

OBUV ROSSII GROUP ANNOUNCES OPERATING RESULTS FOR SEPTEMBER, 3Q AND 9M 2020

29 October 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 846* stores in 336 cities of Russia and two production facilities, announces its unaudited operating results for September, the third quarter and nine months ended 30 September 2020.

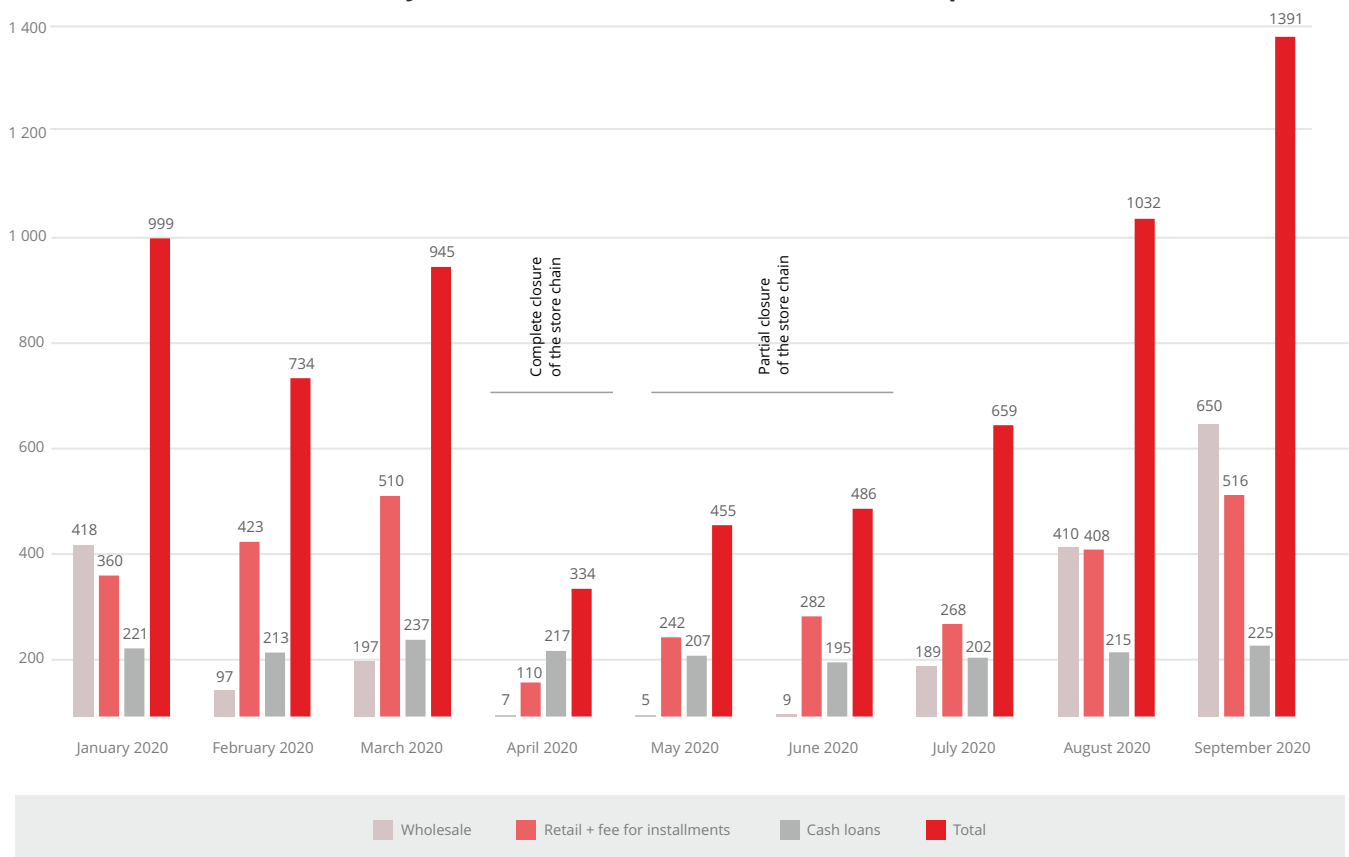
SEPTEMBER 2020 OPERATING HIGHLIGHTS:

