O'KEY

INVESTOR PRESENTATION

1H 2020

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1

O’KEY GROUP OVERVIEW

O'KEY GROUP AT A GLANCE

#7
Largest food retailer in Russia

77
Total number of hypermarkets

100
Total number of discounters

Top-3
Retailer by number of hypermarkets

590
Selling space (ths sqm)

+46.8%
Discounters revenue growth, H1 2020

18
Years of experience on the market

RUB 85.1 bn
Total Group revenue, H1 2020

+7.3%
LFL Group revenue growth, H1 2020

Source: Market position provided by IGD, 2020

AN ESTABLISHED TRACK RECORD

2002
O'KEY Group founded
First O'KEY hypermarket opened in St. Petersburg

2003 - 2007
Strategy to establish **regional market leadership**

2007 - 2009
Focus on **expansion** in Russia's key regional markets
Top-10 retailer by revenue
Six new regions

2009- 2014
Rapid expansion in Moscow and key regional markets
IPO on the London Stock Exchange
Top-3 retailer by revenue

2015
Online sales platform launched for market-leading hypermarket
DA! Brand – new discounter format

2016
Mobile app for iOS and Android launched in 2016

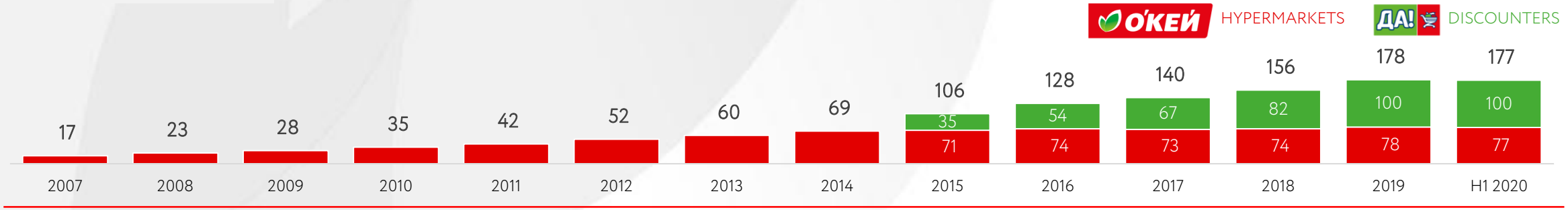
2017
O'KEY auto and **24-hour delivery service** launched for the hypermarket segment
Sale of supermarket business including 32 supermarkets across Russia

2018
Discounter revenue under the DA! Brand reached **8.5%** of the Group revenue
Omnichannel Mobile app launched providing a unified approach to communications with customers in stores and online

2019
100 Discounter stores under DA! Brand operating across Russia
2,482 and 1,019 private label SKUs presented in O'KEY hypermarkets and "DA!" discounters, respectively

H1 2020
Discounter revenue under the DA! Brand reached **15%** of the Group revenue
3,046 private label SKUs presented in O'KEY hypermarkets and DA! Discounters

NUMBER OF STORES, #



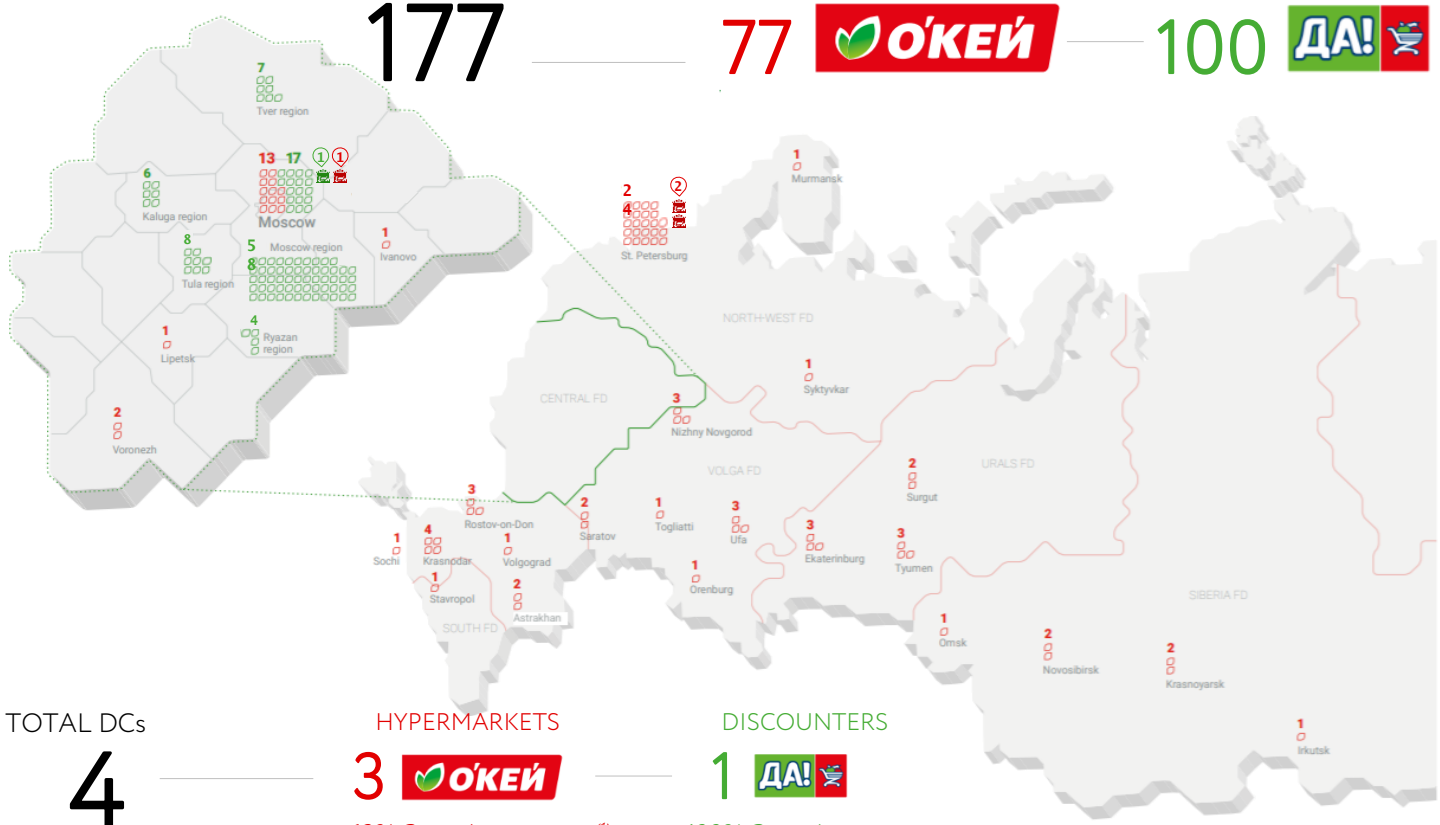
GROUP FOOTPRINT

STORES

TOTAL STORES
177

HYPERMARKETS
77

DISCOUNTERS
100



TOTAL DCs
4

HYPERMARKETS
3

63% Centralization rate (1)

