

Press release
18 September 2023

O`KEY GROUP REPORTS FINANCIAL RESULTS FOR H1 2023

O`KEY Group S.A. (AIX, LSE, MOEX: OKEY, the “Group”), one of Russia’s leading food retailers, has announced its financial results for the first six months of 2023 based on condensed consolidated interim financial statements.

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

All results are according to IFRS 16, unless stated otherwise.

H1 2023 financial highlights

- **Total Group revenue** increased by 1.7% YoY to RUB 99.5 bn driven by both retail revenue and rental income.
- **Group gross profit** rose by 1.6% to RUB 22.7 bn, with **gross margin** remaining flat YoY at 22.8% thanks to efficient procurement, assortment management and logistics.
- **Group EBITDA** decreased by 5.4% YoY to RUB 7.1 bn, while **EBITDA margin** declined by 0.6 pps YoY to 7.1%, mainly on the back of temporary SG&A pressure from new store openings in the discounter segment. The Group expects EBITDA margin to normalise by the year-end, as recently opened discounters ramp up.
- The Group reported **net loss** of RUB 3.0 bn in H1 2023 compared to a RUB 0.6 bn **net profit** in H1 2022, mainly due to a non-cash foreign exchange loss and an increase in finance costs.
- In July 2023, the **National Credit Rating (NCR)** agency assigned an **A.ru credit rating (Stable outlook)** to O`KEY LLC, the main operating subsidiary of O`KEY Group S.A.
For more details, please refer to the full press release at <https://www.okeygroup.lu/press-center/press-releases/2023/1859/>.

Group profit and losses highlights in H1 2023

RUB mln	H1 2023	H1 2022	Δ YoY, %
Total Group revenue	99,478	97,803	1.7%
O`KEY	69,042	72,264	(4.5%)
DA!	30,436	25,539	19.2%
Gross profit	22,652	22,302	1.6%
<i>Gross profit margin, %</i>	22.8%	22.8%	-
Selling, general and administrative expenses	(21,762)	(19,794)	9.9%
<i>SG&A, % of revenue</i>	21.9%	20.2%	(1.6pp)
Other operating expenses, net	(389)	(551)	(29.4%)
Finance costs, net	(3,249)	(2,685)	21.0%
Foreign exchange (loss)/gain	(881)	1,533	n/a
Net (loss)/profit	(2,977)	576	n/a
Group EBITDA	7,102	7,511	(5.4%)
<i>Group EBITDA margin, %</i>	7.1%	7.7%	(0.6pp)
O`KEY EBITDA	5,447	5,765	(5.5%)
<i>O`KEY EBITDA margin, %</i>	7.9%	8.0%	(0.1pp)
DA! EBITDA	1,656	1,745	(5.1%)
<i>DA! EBITDA margin, %</i>	5.4%	6.8%	(1.4pp)

Group revenue

RUB mln	H1 2023	H1 2022	Δ YoY, %
Total Group revenue	99,478	97,803	1.7%
Retail revenue	98,463	96,814	1.7%
Rental income	1,015	989	2.6%

Total Group revenue increased by 1.7% YoY to RUB 99,478 mln driven by both retail revenue and rental income. The Group's retail revenue went up 1.7% YoY to RUB 98,463 mln driven by DA! discounters and online revenue growth in H1 2023. The Group's rental income increased by 2.6% YoY to RUB 1,015 mln in H1 2023.

Group net retail revenue and LFL revenue in H1 2023

RUB mln	H1 2023	H1 2022	YoY, %	LFL H1 2023/ H1 2022, %
O`KEY Group	98,463	96,814	1.7%	(3.2%)
O`KEY hypermarkets	68,054	71,300	(4.6%)	(5.4%)
DA! discounters	30,409	25,514	19.2%	3.1%

For more details, please refer to the Group's [Q2 2023 Trading Update](#).

Group gross profit

In H1 2023, **Group gross profit** improved by 1.6% YoY to RUB 22,652 mln, while gross margin stood flat YoY at 22.8%. The Group sustained its gross margin thanks to efficient procurement and logistics optimisation along with effective assortment and shrinkage management.

Group selling, general and administrative expenses

RUB mln	H1 2023	% of revenue	H1 2022	% of revenue	Δ YoY, pps
Personnel costs	9,427	9.5%	8,494	8.7%	0.8
Depreciation and amortisation	5,717	5.7%	5,115	5.2%	0.5
Communication and utilities	2,702	2.7%	2,184	2.2%	0.5
Advertising and marketing	956	1.0%	1,029	1.1%	(0.1)
Repairs and maintenance	820	0.8%	766	0.8%	-
Insurance and bank commissions	646	0.6%	606	0.6%	-
Operating taxes	388	0.4%	421	0.4%	-
Security expenses	380	0.4%	375	0.4%	-
Legal and professional expenses	292	0.3%	330	0.3%	-
Materials and supplies	218	0.2%	206	0.2%	-
Operating leases	187	0.2%	246	0.3%	(0.1)
Other costs	28	0.0%	23	0.0%	-
Total SG&A expenses	21,762	21.9%	19,794	20.2%	1.6

Group total SG&A expenses increased by 9.9% YoY to RUB 21,762 mln in H1 2023. SG&A expenses as a percentage of revenue rose by 1.6 pps YoY to 21.9% in H1 2023, mainly due to the growth of personnel costs, depreciation and amortisation (D&A), and communication and utilities expenses.