- ▶ The unaudited revenue in September increased by 35% compared to August (RUB 1,032 mln) and reached RUB 1,391 mln (exclusive of VAT) which is the maximum monthly level in 2020. The Group's total revenue in September exceeded the average monthly revenue in the pre-crisis first quarter of 2020 by 56% and reached 90% of the total revenue of September 2019.
- ▶ The revenue of Arifmetika LLC, a member of the Group, which specializes in consumer loans, exceeded the revenue of September 2019 by 14% and amounted to RUB 225 mln. At the end of September, the cash loans portfolio increased by 24.5% year-on-year to 2.882 billion rubles. The average loan amount in September increased by 45.3% (up to 29,324 rubles) due to the increase in the number of repeated applications with higher limits.
- ▶ Wholesale revenue of September already exceeded the average monthly revenue of the first quarter by 174% and amounted to 650 million rubles. Wholesale revenue includes sales to the Company's franchise partners, sales of goods on third-party marketplaces and orders from large corporate clients, which purchase footwear of the Group's own production.
- ▶ The marketplace project (the sale of partners' goods in the retail network and on the westfalika.ru online platform) is actively developing: the number of platform partners exceeded 620 companies at the end of September, the revenue from this project increased by 4% compared to August 2020 and amounted to 143 million rubles (28% of retail sales).
- ▶ The Group delivered more than 91 thousand parcels in September 2020 within the project of partner's pickup points. This value exceeded 579 thousand parcels for 9 months of 2020. By the end of the year the Company is going to involve new partners to the project and increase the average monthly parcel delivery volume to 200 thousand. At the end of September, the number of pickup points was 2,328.** The Group attracts new customers: the traffic of clients who come for partners' online orders amounted to 6.2% of the total store traffic, the conversion to purchase of such customers reached 5% at the end of September.

* As of 29 October 2020.

** A single outlet may have several pickup points.

Monthly unaudited revenue of Obuv Rossii Group, mln RUB



3Q 2020 OPERATING HIGHLIGHTS:

- ▶ Group's consolidated unaudited revenue in the 3d quarter 2020 decreased by 17% and totaled RUB 3.082 bln, compared with RUB 3.713 bln in the 3d quarter 2019.
- ▶ Total like-for-like* revenue of Obuv Rossii Group decreased by 16.2%.
- ▶ The number of holders of the loyalty cards that are valid in all retail chains of the Group over 12 months increased by 12.9% to 2.765 mln holders, in comparison with 2.449 mln holders in the 3d quarter 2019.

9M 2020 OPERATING HIGHLIGHTS:

- ▶ Group's consolidated unaudited revenue in the first nine months 2020 decreased by 22.5% and totaled RUB 7.034 bln, compared with RUB 9.071 bln in the first nine months 2019.
- ▶ Total like-for-like revenue of Obuv Rossii Group decreased by 6.9%.
- ▶ Portfolio size in installment payments in 9M 2020 decreased by 13.4% to RUB 2.233 bln, portfolio size in cash loans increased by 24.5% to RUB 2.882 bln.
- ▶ For nine months 2020 the traffic of clients who come for partners' online orders amounted to 5.3 % of the total store traffic.

* 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 first nine months 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 EVENTS OF 3Q 2020:

- ▶ Expert RA rating agency confirmed Obuv Rossii's credit rating at ruBBB+ with stable outlook. Among the factors supporting the rating are diversification of the products and services, high level of current liquidity and high marginality of the company.
- ▶ Obuv Rossii agreed with the key lending banks Sberbank, VTB and PSB Group on extending existing credit lines in the amount of more than RUB 8.5 bln with reduced financing costs. It will allow the company to reduce interest costs in the second half of 2020 and the following years.
- ▶ Obuv Rossii became the first Wildberries' network partner to launch pickup points. The first Wildberries pickup points started operation in 100 Obuv Rossii's sales outlets in Siberia and the Far East, by the end of the year, their number will increase by more than two and a half times, up to 263. Clients of Wildberries are provided with the whole range of services in Obuv Rossii's stores: online orders pick-up, trying on, and returns.
- ▶ Obuv Rossii Group implemented a voice assistant in the call-center operation. The company uses a new system to interact with customers while providing additional services — installment payments and cash loans. The goal of the project is to reduce the number of «lost» calls, waiting time and the cost of communication services, to provide 24/7 support to clients and to conduct full analytics of all directions. For now, the voice assistant independently serves about 10% of clients.