DISCOUNTERS
1

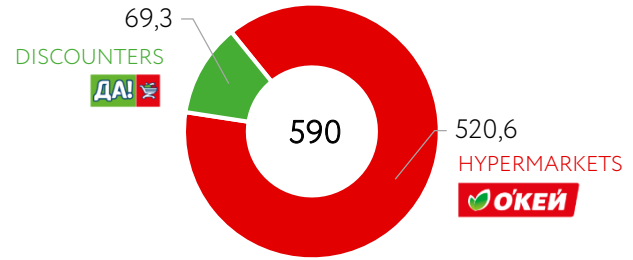
100% Centralization rate

DISTRIBUTION CENTERS

O'KEY hypermarkets | *DA! discounter* | *O'KEY distribution center* | *DA! distribution center*

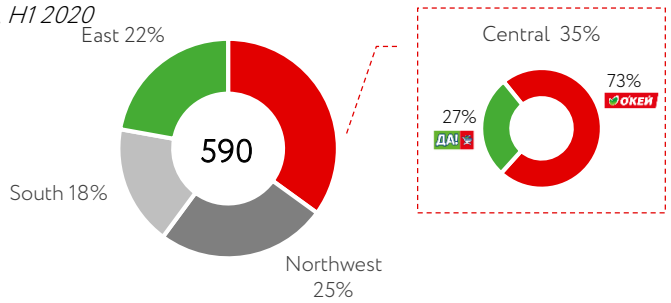
SELLING SPACE

sq. m., H1 2020



SELLING SPACE BREAKDOWN BY REGION

sq. m., H1 2020



Notes: (1) Centralization rate as of 2019

FORMATS SUMMARY

	CITY HYPERMARKETS	DISCOUNTERS
Number of stores	77	100
Size of the store *(Average selling space)*	6,800 sq. m.	700 sq. m.
Ownership structure *(by selling space, sq. m.)*	54%	28%
Net Revenue *(Share in total net revenue, H1 2020)*	RUB 71.7bn / 85%	RUB 12.6bn / 15%
LFL growth *(H1 2020)*	+4.3%	+31.3%

O'KEY CITY HYPERMARKET

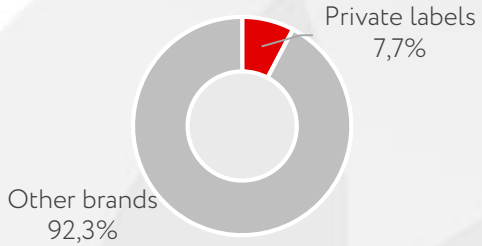
6,800 sq. m.
Average store selling space

30k SKUs
Average product range

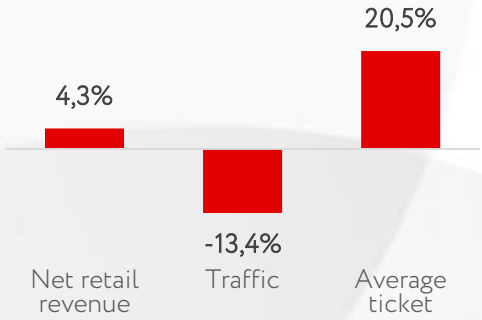
Target audience
People who live within 15 min by car

Location
Near public transportation hubs, close to densely-populated city areas

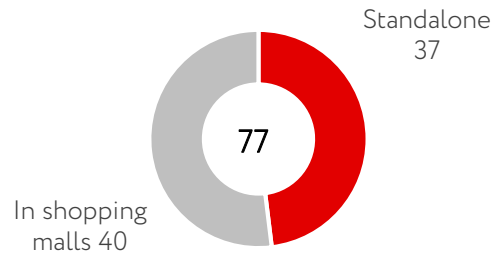
PRIVATE LABELS
Share of private labels in sales, H1 2020



LFL GROWTH
%, as of H1 2020



LOCATION
Number of stores, as of H1 2020



OUR UNIQUE VALUE PROPOSITION

- Wide range of **competitively priced, high quality products**, including fresh food, own bakery, delicatessen products and non-food items
- **Locations near key traffic intersections**, within easy access to public transportation and/or within highly populated residential district
- **Modern shopping environment** with an appealing ambiance
- **Family friendly environment** with supervised in-store play areas for children
- Large number of **cash registers** to reduce queues

DA! DISCOUNTER

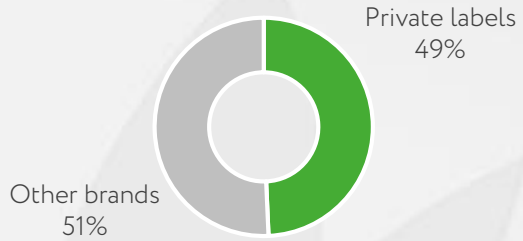
700 sq. m.
Average store selling space

2,800 SKUs
Average product range

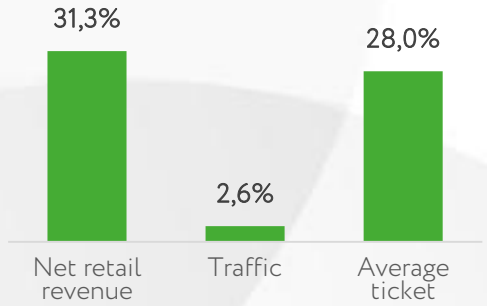
Target audience
Lives within 5 minutes by car/ 15 min walking distance

Location
Within highly populated residential districts in close proximity to roads

