

Press Release
18 April 2023

**O`KEY GROUP REPORTS NET PROFIT GROWTH OF 16.2%,
DA! DISCOUNTERS EBITDA MORE THAN DOUBLES IN FY 2022**

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 full year of 2022 based on audited consolidated 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.

FY 2022 financial highlights

- Total Group revenue increased by 8.1% YoY to RUB 202.2 bn
- Group gross profit rose by 11.1% to RUB 46.8 bn, and gross margin improved by 0.7 pps YoY to 23.2%
- Group EBITDA grew by 9.8% YoY to RUB 17.0 bn, and EBITDA margin increased by 0.1 pps YoY to 8.4%
- DA! discounters EBITDA surged 2.2 times YoY to RUB 3.6 bn, and EBITDA margin reached 6.8%
- The Group’s operating profit grew by 15.2% YoY to RUB 5.8 bn
- The Group’s net profit increased by 16.2% YoY and amounted to RUB 242 mln

Key events after the reporting period

- In March 2023, the Group’s global depositary receipts (GDRs) were admitted to the quotation list in the main market segment on the Astana International Exchange (AIX).

The full announcement is available at <https://www.okeygroup.lu/press-center/press-releases/2023/1836/>.

Group Profit and Losses Highlights for FY 2022

RUB mln	FY 2022	FY 2021	Δ YoY, %
Total Group revenue	202,171	187,097	8.1%
O`KEY hypermarkets	148,824	152,260	(2.3%)
DA! discounters	53,347	34,837	53.1%
Gross profit	46,808	42,119	11.1%
<i>Gross profit margin, %</i>	23.2%	22.5%	0.7pps
SG&A	(40,390)	(35,718)	13.1%
<i>SG&A as % of revenue</i>	20.0%	19.1%	0.9pps
Other operating expenses, net	(667)	(1,410)	(52.7%)
Operating profit	5,751	4,991	15.2%
Finance expenses, net	(5,642)	(4,798)	17.6%
Foreign exchange gain	313	206	51.9%
Net profit	242	208	16.2%
Group EBITDA	17,020	15,504	9.8%
<i>Group EBITDA margin, %</i>	8.4%	8.3%	0.1pps
O`KEY EBITDA	13,377	13,839	(3.3%)
<i>O`KEY EBITDA margin, %</i>	9.0%	9.1%	(0.1pps)
DA! EBITDA	3,643	1,665	2.2x
<i>DA! EBITDA margin, %</i>	6.8%	4.8%	2pps

Group Revenue

RUB mln	FY 2022	FY 2021	Δ YoY, %
Total Group revenue	202,171	187,097	8.1%
Retail revenue	200,201	185,172	8.1%
Rental income	1,970	1,925	2.3%

In FY 2022, Group retail revenue grew by 8.1% YoY to RUB 200,201 mln, driven by the expansion of the two chains, as well as DA! discounters' LFL revenue and O`KEY's online revenue growth.

The Group's rental income increased by 2.3% YoY and amounted to RUB 1,970 mln in FY 2022. Total Group revenue was up by 8.1% YoY to RUB 202,171 mln in FY 2022.

Group Net Retail Revenue and LFL Revenue

RUB mln	12M 2022	12M 2021	YoY, %	LFL 2022/ 2021, %
O`KEY Group	200,201	185,172	8.1%	2.1%
O`KEY hypermarkets	146,904	150,383	(2.3%)	(3.6%)
DA! discounters	53,297	34,789	53.2%	26.8%

For more details, please refer to the Group's [Q4 and 12M 2022 Trading Update](#).

Group Gross Profit

In FY 2022, Group gross profit rose by 11.1% YoY to RUB 46,808 mln, while gross margin improved by 0.7 pps YoY to 23.2%. The improvement was made possible by the Group's effective procurement and logistics management, timely efforts in reshaping the supply of products on offer, and operational synergies between the formats.

