

O'KEY Group reports **net profit** for H1 2022

DA! discounters EBITDA more than doubled

H1 2022 Financial Highlights

O'KEY Group S.A. (LSE, MOEX: OKEY, the 'Group'), one of Russia's leading food retailers, has announced its financial results for the first six months of 2022 based on condensed consolidated interim financial statements.

+10.3% YoY  **GROUP**

Total Group revenue increased to **RUB 97.8 bn**

+63.1% YoY  **DA!**

DA! revenue soared to **RUB 25.5 bn** led by a 35.2% LFL revenue growth and selling space expansion

+14.2% YoY  **GROUP**

Group EBITDA grew to **RUB 7.5 bn**

+14.5% YoY  **GROUP**

Group gross profit increased to **RUB 22.3 bn** in H1 2022

22.8%  **GROUP**

Group gross margin improved YoY by **0.8 pps**

7.7%  **GROUP**

Group EBITDA margin improved YoY by **0.3 pps** in H1 2022

1.7 RUB bn  **DA!**

DA! discounters EBITDA rose **2.6 times** YoY in H1 2022

8.0%  **O'KEY**

O'KEY hypermarkets' EBITDA margin in H1 2022

576 RUB mln  **GROUP**

Group posted net profit in H1 2022

**Armin Burger**

O'KEY Group CEO

“In the first half of 2022, the Group delivered strong operational and financial results, despite the unprecedented geopolitical and macroeconomic turmoil that the global economy faced. The Group demonstrated a year-on-year improvement in both gross and EBITDA margins in H1 2022.

Since March 2022, we have successfully revised our supplier portfolio and adjusted the supply chain and logistics to ensure full-shelf product availability. Our focus remains on domestic supply, with around 80% of the assortment sourced locally.

We continued to develop the three pillars of O'KEY Group's business model: modern O'KEY hypermarkets, fast-growing DA! discounters, and the e-grocery business. The Group acquired and relaunched under a new concept 4 O'KEY hypermarkets in the Moscow region, opened 12 DA! discounters in Central Russia and added 6 pick-up points for online orders at O'KEY hypermarkets in Moscow and St. Petersburg.

For O'KEY hypermarkets, we went on optimising the store portfolio and streamlining the cost base. In Q2 2022, we temporarily limited promotional activity at hypermarkets in order to ensure sufficient stock levels and full on-shelf availability, as well as protect our margins in a highly inflationary environment. In H1 2022, the hypermarkets demonstrated a strong EBITDA margin of 8%.

DA! discounters showed a 63% YoY revenue growth with a record-high like-for-like increase of 35% in H1 2022. In Q2 2022, the discounter business reached 28.5% of the Group's net retail revenue. As the chain continued to ramp up in H1 2022, its EBITDA grew more than twofold, and the EBITDA margin improved substantially to 6.8%.

We expect the discounters to remain a key driver of the Company's continued top-and bottom-line growth and, in several years, to constitute half of the Group's business. In 2022, we plan to open up to 45 new DA! discounters and undergo a concept update in up to 8 O'KEY hypermarkets.”

Group Profit and Losses Highlights in H1 2022

RUB mln	H1 2022	H1 2021	Δ YoY, %
Total Group revenue	97,803	88,662	10.3%
O`KEY	72,264	73,001	(1.0%)
DA!	25,539	15,661	63.1%
Gross profit	22,302	19,486	14.5%
<i>Gross margin, %</i>	<i>22.8%</i>	<i>22.0%</i>	<i>0.8pps</i>
Selling, general and administrative expenses	(19,794)	(17,275)	14.6%
<i>SG&A, % of revenue</i>	<i>20.2%</i>	<i>19.5%</i>	<i>0.7pps</i>
Other operating expenses, net	(551)	(266)	2.1x
Operating profit	1,958	1,946	0.6%
Finance costs, net	(2,685)	(2,343)	14.6%
Foreign exchange gain	1,533	539	2.8x
Net profit	576	152	3.8x
Group EBITDA	7,511	6,575	14.2%
<i>Group EBITDA margin, %</i>	<i>7.7%</i>	<i>7.4%</i>	<i>0.3pps</i>
O`KEY EBITDA	5,765	5,904	(2.3%)
<i>O`KEY EBITDA margin, %</i>	<i>8.0%</i>	<i>8.1%</i>	<i>(0.1pps)</i>
DA! EBITDA	1,745	671	2.6x
<i>DA! EBITDA margin, %</i>	<i>6.8%</i>	<i>4.3%</i>	<i>2.5pps</i>

Group Net Retail Revenue and LFL revenue in 6M 2022

RUB mln	6M 2022	6M 2021	Δ YoY, %	LFL revenue,%
O`KEY Group	96,814	87,698	10.4%	4.8%
O`KEY hypermarkets	71,300	72,061	(1.1%)	(1.8%)
DA! discounters	25,514	15,637	63.2%	35.2%

For more details, please refer to the Group's [Q2 2022 Trading Update](#).

Group Revenue

RUB mln	H1 2022	H1 2021	Δ YoY, %
Total Group revenue	97,803	88,662	10.3%
Retail revenue	96,814	87,698	10.4%
Rental income	989	964	2.6%

In H1 2022, Group retail revenue rose by 10.4% YoY to RUB 96,814 mln on DA! discounters' record-high LFL performance, supported by store expansion of both O`KEY and DA! chains. Rental income increased

by 2.6% YoY and amounted to RUB 989 mln in H1 2022. Total Group revenue climbed 10.3% YoY to RUB 97,803 mln in H1 2022.

Group Gross Profit

In H1 2022, Group gross profit went up by 14.5% YoY to RUB 22,302 mln, and gross margin rose by 0.8 pps YoY to 22.8%. The improvement was mainly attributable to the Group's timely efforts in

reshaping its supply of products on offer, procurement and logistics efficiencies and operational synergies between the formats.