KEY OPERATING INDICATORS

Indicator	30.09.2020	30.09.2019	Δ, %
Number of Obuv Rossii Group stores	851	895	(4.9%)
DOS*	676	723	(6.5%)
Franchise	175	172	1.7%
DOS selling space (thousand sqm)	57.3	61.6	(7.0%)
Number of loyalty cards' holders, mln people	2.765	2.449	12.9%

Indicator	3Q 2020	3Q 2019	Δ, p.p.	9M 2020	9M 2019	Δ, p.p.
Total LFL revenue growth**	(16,2%)	8,0%	(24,2 p.p.)	(6,9%)	7,8%	(14,7 p.p.)

Indicator	3Q 2020	3Q 2019	Δ, p.p.	9M 2020	9M 2019	Δ, p.p.
Share of related products in retail revenues, %	48.4%	38.6%	9.8 p.p.	43.9%	36.5%	7.4 p.p.
Online sales, RUB bln	0.212	0.216	(1.9%)	0.512	0.597	(14.2%)
Share in retail revenue, %	17.8%	13.3%	4.4 p.p.	16.6%	13.8%	2.8 p.p.

* Directly operated stores.

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FINANCIAL INDICATORS

Indicator	3Q 2020	3Q 2019	Δ, %	9M 2020	9M 2019	Δ, %
Average installment purchase, RUB	7,425	9,023	(17.7%)	7,210	8,510	(15.3%)
Average cash loan, RUB	27,232	20,044	35.9%	24,107	18,722	28.8%
Amount of issued contracts on installment payments, RUB bln	0.719	1.203	(40.2%)	1.994	3.098	(35.6%)
Amount of cash loans issued, RUB bln	1.482	1.497	(1.0%)	3.799	3.768	0.8%
Average commission rate on installment loans, %	5.3%	0.7%	4.6 p.p.	3.9%	0.7%	3.2 p.p.
Average interest rate on cash loans, %	185.0%	186.2%	(1.2 p.p.)	186.5%	192.1%	(5.6 p.p.)

Russian rubles (RUB), billion	3Q 2020	3Q 2019	Δ, %	9M 2020	9M 2019	Δ, %
Revenue	3.082	3.713	(17.0%)	7.034	9.071	(22.5%)
retail revenue	1.191	1.619	(26.4%)	3.120	4.300	(27.4%)
included Prodayom platform revenue	0.377	-	-	0.655	-	-
wholesale revenue	1.249	1.518	(17.7%)	1.981	3.280	(39.6%)
cash loans revenue	0.642	0.577	11.4%	1.933	1.492	29.6%

Russian rubles (RUB), billion	30.09.2020	30.09.2019	Δ, %
Debt	13.199	11.523	14.5%
Cash and cash equivalents	0.419	0.903	(53.6%)
Net debt	12.781	10.620	20.3%
Portfolio size in installment sales	2.233	2.580	(13.4%)
Portfolio size in cash loans	2.882	2.315	24.5%

Anton Titov, CEO of Obuv Rossii Group, commented:

The Company continues to steadily recover its revenue after the lift of lockdown: its revenue amounted to almost 1.4 billion rubles in September and exceeded the average monthly revenue of the pre-crisis first quarter of 2020 by 56%. However, the pandemic, declines in the real income of the population and low customer spending still affect the Company's performance within the 3rd quarter and 9 months: foot traffic and revenue have not yet reached the level of the same period in 2019. Nevertheless, significant changes took place in the structure of the Group's business in 9 months, new directions and projects were launched in the Company, and they will become the basis for competitiveness and business growth in the future.