In 2022, thanks to our long-term partnership with local suppliers, we introduced new SKUs into our offering. Additionally, we successfully phased out some of the imported SKUs, ensuring a diverse selection of products at reasonable prices without sacrificing our margins.

Group Selling, General and Administrative Expenses

RUB mln	FY 2022	% of revenue	FY 2021	% of revenue	Δ YoY, pps
Personnel costs	16,850	8.3%	15,388	8.2%	0.1
Depreciation and amortisation	10,662	5.3%	8,904	4.8%	0.5
Communication and utilities	4,587	2.3%	4,037	2.2%	0.1
Advertising and marketing	2,296	1.1%	1,992	1.1%	-
Repairs and maintenance	1,582	0.8%	1,399	0.7%	0.1
Insurance and bank commissions	1,260	0.6%	1,094	0.6%	-
Operating taxes	766	0.4%	652	0.3%	0.1
Security expenses	785	0.4%	730	0.4%	-
Legal and professional expenses	651	0.3%	709	0.4%	(0.1)
Materials and supplies	460	0.2%	409	0.2%	-
Operating leases	448	0.2%	353	0.2%	-
Other costs	43	-	51	-	-
Total SG&A	40,390	20.0%	35,718	19.1%	0.9

The Group's total SG&A expenses increased by 13.1% YoY to RUB 40,390 mln in FY 2022. SG&A expenses as a percentage of revenue grew by 0.9 pps YoY to 20.0% in FY 2022, driven mainly by depreciation and amortisation expenses, personnel costs, and utilities expenses.

In FY 2022, personnel costs increased by 9.5% YoY to RUB 16,850 mln and, as a percentage of revenue, by 0.1 pps YoY to 8.3%. The growth came mainly on the back of new store openings in both chains, as well as wages indexation in hypermarkets.

In FY 2022, D&A expenses rose by 19.7% YoY to RUB 10,662 mln, and by 0.5 pps YoY to 5.3% of revenue, driven primarily by the discounter chain growth.

Communication and utilities expenses expanded by 13.6% YoY to RUB 4,587 mln, and by 0.1 pps as a percentage of revenue, on the back of utilities tariffs inflation, as well as new store openings.

Advertising and marketing expenses were up by 15.2% YoY to RUB 2,296 mln, largely due to the planned replacement of advertising equipment in hypermarkets.

Repairs and maintenance expenses rose by 13.1% YoY to RUB 1,582 mln, or by 0.1 pps YoY to 0.8% of revenue, mostly due to new store openings.

Group EBITDA and EBITDA Margin

The Group's EBITDA grew by 9.8% YoY to RUB 17,020 mln, while EBITDA margin improved by 0.1 pps YoY to 8.4% in FY 2022.

O`KEY hypermarkets EBITDA declined slightly by 3.3% YoY to RUB 13,377 mln in FY 2022, mainly on the back of a 2.3% YoY decrease in net retail revenue and cost inflation mentioned above, partially offset by higher gross profit. O'KEY hypermarkets continued to be the foundation of our business, contributing almost 79% of the Group's EBITDA. In FY 2022, EBITDA of O`KEY hypermarkets stood at 9.0%, 0.1 pps down from 9.1% seen in FY 2021.

Overall, in 2022, the Company successfully adjusted the hypermarkets' operations to accommodate the ongoing price inflation of raw materials, decreased foot traffic, and more cautious and rational purchasing habits of consumers. We substantially enhanced our product assortment and introduced a variety of marketing activities to offer our customers an excellent value for money and entice them into visiting our hypermarkets.

DA! discounters EBITDA demonstrated a 2.2x YoY growth to RUB 3,643 mln in FY 2022, compared with RUB 1,665 mln in FY 2021. As the business continued to ramp up, DA! EBITDA margin improved by 2.0 pps YoY and reached 6.8% in FY 2022.