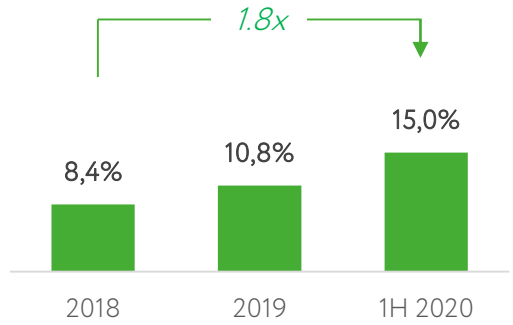
PRIVATE LABELS
Share of private labels in sales, H1 2020



LFL GROWTH
%, as of H1 2020



Share of DA! Brand in Group revenue
Share in Net Retail revenue, %



OUR UNIQUE VALUE PROPOSITION

- We carefully select our private label producers to ensure the best possible quality
- 50% share of private labels allows us to offer the best prices to our customers
- Own logistics allows us to have a 100% centralization level with daily deliveries of fresh products to all of our stores
- Modern design and well-trained personnel
- The lowest in-store operating costs due to the low number of SKUs and efficient route planning

2

O`KEY GROUP STRATEGIC UPDATE

DIFFERENTIATION POINTS

- A **strong brand**, well-known in major Russian cities
- **Two complementing shopping formats**: hypermarkets and discounters, tailored to each customer's everyday needs
- **Strong e-commerce platform**: one of the leading online grocery stores in Russia
- **Strong private labels and own products** of high quality at affordable prices, as attested by multiple industry awards
- Wide selection of **high quality fresh-category products**
- **Experienced international management team** with unique multi-industry expertise
- **Highly centralized logistics**: four distribution centres in Moscow and St. Petersburg
- **Cutting edge IT solutions**

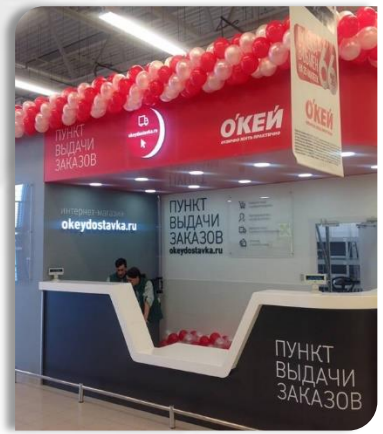
PIONEER IN GROCERY E-COMMERCE

- Launched in 2014, O'KEY was among the **pioneers in Russian e-grocery** and ahead of other Russian public food retailers
- **Award-winning website and mobile app** providing seamless shopping environment and customer experience
- Online orders are **fulfilled by the closest hypermarket**
- **Ongoing mobile app development**, including expansion of services in personal accounts with updated version to be launched by the end of 2020
- Omnichannel **bonus system launched** to accumulate and spend loyalty points in 2020

+77%
YoY online growth in 2Q 2020

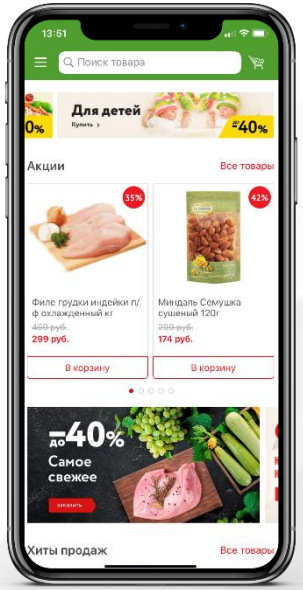
>30k
Available SKUs

30%
Orders via Mobile app



MOBILE APPLICATION

FUNCTIONAL MOBILE APP

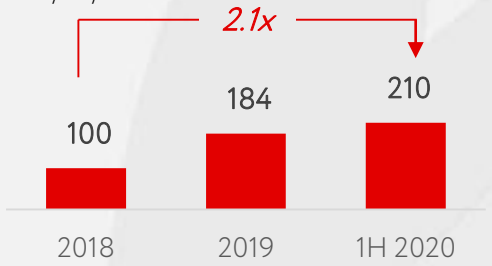


O'KEY mobile app allows customers to:

- Purchase goods
- Use search and filters
- Share basket between users
- View promotions
- Pay online
- View order history
- View offline catalogues
- Locate the nearest store
- Create an electronic loyalty card
- Access the shopping history
- Check accumulated loyalty
- Use the voice assistant

ACTIVE CUSTOMERS

'000 people

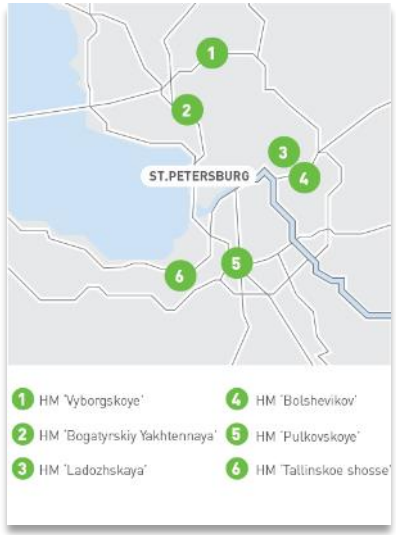


MOBILE APP DOWNLOADS

'000 for the period

ATTRACTIVE REGIONS OF DELIVERY

O'KEY delivery across Moscow region and St. Petersburg…



12
Delivery storehouses

2 hours
Express delivery launched in June 2020

RUB 3,300
Average ticket for express delivery

… as well as delivery in regions in partnership with other operators

- In H1 2020, delivery distance was increased by 30% towards suburb
- In H1 2020, the company started piloting delivery of internet orders in the regions through partnership with specialized delivery operators

СБЕР МАРКЕТ

igoods.ru сервис доставки продуктов

O'KEY OWN BRAND PORTFOLIO TO MAKE IT DIFFERENT

2,539 Active SKUs as of H1 2020

- 85% of products produced by local suppliers
- On average, 20-30% cheaper than branded products of the same quality
- Special quality control programme "Trademark O`KEY – Customers` Guarantee"[1] aids for testing both production facilities as well as samples in independent accredited laboratories
- Dedicated section at the e-commerce website, direct mailing to customer base and advertising campaigns supports sales of our PL products

Extensive variety of private label products

ТО,ЧТО НАДО!

That's what you need!