In H1 2023, **personnel costs** increased by 11.0% YoY to RUB 9,427 mln and, as a **percentage of revenue**, by 0.8 pps YoY to 9.5%. The growth was mainly associated with new discounter openings, as well as wages indexation.

In H1 2023, **D&A** rose by 11.8% YoY to RUB 5,717 mln, and by 0.5 pps YoY to 5.7% of revenue, driven primarily by discounter chain growth.

Communication and utilities expenses grew by 23.7% YoY to RUB 2,702 mln, and by 0.5 pps YoY as a **percentage of revenue** in H1 2023, mainly due to tariff inflation and discounter chain growth.

As a result, **Group EBITDA** declined by 5.4% YoY to RUB 7,102 mln, while **EBITDA margin** decreased by 0.6 pps YoY to 7.1% in H1 2023. The Group sees the pressure on EBITDA margin from new discounter openings as temporary and expects the margin to normalise by the year-end, as recently opened discounters ramp up.

Net finance costs increased by 21.0% YoY to RUB 3,249 mln, mainly due to a higher weighted average interest rate. A substantial part of interest costs was attributable to non-current lease liabilities (accounted for in accordance with IFRS 16).

In H1 2023, **net foreign exchange loss** amounted to RUB 881 mln compared to a RUB 1,533 mln **gain** in H1 2022. The loss resulted from Russian rouble devaluation in H1 2023, and was largely attributable to intragroup US dollar-denominated loans, as well as lease contracts denominated in foreign currencies. Losses from import operations had a relatively small impact on the Group's results. Net foreign exchange loss has a non-cash nature.

Consequently, the Group reported a RUB 2,977 mln net loss in H1 2023 compared to the profit of RUB 576 mln in H1 2022.

Group cash flow

RUB mln	H1 2023	H1 2022
Net cash (used in) from operating activities	(521)	948
Net cash used in investing activities	(2,249)	(3,482)
Net cash (used in) from financing activities	(3,079)	1,405
Net decrease in cash and cash equivalents	(5,850)	(1,129)
Effect of exchange rate on cash and cash equivalents	(9)	(373)

Net cash used in operating activities amounted to RUB 521 mln in H1 2023, compared to RUB 948 mln cash from operating activities in H1 2022. That resulted from an increase in investments in the Group's working capital in H1 2023 on the back of a decrease in accounts payable.

Net cash used in investing activities amounted to RUB 2,249 mln in H1 2023, showing a decrease in comparison with RUB 3,482 mln of cash used in H1 2022. In H1 2023, the Group invested approximately RUB 950 mln (excluding VAT) in hypermarket business development and store renovation, and over RUB 1,680 mln (excluding VAT) in the development of its discounter business.

Net cash used in financing activities amounted to RUB 3,079 mln in H1 2023, compared with the RUB 1,405 mln of net cash received from financing activities in H1 2022. The dynamics resulted from the Group's regular credit portfolio refinancing in H1 2023.

As of 30 June 2023, the Group had RUB 18,800 mln of available credit lines in Russian roubles with fixed and floating interest rates, in respect of which all conditions have been met. If necessary, proceeds from these facilities may be used to finance operating and investing activities.

Group net debt position

RUB mln	As of 30 June 2023	As of 30 June 2022
EBITDA LTM	16,612	16,440
Total debt	48,442	44,396
Short-term debt ¹	6,198	10,122
Long-term debt	42,244	34,275
Cash & cash equivalents	5,921	7,946
Net debt	42,521	36,451
Total lease liabilities	25,215	23,967
Short-term lease liabilities	5,941	5,257
Long-term lease liabilities	19,274	18,711
Total interest-bearing liabilities (net of cash & cash equivalents)	67,735	60,418
Total interest-bearing liabilities (net of cash & cash equivalents) / EBITDA LTM	4.08	3.68

[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 2023, the **total interest-bearing liabilities (net of cash) to LTM EBITDA ratio** grew to 4.08x from 3.68x as of 30 June 2022, mainly due to an increase in long-term debt and lease liabilities, as well as a decrease in cash balance. As of 30 June 2023 and during the twelve-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 interim IFRS financial statements, can be found at <https://www.okeygroup.lu/investors/result-center/ifrs-statements/>.

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ABOUT O`KEY GROUP

O`KEY Group S.A. (AIX, LSE, MOEX: OKEY) is one of the leading grocery retailers in Russia, operating hypermarkets under the O`KEY brand and discounters under the DA! brand.

As of 30 June 2023, we operated 282 stores across Russia (77 hypermarkets and 205 discounters) with a total selling space of 648,597 sq m. O`KEY opened its first hypermarket in St Petersburg in 2002 and has since demonstrated continuous growth. It was the first Russian food retailer to launch e-commerce operations offering a full range of hypermarket products for home delivery. The Group has e-commerce pick-up points in 31 O`KEY hypermarkets: nine in Moscow, seventeen in St Petersburg, one in Sochi, and four in Krasnodar. In 2015, we 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 – and employs 21,900 people.

In 2022, the Group's revenue amounted to RUB 202.2 bn, and EBITDA reached RUB 17.0 bn.

The O`KEY Group shareholder structure is as follows: NISEMAX Co Ltd – 49.11%. GSU Ltd – 34.14%, free-float and other holders – 16.75%.

DISCLAIMER

These materials contain statements about future events and expectations that are forward-looking statements. These statements typically include 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 that 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.