

Press release

30 October 2020

O`KEY GROUP ANNOUNCES 3.6% REVENUE GROWTH IN Q3 AND 5.8% IN 9M 2020

O`KEY Group S.A. (LSE: OKEY, the “Group”), one of Russia’s leading food retailers, today announces its unaudited operating results for the third quarter (Q3) and first nine months (9M) of 2020.

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

Q3 2020 operating highlights

- Group net retail revenue¹ grew by 3.6% YoY to RUB 39,463 mln in Q3 2020.
- Group like-for-like (LFL) net retail revenue increased by 2.8% YoY in Q3 2020, driven by growth at the DA! discounter brand.
- DA! discounters delivered a 45.7% YoY increase in net retail revenue to RUB 6,202 mln in Q3 2020, on the back of 26.8% growth of LFL net retail revenue and supported by a 19.4% YoY expansion of selling space.
- DA! LFL net retail revenue growth was a result of a 5.6% increase in traffic and a 20.1% rise in the average ticket in Q3 2020.
- The Group plans to increase the number of DA! stores by 18% YoY in FY 2020. The Group sees the discounters as a major growth driver of the Group’s top- and bottom-line performance over the medium and long term.
- Net retail revenue at O`KEY hypermarkets decreased by 1.6% YoY due mainly to a 1.8% YoY reduction in selling space.
- O`KEY hypermarkets LFL net retail revenue was almost flat YoY in Q3 2020, as 16.1% growth of the LFL average ticket growth was offset by a 14.1% decrease in LFL traffic.

9M 2020 operating highlights

- Group net retail revenue rose by 5.8% YoY to RUB 123,793 mln in 9M 2020, driven mainly by LFL revenue growth.
- LFL net retail revenue increased by 5.8% YoY in 9M 2020, with contributions from both the O`KEY and DA! brands.
- DA! discounters net retail revenue grew by 46.6% YoY to RUB 18,821 mln in 9M 2020, on the back of 29.8% growth of LFL net retail revenue and selling space expansion.
- O`KEY hypermarkets LFL net retail revenue improved by 2.8% YoY in 9M 2020, resulting in a net retail revenue increase of 0.8% YoY to RUB 104,973 mln.

Key events in Q3 2020 and after the reporting date

- In September, the Group launched a new O`KEY brand store concept at one of its hypermarkets in Moscow. The concept aims to further enhance the competitiveness of O`KEY stores against long-term consumer trends, and leverages the Group’s own innovative solutions and the latest global expertise. The new concept will further improve the shopping experience and customer service, and

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

also make more efficient use of selling space. The Group plans to continue the roll-out of the new concept to other O`KEY stores.

- In October, the Group entered into an agreement with Sbermarket, a nationwide food and essentials delivery service, to deliver online orders from O`KEY hypermarkets in four cities across Russia. The coverage area is planned to expand going forward. Previously, in Q2 2020, O`KEY started cooperation with the iGoods service, which now delivers hypermarket items to customers in five cities where O`KEY has a presence.

The full text of the Sbermarket announcement is available at <https://okeygroup.lu/press-center/press-releases/2020/1722/>

- In October, the Group closed an order book on RUB 5 billion ten-year bonds with a three-year put option to refinance a publically traded bond issue due in April 2021. The annual coupon was set at 7.5%, below the pre-marketed range. The new bonds are planned to start trading on Moscow Exchange in early November 2020.

The full text of the announcement is available at <https://okeygroup.lu/press-center/press-releases/2020/1725/>

Commenting on the results, Armin Burger, Chief Executive Officer of O`KEY Group, said:

“Thanks to the resilience and flexibility of our business model, the Group has reported solid growth amid a challenging economic environment and frequent changes in customer behaviour brought on by the pandemic. In 9M 2020, the Group’s net retail revenue and LFL revenue both grew by 5.8% YoY.”

“As we have noted previously, DA! discounters are becoming a major growth driver for the Group, with an almost 47% YoY increase in net retail revenue for the first nine months of 2020. In the third quarter, DA! grew retail revenue by an impressive 46% YoY and LFL revenue by 27% on the back of both positive traffic and basket dynamics. Today, DA! is the only successful implementation of the European discounter model in the Russian market, due in particular to its exceptionally competitive and well-balanced assortment of around 2,800 SKUs based on unrivalled private label expertise.”

