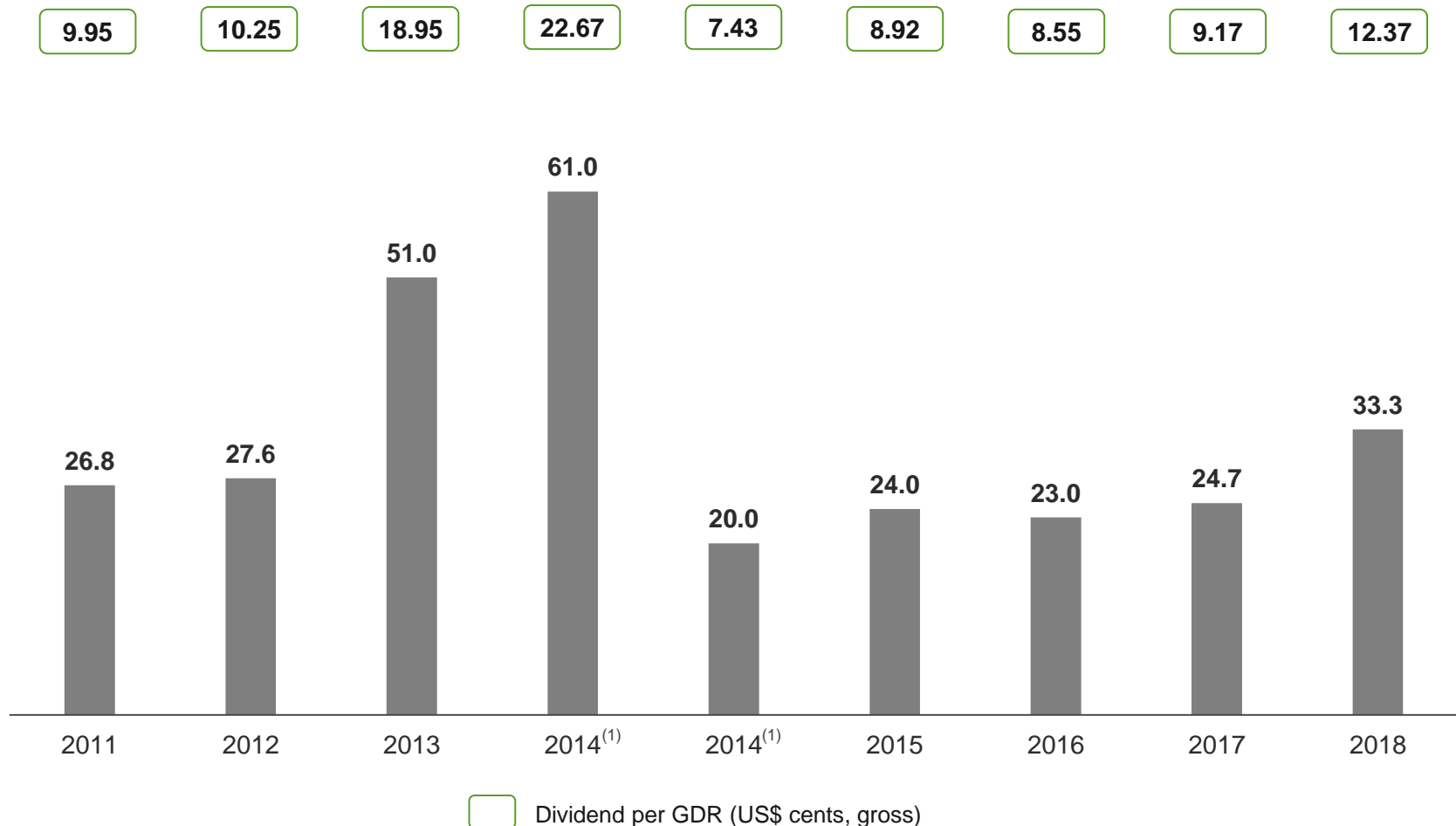
Board of Directors

- Mr. Heigo Kera, Chairman and CEO
- Mr. Dmitrii Troitskii, Director
- Mr. Dmitry Korzhev, Director
- Boris Volchek, Caraden Director
- Mykola Buinycky, Independent Director



