

Press Release
31 August 2021

O`KEY GROUP REPORTS UNAUDITED FINANCIAL RESULTS FOR H1 2021
DA! DISCOUNTERS SHOW A 46.1% EBITDA GROWTH

O`KEY Group S.A. (LSE, MOEX: OKEY, the “Group” or the “Company”), one of Russia’s leading food retailers, today announces its financial results for the first six months of 2021 based on condensed consolidated interim financial statements reviewed by auditors.

All materials published by the Group are available on its website, okeygroup.lu.

All results are presented under IFRS 16 unless stated otherwise.

H1 2021 financial highlights

- Group revenue increased by 4.2% YoY to RUB 88,662 mln
- O`KEY revenue grew by 0.8% YoY to RUB 73,001 mln from the high base of H1 2020
- DA! revenue rose by 23.9% YoY to RUB 15,661 mln, driven by a 10.2% LFL revenue growth and the expansion programme
- Group gross profit increased by 2.6% YoY to RUB 19,486 mln, while gross profit margin stood at 22.0%
- Group EBITDA amounted to RUB 6,575 mln, and EBITDA margin was 7.4%
- O`KEY hypermarkets EBITDA reached RUB 5,904 mln, with EBITDA margin of 8.1%
- DA! discounters EBITDA improved by 46.1% YoY to RUB 671 mln, led by the chain’s ramp-up

Armin Burger, O`KEY Group CEO, commented:

“The Group delivered a strong set of financial results fully in-line with our expectations. The revenue growth was driven by both hypermarkets and discounters. Our strategy based on a combination of clearly positioned store formats enables us to cover all customer segments and benefit from the synergies.

“O`KEY hypermarkets demonstrated decent results, especially given the challenging base of H1 2020. The Group is strongly positioned as one of the leading hypermarket players in Russia, and continued to improve the store portfolio to enhance sales density and streamline the cost base. We are also reformatting and renovating hypermarkets in our core regions to further strengthen their competitiveness in a fast-changing environment. O`KEY is developing a multi-channel e-commerce shopping model with its own platform in efficient collaboration with delivery operators. We are pleased to post a 62.6% YoY online revenue growth in H1 2021.

“DA! discounters continued to outperform the market and increased their revenue by almost 24% YoY with an impressive 10% like-for-like growth in H1 2021 delivered on top of their 31.3% LFL performance in H1 2020. As the chain keeps ramping-up, we see a substantial profitability improvement. We expect discounters to grow further their top- and bottom-line and reach up to 50% of the Group’s revenue in a four-year horizon.

“We reiterate our guidance and expect a low-single-digit LFL growth at hypermarkets and a double-digit LFL growth at DA! discounters in 2021. We plan to open 35–40 DA! discounters, and O`KEY will relaunch 3 newly renovated hypermarkets by the end of 2021.”

Group net retail revenue and LFL revenue in H1 2021

RUB mln	H1 2021	H1 2020	YoY, %	LFL H1 2021/ H1 2020, %	LFL H1 2020/ H1 2019, %
O`KEY Group	87,698	84,335	4.0%	0.5%	7.3%
O`KEY hypermarkets	72,061	71,718	0.5%	(1.2%)	4.3%
DA! discounters	15,637	12,617	23.9%	10.2%	31.3%

For more details, please refer to the Group’s [Q2 2021 Trading Update](#).

Group profit and losses highlights in H1 2021

RUB mln	H1 2021	H1 2020	Δ YoY, %
Total Group revenue	88,662	85,059	4.2%
O`KEY	73,001	72,417	0.8%
DA!	15,661	12,642	23.9%
Gross profit	19,486	18,993	2.6%
<i>Gross profit margin, %¹</i>	<i>22.0%</i>	<i>22.3%</i>	<i>(0.3pp)</i>
Selling, general and administrative expenses	(17,275)	(16,317)	5.9%
<i>SG&A, as % of revenue</i>	<i>19.5%</i>	<i>19.2%</i>	<i>0.3pp</i>
Other operating (expenses)/income, net	(266)	(413)	(35.7%)
Finance costs, net	(2,343)	(2,406)	(2.6%)
Foreign exchange gain/ (loss)	539	(1,082)	>100%
Net profit (loss)	152	(900)	>100%
Group EBITDA	6,575	6,698	(1.8%)
<i>Group EBITDA margin, %</i>	<i>7.4%</i>	<i>7.9%</i>	<i>(0.5pp)</i>
O`KEY EBITDA	5,904	6,239	(5.4%)
<i>O`KEY EBITDA margin, %</i>	<i>8.1%</i>	<i>8.6%</i>	<i>(0.5pp)</i>
DA! EBITDA	671	459	46.1%
<i>DA! EBITDA margin, %</i>	<i>4.3%</i>	<i>3.6%</i>	<i>0.7pp</i>

Group revenue

RUB mln	H1 2021	H1 2020	Δ YoY, %
Total Group revenue	88,662	85,059	4.2%
Retail revenue	87,698	84,335	4.0%
Rental income	964	723	33.3%

¹ In the reporting period, the Group reclassified certain expenses relating to in-store deli from selling, general and administrative expenses to cost of goods sold. For comparison purposes, the respective changes in the presentation have been applied to the H1 2020 profit and loss statement. The changes do not have any effect on EBITDA or net income.