“O`KEY hypermarkets remain in demand among consumers thanks to their well-chosen and wide product range, which is designed to meet the main customer needs, as well as competitive prices and a high level of service. In order to further increase the competitiveness of O`KEY stores, we have launched a transformation programme for our hypermarkets in response to global consumer trends. The programme is based on a new store concept that is designed to significantly raise O`KEY’s attractiveness by leveraging the company’s expertise and the latest solutions in modern food retail. We plan to present the new store concept in more detail in November this year.”

Operating review

Group Net Retail Revenue in Q3 and 9M 2020

Net Retail Revenue, RUB mln (excl. VAT)	Q3 2020	Q3 2019	YoY, %	9M 2020	9M 2019	YoY, %
O`KEY Group	39,463	38,076	3.6%	123,793	117,000	5.8%
O`KEY hypermarkets	33,260	33,818	(1.6%)	104,973	104,161	0.8%
DA! discounters	6,202	4,257	45.7%	18,821	12,840	46.6%

Group Like-for-Like Net Retail Revenue Dynamics in Q3 and 9M 2020

LFL Net Retail Revenue, %	Q3 2020 vs. Q3 2019			9M 2020 vs. 9M 2019		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
O`KEY Group	2.8%	(10.0%)	14.2%	5.8%	(10.1%)	17.7%
O`KEY hypermarkets	(0.3%)	(14.1%)	16.1%	2.8%	(13.7%)	19.1%
DA! discounters	26.8%	5.6%	20.1%	29.6%	3.4%	25.4%

Note: Q3 2020 LFL metrics calculated based on 74 O`KEY and 84 DA! stores.

Group Net Retail Revenue Monthly Metrics for Q3 2020

	Jul	Aug	Sept	Q3 2020	9M 2020
Net retail revenue, % YoY					
O`KEY Group	7.4%	1.8%	1.8%	3.6%	5.8%
O`KEY hypermarkets	1.8%	(3.6%)	(3.1%)	(1.6%)	0.8%
DA! discounters	50.3%	45.5%	41.1%	45.7%	46.6%
Customer traffic, % YoY					
O`KEY Group	(7.9%)	(8.7%)	(8.1%)	(8.2%)	(9.0%)
O`KEY hypermarkets	(15.9%)	(16.1%)	(14.8%)	(15.6%)	(15.5%)
DA! discounters	22.3%	20.1%	17.2%	19.9%	16.4%
Average ticket, % YoY					
O`KEY Group	16.7%	11.4%	10.8%	12.9%	16.3%
O`KEY hypermarkets	21.1%	15.0%	13.8%	16.6%	19.2%
DA! discounters	22.9%	21.2%	20.4%	21.5%	26.0%

The Group's business model once again proved its resilience and flexibility amid a turbulent macro environment. Group net retail revenue increased by 3.6% YoY to RUB 39,463 mln in Q3 2020, and by 5.8% YoY to RUB 123,793 mln in 9M 2020, mainly due to growth of like-for-like (LFL) net retail revenue.

Group LFL net retail revenue grew by 2.8% YoY in Q3 2020, and by 5.8% YoY in 9M 2020.

DA! discounters continued to lead the Group's performance, with a 45.7% YoY increase in net retail revenue in Q3 2020, and a 46.36 YoY rise in 9M 2020 (compared to average growth of around 30% pre-COVID).

The DA! discounter business continued to capitalise on long-term consumer trends with its competitive business model and private label expertise. Thanks to DA!'s strong value-for-money proposition, competitive prices, high-quality fresh products offering and extensive private-label portfolio, customers remained loyal to the brand after the lockdown was eased.

DA! discounters grew LFL net retail revenue by 26.8% in Q3 2020, and by 29.6% in 9M 2020. Both LFL ticket and traffic recorded positive growth in 3Q and 9M 2020.

Five DA! stores opened in Q3 2020, and plans to open 18 stores net of closures in FY 2020 (an 18% YoY increase). The Group sees discounters as a major growth driver of the Group's top- and bottom-line performance in the medium and long term.

Net retail revenue at O`KEY hypermarkets decreased by 1.6% YoY to RUB 33,260 mln in Q3 2020, mainly due to a 1.8% YoY reduction of selling space. In 9M 2020, O`KEY stores grew net retail revenue by 0.8% YoY to RUB 104,973 mln, on the back of a 2.8% increase in LFL net retail revenue.

