

OBUV ROSSII GROUP ANNOUNCES OPERATING RESULTS FOR 4TH QUARTER AND FULL YEAR 2019

30 January 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 907¹ stores in 371 cities of Russia and two production facilities, announces its operating results for the fourth quarter and full year ended 31 December 2019.

4Q 2019 OPERATING HIGHLIGHTS:

- Group's consolidated unaudited revenue increased by 22% and totaled RUB 4.551 bln, compared with RUB 3.732 bln in the 4th quarter 2018.
- Total like-for-like revenue of Obuv Rossii Group rose by 0.8%.
- Group's retail chain increased by 10 new DOS² being part of the Westfalika chain, the main brand of Obuv Rossii Group.

FY 2019 OPERATING HIGHLIGHTS:

- Group consolidated unaudited revenue increased by 17.9% and totaled RUB 13.622 bln, compared with RUB 11.554 bln in 2018.
- Total like-for-like revenue of Obuv Rossii Group rose by 5.2%.
- For the twelve months Obuv Rossii grew by 200 new stores, the net increase was 181 stores taking into account the relocation and closing of some outlets. As a result, on 31 December 2019, the retail chain of the Group comprised 908 stores (172 of them — franchises) in 370 cities and towns of Russia.
- Portfolio size in installment payments in 2019 rose by 8.2% to RUB 3.158 bln, portfolio size in cash loans increased by 42.9% to RUB 2.502 bln.
- Total DOS selling space increased by 15% year-on-year to 61,900 sq.m in 2019 (compared to 53,800 sq.m in 2018).
- In 2019 the number of participants of the loyalty program that is valid in all retail chains of the Group increased by 13.9% to 2.550 mln, compared with 2.239 mln in 2018. 57% of purchases were made with the use of the loyalty cards within the reporting period.

¹ As of 30 January 2020.

² DOS – directly operated stores.

KEY EVENTS OF 4Q 2019:

- Russian Post JSC and Obuv Rossii Group signed a partnership agreement, in terms of which the pick-up points of a logistics operator started opening in Group's stores in November. At the first stage, pick-up points will be launched in more than 180 stores of the Group throughout Russia. The planned volume of parcels that will be redirected to the pick-up points of Russian Post based on the outlets of Obuv Rossii will be more than 5 thousand per month.
- Obuv Rossii Group announced new business model and the format of dealing with the suppliers. The Group is planning to cooperate with new partners according to the principle of a marketplace and provide 30-50% of the sale space of over 700 own stores to third-party suppliers. The relationships with partners will develop via the Prodayom online platform. The range of goods will be expanded two times due to new categories. Thanks to the new business model, Obuv Rossii plans to increase the conversion rate in retail and the proceeds of the operating outlets. It will also allow the company to moderate the seasonality using new product groups.
- Obuv Rossii Group entered the Tmall marketplace (a part of AliExpress Russia) with the goods under the Group's Westfalika main brand. Obuv Rossii is testing a new sales channel, therefore on Tmall mainly women's shoes and a small range of outerwear and related products are being presented. Taking into account the results of the pilot project, the Group plans to sell the widest variety of stock through the marketplace.
- In December 2019, Expert RA Rating Agency assigned the ruBBB+ level credit rating to Obuv Rossii, a non-financial entity, with a stable outlook. Among the factors which support the rating are enhanced footprint, high profitability and high indicators of absolute and day-to-day liquidity.

KEY OPERATING INDICATORS

Indicator	31.12.2019	31.12.2018	Δ, %
Number of Obuv Rossii Group stores	908	727	24.9%
DOS ³	736	566	30.0%
Franchise	172	161	6.8%
DOS selling space (thousand sqm)	61.9	53.8	15.0%
Number of loyalty cards' holders, mln people	2.550	2.239	13.9%

Indicator	4Q 2019	4Q 2018	Δ, p.p.	FY 2019	FY 2018	Δ, p.p.
Total LFL revenue growth⁴	0.8%	(10.1%)	10.9 p.p.	5.2%	(7.4%)	12.7 p.p.

Indicator	4Q. 2019	4Q 2018	Δ, p.p.	FY 2019	FY 2018	Δ, p.p.
Share of related products in retail revenues, %	43.7%	37.4%	6.3 p.p.	39.2%	34.9%	4.3 p.p.
Online sales, RUB bln	0.417	0.396	5.3%	1.014	0.857	18.3%

³ 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.

