

Press Release
16 May 2019

O`KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q1 2019

O`KEY Group S.A. (LSE: OKEY, the 'Group') announces its unaudited operating results for the first quarter of 2019.

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

Q1 2019 operating highlights

- Underlying Group net retail revenue, excluding the effect of the supermarket business sale, increased by 0.7% YoY to RUB 39,421 mln
- Underlying net retail revenue generated by O`KEY hypermarkets decreased by 2.2% YoY in Q1 2019 to RUB 35,437 mln as a result of weaker than expected sales in January. Sequential improvement in sales in February, March and April, driven by significant traffic improvements and higher shelf inflation, supported the revenue dynamics YTD
- Net retail revenue generated by DA! grew by 36.0% YoY to RUB 3,985 mln in Q1 2019, supported by a steady growth in traffic (up 25.9% YoY) and the average ticket (up 8.6% YoY). During the first four months of 2019, discounters demonstrated solid growth dynamics consistently improving the top line on YoY basis
- Like-for-like (LFL) net retail revenue of the Group decreased by 1.3% YoY in Q1 2019 due to a 3.4% YoY decrease in LFL traffic and a 2.2% YoY increase in the LFL average ticket
- Like-for-like (LFL) net retail revenue generated by O`KEY hypermarkets decreased by 3.7% YoY in Q1 2019 as a result of a 6.0% YoY decrease in LFL traffic and a 3.3% YoY increase in the LFL average ticket. The Q1 2019 performance was affected by weaker January sales. The LFL net retail revenue trend moved into positive territory in April (+2.1% YoY)
- Like-for-like (LFL) net retail revenue generated by DA! increased by 21.4% YoY in Q1 2019, driven by a 9.5% YoY increase in LFL traffic and a 7.4% YoY increase in the LFL average ticket
- Two discounters (in the Moscow and Kaluga regions) were opened in Q1 2019

Guidance 2019

- We expect hypermarkets' top line growth to be around zero for the whole year
- We expect double digit LFL growth for DA! and we plan to open up to 30 discounters by the year end

Stores development of the Group

Indicator	Q1 2019	Q1 2018	Net change	Change (%)
Number of stores	162	145	17	11.7%
Number of net store openings	2	0	2	n/a
Total selling space (sq. m)	586,357	571,881	14,476	2.5%
Total selling space added (sq. m)	1,443	164	1,279	n/a

Group key operating indicators for the quarter

Segment	Q1 2019			Q1 2018		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL group	(1.3%)	(3.4%)	2.2%	(0.7%)	(0.8%)	0.1%

Underlying Group net retail revenue dynamics by quarter, YoY

Parameter	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Underlying Group net retail revenue	(2.5%)	(2.4%)	0.8%	0.7%

Key operating indicators by month

Indicator	January	February	March	April
Net retail revenue	(4.4%)	1.7%	1.6%	5.9%
LFL net retail revenue	(3.7%)	0.2%	(0.2%)	3.6%
Customer traffic	(10.2%)	(1.4%)	1.1%	5.3%
LFL customer traffic	(7.1%)	(2.5%)	(0.7%)	2.5%
Average ticket	6.5%	3.1%	0.5%	0.6%
LFL average ticket	3.6%	2.7%	0.5%	1.1%

Underlying Group net retail revenue dynamics by month

Parameter	January	February	March	April
Underlying Group net retail revenue	(2.0%)	2.0%	1.8%	5.9%

O'KEY: Operating Review

Stores development

Indicator	Q1 2019	Q1 2018	Net change	Change (%)
Number of stores	78	78	0	0.0%
Number of net store openings	0	0	0	n/a
Total selling space (sq. m) ¹	528,124	525,502	2,622	0.5%
Total selling space added (sq. m)	0	0	0	n/a

¹ Total selling space net of 9,728 sq. m leased to Familia and other strategic partners.

In Q1 2019, O`KEY did not open any new hypermarkets. As at 31 March 2019, the total number of stores stood at 78, while total selling space came to 528,124 sq. m.

Key operating indicators for the quarter

Segment	Q1 2019			Q1 2018		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
LFL O`KEY	(3.7%)	(6.0%)	2.5%	(1.6%)	(2.5%)	0.9%

Underlying O`KEY net retail revenue dynamics by quarter, YoY

Parameter	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Underlying O`KEY net retail revenue	(5.1%)	(4.8%)	(1.3%)	(2.2%)

Key operating indicators by month

Indicator	January	February	March	April
Net retail revenue	(7.8%)	(2.0%)	(2.4%)	2.1%
LFL net retail revenue	(6.0%)	(2.3%)	(2.8%)	1.4%
Customer traffic	(14.7%)	(6.5%)	(4.1%)	0.1%
LFL customer traffic	(9.4%)	(5.6%)	(3.3%)	0.3%
Average ticket	8.1%	4.7%	1.8%	2.0%
LFL average ticket	3.8%	3.4%	0.5%	1.1%

Underlying O`KEY net retail revenue dynamics by month

Parameter	January	February	March	April
Underlying O`KEY net retail revenue	(4.6%)	(0.9%)	(1.4%)	2.1%

The Company's performance in Q1 2019 was mostly influenced by the sale of its supermarket business, which was initiated in December 2017. Initiatives launched at the end of 2018, aimed at improving logistics operations and the overall quality of fresh and ultra-fresh goods, led to a gradual traffic recovery in February, March and April, which, along with higher shelf inflation supported the revenue dynamics during the first quarter of 2019. As a result, underlying O`KEY revenue decreased in Q1 2019 by 2.2% YoY.