Entry segment

983 SKUs

O'KEY

O'KEY

Medium segment

1,468 SKUs

O'KEY SELECTION

Selection of O'KEY

Premium segment

72 SKUs

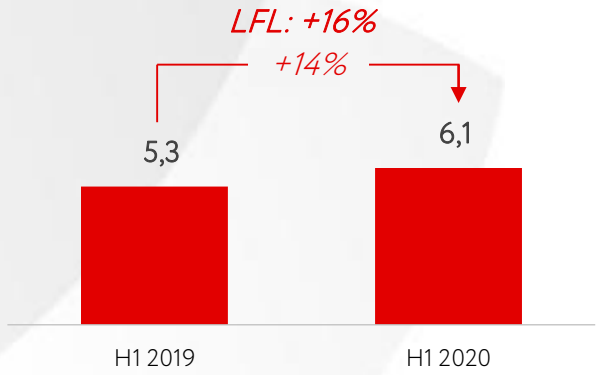
Other (Baby Island, Farm Collection)

Medium segment

16 SKUs

REVENUE

RUB bn (incl. VAT)



Notes: [1] Is a part of our quality control system for products and goods under our private label.

ULTRA-FRESH AND FRESH CATEGORIES AS A COMPETITIVE ADVANTAGE

STRONG FOCUS ON ULTRA-FRESH AND FRESH PRODUCTS

>40% Volume share of Fresh, Ultra-fresh, Fruits & Vegetables in H1 2020

- "Ultra Freshness" approach and evening promotions and discounts
- Significant growth of direct imports of fresh fruits and vegetables
- "Sit and eat" format to enjoy a hot drink or snack
- The "Fresh thinking" approach
- The Hot Bread project with freshly baked bread three times a day

OWN PRODUCTION TO MEET DEMAND FOR READY-TO-EAT FOOD OF HIGH QUALITY

OWN PRODUCTION

>300
SKUs in the assortment

36
Bakery products introduced in H1 2020

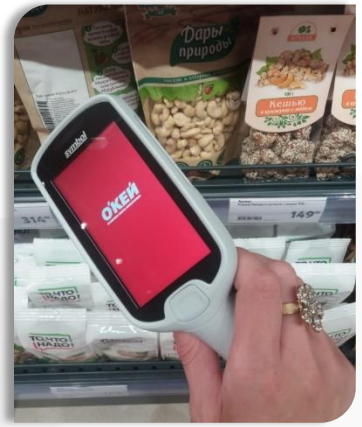
27
Delicatessen products introduced in H1 2020

THE QUALITY CONTROL SYSTEM FOR OWN PRODUCTION INCLUDES:

- Control of raw materials from suppliers during delivery to hypermarkets and storage
- Degustation, optical freshness check, shelf-life control
- Staff education, hygiene control and process control
- System of quality checks

INVESTING IN PERSONALISED AND ENJOYABLE CUSTOMER EXPERIENCE

MOBILE SELF CHECK-OUT SCANNERS



- Mobile self-checkout scanners fully integrated with loyalty programme
- Individual offers based on customer's own spending patterns and purchase history during the store visit
- Ensuring digital experience throughout customer's journey not only in the mobile app and website, but also in stores

DIGITAL SOMMELIER

ELECTRONIC PRICE TAGS

SELF CHECK-OUT ZONE

3

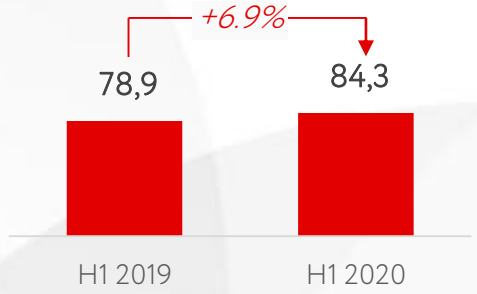
1H 2020 FINANCIAL RESULTS

1H 2020 GROUP OPERATING HIGHLIGHTS

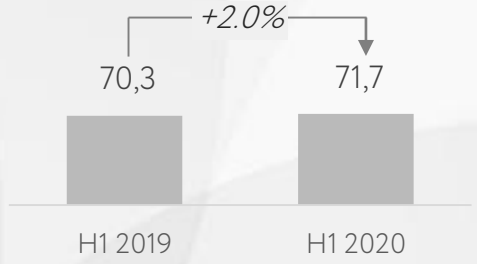
NET RETAIL REVENUE

RUB bn

Group



О'КЕЙ



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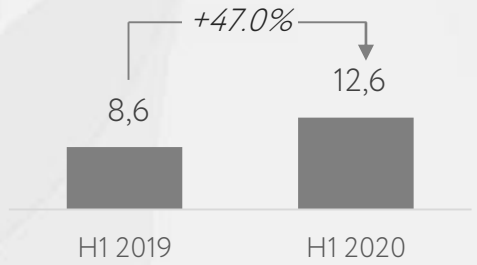
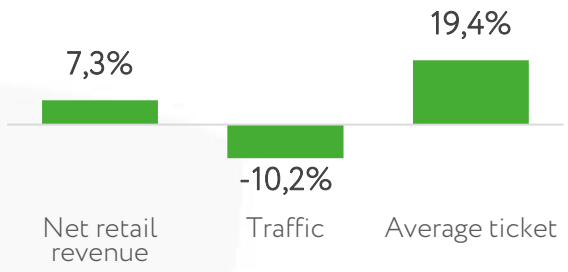


LFL NET RETAIL REVENUE

%, YoY

Group



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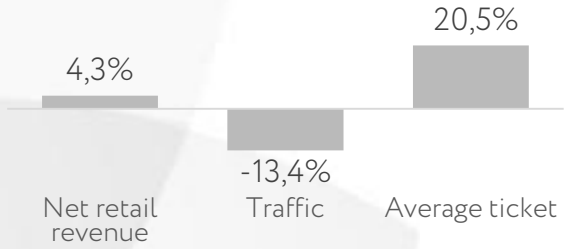

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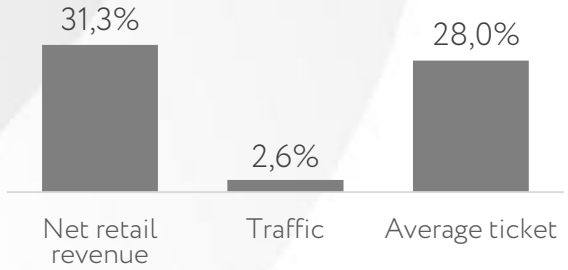
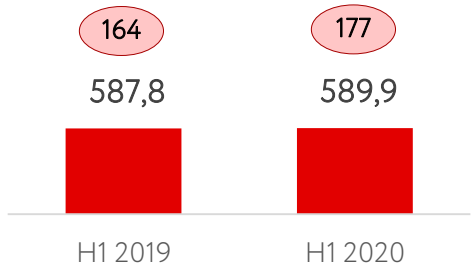


SELLING SPACE

'000 sq. m.

