

Press Release  
27 August 2020

## O`KEY GROUP DELIVERS 7.9% EBITDA MARGIN IN H1 2020

O`KEY Group S.A. (LSE: OKEY, the 'Group'), one of Russia's leading food retailers, has announced its financial results for the first six months of 2020 based on condensed consolidated interim financial statements reviewed by auditors.

All materials published by the Group are available on its website, [okeygroup.ru](http://okeygroup.ru).

All results are presented under IFRS 16 unless stated otherwise.

### H1 2020 financial highlights

- Total Group revenue increased by 6.5% YoY to RUB 85,059 mln
- O`KEY revenue rose by 1.6% YoY to RUB 72,417 mln, driven by 4.3% LFL revenue growth
- DA! revenue jumped by 46.8% YoY to RUB 12,642 mln, led by 31.3% LFL revenue growth and supported by selling space expansion
- Group gross profit increased by 4.3% to RUB 19,654 mln
- Group EBITDA grew by 5.6% YoY to RUB 6,698 mln, and EBITDA margin stood at 7.9%
- DA! discounters EBITDA improved from negative RUB 169 mln in H1 2019 to positive RUB 459 mln in H1 2020, on the back of strong revenue performance and efficiency growth
- Net debt position remained flat YoY at a 3.9x total interest bearing liabilities to EBITDA ratio, as of June 30, 2020

### Group operating results in H1 2020

LFL Net Retail Revenue, %	Q2 2020 vs. Q2 2019			H1 2020 vs. H1 2019		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
O`KEY Group	7.4%	(23.5%)	40.4%	7.3%	(10.2%)	19.4%
O`KEY	3.7%	(27.6%)	43.3%	4.3%	(13.4%)	20.5%
DA!	34.7%	(8.5%)	47.2%	31.3%	2.6%	28.0%

For more details, please refer to the Group's [Q2 2020 Trading Update](#).

## Group profit and losses highlights in H1 2020

RUB mln	H1 2020	H1 2019	Δ YoY, %
<b>Total Group revenue</b>	<b>85,059</b>	<b>79,883</b>	<b>6.5%</b>
O`KEY	72,417	71,272	1.6%
DA!	12,642	8,611	46.8%
<b>Gross profit</b>	<b>19,654</b>	<b>18,836</b>	<b>4.3%</b>
<i>Gross profit margin, %</i>	23.1%	23.6%	(0.5pp)
Selling, general and administrative expenses	(16,978)	(16,532)	2.7%
<i>SG&amp;A, as % of revenue</i>	20.0%	20.7%	(0.7pp)
Other operating (expenses)/income, net	(413)	139	n/a
<b>Operating profit</b>	<b>2,262</b>	<b>2,443</b>	<b>(7.4%)</b>
Finance costs, net	(2,406)	(2,567)	(6.3%)
Foreign exchange (loss)/gain	(1,082)	692	n/a
<b>Net profit (loss)</b>	<b>(900)</b>	<b>632</b>	<b>n/a</b>
<b>Group EBITDA</b>	<b>6,698</b>	<b>6,341</b>	<b>5.6%</b>
<i>Group EBITDA margin, %</i>	7.9%	7.9%	-
<b>O`KEY EBITDA</b>	<b>6,239</b>	<b>6,509</b>	<b>(4.2%)</b>
<i>O`KEY EBITDA margin, %</i>	8.6%	9.1%	(0.5pp)
<b>DA! EBITDA</b>	<b>459</b>	<b>(169)</b>	<b>n/a</b>
<i>DA! EBITDA margin, %</i>	3.6%	(2.0%)	+5.6pp

## Group revenue

RUB mln	H1 2020	H1 2019	Δ YoY, %
<b>Total Group revenue</b>	<b>85,059</b>	<b>79,883</b>	<b>6.5%</b>
Retail revenue	84,336	78,925	6.9%
Rental income	723	958	(24.5%)

Group retail revenue rose by 6.9% YoY to RUB 84,336 mln in H1 2020. This growth was driven by strong LFL performances from both O`KEY and DA!, and supported by DA! selling space expansion.

Rental income decreased from RUB 958 mln in H1 2019 to RUB 723 mln in H1 2020, due to leaseholders' businesses shutting down during the pandemic.

In H1 2020, total Group revenue increased by 6.5% YoY to RUB 85,059 mln.

## Group gross profit

The Group's gross profit increased by 4.3% YoY to RUB 19,654 mln, driven by retail revenue growth and sales mix improvement in H1 2020.