The macroeconomic environment remained mixed in Q1 2019. The consumer price index (CPI) for food jumped to 5.8% during the reported quarter, largely driven by a tighter supply-demand balance on the sugar market, rapid growth in meat and poultry prices, and higher prices for grains – all of which led to a significant increase in shelf inflation to 5.7%. At the same time, consumer sentiment remained weak in Q1 2019 as real disposable income decreased by 2.3% YoY, leading to a marginal decline in items purchased per customer. According to the Central Bank of Russia, customers remained highly price-sensitive during the reported quarter. The percentage of customers buying cheaper staples rose on average to 35% in Q1 2019 from 27% a year ago, while the percentage of customers buying less frequently or giving up buying some products averaged 25% in Q1 2019 from 21% a year ago. These developments in the macroeconomic environment were the predominant factors defining the Companies performance in Q1 2019, leading to a LFL basket growth of 2.5% YoY.

During the quarter, the Company continued to work on enhancing its customer value proposition by revising its product mix and further developing the middle and premium ranges. In efforts to broaden the imported goods category, the wine and spirits section at the Litvinovo distribution centre was expanded.

DA!: Operating Review

Stores development

Indicator	Q1 2019	Q1 2018	Net change	Change (%)
Number of stores	84	67	17	25.4%
Number of net store openings	2	0	2	n/a
Total selling space (sq. m)	58,233	46,379	11,854	25.6%
Total selling space added (sq. m)	1,443	164	1,279	n/a

In Q1 2019, the Company opened two new discounters in the Moscow and Kaluga regions. Total selling space amounted to 58,233 sq. m as at 31 March 2019.

Key operating indicators for the quarter

Segment	Q1 2019			Q1 2018		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	36.0%	25.9%	8.6%	36.0%	32.1%	3.0%
LFL discounters	21.4%	9.5%	7.4%	15.9%	12.7%	2.9%

Key operating indicators by month

Indicator	January	February	March	April
Net retail revenue	31.8%	38.5%	39.4%	38.7%
LFL net retail revenue	16.3%	23.6%	20.4%	19.0%
Customer traffic	18.1%	28.4%	30.8%	32.1%
LFL customer traffic	6.7%	16.0%	13.5%	13.6%
Average ticket	11.6%	7.9%	6.6%	5.0%
LFL average ticket	9.0%	6.6%	6.1%	4.8%

In Q1 2019, the Company demonstrated a strong LFL net retail revenue growth of 21.4% YoY, driven by a combination of customers' growing appreciation of the discounter business model and continuing growth of inflation. Further food CPI increasing during the reporting quarter resulted in a LFL shelf inflation growth of 9.5% YoY. The solid shelf inflation increase is largely attributable to the assortment mix structure at discounters (46% private labels) and sales structure (characterised by a higher share of essential goods such as bread, sugar, and eggs, etc.), and was partially offset by a LFL decline in items per customer by 2.1% YoY – a natural result of inflation. At the same time, prices for essential goods at

the Group's discounters remained among the most competitive in the industry, which was reflected in a strong LFL traffic growth of 9.5% YoY.

In Q1 2019, the Company continued to improve its customer value proposition by improving the assortment mix and fine-tuning in-store interiors to make the customer journey more enjoyable. Paying high attention to the quality and appeal of our private label (PL) products, we rebrand and enhance the recipes of our existing PL brands on an ongoing basis. During the last quarter, the Company expanded the SKU range of its private label brand, 'Farm Collection'. As customer demand for private label products strengthened during Q1 2019, we performed remerchandising of our PL products across the discounter chain to provide our customers an even more seamless shopping experience. In order to make the in-store interior more comfortable and ready for the summer season, additional drinks chillers were installed in Q1 2019.

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 'DA!' brand.

As at 16 May 2019, the Group operates 162 stores across Russia (78 hypermarkets and 84 discounters). 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 six e-commerce pick-up points in Moscow and six e-commerce pick-up points in St. Petersburg. The Group operates four distribution centres across the Russian Federation – two in Moscow and two in St. Petersburg. As at 31 December 2018 the Group employs more than 20,000 people.

For the full year 2018, revenue totalled RUB 161,303,411 thousand, EBITDA reached RUB 8,644,008 thousand, and net loss for the period amounted to RUB 599,755 thousand.

The O'KEY shareholder structure is as follows: NISEMAX Co Ltd – 44.79%, GSU Ltd – 29.52%, free float – 25.69%.

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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