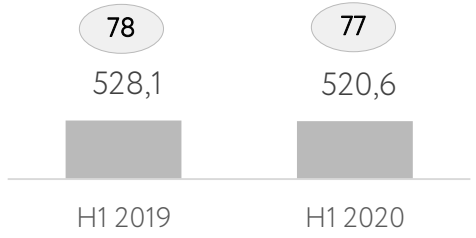
Group

Number of stores



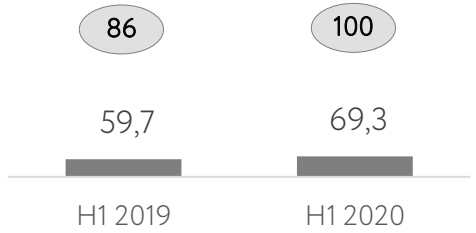
О'КЕЙ

Number of stores



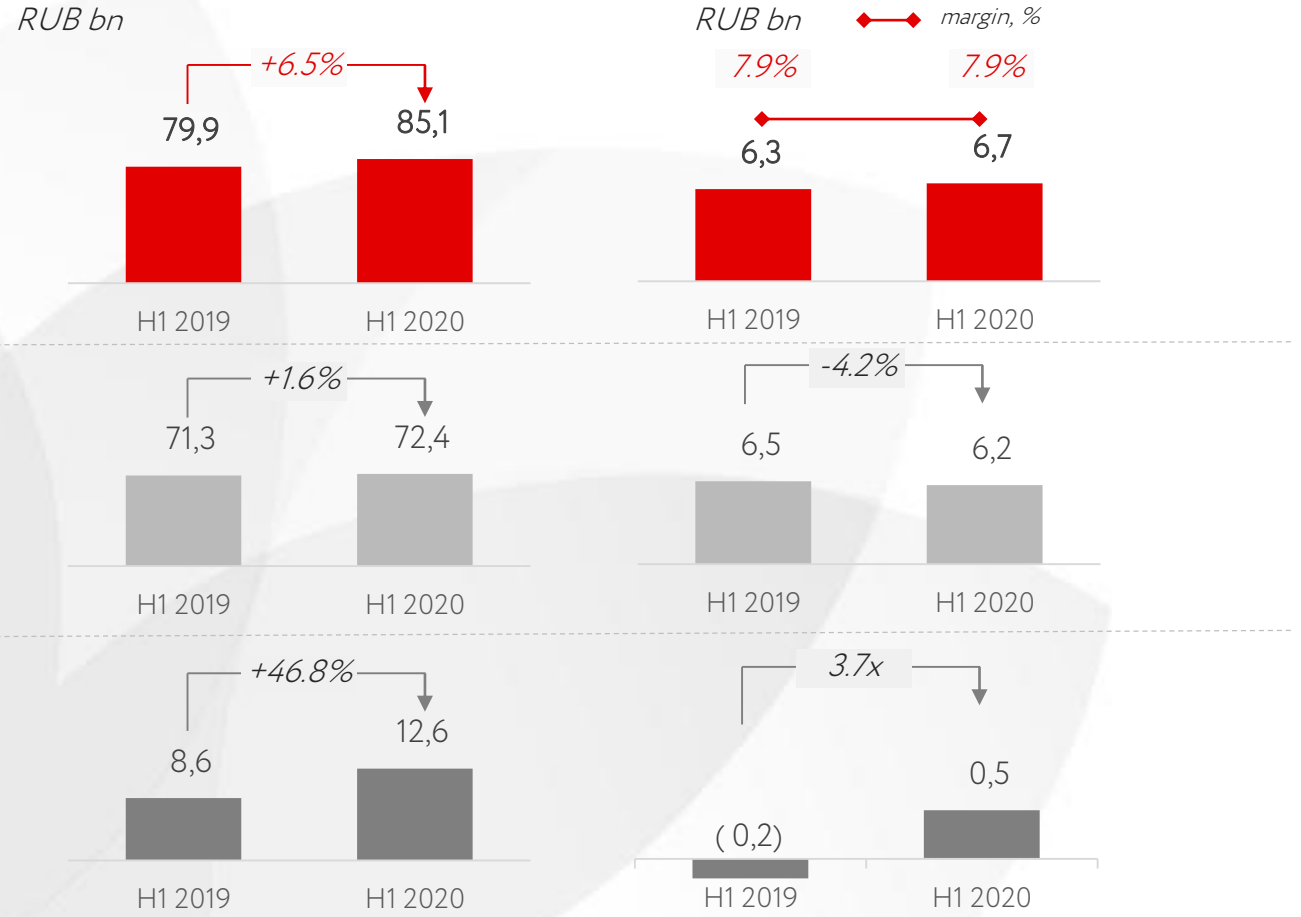
ДА!

