

OBUV ROSSII GROUP ANNOUNCES OPERATING RESULTS FOR 2Q AND 1H 2020

30 July 2020, Novosibirsk, Russia: Obuv Rossii Group (MOEX: OBUV/ here in after 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 851¹ stores in 341 cities of Russia and two production facilities, announces its operating results for the second quarter and first half ended 30 June 2020.

1H 2020 OPERATING HIGHLIGHTS:

- Group's consolidated unaudited revenue in the 1st half 2020 decreased by 27.4% and totaled RUB 3.892 bln, compared with RUB 5.358 bln in the 1st half 2019.
- Total like-for-like² revenue of Obuv Rossii Group rose by 0.2%.
- Portfolio size in installment payments in 1H 2020 decreased by 7.1% to RUB 2.196 bln, portfolio size in cash loans increased by 23.2% to RUB 2.529 bln.

2Q 2020 OPERATING HIGHLIGHTS:

- Group's consolidated unaudited revenue in the 2nd quarter 2020 decreased by 56% due to the lockdown measures and totaled RUB 1.238 bln, compared with RUB 2.814 bln in the 2nd quarter 2019.
- Total like-for-like² revenue of Obuv Rossii Group rose by 0.1%.
- The number of holders of the loyalty cards that are valid in all retail chains of the Group over 12 months increased by 13.3% to 2.684 mln holders, in comparison with 2.369 mln holders in the 2nd quarter 2019.

KEY EVENTS OF 2Q 2020:

- In April Obuv Rossii Group and Beru marketplace signed a cooperation agreement. Within the pilot project, the retailer is supplying the marketplace with related products of fifty varieties which include bags, stoles, wallets and belts. Further the Group plans to increase the number of wares and product categories presented on this platform.
- In April the Ministry of Industry and Trade of the Russian Federation (Minpromtorg) published the first version of the list of strategic enterprises which includes 246 companies from 15 industries. Obuv Rossii Group was included in the list of systemically important organizations in the production of apparel and footwear.
- Russian Post became the main logistics operator of Obuv Rossii online marketplace which started operation in testing mode in March 2020. 30 outlets of the Siberian region which are the part of the test project were equipped with special zones with a PC and internet access enabling to raise an online order on the spot. Russian Post delivers online orders from the retailer's regional warehouse to retail outlets.
- By the end of June 2020 most company's stores which are primarily stand-alone ones were functioning in the normal mode, these are more than 800 stores in more than 300 towns and cities. Only 20 stores located in shopping malls which are still closed in some regions were not operating.

¹ As of 30 July 2020.

² The growth of total like-for-like revenue is calculated on the basis of the results of Obuv Rossii Group stores that operated within two full compared periods. While calculating the indicator for the second quarter 2020 the sales revenue for April, 2020/April, 2019 was excluded since in April, 2020 Obuv Rossii's stores did not operate due to the lockdown measures.

KEY OPERATING INDICATORS

Indicator	30/06/2020	30/06/2019	Δ, %
Number of Obuv Rossii Group stores	859	837	2,6%
DOS ³	684	671	1,9%
Franchise	175	166	5,4%
DOS selling space (thousand sqm)	57.9	58.6	(1.2%)
Number of loyalty cards' holders, mln people	2.684	2.369	13.3%

Indicator	2Q 2020	2Q 2019	Δ, p.p.	6M 2020	6M 2019	Δ, p.p.
Total LFL revenue growth⁴	0.1%	9.3%	(9.2 p.p.)	0.2%	7.7%	(7.5 p.p.)

Indicator	2Q 2020	2Q 2019	Δ, p.p.	6M 2020	6M 2019	Δ, p.p.
Share of related products in retail revenues, %	36.6%	31.9%	4.7 p.p.	40.1%	35.3%	4.8 p.p.
Online sales, RUB bln	0.078	0.186	(57.7%)	0.301	0.382	(21.2%)
Share in retail revenue, %	13.1%	14.3%	(1.2 p.p.)	16.0%	14.1%	1.8 p.p.