In H1 2021, total Group revenue increased by 4.2% YoY to RUB 88,662 mln.

Group retail revenue increased by 4.0% YoY to RUB 87,698 mln in H1 2021, driven by both O'KEY and DAJ revenue growth. Rental income grew by 33.3% YoY to RUB 964 mln in H1 2021.

Group gross profit

The Group's gross profit increased by 2.6% YoY to RUB 19,486 mln, driven by retail and rental income growth. The Group's gross margin decreased by 0.3 pps YoY to 22.0% on the back of increased tariffs for external transportation services, logistics staff salaries inflation, and the launch of the company's new distribution centre in Q4 2020. However, this was partially offset by improvements in commercial margin. Shrinkage costs in H1 2021 were flat YoY as a percentage of revenue.

Group selling, general and administrative expenses

RUB mln	H1 2021	% of revenue	H1 2020	% of revenue	Δ YoY, pps
Personnel costs	7,430	8.4%	7,042	8.3%	0.1
Depreciation and amortisation	4,347	4.9%	4,017	4.7%	0.2
Communication and utilities	1,984	2.2%	1,812	2.1%	0.1
Advertising and marketing	899	1.0%	955	1.1%	(0.1)
Repair and maintenance	648	0.7%	614	0.7%	-
Insurance and bank commissions	524	0.6%	503	0.6%	-
Operating taxes	345	0.4%	431	0.5%	(0.1)
Security expenses	349	0.4%	359	0.4%	-
Legal and professional expenses	355	0.4%	335	0.4%	-
Materials and supplies	182	0.2%	212	0.2%	-
Variable lease expenses and expenses relating to short-term and low-value leases	185	0.2%	15	-	0.2
Other costs	27	-	22	-	-
Total Group SG&A	17,275	19.5%	16,317	19.2%	0.3

Group SG&A expenses increased by 5.9% YoY to RUB 17,275 mln, and, as a percentage of revenue, rose by 0.3 pps YoY to 19.5% in H1 2021.

Personnel costs, as a percentage of revenue, grew by 0.1 pps YoY to 8.4%, mainly due to the hypermarkets personnel wages indexation in H1 2021, offset partially by higher staff productivity and the discounter chain ramp-up.

Depreciation and amortisation (D&A) expenses increased by 8.2% YoY to RUB 4,347 mln, driven mainly by lease terms revision in the discounter segment.

Communication and utilities expenses increased, as a percentage of revenue, by 0.1 pps YoY to 2.2% in H1 2021. This was largely attributable to the utility tariffs inflation and the discounter chain growth.

Advertising and marketing expenses decreased, as a percentage of revenue, by 0.1 pps YoY to 1.0%, as a result of increased efficiency of the loyalty programme and optimisation of the advertising channels mix.

In H1 2021, operating taxes decreased, as a percentage of revenue, by 0.1 pps YoY to 0.4%, led by the recalculation of property tax based on cadastral revaluation of several assets, as well as a decrease in the amount of non-applicable VAT compared to H1 2020.

In H1 2020, during the pandemic-related lockdowns, the Group temporarily re-negotiated rental terms and brought variable rental costs down. In H1 2021, these lease incentives were no longer in effect, and variable lease expenses increased by 0.2 pps YoY to 0.2% in H1 2021.

Group other operating expenses

Group other operating expenses decreased by 35.7% YoY to RUB 266 mln in H1 2021 from RUB 413 mln in H1 2020. In H1 2021, a non-current assets impairment loss of RUB 372 mln was recognised, offset partially by a RUB 122 mln gain from investment property revaluation. Additionally, a one-off loss of RUB 360 mln from non-current assets disposal related to the store and land plots portfolio optimisation was recognised in H1 2020. The above-mentioned items are of non-cash nature.

Group net profit

Net finance costs decreased by 2.6% YoY to RUB 2,343 mln in H1 2021, driven by a decline in the weighted average interest rate. A substantial part of interest costs was attributable to non-current lease liabilities (under IFRS 16).

In H1 2021, the Group recognised net foreign exchange gain of RUB 539 mln, compared to a RUB 1,082 mln loss in H1 2020. The Group's foreign exchange gain / loss was mainly attributable to intragroup US-dollar-denominated loans, as well as lease contracts denominated in foreign currencies, while losses from import operations had a relatively small impact on the Group's results.

The Group recorded a net profit of RUB 152 mln in H1 2021, compared to a loss of RUB 900 mln in H1 2020.