In the third quarter, we saw more frequent customer visits compared to the lockdown during Q2. However, while customer traffic in shopping malls in Moscow and St. Petersburg began to recover, it remained lower YoY in Q3 2020. O`KEY LFL traffic was down by 14.1% YoY in Q3 2020, a recovery from a 27.6% YoY outflow in Q2 2020. At the same time, the average LFL ticket rose by 16.1% in Q3, compared to 43.3% growth in Q2 2020, due mainly to a decrease in items per basket as clients tended to stockpile less than during the lockdown. As a result, O`KEY's LFL net retail revenue was almost flat in Q3 2020.

In Q3, O`KEY continued to improve the efficiency of its logistics and supply chain, ensuring on-the-shelf availability and a high level of service, and further improving the freshness and quality of the products on offer. Ultra-fresh and fresh, own production and private labels assortment and display remained key priorities. The share of private labels increased by 1.1 pp YoY, amounting to 8.1% of O`KEY retail sales in Q3 2020.

The Group is transforming its hypermarkets to further enhance the competitiveness of O`KEY stores by delivering the highest quality, best value proposition and an outstanding customer experience. In September, the Group launched a new store concept for the O`KEY brand at one of its hypermarkets in Moscow. The new concept aims to further improve the value proposition with key focus on assortment and shopping experience, customer service, and efficiency of selling space utilisation. The upgraded store combines advances in modern detail and leverages the Group's expertise and global best practice. The new concept hypermarket combines innovative IT and digital solutions, operational efficiencies, vast choice of fresh categories, safety and convenience, an appealing design and unique ambience. The Group plans to continue remodelling and upgrading O`KEY stores based on the new concept.

Online sales through O`KEY's own delivery service rose by 30% YoY in 9M 2020, and reached 3.6% of O`KEY net retail revenue in Moscow and 1.9% in St. Petersburg in Q3 2020.

To meet growing consumer demand for omnichannel shopping, O`KEY has expanded its online presence across nine cities of Russia, in addition to the Group's own e-commerce platform in Moscow and St. Petersburg.

In Q2 2020, O`KEY started cooperation with the iGooods service, which now delivers hypermarket items to customers in Yekaterinburg, Tyumen, Surgut, Rostov-on-Don and Krasnodar.

In October 2020, the Group entered into an agreement with Sbermarket, a nationwide food and essentials delivery service, to deliver online orders from O`KEY hypermarkets in Omsk, Ufa, Rostov-on-Don and Nizhny Novgorod.

The Group plans to develop its own delivery service in Moscow and St. Petersburg, its core cities of presence, while expanding regional coverage via partnerships with leading delivery operators.

Group Stores Expansion

Stores and Selling Space	Q3 2020	Q3 2019	Net change	Change (%)
Number of stores, EoP	182	165	17	10.3%
O`KEY hypermarkets	77	78	(1)	na
DA! discounters	105	87	18	20.7%
Number of net store openings	5	1	4	4x
O`KEY hypermarkets	0	0	na	na
DA! discounters	5	1	4	4x
Total selling space (sq. m.), EoP	591,352	589,362	1,990	0.3%
O`KEY hypermarkets	519,369	529,055	(9,686)	(1.8%)
DA! discounters	71,983	60,307	11,676	19.4%
Total selling space added (sq. m.)	1,458	653	805	123.3%
O`KEY hypermarkets	(1,212)	0	(1,212)	na
DA! discounters	2,670	653	2,017	308.9%

In Q2 2020, the company opened one O`KEY hypermarket in St. Petersburg and closed two in Stavropol and Volgograd. In addition, one O`KEY store in Moscow was under reconstruction in Q2 and Q3 2020, halving the available selling space. Thus, the selling space of the O`KEY chain reduced by 9.7 thousand sq.m, or by 1.8% YoY, as of September 30, 2020.

In Q3 2020, the Group opened 5 DA! stores net of closures, increasing the chain by 18 stores YoY and selling space by 19.4% YoY, as of September 30, 2020.

As of 30 September 2020, the Group operated 77 O`KEY stores and 105 DA! discounters, with total selling space of 591,352 sq. m.

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 September 30, 2020, the Group operates 182 stores across Russia (77 hypermarkets and 105 discounters) with total selling space of 591,352 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 Russia – two in Moscow and two in St. Petersburg. The Group 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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