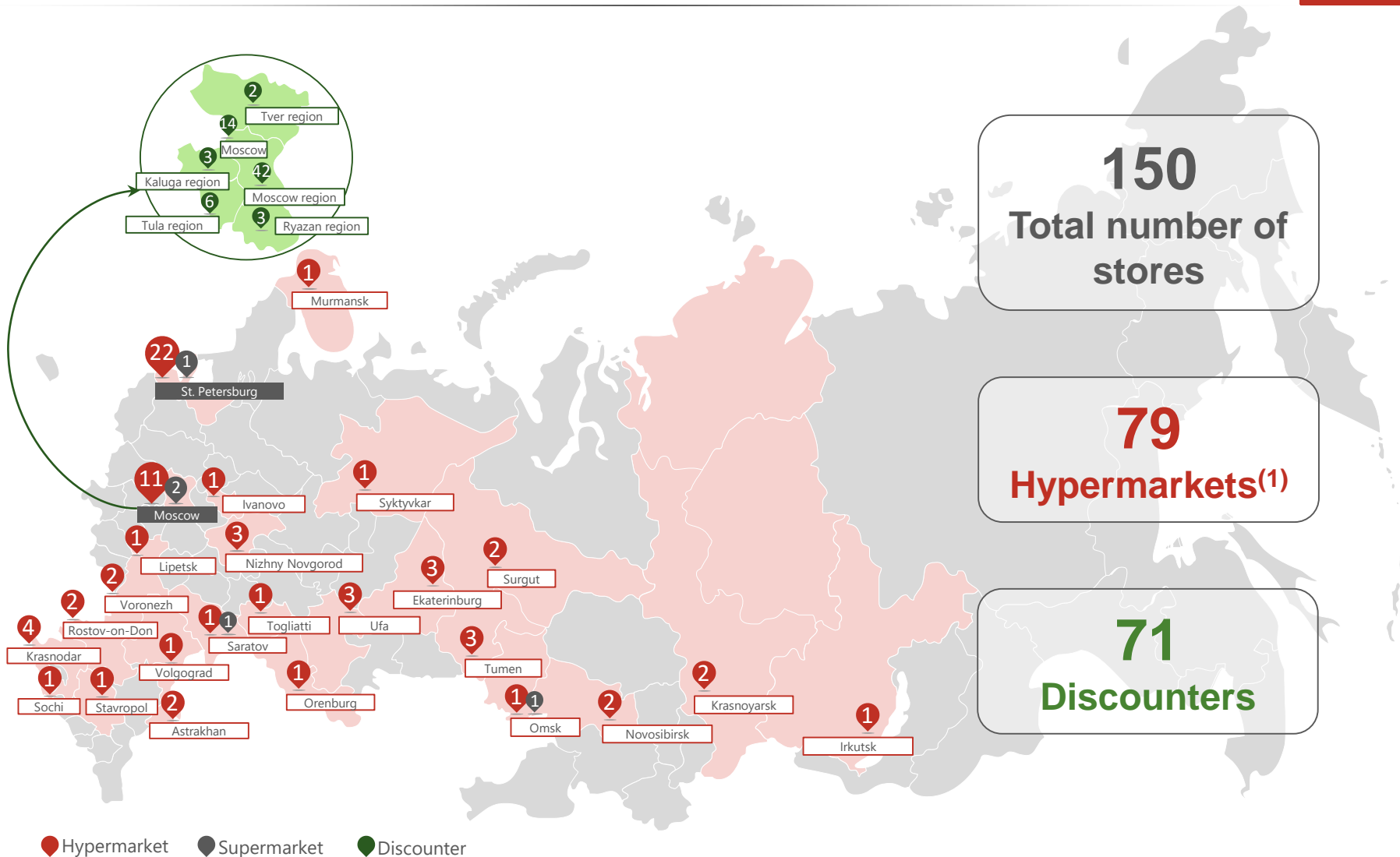
■ NISEMAX CO LTD ■ GSU LTD ■ Freefloat

Appendix: Interim dividends payment history, US\$ mln