Indicator	2Q 2020	2Q 2019	Δ, %	6M 2020	6M 2019	Δ, %
Average installment purchase, RUB	5,823	7,459	(21.9%)	7,095	8,214	(13.6%)
Average cash loan, RUB	23,217	18,448	25.9%	22,459	17,942	25.2%
Amount of issued contracts on installment payments, RUB bln	0.343	0.865	(60.3%)	1.275	1.894	(32.7%)
Amount of cash loans issued, RUB bln	0.734	1.282	(42.7%)	2.317	2.272	2.0%

Indicator	30.06.2020	30.06.2019	Δ, %
Portfolio size in installment sales, RUB bln	2.196	2.365	(7.1%)
Portfolio size in cash loans, RUB bln	2.529	2.053	23.2%

Anton Titov, CEO of Obuv Rossii Group, commented:

The new strategy we started to implement at the end of 2019, which includes the cooperation with the suppliers using the marketplace model, stock diversification and store reformatting into mini general stores, has proven its efficiency. After the lockdown measures were lifted, already in June our stores achieved the pre-quarantine figures in like-for-like sales. The traffic restored 80%, but due to the new store concept, the conversion into purchasing increased which resulted in the turnover growth.

The Company is widely represented in small towns and is developing its network in, mainly, the street format, therefore the Group managed to pass through the lockdown period at lower cost. Stand-alone stores resumed operation earlier with traffic in them restoring quicker than in shopping malls that have not been yet opened in some regions or are not operating fully. In addition, having such a footprint, the Company's rent expenses are significantly lower, while the contractual terms are more flexible, allowing for a significant financial safety margin.

³ DOS – Directly operated stores.

⁴ The growth of total like-for-like revenue is calculated on the basis of the results of Obuv Rossii Group stores that operated within two full compared periods. While calculating the indicator for the second quarter 2020 the sales revenue for April, 2020/April, 2019 was excluded since in April, 2020 Obuv Rossii's stores did not operate due to the lockdown measures.

We continue developing the Prodayom platform for suppliers. Over the first six months, we attracted more than 500 new partners from such segments as household goods, glassware, toys, children's goods, makeup, small household appliances, books, etc. As a result, the non-shoe product share in the retail proceeds has increased to 40.1%. The total turnover of the platform for the six months of 2020 made up more than RUB 2 bln.

Online sales remain one of the priorities for the Company, their share achieving 16% in the retail proceeds during the first six months of the year. We continue developing our own online marketplace with Russian Post as the main operator. We also expand our cooperation with other online platforms: we started working with the Beru marketplace in April. In addition, the Company is studying the options of cooperation with international marketplaces, considering the possibility of presenting the whole stock of own trademarks there.

Payment by instalments is the main sale technology in our Company, allowing us to maintain demand for our products. We connect our partners to this instalment service within the Prodayom platform. The instalment share in retail is increasing (57% according to the result of the six months). It is connected with the decrease in the real household disposable income and changing consumer behaviour when people start saving money. Following the latest tendencies, we are introducing digital services to improve the quality of remote servicing — during the second half of the year, personal accounts and a mechanism of a simple digital signature will become available for instalment contracts.

Providing loans is also an important line for the Company. During the period of limited functioning of stores, we continued to accept payments and provide loans remotely. The group of customers applying for loans has changed a little: the share of women pensioners has increased. Almost one-third of loan customers now are retirement-age people, which is a positive moment, as they are a reliable group characterized by high financial discipline. Over the first six months of the year, the number of repeated applications increased, resulting in a growth of the average loan amount by 25% as compared with the similar period of 2019.

The coronavirus-induced downturn will significantly impact most of the business sectors. But the Company's strategy, according to which we depart from the classical fashion-retail concept and move to the general store format, prioritizing product and service diversification, as well as instalments as the primary sale technology, and online sale development, allow us to mitigate the negative effect from the economic recession and to quicker achieve the pre-crisis numbers, restoring the business growth.

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 851⁵ stores (175 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 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 December 2019, RAEX (Expert PA) assigned the creditworthiness rating to Obuv Rossii Group at ruBBB+ level, a "stable" forecast.

In accordance with the audited Financial Statements under the IFRS Group, revenue amounted to RUB 13.7 billion for the full year of 2019, net profit was RUB 1.7 billion, and EBITDA was RUB 3.6 billion.

Website of the Group: www.obuvrus.ru; online stores: www.westfalika.ru, www.westfalika-home.ru, www.emilia-estra.ru, www.rossita.com, www.lisette.me.

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