

## **OBUV ROSSII GROUP ANNOUNCES OPERATING RESULTS FOR 4TH QUARTER AND FULL YEAR 2018**

**30 January 2019 Novosibirsk, Russia:** Obuv Rossii Group (MOEX: OBUV/ hereinafter the "Company" or, together with its subsidiary and dependent companies, "Obuv Rossii" or the "Group"), the first publicly traded company in the Russian fashion retail, comprising 727 stores in 234 cities of Russia and two production facilities, announces its operating results for the fourth quarter and twelve months ended 31 December 2018.

### **4Q 2018 OPERATING HIGHLIGHTS:**

- Group consolidated unaudited revenue increased by 4.5% and totaled RUB 3.720 bln, compared with RUB 3.561 bln in the 4th quarter 2017.
- Like-for-like<sup>1</sup> sales of Obuv Rossii Group decreased by 12.3%:
  - like-for-like number of tickets decreased by 11.3%;
  - like-for-like average ticket size decreased by 1.1%.
- Group retail chain increased by 22 new DOS<sup>2</sup> of the Westfalika chain, the main brand of Obuv Rossii Group. As of 31 December 2018, the total number of the points of sale stood at 727 stores, of which 161 operated as a franchise.

### **FY 2018 OPERATING HIGHLIGHTS:**

- Group consolidated unaudited revenue increased by 9% and totaled RUB 11.526 bln, compared with RUB 10.595 bln in 2017<sup>3</sup>.
- Like-for-like sales of Obuv Rossii Group decreased by 8.8%:
  - like-for-like number of tickets decreased by 9.4%;
  - like-for-like average ticket size increased by 0.7%.
- For the twelve months Obuv Rossii grew by 192 new stores, 144 are DOS and 48 are operated as a franchise.
- Portfolio size in installment sales in 2018 declined by 9.8% to RUB 2.919 bln, portfolio size in cash loans increased by 20.7% to RUB 1.751 bln.
- Total DOS selling space increased by 34.2% year-on-year to 53,800 sq.m in 2018 (compared to 40,100 sq.m in 2017).
- In 2018 the number of holders of the loyalty cards that are valid in all retail chains of the Group increased by 15.1% to 2.239 mln, compared with 1.946 mln in 2017. 63% of purchases were made with the use of the loyalty cards within the reporting period.

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<sup>1</sup> The growth of like-for-like sales, the growth of the like-for-like number of tickets and the average ticket size are calculated on the basis of the results of Obuv Rossii Group stores that operated within one full previous calendar year.

<sup>2</sup> DOS – Directly operated stores.

<sup>3</sup> Normalized revenue.

## KEY EVENTS OF 4Q 2018:

- In 2018, Obuv Rossii launched 144 DOS and 48 franchising stores in 129 cities and towns. Therefore the retail chain increased by 36% and comprised 727 stores (including 161 operated as a franchise) in 232 cities and towns of Russia, as of 31.12.2018. The roll-out by regions is the following: Siberia — 42%, Central Russia — 27%, Urals — 24%, the Far East — 7%.
- Pick-up points of the Russian logistic operator PickPoint started to open in Obuv Rossii stores. The project is being implemented within the Group's strategy of integrating into logistic infrastructure of the Russian e-commerce market.
- The Board of Directors approved share buyback programme of PJSC "OR" allowing to acquire ordinary shares of PJSC "OR" on Moscow Exchange as well as in the course of OTC and (or) privately negotiated transactions in the aggregate amount of up to RUB 900 mln. The share buyback programme will last till the end of 2019.
- Over the period from May through October, the Group processed more than 300 thousand installment and cash loan contracts using blockchain. There were no unauthorized changes during the period of the project, none of the business processes slowed down, therefore the technology proved its efficiency. The company is considering blockchain replication in other business processes.
- In November 2018 the sales on the main online stores of the Group — westfalika.ru — increased by record 30% as compared with the similar period of 2017. The key drivers were: the launch of the "Joint sales" project (synergy of offline and online sales channels); optimization of business processes for order processing and implementation of the integrated approach in promotion.