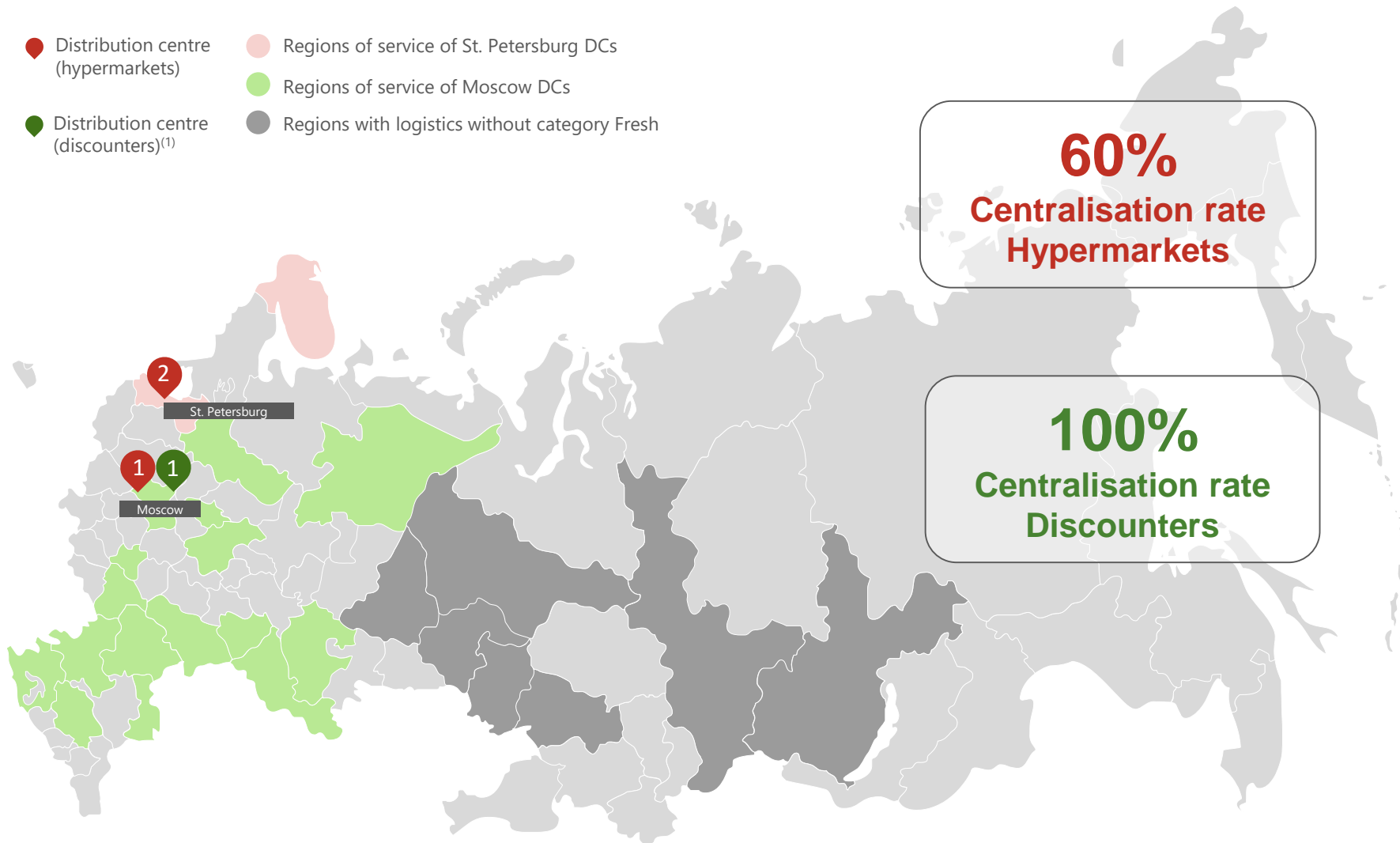
Notes: ⁽¹⁾ In 2014 the Group distributed dividends two times.