The considerable increase in the profitability of the format is backed by stronger brand awareness and customer loyalty, consistently superior price-to-quality ratio, availability of fresh products, and focus on the Every Day Low Price policy to keep our products affordable to all customers. A key element contributing to the DA! success is the prudent selection of our own brands, comprising approximately 50% of the discounters' revenue.

Group Net Profit

Other operating expenses (net of income) decreased by 52.7% YoY to RUB 667 mln in FY 2022. The decrease was mainly attributable to a year-on-year decline in non-current assets impairment in the hypermarket segment in FY 2022.

Net finance expenses increased by 17.6% YoY to RUB 5,642 mln in FY 2022, driven predominantly by an increase in the weighted average interest rate over the course of 2022. In addition, part of interest expenses was attributable to non-current lease liabilities (under IFRS 16), which increased in FY 2022.

In FY 2022, the Group recognised net foreign exchange gain of RUB 313 mln, compared to RUB 206 mln in FY 2021. The Group's net foreign exchange gain was chiefly attributable to lease contracts in foreign currencies, as well as foreign exchange gain from import operations, while USD-denominated intercompany loans with different functional currencies that were eliminated on consolidation had a relatively small impact on the Group's results. The foreign exchange gain/loss is of non-cash nature.

In 2022, the Group's net profit grew by 16.2% YoY to RUB 242 mln.

Group Cash Flow

RUB mln	FY 2022	FY 2021
Net cash from operating activities	12,958	13,813
Net cash used in investing activities	(6,468)	(3,927)
Net cash used in financing activities	(3,885)	(8,137)
Net increase in cash and cash equivalents	2,605	1,749
Effect of exchange rate on cash and cash equivalents	(274)	(15)

Net cash from operating activities amounted to RUB 12,958 mln compared to RUB 13,813 mln in FY 2021. The decline was mainly due to increased investments in inventory stock in order to secure high level of on-shelf products availability in the Group's stores and online over 2022.

Net cash used in investing activities amounted to RUB 6,468 mln in FY 2022 vs RUB 3,927 mln of cash used in FY 2021. In 2022, the Group invested approximately RUB 2.6 bn (excluding VAT) in the development of the hypermarket business, including purchase of four stores in Moscow region, and over RUB 4.0 bn (excluding VAT) in the development of DA! chain.

Net cash used in financing activities amounted to RUB 3,885 mln in FY 2022, compared to RUB 8,137 mln of net cash used in financing activities in FY 2021. The dynamics resulted from the Group's regular credit portfolio refinancing, in particular a new bond issue in 2022.

As of 31 December 2022, the Group had RUB 16,467 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 31 December 2022	As of 31 December 2021
EBITDA	17,020	15,504
Total debt	45,486	37,817
Short-term debt ¹	9,961	6,172
Long-term debt	35,525	31,645
Cash & cash equivalents	11,779	9,448
Net debt	33,707	28,369
Total lease liabilities	22,545	24,063
Short-term lease liabilities	5,621	4,986
Long-term lease liabilities	16,924	19,077
Total interest-bearing liabilities (net of cash & cash equivalents)	56,251	52,432
Total interest-bearing liabilities (net of cash & cash equivalents) / EBITDA	3.30x	3.38x

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

The Group's financial position remained strong during the reporting period.

As of 31 December 2022, the total interest-bearing liabilities (net of cash) to EBITDA ratio decreased to 3.30x from 3.38x as of 31 December 2021. As of 31 December 2022 and during the twelve-month period then ended, the Group complied with all of its loan covenants.

Group audited consolidated IFRS report

The Group's audited report, including the full set of audited IFRS financial statements, can be found at <https://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 31 December 2022, the Group operated 273 stores across Russia (79 hypermarkets and 194 discounters) with the total selling space of 656,224 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 offering a full range of hypermarket products for home delivery. The Group has nine e-commerce pick-up points in Moscow and seventeen 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 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.

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