Indicator	4Q 2019	4Q 2018	Δ, %	FY 2019	FY 2018	Δ, %
Average installment purchase, RUB	9,909	10,808	(8.3%)	8,998	9,251	(2.7%)
Average cash loan, RUB	22,374	18,306	22.2%	19,683	15,710	25.3%
Amount of issued contracts on installment payments, RUB bln	1.928	1.780	8.3%	5.026	4.440	13.2%
Amount of cash loans issued, RUB bln	1.609	1.024	57.1%	5.377	3.400	58.1%

Indicator	31.12.2019	31.12.2018	Δ, %
Portfolio size in installment sales, RUB bln	3.158	2.919	8.2%
Portfolio size in cash loans, RUB bln	2.502	1.751	42.9%

Anton Titov, CEO of Obuv Rossii Group, comments:

In 2019, we accelerated growth rates and increased revenue by 17.9% up to 13.6 billion rubles. We exceeded our plans to expand the retail chain and opened more than 200 outlets. The retail chain's net increase was 181 outlets (taking into account the relocation and closure of some outlets). We significantly expanded the footprint and opened outlets in 125 new cities and towns, having strengthened our positions in the Volga region, the Urals, Siberia, and the Far East. As a result, the Company's retail chain comprised 908 outlets (including 172 franchising ones) in 370 cities and towns of Russia as of 31.12.2019.

Last year, we kept working with our variety of stock and expanding product categories, which allows us to maintain and increase sales even with sluggish customer spending. The revenue from mid-layer clothing increased by 69.5%, its share in retail sales was 4.1 %. In 2019, we began to sell men's clothing, and the stock of mid-layer clothing was increased up to 1,000 product names. The diversification strategy confirmed its efficiency: sales of related products rose by 15.9%, their share in retail sales amounted to 39.2% for the year as a whole.

The services are one of the main areas for the Company. In 2019 the cash loan portfolio increased by 43% since the customer base grew due to the additional traffic of outlets launched in 2017 and 2018. The payment by instalments is still popular among our customers. In 2019, the instalment portfolio increased by 8.2%. At the same time, there was a slight decrease in the amount of average purchase in instalments due to the lower limits on the instalment size in new outlets opened in 2019.

We achieved significant results in the direction of postal services in our outlets. We began to cooperate with new partners, some of them are industrial leaders: we entered into the contract with Russian Post in October. In 2019, we issued more than 400 thousand parcels in total. The record number of parcels was in December when we delivered over 100 thousand online orders. Now Obuv Rossii cooperates with eight partners. More than 1,700 pick-up points have been opened in our outlets.

We see that online shopping is getting more popular in the fashion market, so we actively develop out online stores and test new sales channels. In 2019, e-commerce revenue increased by 18.3%. We expand our cooperation with marketplaces such as Wildberries and Lamoda. At the end of 2019, we started to sell in Tmall (part of Aliexpress Russia) and presented a small stock of women's shoes, clothing and accessories. According to preliminary sales results, we will decide on the expansion of cooperation volume with the new platform.

In 2019, we completed the three-year investment program that was announced in 2017. We doubled our retail chain and opened outlets in more than 220 new cities and towns in two years. The main goal for 2020 will be to improve the efficiency of those outlets that have been launched for two years and to increase quality indicators such as sales per square meter of retail space, conversion ratio, like-for-like sales, which will contribute to the growth of the revenue and profit of the existing retail chain.

The development of a new business model announced in November 2019 will be one of the most important areas in 2020. We will modernize our outlets in omnichannel market places (outlets that integrate several areas within a single concept) and expand our variety of stock with new product categories. At the present moment, we have signed contracts with more than 100 suppliers from such segments as kitchenware production, household products, cosmetic industry, and so on. Trial batches of new products were delivered to our outlets in December. We see high demand from customers and their interest in the new format, so we intend to further expand the pool of suppliers and the range of goods in our stores in 2020.

The market place model is one of the most important elements of the Company development. Other changes that Obuv Rossii plans to implement will be described in the new strategy for the next 3-5 years.

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 907⁵ stores (173 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 accordance with the audited Financial Statements under the IFRS Group, revenue amounted to RUB 11.55 billion for the full year of 2018, net profit was RUB 1.33 billion, and EBITDA was RUB 2.86 billion.

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

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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