Appendix: O`KEY geography



Notes: ⁽¹⁾ Including five supermarkets that will be refurbished into compact hypermarkets by the end of 2018.

- Distribution centre (hypermarkets)
- Regions of service of St. Petersburg DCs
- Distribution centre (discounters)⁽¹⁾
- Regions of service of Moscow DCs
- Regions with logistics without category Fresh



Notes: ⁽¹⁾ Service areas are limited to Moscow, Moscow region, Tula region, Tver region, Kaluga region and Ryazan region.

Appendix: Key operating data by quarter

16

Category ⁽¹⁾	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018
Total sales, RUB bn	45.4	46.3	56.6	196.9	48.8	47.6	46.6	55.9	198.9	45.5	42.6
<i>Growth</i>	5.7%	6.1%	4.7%	7.5%	0.5%	4.9%	0.7%	(1.2%)	1.1%	(6.9%)	(10.6%)
O`KEY	43.9	44.6	54.3	190.4	46.4	44.8	43.7	52.4	187.3	42.1	38.8
DA!	1.4	1.7	2.2	6.4	2.4	2.8	2.9	3.5	11.7	3.3	3.8
Number of stores	156	160	164	164	165	164	168	145	145	145	147
O`KEY	108	110	110	110	110	109	109	78	78	78	78
DA!	48	50	54	54	55	55	59	67	67	67	69
Selling space, ths sqm	602,208	621,098	622,891	622,891	623,611	611,679	611,300	577,804	577,804	577,968	577,248
O`KEY	569,525	587,024	586,001	586,001	586,001	574,069	570,896	531,589	531,589	531,589	529,555
DA!	32,683	34,074	36,890	36,890	37,610	37,610	40,404	46,215	46,215	46,379	47,693
LFL sales growth	2.2%	(0.4%)	(1.0%)	2.2%	(4.9%)	(0.1%)	(0.2%)	(0.5%)	(1.4%)	(0.7%)	(4.0%)
O`KEY	2.2%	(0.4%)	(1.7%)	2.0%	(6.4%)	(2.2%)	(2.3%)	(1.9%)	(3.2%)	(1.6%)	(5.4%)
DA!			65.5%	65.5%	67.8%	67.4%	54.1%	33.3%	52.0%	15.9%	15.7%
LFL traffic growth	4.1%	1.1%	(4.1%)	1.2%	(3.6%)	(1.6%)	(3.1%)	(0.7%)	(2.2%)	(0.8%)	(2.2%)
O`KEY	4.1%	1.1%	(5.3%)	0.9%	(6.1%)	(4.6%)	(6.2%)	(3.2%)	(5.0%)	(2.5%)	(4.8%)
DA!			37.4%	37.4%	45.3%	40.4%	34.1%	25.7%	34.8%	12.7%	15.8%
LFL ticket growth	(1.8%)	(1.4%)	3.3%	0.9%	(1.3%)	1.5%	2.9%	0.2%	0.8%	0.1%	(1.8%)
O`KEY	(1.8%)	(1.4%)	3.8%	1.0%	(0.4%)	2.5%	4.2%	1.3%	1.9%	0.9%	(0.6%)
DA!			20.4%	20.4%	15.5%	19.2%	14.9%	6.1%	12.7%	2.9%	0.0%

Notes: ⁽¹⁾ O`KEY category includes hypermarkets and supermarkets, DA! category includes discounters.