The development of a modern retail format that integrates online and offline sales channels, a wide range of goods and services ensure the Company's stability in the current constantly changing environment. The marketplace project allows the Company to significantly expand its variety of stock, which attracts additional customers, increases the conversion to purchase and the number of items in the check. Revenue in this area is growing every month: it increased by 4% by the end of September; the share of partner goods in the Group's retail revenue reached 28%. Now the variety of stock of outlets and westfalika.ru online marketplace includes household goods, toys, baby products, stationery and much more. The Company has more than 620 suppliers, and it is going to increase their number to 1,000 by the end of the year.

We continue to integrate into the logistics infrastructure of the e-commerce market and develop the project of partners' pickup points, which is also an additional source of traffic for our outlets. According to the results of 9 months, the traffic of customers who come to us to receive partners' online orders amounted to 5.3% of the total outlet traffic; the conversion to the purchase of such customers was about 5%. In September Obuv Rossii became the first network partner of the Wildberries online marketplace to open pickup points. In October, it has connected another logistics operator to the project (IML Company). Thus, the Company currently has 10 partners and more than 2,300 partners' pickup points.*

Now more than 90% of our online store customers prefer to pick up online orders at our outlets, which confirms the popularity of this omni channel format among our audience. We attract additional customers by expanding cooperation with other online platforms using the same scheme. In October, we started cooperation with the Goods.ru online marketplace as per Order-and-pick-up model: when the customer places an order with the Goods.ru online marketplace, he or she can receive the goods in our stores. We are developing another area such as mobile sales. In October, we have launched an updated mobile app that will make the shopping experience more convenient for our customers.

Cash loans are one of the drivers of business growth today. Revenue from activities for the issuance of cash loans increased by 29.6% within 9 months of 2020. The Company maintains a strong position in the microfinance market. According to the results of the first half of 2020, Arifmetika MCC LLC (a subsidiary of the Group, which specializes in issuing cash loans) entered the TOP-10 of the MFO ranking, which is made by Expert RA by the volume of issued cash loans. The Group is currently developing remote technologies like online loan processing, which will further stimulate growth in this area.

The Company has achieved a significant reduction in operating costs; rental payments are a significant part of such costs. The Group actively interacted with lessors to reduce the rental price within the second and third quarters of 2020. This has made it possible to reduce rental costs in the third quarter by 55 million rubles accounting for 16% decrease in the total rental cost. The Company reduced the rental cost by 20% (213.5 million rubles) within 9 months.

To develop our business, we actively use a wide range of financial instruments, both classic lending and instruments of the open capital market (bonds and shares). In the third quarter, we continued to implement our strategy to increase the share of long-term borrowings in the loan portfolio and to reduce the cost of financing. In August-September, we agreed with the main creditor banks on extending credit lines with a decrease in the financing cost. This will allow us to reduce interest costs in the second half of 2020 and onwards. In August, we successfully issued exchange-traded bonds for 500 million rubles. This is the first issue after the lockdown was lifted. In September, the Expert RA rating agency confirmed the credit rating of Obuv Rossii at the ruBBB + level. High liquidity and quality of work with the loan portfolio are the factors that supported the rating.

Our Company is constantly monitoring the situation related to the spread of coronavirus infection. All measures have been taken in our stores to ensure the safety of both personnel and customers: we have the necessary supplies of face masks, disinfectants; outlets are also equipped with germicidal lamps. We are also ready for the case if the office employees in the regions are transferred to remote working: we have already developed all the techniques, including remote learning; we also have all the necessary infrastructure. All 846 Company's outlets are operating normally as of 29 October 2020.

* A single outlet may have several pickup points.

Company profile:

Obuv Rossii (MOEX: OBUV) (the parent company is OR PJSC) is a nationwide retail company. Obuv Rossii was established in 2003, it is headquartered in Novosibirsk and has a representative office in Moscow. The Company manages 846* stores (175 operate as a franchise) under the brands of Westfalika, Peshekhod ("Pedestrian"), Rossita, Emilia Estra and Lisette, 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 September 2020, Expert PA confirmed the creditworthiness rating to Obuv Rossii Group at ruBBB+ level, a "stable" forecast.

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* As of 29 October 2020.

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