The Group's gross margin decreased by 0.5 pps YoY to 23.1%, on the back of higher shrinkage costs and a decline in rental income. However, this was partially offset by lower logistics costs.

In H1 2020, shrinkage costs grew, as a percentage of revenue, by 0.3 pps YoY, primarily due to the cancellation of returns to suppliers of products with a shelf-life of less than 30 days. Rental income, as a

percentage of total revenue, declined by 0.3 pps YoY, as explained above. Logistic costs, as a percentage of revenue, decreased by 0.1 pps YoY, due to continuous delivery process optimization.

### Group selling, general and administrative expenses

RUB mln	H1 2020	% of revenue	H1 2019	% of revenue	Δ YoY, pps
Personnel costs	(7,702)	9.1%	(7,377)	9.2%	(0.1pp)
Depreciation and amortisation	(4,017)	4.7%	(3,721)	4.7%	-
Communication and utilities	(1,812)	2.1%	(1,873)	2.3%	(0.2pp)
Advertising and marketing	(955)	1.1%	(1,069)	1.3%	(0.2pp)
Repairs and maintenance costs	(614)	0.7%	(668)	0.8%	(0.1pp)
Operating taxes	(431)	0.5%	(381)	0.5%	-
Insurance and bank commissions	(503)	0.6%	(450)	0.6%	-
Security expenses	(359)	0.4%	(355)	0.4%	-
Legal and professional expenses	(335)	0.4%	(293)	0.4%	-
Materials and supplies	(212)	0.2%	(149)	0.2%	-
Other costs	(22)	0.0%	(11)	0.0%	-
Variable operating lease expenses	(15)	0.0%	(185)	0.2%	(0.2pp)
<b>Total Group SG&amp;A</b>	<b>(16,978)</b>	<b>20.0%</b>	<b>(16,532)</b>	<b>20.7%</b>	<b>(0.7pp)</b>

Group SG&A expenses, as a percentage of revenue, decreased by 0.7 pps YoY to 20.0% in H1 2020, on the back of enhanced operational efficiency and disciplined cost management.

Personnel costs, as a percentage of revenue, reduced by 0.1 pps YoY to 9.1% in H1 2020, due mainly to the increased efficiency of store operations and a ramp-up in the DA! business. This was partially offset by extra bonuses to store staff during the pandemic.

Communication and utilities expenses declined, as a percentage of revenue, by 0.2 pps YoY while repairs and maintenance expenses went down by 0.1 pps YoY in H1 2020. This decrease was mainly attributable to the optimization of utility costs and the reduction of equipment repair and maintenance costs.

Advertising and marketing expenses fell, as a percentage of revenue, by 0.2 pps YoY to 1.1%, largely due to a change in advertising mix towards digital activities in response to the consumer demand for online shopping during Q2.

The Group brought variable lease expenses, as a percentage of revenue, down by 0.2 pps YoY in H1 2020, partially due to rental deductions received during the pandemic.

### Group other operating expenses

The Group recognized operating expenses amounting to RUB 413 mln in H1 2020 compared to other operating income of RUB 139 mln in H1 2019. The difference was mainly attributable to the disposal of non-current assets related to store closures. This amounted to a net loss of RUB 360 mln in H1 2020, compared to a RUB 68 mln gain in H1 2019. Additionally, gains from lease agreement modifications (under IFRS 16) dropped to RUB 56 mln in H1 2020, down from RUB 315 mln in H1 2019 (when the main effect was recognized upon IFRS 16 standard implementation). Both items have a non-cash nature.

### Group EBITDA and EBITDA margin

Group EBITDA grew by 5.6% YoY to RUB 6,698 mln in H1 2020, led by revenue growth, improved operational efficiency, and disciplined cost management.

DA! EBITDA improved to positive RUB 459 mln in H1 2020, compared to negative RUB 169 mln in H1 2019.

O'KEY EBITDA experienced a slight decline, down from RUB 6,509 mln in H1 2019 to RUB 6,239 mln in H1 2020. This decrease resulted from the drop in rental income and reduced non-cash gains from asset modification (according to IFRS 16) in the reporting period.

The Group's EBITDA margin remained flat YoY at 7.9% in H1 2020, driven by retail revenue growth and cost optimization. This was partially offset by a year-on-year decrease in rental income and lower non-cash gain from lease agreement modification, as described above.

### Group finance costs, foreign exchange and net profit

Net finance costs decreased by 6.3% YoY to RUB 2,406 mln in H1 2020, driven by a decline in the weighted average interest rate. A substantial part of interest costs were attributable to non-current lease liabilities (accounted under IFRS 16).