Number of stores



H1 2020 GROUP FINANCIAL HIGHLIGHTS

REVENUE



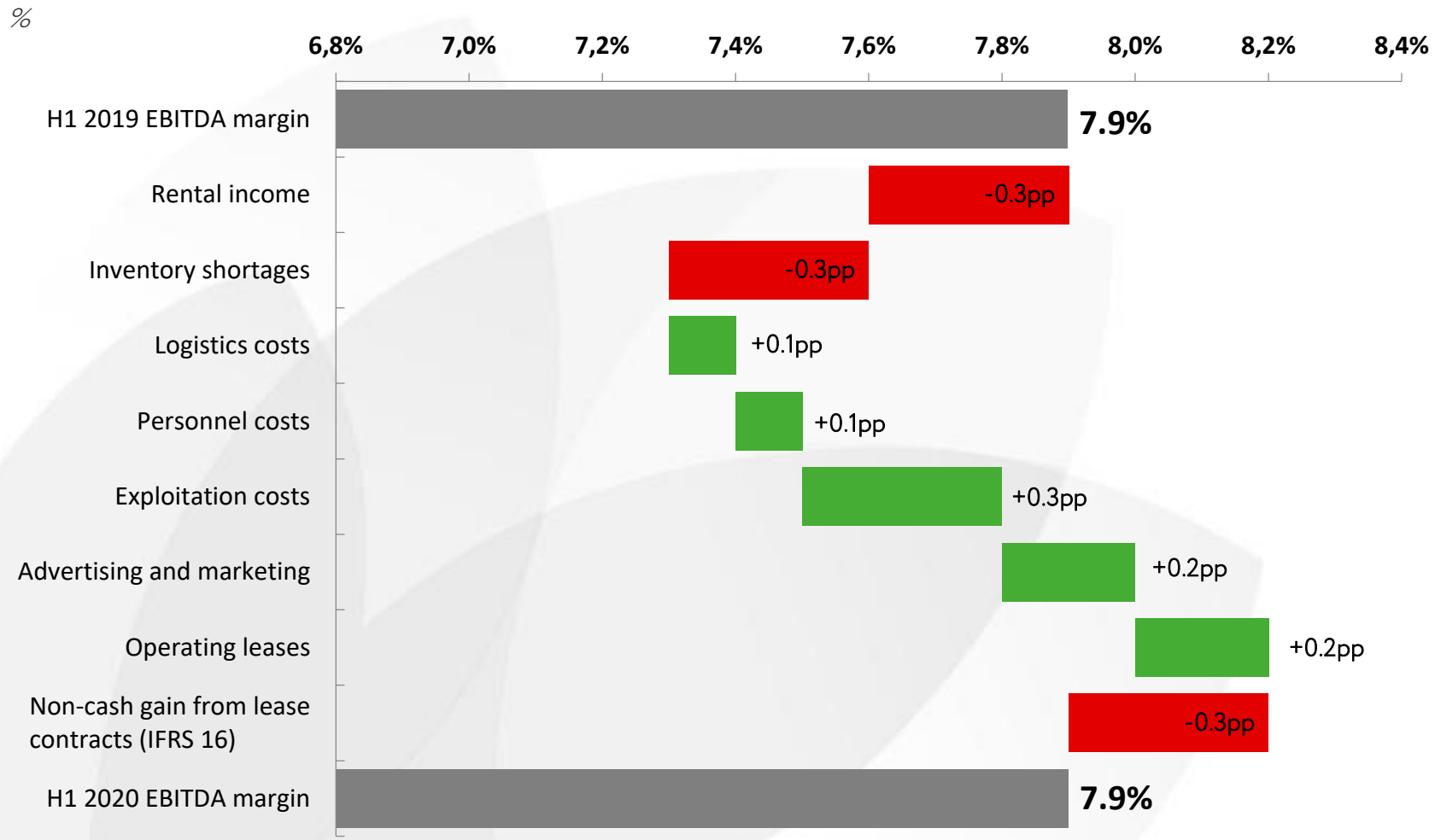
EBITDA

HIGHLIGHTS

- **Group revenue** grew by 6.5% YoY to RUB **85,059** mln
- **Group gross profit** increased by 4.3% to RUB 19,654 mln
- **Group EBITDA** grew by 5.6% YoY to RUB **6,698** mln
- **EBITDA margin** stood at 7.9%
- **DA!** discounters **EBITDA** improved to positive RUB 459 mln in H1 2020
- **Net debt** was flat YoY at 3.9x total interest bearing liabilities to EBITDA