## KEY OPERATING INDICATORS

Indicator	31/12/2018	31/12/2017	Δ, %
<b>Number of Obuv Rossii Group stores</b>	<b>727</b>	<b>535</b>	<b>35.9%</b>
DOS <sup>4</sup>	566	422	34.1%
Franchise	161	113	42.5%
<b>DOS selling space (thousand sq.m.)</b>	<b>53.8</b>	<b>40.1</b>	<b>34.2%</b>
<b>Number of loyalty cards' holders, mln people</b>	<b>2.239</b>	<b>1.946</b>	<b>15.1%</b>

Like-for-Like <sup>5</sup>	4Q 2018	4Q 2017	Δ, %	FY 2018	FY 2017	Δ, %
<b>LFL sales growth</b>	<b>-12.3%</b>	<b>10.9%</b>	<b>-23.2%</b>	<b>-8.8%</b>	<b>2.8%</b>	<b>-11.7%</b>
Number of tickets growth	-11.3%	4.7%	-16.0%	-9.4%	-3.7%	-5.7%
Average ticket size growth	-1.1%	6.0%	-7.1%	0.7%	6.8%	-6.1%

Indicator	4Q 2018	4Q 2017	Δ, %	FY 2018	FY 2017	Δ, %
<b>Share of related products in retail revenues</b>	<b>37.4%</b>	<b>32.7%</b>	<b>4.7%</b>	<b>34.9%</b>	<b>31.5%</b>	<b>3.5%</b>

Indicator	FY 2018	FY 2017	Δ, %
Portfolio size in installment sales (bln RUB)	2.919	3.237	-9.8%
Portfolio size in cash loans (bln RUB)	1.751	1.450	20.7%

<sup>4</sup> DOS – Directly operated stores.

<sup>5</sup> The growth of like-for-like sales, the growth of the like-for-like number of tickets and the average ticket size are calculated on the basis of the results of Obuv Rossii Group stores that operated within one full previous calendar year.

Indicator	4Q 2018	4Q 2017	Δ, %	FY 2018	FY 2017	Δ, %
Average installment purchase, RUB	10,808	10,465	3.3%	9,251	8,938	3.5%
Average cash loan, RUB	18,306	14,165	29.2%	15,710	13,540	16.0%

***Anton Titov, CEO of Obuv Rossii Group, comments:***

In 2018, Obuv Rossii showed rather strong performance: unaudited consolidated revenue increased by 9% up to 11.526 bln rubles. We exceeded the program targets for retail network development and launched 192 new stores during the year including 144 directly operated stores. We have significantly expanded footprint and have entered over 80 new cities and towns across Russia.

In 2018, we started to aggressively open stores in small towns with the population of 50,000 people and more. Global and nationwide footwear market players are not represented well in such towns yet; expenses of opening new sales outlets are lower, and they reach sales targets quicker. We consider small towns promising and will continue opening stores in them and strengthen our leadership in different regions of Russia.

Life-for-like sales of the Group showed negative dynamics. It is connected, first of all, with the fact that, in 2018, Obuv Rossii did not have any promotional activity or large sell-offs unlike its competitors. It allowed the Group to maintain high markup, which positively influences the profitability indices.

We are now observing structural changes on the Russian shoe market that are connected with the development of new technologies and sales channels. The distribution of customer traffic among various sales formats changes, which also influenced our LFL indices. For example, over the past year, the tendency towards foot traffic diminishing in big shopping malls became more pronounced; the traffic is redistributed in favour of online sales channels. Popularity of district shopping centres is growing, the street format remains important, especially in small towns.

Taking into consideration these tendencies, we have analysed the operation of all our sales outlets in shopping centres during the fourth quarter of 2018 and made a decision to relocate some outlets: we relocated 50 stores in December 2018 from big shopping malls to places with higher traffic and to more promising formats: district shopping centres and the street. As a result, the actual number of new stores in 2018 amounted to 242 opened directly operated and franchise stores as well as the relocated ones. The Group plans to relocate 15 more stores during the first quarter of 2019 to increase efficiency of our retail in 2019.