In H1 2020, net foreign exchange loss amounted to RUB 1,082 mln, compared to a RUB 692 mln gain in H1 2019. The loss was largely 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 loss of RUB 900 mln in H1 2020, compared to a RUB 632 mln net profit in H1 2019. The loss is fully explained by the aforementioned foreign currency loss, as well as non-cash losses from non-current assets disposal in H1 2020.

### Group cash flow

RUB mln	H1 2020	H1 2019
Net cash from/ (used in) operating activities	(468)	334
Net cash used in/ (from) investing activities	(1,614)	294
Net cash used in financing activities	(1,234)	(5,302)
Net decrease in cash and cash equivalents	(3,316)	(4,674)
Effect of exchange rate on cash and cash equivalents	(10)	(22)

Net cash used in operating activities amounted to RUB 468 mln in 1H 2020, compared to a net inflow of RUB 334 mln in 1H 2019. The decrease was a result of investments in working capital, used to secure goods to ensure shelf availability and meet customer demand during the months of the pandemic.

Net cash used in investing activities amounted to RUB 1,614 mln in H1 2020, in comparison with RUB 294 mln in cash receipts from investment activities in H1 2019. In H1 2020, the Group invested almost RUB 860 mln (excluding VAT) into the development of its hypermarket business and over RUB 700 mln (excluding VAT) into the expansion of its discount store operation. In H1 2019, the Group sold two land plots and received cash proceeds totalling RUB 1,553 mln outweighing its capital expenditures in the respective period.

Net cash used in financing activities amounted to RUB 1,234 mln in H1 2020. As of June 30, 2020, the Group has RUB 9,900 mln of undrawn, committed borrowing facilities available in Russian roubles on a fixed and floating basis in respect of which all conditions have 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 2020	As of 30 June 2019
<b>EBITDA LTM</b>	<b>14,419</b>	<b>14,369</b>
<b>Total debt</b>	<b>35,077</b>	<b>33,684</b>
Short-term debt <sup>1</sup>	7,469	1,709
Long-term debt	27,608	31,975
<b>Cash &amp; cash equivalents</b>	<b>2,181</b>	<b>4,016</b>
<b>Net Debt</b>	<b>32,895</b>	<b>29,668</b>
<b>Total Lease Liabilities</b>	<b>23,640</b>	<b>26,662</b>
Short-term lease liabilities	4,421	3,734
Long-term lease liabilities	19,219	22,928
<b>Total Interest-Bearing Liabilities (Net of cash &amp; cash equivalents)</b>	<b>56,535</b>	<b>56,330</b>
<b>Total Interest-Bearing Liabilities (Net of cash &amp; cash equivalents) / EBITDA LTM</b>	<b>3.9x</b>	<b>3.9x</b>

[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 June 30, 2020, net debt to EBITDA ratio stood flat YoY at 3.9x. As of June 30, 2020 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: OKEY) is pleased to invite the investment community to join O'KEY conference call on **H1 2020 IFRS financial results**.

**Date:** August 27, 2020

**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, Head of IR

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

<b>Russia:</b>	Local access	<b>+7 495 646 9190</b>
	Toll free	<b>8 10 800 2867 5011</b>

<b>UK:</b>	Local access	<b>+44 (0) 330 336 9411</b>
	Toll free	<b>0 800 279 7204</b>
<b>Europe:</b>	Local access	<b>+49 (0) 69 2222 2018</b>
<b>USA:</b>	Local access	<b>+1 929 477 0402</b>
	Toll free	<b>888 256 1007</b>
<b>Conference ID:</b>	<b>3275275</b>	

## OVERVIEW

O`KEY Group S.A. (LSE: OKEY, RAEX – ‘ruA-’) is one of the leading grocery retailers in Russia, operating hypermarkets under the O`KEY brand and discounters under the DA! brand.

As of June 30, 2020, the Group operates 177 stores across Russia (77 hypermarkets and 100 discounters) with a total selling area of 589,894 square meters. The company opened its first hypermarket in St. Petersburg in 2002 and has since demonstrated continuous growth. O`KEY is 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 four distribution centres throughout the Russian Federation – two in Moscow and two in St. Petersburg. The company employs 20,000+ people.

In 2019, Group’s revenue totalled RUB 165.1 billion, while EBITDA reached RUB 14.1 billion and net income climbed to RUB 747 million.

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.

### For further information please contact:

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