GROUP EBITDA MARGIN BRIDGE

EBITDA MARGIN YoY DYNAMICS



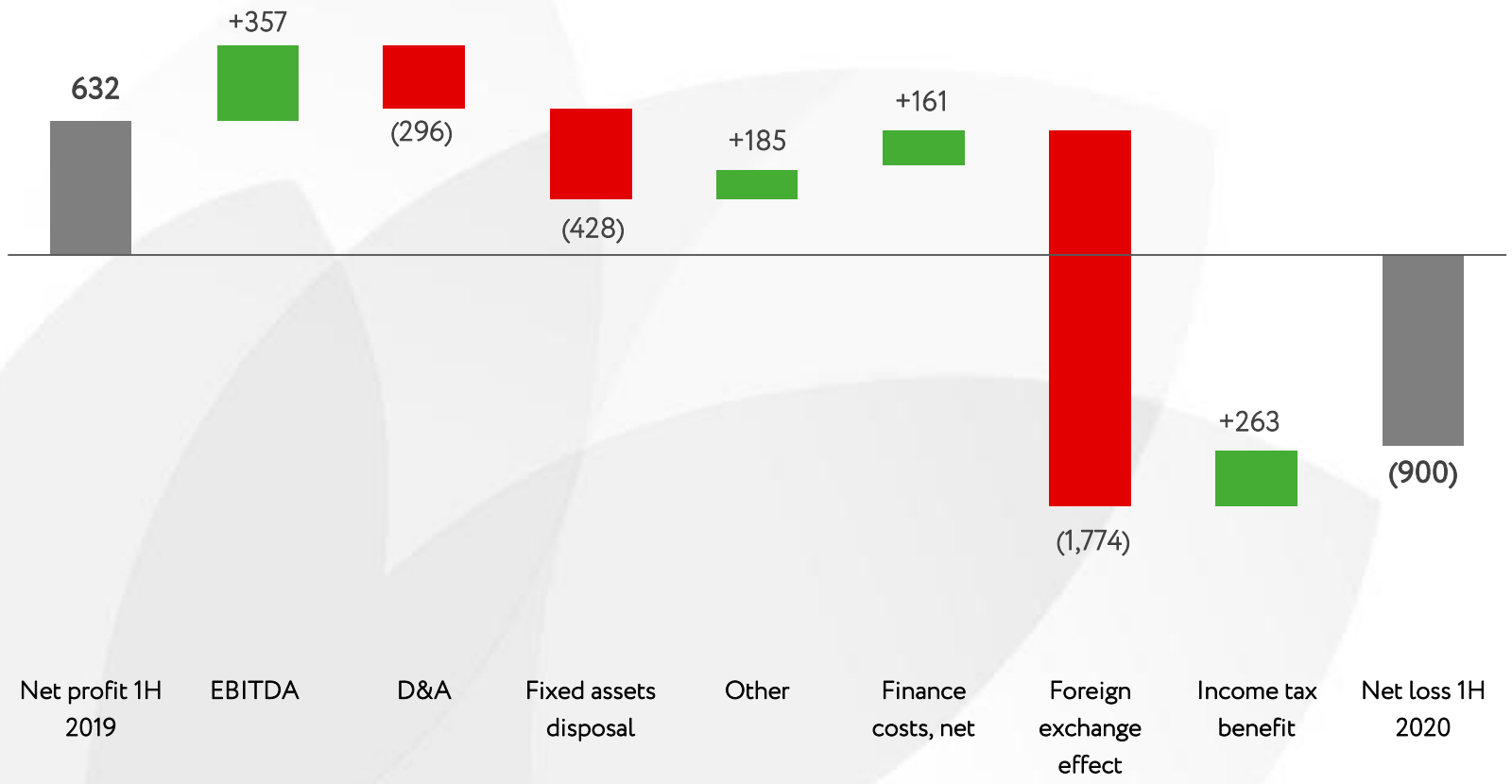
HIGHLIGHTS

- Group **EBITDA** grew by 5.6% YoY
- **EBITDA margin** stood at 7.9%
- **Rental income** dropped by 0.3pp YoY due to lockdown in Q2
- **Shrinkage** costs went up by 0.3pp YoY
- **Logistics costs** and **SG&A expenses** decreased by 0.9pp YoY due to cost control and optimisation
- **Non-cash gain** from lease contract modifications (under IFRS 16) dropped by 0.3pp (from RUB 315 mln in H1 '19 to RUB 56 mln in H1 '20)

GROUP NET RESULT WAS FULLY ATRIBUTABLE TO FOREIGN EXCHANGE LOSS IN H1 2020

NET PROFIT&LOSS YoY DYNAMICS

RUB mln



HIGHLIGHTS

- Group EBITDA grew by RUB 357 mln YoY
- Finance costs decreased by RUB 161 mln YoY
- Non cash loss from FA disposal of RUB 360 mln was recognized in H1 2020 vs RUB 68 mln gain in H1 2019
- FX loss amounted to RUB 1,082 mln in H1 2020 vs RUB 692 mln gain in H1 2019, due mainly to intragroup US-denominated loans and non-current lease liabilities
- Russian rouble has weakened:

  1US$/RUR +13%, 1 EUR/RUR +13.5% as of 30.06.20 vs 31.12.19
- Group recognized net loss of RUB 900 mln in H1 2020, fully attributable to FX loss

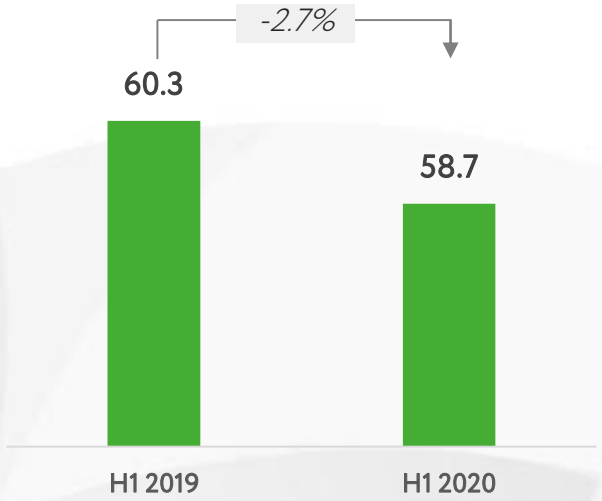
GROUP DEBT POSITION WAS STABLE IN H1 2020

HIGHLIGHTS

- In July, 2020 EXPERT RA affirmed O`KEY Group a 'ruA-' rating with a stable outlook
- Net IBL[(1)] to EBITDA stood flat YoY at 3.9x as of June 30, 2020
- As of June 30, 2020, the Group's weighted average interest rate decreased to 8.4% from 8.9% as of June 30, 2019

TOTAL IBL, EoP

RUB mln



NET TOTAL IBL, EoP

	1H 2019	1H 2020
Cash & cash equivalents, RUB mln	4,016	2,181
Net total IBL, RUB mln	56,330	56,535
Net Total IBL/EBITDA LTM	3.9x	3.9x
Available credit lines, RUB mln	13,450	9,900

Notes: Total IBL - Total Interest Bearing Liabilities, Net Total IBL - Total Interest Bearing Liabilities excluding Cash & Equivalents

4

CORPORATE GOVERNANCE

MANAGEMENT TEAM

ARMIN BURGER

CEO of O'KEY

2013-2018: CEO of Da! discounters
2012-2013: CEO and a Member of the Supervisory Board of Praktiker AG
2008-2011: Member of the Super. Board Aldi Süd
1999-2008: CEO Hofer KG, Sattledt, Austria

KONSTANTIN ARABIDIS

Chief Financial Officer

2012-2016: various positions in O'KEY Group
Before 2012: various positions in PWC

IVAN DROPULJIC

Commercial Director

2012-2017: Purchasing and Marketing Director, Member of the Board of Kaufland Croatia
2007-2012: Fresh Food Director at Kaufland Croatia
Up to 2007: various positions at Pik Vrbovec and Jamnica

OLGA SURNINA

Marketing Director

2018-2019: JSC Arnest, Marketing Director Russia & CIS
2016-2018: Magnit, Head of Own Production
2013-2016: Nautica, Marketing and PR Director
2010-2013: Nokia International South CIS Branch, Marketing Director

SERGEY SHADRIN

Supply Chain Director

2017-2018: Auchan Moscow, Supply Chain Director
2004-2018: various positions at Danone Russia, Ukraine, Saudi Arabia

PAVEL LOKSHIN

Operations Director

2016-2018: CEO of Perekrestok Express
2013-2016: CEO of K-Rauta
2001-2013: various positions in METRO Cash & Carry Russia Co.

ELENA POLOZOVA

Human Resources Director

2013-2015: Senior HR, OKEY
2003-2013: HR Business partner in Magnit

OLGA KUZYAKINA

Real Estate Director

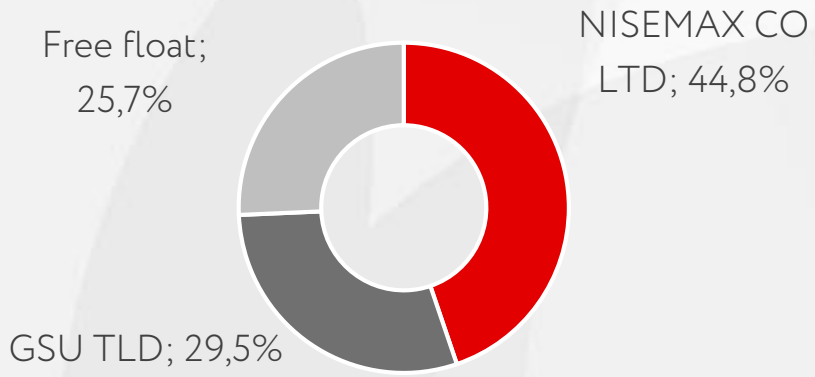
2013-2020: Real estate director in Aton Investment Group
2010-2013: Real estate director in Castorama