Group cash flow

RUB mln	H1 2021	H1 2020
Net cash from / (used in) operating activities	804	(468)
Net cash used in investing activities	(1,786)	(1,614)
Net cash used in financing activities	(4,344)	(1,234)
Net decrease in cash and cash equivalents	(5,326)	(3,316)
Effect of exchange rate on cash and cash equivalents	(7)	(10)

Net cash from operating activities amounted to RUB 804 mln in H1 2021, compared to a RUB 468 mln outflow in H1 2020. In H1 2020, substantial investments in working capital were made to ensure shelf availability and meet customer demand during the months of the pandemic.

Net cash used in investing activities amounted to RUB 1,786 mln in H1 2021, in comparison with RUB 1,614 mln worth of investments in H1 2020. In H1 2021, the Group invested over RUB 870 mln (excluding VAT) in the development of the hypermarket business, and over RUB 1,095 mln (excluding VAT) in the discounter business operations. In H1 2021, the Group sold a land plot and received RUB 180 mln of cash proceeds.

Net cash used in financing activities amounted to RUB 4,344 mln in H1 2021, compared to RUB 1,234 mln in H1 2020. The increase was mainly due to a RUB 1,175 mln bonds redemption, as well as a partial repayment of long-term loans amounting to RUB 973 mln in H1 2021.

As of 30 June 2021, the Group had RUB 17,400 mln of undrawn, committed borrowing facilities available in Russian roubles on a fixed and floating basis in respect of which all conditions had been met. Proceeds from these facilities may be used to finance operating and investing activities if necessary.

Group net debt position

RUB mln	As of 30 June 2021	As of 30 June 2020
EBITDA LTM	14,709	14,419
Total debt	36,556	35,077
Short-term debt ¹	9,661	7,469
Long-term debt	26,895	27,608
Cash & cash equivalents	2,380	2,181
Net debt	34,176	32,895
Total lease liabilities	24,241	23,640
Short-term lease liabilities	4,729	4,421
Long-term lease liabilities	19,512	19,219
Total interest-bearing liabilities (net of cash & cash equivalents)	58,417	56,535
Total interest-bearing liabilities (net of cash & cash equivalents) / EBITDA LTM	3.97x	3.92x

[1] Short-term debt does not include interest accrued on loans and borrowings.

The Group's financial position remained stable during the reporting period. As of 30 June 2021, the total interest-bearing liabilities (net of cash) to EBITDA ratio stood at 3.97x. As of 30 June 2021 and during the six-month period then ended, the Group complied with all of its loan covenants.

Group interim IFRS report

The Group's interim report, including the full set of reviewed IFRS interim financial statements, can be found at <https://okeygroup.lu/investors/result-center/ifrs-statements/>.

.....

O'KEY Group S.A. (LSE, MOEX: OKEY) is pleased to invite the investment community to join the Group's management conference call to discuss **H1 2021 IFRS interim financial results**.

Date: 31 August 2021

Time:

- 5.00 p.m. (Moscow)
- 3.00 p.m. (London)
- 10.00 a.m. (New York)

Participants:

- Armin Burger, CEO
- Konstantin Arabidis, CFO
- Natalya Belyavskaya, IRO

The conference call details are provided below. Please dial in 5–10 minutes prior to the start time using the number / Confirmation Code below:

Russia:	Local access	+7 495 646 9190
	Toll free	8 10 8002 8675011
UK:	Local access	+44 (0) 330 336 9434
	Toll free	0800 279 7209
Europe:	Local access	+49 (0) 69 2222 2018
	Toll free	0800 589 4631
USA:	Local access	+1 646-828-8193
	Toll free	888-394-8218
Conference ID:	5961732	

For further information please contact:

For investors

Natalya Belyavskaya

Head of Investor Relations
+7 495 663 6677 ext. 266

Natalya.Belyavskaya@okmarket.ru

www.okeygroup.lu

For media

Alla Golovatenko

Head of Public Relations
+7 495 663 6677 ext. 496

alla.golovatenko@okmarket.ru

www.okeygroup.lu

ABOUT O`KEY GROUP

As of 30 June 2021, the Group operated 199 stores across Russia (77 hypermarkets and 122 discounters) with total selling space of 602,164 square meters. The company opened its first hypermarket in St. Petersburg in 2002 and has since demonstrated continuous growth. O`KEY was the first Russian food retailer to launch e-commerce operations in St. Petersburg and Moscow, offering a full range of hypermarket products for home delivery. The Group has six e-commerce pick-up points in Moscow and six e-commerce pick-up points in St. Petersburg. In 2015, the Group launched the first discount chain in Russia under the DA! brand. The Group operates five distribution centres in Russia – three in Moscow and two in St. Petersburg. The Group employs more than 20,000 people. In 2020, Group's revenue amounted to RUB 174.3 billion, while EBITDA reached RUB 14.8 billion. The O`KEY shareholder structure is as follows: NISEMAX Co Ltd – 44.84%, GSU Ltd – 29.53%, free float – 25.63%.

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.