As for the online activity, we improve the operation of our online stores, develop the interaction of our offline sales outlets and the online store: in 2018, the Joint Sales project was launched. We also optimized business-processes for order processing (we introduced unified standards and improved the system motivation for call centre operators, shortened the delivery period), as a result we increased the conversion of the incoming orders into fulfilled orders by 10% over the past half a year. We started to use an integrated approach to promotion based on key metrics of ROI and CPL. All these measures allowed us increasing online sales by 14% in the fourth quarter of 2018 – their share in retail sales revenues amounted to 15.5%.

One of the main tasks for the nearest future is to develop omni-channel sales as well as to get integrated into the logistic infrastructure of the Russian e-commerce market. During the fourth quarter we started cooperating with PickPoint and DPD to open pickup points on the basis of our retail stores. Already 250 sales outlets have been connected to the project, and now we are issuing over 1,500 parcels a week. The new

project will allow us attracting an additional foot traffic to Obuv Rossii's stores and will facilitate the enhancement of service quality and online sales.

The *total look concept* according to which collections in our stores are formed is our competitive advantage opening additional opportunities for stock development. We continued to expand the middle-layer apparel: sales of such apparel increased by 3.8 times in 2018. The share in the sales revenue amounted to 2.5%. Regarding related products in general, their share got to 35%. Therefore, we are not a classical shoe store any more, we are a branded store offering a wide range of products for certain seasons to form a whole fashionable look.

In 2018, we achieved significant results in the automation of store operations: we started using a new platform in our retail stores, Rassrochka 2.0 (Installment 2.0), to support financial service projects. It is a more flexible system allowing individual setting of special offers for our customers and the introduction of personalized approach. We also launched a block chain to protect personal data of our customers.

Plans for 2019 include further increase in the business volume and strengthening of leader positions on the market: we will keep high growth rates in the retail network; we will continue to work on the range of both shoes and related products; we will continue to integrate into the infrastructure of the Russian e-commerce market; we will introduce new services and improve customer experience in all sales channels — in our offline retail and online stores; we plan to launch updated mobile applications with more functions.

The Group is developing within the announced program, and in 2019 we plan to launch 100-150 stores. Obuv Rossii will present a more specific plan for stores roll-out in March after it publishes its financial statements.

#### Company profile:

Obuv Rossii (MOEX: OBUV) is a nationwide footwear company, the first publicly traded company in the Russian fashion retail. Obuv Rossii was established in 2003, it is headquartered in Novosibirsk and has a representative office in Moscow. The main Group business line is the production and sale of footwear and related goods. The Company manages 727 stores (161 operate as a franchise) under the brands of Westfalika (a monobrand store of classic footwear), Peshekhod ("Pedestrian") (a multibrand footwear supermarket), Rossita (a store for the whole family), Emilia Estra and Lisette (salons of fashionable footwear), in addition to developing brands of clothes and footwear for the active lifestyle brands of S-tep, All.go and Snow Guard. Furthermore, the Group also owns two manufacturing facilities in the Novosibirsk region.

In September 2018, RAEX (Expert PA) confirmed the creditworthiness rating of Obuv Rossii Group at ruBBB+ level, a "stable" forecast. In October 2017, Obuv Rossii raised 5.9 billion rubles in an IPO on the Moscow Exchange (ticker: OBUV), the issuer being OR PJSC, and in doing so became the first publicly listed company within the Russian footwear and fashion market.

In accordance with the audited Financial Statements under the IFRS Group, revenue amounted to RUB 10.8 billion for the full year of 2017, net profit was RUB 1.31 billion, and EBITDA was RUB 2.74 billion.

Website of the Group: [www.obuvrus.ru](http://www.obuvrus.ru); Internet stores: [www.westfalika.ru](http://www.westfalika.ru), [www.westfalika-home.ru](http://www.westfalika-home.ru), [www.emilia-estra.ru](http://www.emilia-estra.ru), [www.rossita.com](http://www.rossita.com), [www.lisette.me](http://www.lisette.me).

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