

Press release

28 July 2020

O`KEY GROUP ANNOUNCES 6.1% REVENUE GROWTH IN Q2 2020

O`KEY Group S.A. (LSE: OKEY, the 'Group') has announced its unaudited operating results for the second quarter and the first six months of 2020.

All materials published by the Group are available at www.okeygroup.lu.

Q2 2020 operating highlights

- Group net retail revenue¹ increased by 6.1% YoY to RUB 41,909 mln in Q2 2020.
- The Group like-for-like (LFL) net retail revenue grew by 7.4% YoY in Q2 2020, driven by a 40.4% increase in the average LFL ticket.
- DA! discounters net retail revenue jumped by 50.8% YoY to RUB 6,935 mln in Q2 2020, driven primarily by a 34.7% LFL net retail revenue growth, and supported by the expanded selling space.
- O`KEY hypermarkets net retail revenue showed a 0.2% YoY increase to RUB 34,973 mln in Q2 2020 on the back of a 3.7% LFL net retail revenue growth.

H1 2020 operating highlights

- Group net retail revenue rose by 6.9% YoY to RUB 84,335 mln in H1 2020.
- The Group delivered a 7.3% LFL net retail revenue growth in H1 2020, driven by a 19.4% increase in the average LFL ticket.
- DA! discounters net retail revenue grew by 47.0% YoY to RUB 12,617 mln in H1 2020, as a result of a 31.3% LFL net retail revenue growth and expanded selling space.
- O`KEY hypermarkets net retail revenue increased by 2.0% YoY to RUB 71,718 mln, owing to O`KEY hypermarkets LFL net retail revenue improving by 4.3% YoY in H1 2020.

Key events in Q2 2020 and after the reporting date

- In May 2020, O`KEY Group acquired a Karusel hypermarket in Saint Petersburg from X5 Retail Group, and has rebranded and relaunched it under the O`KEY brand. The new hypermarket is the region's 24th O`KEY store. Through this deal, the company has further strengthened its foothold in its strategic market, and brought the North-West region's total selling space to in excess of 185,000 sq. m.
- In July 2020, Expert RA affirmed O`KEY LLC, the main operating subsidiary of O`KEY Group S.A., the credit rating of 'ruA-' with a Stable outlook. The rating agency noted the improvement in the Group's revenue and profitability indicators for 2019, as well as the decrease in the total debt level and the debt portfolio optimisation.

¹ Hereinafter, net retail revenue, LFL net retail revenue, and the average ticket metrics are provided net of VAT.

COVID-19 situation response

In the beginning of 2020, the Group promptly addressed the situation with the spread of COVID-19 and undertook the necessary measures to maintain the safe and smooth operations of its stores and supply chain. These measures allowed the company to overcome the challenges the market faced in the first half of 2020, and fully satisfy consumer demand by creating a safe, convenient, and pleasurable shopping experience across all its formats and sales channels.

Safety of customers and employees	Supply chain and store replenishment
<ul style="list-style-type: none"> Disinfection of store surfaces, hand sanitiser dispensers, masks and gloves, plastic screens at cash desks to protect customers and employees Strict sanitary control in own production areas, including germicidal lamps for air disinfection in the deli and bakery Strict monitoring of store, warehouses and office staff with mandatory temperature checks and remote work for most office employees 	<ul style="list-style-type: none"> Timely increase in stock levels to meet the anticipated rise in demand Ensuring sufficient safety stock of high-demand, entry-level products in distribution centres Optimising interactions with suppliers and increasing the efficiency of logistics operations
E-commerce and online orders	Social responsibility
<ul style="list-style-type: none"> Online delivery okeydostavka.ru showed a 77% YoY growth in sales during the reporting period The company started piloting delivery of internet orders in the regions through partnership with specialised delivery operators 	<ul style="list-style-type: none"> The social initiative <i>Stay healthy with us, we'll take care of the rest</i> with zero mark-up for a wide range of product categories The social initiative <i>Older People Hour</i>, providing priority service in the morning hours for elderly customers

Operating review

Group Net Retail Revenue in Q2 and H1 2020

Net Retail Revenue, RUB mln (excl. VAT)	Q2 2020	Q2 2019	YoY, %	H1 2020	H1 2019	YoY, %
O'KEY Group	41 909	39 504	6.1%	84 335	78 926	6.9%
O'KEY hypermarkets	34 973	34 906	0.2%	71 718	70 342	2.0%
DA! discounters	6 935	4 599	50.8%	12 617	8 583	47.0%

Group Like-for-like Net Retail Revenue dynamics in Q2 and 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 hypermarkets	3.7%	(27.6%)	43.3%	4.3%	(13.4%)	20.5%
DA! discounters	34.7%	(8.5%)	47.2%	31.3%	2.6%	28.0%

Note: Q2 2020 LFL metrics calculated based on 74 O'KEY and 84 DA! stores.

Group Net Retail Revenue Monthly Metrics for Q2 2020

	April	May	June	Q2 2020	H1 2020
Net retail revenue, % YoY					
O'KEY Group	1.6%	8.0%	8.8%	6.1%	6.9%
O'KEY hypermarkets	(4.7%)	2.0%	3.4%	0.2%	2.0%
DA! discounters	52.1%	52.6%	47.9%	50.8%	47.0%
Customer traffic, % YoY					
O'KEY Group	(31.7%)	(23.8%)	(14.9%)	(23.5%)	(9.4%)
O'KEY hypermarkets	(38.2%)	(30.1%)	(22.2%)	(30.2%)	(15.4%)
DA! discounters	(6.7%)	(0.1%)	11.5%	1.7%	14.5%
Average ticket, % YoY					
O'KEY Group	48.8%	41.6%	27.8%	38.7%	18.0%
O'KEY hypermarkets	54.2%	46.0%	32.9%	43.6%	20.5%
DA! discounters	63.0%	52.8%	32.6%	48.3%	28.4%

O'KEY Group

Group net retail revenue increased by 6.1% YoY to RUB 41,909 mln in Q2 2020, and by 6.9% YoY to RUB 84,335 mln in H1 2020.