Group Selling, General and Administrative Expenses

RUB mln	H1 2022	% of revenue	H1 2021	% of revenue	Δ YoY, pps
Personnel costs	8,494	8.7%	7,430	8.4%	0.3
Depreciation and amortisation	5,115	5.2%	4,347	4.9%	0.3
Communication and utilities	2,184	2.2%	1,984	2.2%	-
Advertising and marketing	1,029	1.1%	899	1.0%	0.05
Repairs and maintenance	766	0.8%	648	0.7%	0.05
Insurance and bank commissions	606	0.6%	524	0.6%	0.03
Operating taxes	421	0.4%	345	0.4%	0.04
Security expenses	375	0.4%	349	0.4%	-
Legal and professional expenses	330	0.3%	355	0.4%	(0.05)
Materials and supplies	206	0.2%	182	0.2%	-
Operating leases	246	0.3%	185	0.2%	0.04
Other costs	23	0.0%	27	0.0%	(0.01)
Total SG&A	19 794	20.2%	17 275	19.5%	0.75

The Group's total SG&A expenses increased by 14.6% YoY to RUB 19,794 mln in H1 2022. SG&A expenses as a percentage of revenue rose by 0.75 pps YoY to 20.2% in H1 2022, mainly due to the growth of personnel costs and depreciation and amortisation (D&A) expenses.

In H1 2022, personnel costs increased by 14.3% YoY to RUB 8,494 mln and, as a percentage of revenue, by 0.3 pps YoY to 8.7%. The growth came mainly on the back of new store openings across both hypermarket and discounter chains, as well as wages indexation in hypermarkets.

Advertising and marketing expenses increased by 14.4% YoY to RUB 1,029 mln, and by 0.05 pps YoY to 1.1% as a percentage of revenue, largely due to the planned replacement of advertising equipment in hypermarkets.

Repairs and maintenance expenses went up by 18.1% YoY to RUB 766 mln, and, as a percentage of revenue, by 0.05 pps YoY to 0.8%, mainly due to new hypermarket and discounter openings.

In H1 2022, D&A expenses rose by 17.7% YoY to RUB 5,115 mln, and by 0.3 pps YoY to 5.2% of revenue, driven primarily by the discounter chain growth.

Group EBITDA and EBITDA Margin

The Group's EBITDA grew by 14.2% YoY to RUB 7,511 mln, while EBITDA margin improved by 0.3 pps YoY to 7.7% in H1 2022.

O'KEY hypermarkets EBITDA declined by 2.3% YoY, from RUB 5,904 mln in H1 2021 to RUB 5,765 mln in H1 2022, due to the above-mentioned SG&A

expenses growth, partially offset by an increase in gross profit. O'KEY hypermarkets EBITDA margin fell slightly by 0.1 pps, from 8.1% in H1 2021 to 8.0% in H1 2022.

DA! discounters EBITDA more than doubled year-on-year to RUB 1,745 mln in H1 2022, compared with RUB 671 mln in H1 2021. As the business continued to ramp up, DA! EBITDA margin improved by 2.5 pps YoY and reached 6.8% in H1 2022.

Group Net Profit

In H1 2022, the Group posted RUB 576 mln in net profit, compared to the profit of RUB 152 mln in H1 2021.

Group Cash Flow

RUB mln	H1 2022	H1 2021
Net cash from operating activities	948	804
Net cash used in investing activities	(3,482)	(1,786)
Net cash from (used in) financing activities	1,405	(4,344)
Net decrease in cash and cash equivalents	(1,129)	(5,326)
Effect of exchange rate on cash and cash equivalents	(373)	(7)

Net cash from operating activities amounted to RUB 948 mln and was driven mainly by the discounter business growth, partially offset by an increase in working capital in H1 2022.

Net cash used in investing activities amounted to RUB 3,482 mln in H1 2022, almost a twofold increase in comparison with the RUB 1,786 mln of cash used in H1 2021. In H1 2022, the Group invested approximately RUB 1.6 bn (excluding VAT) in the development of the hypermarket business, and over RUB 1.9 bn (excluding VAT) in the development of the discounter business.

Net cash from financing activities amounted to RUB 1,405 mln in H1 2022, compared with the RUB 4,344 mln of net cash used in financing activities in H1 2021. The dynamics resulted from the Group's regular credit portfolio refinancing in H1 2022.

As of 30 June 2022, the Group had RUB 13,150 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 2022	As of 30 June 2021
EBITDA LTM	16,440	14,709
Total debt	44,396	36,556
Short-term debt ¹	10,122	9,661
Long-term debt	34,275	26,895
Cash & cash equivalents	7,946	2,380
Net debt	36,450	34,176
Total lease liabilities	23,967	24,241
Short-term lease liabilities	5,257	4,729
Long-term lease liabilities	18,711	19,512
Total interest-bearing liabilities	60,417	58,417
Total interest-bearing liabilities	3.68	3.97

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

As of 30 June 2022, the total interest-bearing liabilities (net of cash) to LTM EBITDA ratio decreased to 3.68x from 3.97x as of 30 June 2021.

As of 30 June 2022 and during the twelve-month period then ended, the Group complied with all of its loan covenants.

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

Group interim IFRS Report

The Group's interim report, including the full set of interim 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. (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 2022, the Group operated 243 stores across Russia (79 hypermarkets and 164 discounters) with a total selling space of 638,638 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 in St. Petersburg and Moscow, offering a full range of hypermarket products for home delivery.

The Group has nine e-commerce pick-up points in Moscow and ten 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 more than 22,000 people.

In 2021, the Group's revenue amounted to RUB 187.1 bn, while EBITDA reached RUB 15.5 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

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