CORPORATE GOVERNANCE

MAJOR SHAREHOLDERS

- Mr. Dmitry Korzhev
- Mr. Dmitry Troitskiy
- Mr. Boris Volchek

SHAREHOLDER STRUCTURE



BOARD OF DIRECTORS

HEIGO KERA

Group Chairman, Member of the Audit Committee, Chair of the Remuneration Committee

DMITRIY TROITSKIY

Member of the Board of Directors, Non-Executive Director

BORIS VOLCHEK

Caraden Director, Member of the Audit and Remuneration Committee

DMITRIY KORZHEV

Director, Member of the Audit Committee

MYKOLA BUINYCKYI

Independent Director, Chair of the Audit Committee

Member of the Audit Committee *Member of the Remuneration Committee*

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APPENDIX

GROUP BALANCE SHEET (1/2)

'000 RUB	30 June 2020	31 December 2019
ASSETS		
Non-current assets		
Investment property	1,251,864	1,249,969
Property, plant and equipment	41,422,503	41,962,175
Construction in progress	3,280,874	2,976,838
Right-of-use assets	19,413,702	21,512,397
Intangible assets	1,210,820	1,292,185
Deferred tax assets	4,482,284	4,175,871
Other non-current assets	1,073,985	831,632
Total non-current assets	**72,136,032**	**74,001,067**
Current assets		
Inventories	14,631,417	15,219,769
Trade and other receivables	3,637,277	4,322,950
Prepayments	1,104,740	895,033
Other current assets	59,169	42,662
Cash and cash equivalents	2,181,426	5,507,079
Total current assets	**21,614,029**	**25,987,493**
Total assets	**93,750,061**	**99,988,560**

GROUP BALANCE SHEET (2/2)

'000 RUB	30 June 2020	31 December 2019
EQUITY AND LIABILITIES		
Equity		
Share capital	119,440	119,440
Legal reserve	10,597	10,597
Additional paid-in capital	8,555,657	8,555,657
Hedging reserve	(257,778)	(155,518)
Retained earnings	4,333,898	5,233,827
Translation reserve	1,547,923	1,204,897
Total equity	**14,309,737**	**14,968,900**
Non-current liabilities		
Loans and borrowings	27,607,590	30,089,758
Lease liabilities	19,219,078	21,172,587
Deferred tax liabilities	526,046	527,796
Total non-current liabilities	**47,352,714**	**51,790,141**
Current liabilities		
Loans and borrowings	7,469,013	1,629,220
Interest accrued on loans and borrowings	206,863	211,181
Lease liabilities	4,421,223	3,949,756
Trade and other payables	19,781,122	27,182,739
Current income tax payable	209,389	256,623
Total current liabilities	**32,087,610**	**33,229,519**
Total liabilities	**79,440,324**	**85,019,660**
Total equity and liabilities	**93,750,061**	**99,988,560**

GROUP PROFIT AND LOSS STATEMENT

'000 RUB	Six months ended 30 June 2020	Six months ended 30 June 2019
Revenue	85,058,680	79,883,427
Cost of goods sold	(65,405,129)	(61,046,967)
Gross profit	**19,653,551**	**18,836,460**
General, selling and administrative expenses	(16,978,001)	(16,531,707)
Other operating income and expenses, net	(413,117)	138,667
Operating profit	**2,262,433**	**2,443,420**
Finance income	53,459	59,008
Finance costs	(2,459,521)	(2,625,749)
Foreign exchange (loss)/gain	(1,082,191)	692,220
(Loss)/profit before income tax	**(1,225,820)**	**568,899**
Income tax benefit	325,891	62,990
(Loss)/profit for the period	**(899,929)**	**631,889**
Other comprehensive income/(loss)		
Items that will never be reclassified to profit or loss:		
Exchange differences on translation to presentation currency	343,026	(371,542)
Items that are or may be reclassified subsequently to profit or loss:		
Change in fair value of hedges and reclassification from hedging reserve	(127,825)	(46,671)
Income tax on items within other comprehensive income/(loss)	25,565	9,334
Other comprehensive income/(loss) for the period, net of income tax	**240,766**	**(408,879)**
Total comprehensive (loss)/income for the period	**(659,163)**	**223,010**
(Loss)/earnings per share		
Basic and diluted (loss)/earnings per share (in RUB per share)	**(3.3)**	**2.3**

GROUP STATEMENT OF CASH FLOWS

'000 RUB	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash flows from operating activities		
Cash receipts from customers	97,702,337	92,381,998
Other cash receipts	224,010	435,310
Interest received	37,443	42,770
Cash paid to suppliers and employees	(96,404,979)	(90,150,271)
Taxes other than on income	(358,989)	(367,911)
Other cash payments	(62,708)	(30,157)
VAT paid	(1,496,473)	(1,559,547)
Income tax paid	(108,989)	(418,532)
Net cash (used in)/from operating activities	**(468,348)**	**333,660**
Cash flows from investing activities		
Purchase of property, plant and equipment and right-of-use assets (excluding VAT)	(1,413,964)	(1,126,491)
Purchase of intangible assets (excluding VAT)	(166,946)	(145,171)
Proceeds from sale of subsidiaries	-	1,552,785
Proceeds from sale of property, plant and equipment and intangible assets (excluding VAT)	(32,961)	13,220
Net cash (used in)/from investing activities	**(1,613,871)**	**294,343**
Cash flows from financing activities		
Proceeds from loans and borrowings	3,450,000	5,250,000
Repayment of loans and borrowings	(215,726)	(5,893,800)
Interest paid on loans and borrowings	(1,471,889)	(1,432,712)
Repayment of principal amount of lease liabilities	(1,871,850)	(1,974,051)
Interest paid on lease liabilities	(1,027,110)	(1,216,864)
Other financial payments	(97,159)	(34,920)
Net cash used in financing activities	**(1,233,734)**	**(5,302,347)**
Net decrease in cash and cash equivalents	**(3,315,953)**	**(4,674,344)**
Cash and cash equivalents at the beginning of the period	5,507,079	8,712,253
Effect of exchange rate fluctuations on cash and cash equivalents	(9,700)	(21,778)
Cash and cash equivalents at the end of the period	**2,181,426**	**4,016,131**

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