Group like-for-like (LFL) net retail revenue grew by 7.4% YoY in Q2 2020, and by 7.3% YoY in H1 2020, driven by an increase in the average LFL ticket.

O'KEY hypermarkets

O'KEY hypermarkets net retail revenue demonstrated a 0.2% YoY increase to RUB 34,973 mln in Q2 2020, driven by a 3.7% YoY LFL net retail revenue growth.

During the second quarter, we evidenced a change in customer behaviour related to COVID-19 lockdown. The customers visited stores less frequently, but tended to stockpile while shopping in order to minimise visits.

The revenue growth was supported by the company's ongoing efforts to ensure on-the-shelf availability and timely preparation for the peak demand, a broader range of fresh, ultra-fresh, own production and non-food products, as well as its commitment to offering customers a safe, one-stop shopping experience.

Additionally, O'KEY hypermarkets benefited from their selection of non-food items, such as goods for home and garden, clothes and shoes, sports goods, consumer electronics and home appliances, which showed the fastest revenue growth in Q2 2020. Of all food products, frozen and canned food; fresh fish and meat; fruit and vegetables; cheese, deli and the wine selection were the top-performing categories in Q2 2020.

The average LFL ticket increased by 43.3% YoY, while LFL traffic fell by 27.6% YoY in Q2 2020.

The traffic was affected by the change in customer behaviour and closure of shopping malls during self-isolation in April and May, although this started to recover in June when the lockdown was eased. In contrast, the average ticket soared in Q2 due mainly to the higher number of items per basket.

During the quarter, O'KEY hypermarkets continued to develop its shopping experience by rezoning and modernising stores, and improving the quality of its own production, deli, bakery, private labels, fruit and vegetable range and so on. The share of private labels increased by 0.8 pp YoY, amounting to 7.9% of O'KEY sales in Q2 2020.

For customers who preferred to remain at home during lockdown, okeydostavka.ru delivery service ramped up its operations to guarantee meeting the demand in orders. Online sales through O'KEY's e-commerce platform rose by 77% YoY, with an 86% YoY growth in Moscow during Q2 2020.

DA! discounters

As stores with a well-balanced, high-quality assortment at competitive prices, DA! discounters were the main growth drivers for the Group in Q2 2020. During the pandemic months, the customers greatly appreciated both the shopping experience and selection of products on offer.

The ongoing efforts to improve customer value proposition and the quality of its products and services, while aiming to continue offering competitive prices for essential goods, resulted in higher customer loyalty and impressive top-line growth. Compared to the sustainable average growth of over 30%, the DA! stores showed a significant acceleration in revenue growth during Q2 2020. DA! discounters net retail revenue soared by 50.8% YoY to RUB 6,935 mln, driven mainly by LFL net retail revenue growth and supported by expanded selling space.

The DA! stores delivered a 34.7% LFL net retail revenue increase during Q2 2020. The growth is attributable to a 47.2% increase in the average LFL ticket, while LFL traffic was down by 8.5% in Q2 2020.

Customer traffic fell year-on-year in April and May as a result of less frequent store visits due to the COVID-19 restrictions. However, this accelerated to a growth of 11.5% YoY in June, as the self-isolation was eased. The average ticket growth, conversely, peaked in April-May due for the most part to the higher number of items per basket.

Thanks to the balanced selection on offer, the brand showed an impressive growth in sales across all product categories without any substantial changes in the sales mix during Q2 2020. The share of private labels totalled 50% of all DA! sales in Q2 2020.

Group's Stores Expansion

Stores and Selling Space	Q2 2020	Q2 2019	Net change	Change (%)
Number of stores, EoP	177	164	13	7.9%
O'KEY hypermarkets	77	78	(1)	(1.3%)
DA! discounters	100	86	14	16.3%
Number of net store openings	(1)	2	(3)	na
O'KEY hypermarkets	(1)	0	(1)	na
DA! discounters	0	2	(2)	na
Total selling space (sq. m.), EoP	589 894	587 778	2 116	0.4%
O'KEY hypermarkets	520 581	528 124	(7 543)	(1.4%)
DA! discounters	69 313	59 654	9 659	16.2%
Total selling space added (sq. m.)	(8 414)	1 421	(9 835)	na
O'KEY hypermarkets	(8 474)	0	(8 474)	na
DA! discounters	60	1 421	(1 361)	na

In Q2 2020, the company opened one O'KEY hypermarket in Saint Petersburg and closed two in Stavropol and Volgograd, and operates 77 O'KEY stores with 520,581 sq. m. selling space as of June 30, 2020.

The Group opened three and closed three DA! Discounters in Q2 2020, and operates 100 discounters with 69,313 sq. m. of selling space as of 30 June 2020.

OVERVIEW

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

As of June 30, 2020, the Group operates 177 stores across Russia (77 supermarkets and 100 discounters) with a total selling area of 589,894 square meters. The company opened its first supermarket 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 supermarket 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.

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