Appendix: Consolidated Balance Sheet

17

RUB, 000s	1H 2018	FY 2017
Investment property	1,095,806	1,075,010
Property, plant and equipment	43,935,888	44,964,135
Construction in progress	3,593,548	3,313,175
Lease rights	4,419,277	4,437,856
Intangible assets	1,040,820	961,108
Deferred tax assets	2,129,895	1,917,572
Other non-current assets	2,033,280	1,817,452
Total non-current assets	58,248,514	58,486,308
Inventories	11,920,470	13,524,236
Trade and other receivables	3,427,705	10,275,841
Prepayments	827,302	1,280,658
Other current assets	9,468	10,290
Cash and cash equivalents	1,334,781	7,750,177
Non-current assets held for sale	-	129,589
Total current assets	17,519,726	32,970,791
Total assets	75,768,240	91,457,099
Total equity	22,103,940	24,250,979
Loans and borrowings	25,205,794	24,679,352
Deferred tax liabilities	735,300	888,997
Other non-current liabilities	225,095	121,890
Total non-current liabilities	26,166,189	25,690,239
Loans and borrowings	8,097,516	11,429,881
Interest accrued on loans and borrowings	219,118	231,897
Trade and other payables	18,937,332	28,854,731
Current income tax payable	244,145	999,372
Total current liabilities	27,498,111	41,515,881
Total liabilities	53,664,300	67,206,120
Total equity and liabilities	75,768,240	91,457,099

Appendix: Consolidated P&L

18

RUB, 000s	1H 2018	1H 2017
Revenue	78,179,207	85,969,350
Cost of goods sold	(59,952,379)	(66,531,212)
Gross profit	18,226,828	19,438,138
<i>Gross margin</i>	23.3%	22.7%
General, selling and administrative expenses	(17,047,777)	(18,318,171)
Other operating income and expenses	380,770	(612,710)
Operating profit	1,559,821	507,257
Finance income	46,577	93,953
Finance costs	(1,581,324)	(1,730,043)
Foreign exchange (loss)/gain	(642,206)	(257,581)
Loss before income tax	(617,132)	(1,386,414)
Income tax expense	76,005	(91,687)
Loss for the year	(541,127)	(1,478,101)
Net profit margin	N/A	N/A

RUB, 000s	1H 2018	1H 2017
Group EBITDA	3,470,377	3,649,978
<i>Group EBITDA margin</i>	4.4%	4.3%
O`KEY EBITDA	4,370,106	4,608,444
<i>O`KEY EBITDA margin</i>	6.1%	5.7%
DA! EBITDA	(899,729)	(958,466)

Appendix: Consolidated Cash Flow

19

RUB, 000s	1H 2018	1H 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	89,676,521	98,152,318
Other cash receipts	433,619	272,291
Interest received	39,408	97,003
Cash paid to suppliers and employees	(92,699,092)	(101,843,222)
Operating taxes	(467,308)	(303,967)
Other cash payments	(19,871)	(86,387)
VAT paid to budget	(1,216,504)	(704,076)
Income tax paid	(1,065,330)	(670,429)
Net cash from/(used in) operating activities	(5,318,557)	(5,086,469)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of PP&E and initial cost of land lease (excluding VAT)	(1,383,950)	(1,334,444)
Purchase of other intangible assets (excluding VAT)	(167,336)	(169,161)
Proceeds from sale of supermarkets (excluding VAT)	6,910,243	-
Proceeds from sales of PP&E and intangible assets (excluding VAT)	16,087	44,811
Net cash used in investing activities	5,375,044	(1,458,794)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	1,100,000	5,000,000
Repayment of loans and borrowings	(3,990,268)	(4,077,815)
Interest paid	(1,612,754)	(1,813,428)
Dividends paid	(1,879,021)	(1,465,798)
Other financial payments	(54,522)	(30,850)
Net cash used in financing activities	(6,436,565)	(2,387,891)
Net decrease in cash and cash equivalents	(6,380,078)	(8,933,154)
Cash and cash equivalents at beginning of the period	7,750,177	11,463,467
Effect of exchange rate fluctuations on cash and cash equivalents	(35,318)	(32,233)
Cash and cash equivalents at end of the year	1,334,781	2,498,080

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