

OBUV ROSSII GROUP ANNOUNCES

AUDITED FINANCIAL RESULTS FOR FULL YEAR 2017

16 March 2018, Novosibirsk, Russia: Obuv Rossii Group (MOEX: OBUV/ hereinafter the "Company" or, together with its subsidiary and dependent companies, "Obuv Rossii" or the "Group"), one of the two largest footwear retailers in Russia and the leader in the mid-price segment of the Russian footwear market¹, comprising 560 stores in 154 cities of Russia and two production facilities, announces audited financial results in accordance with International Financial Reporting Standards (IFRS) for the full year ended 31 December 2017.

4Q 2017 FINANCIAL HIGHLIGHTS:

- Group revenue increased by 6.8% and amounted to RUB 3.572 bln, compared to RUB 3.343 bln in the 4th quarter of 2016.
- Like-for-like sales of Obuv Rossii Group increased by 10.9%:
 - Like-for-like number of tickets growth was 4.7%;
 - Like-for-like average ticket size increased by 6.0%.
- Gross profit grew by 7.1% to RUB 1.959 bln, compared to RUB 1.829 bln in the 4th quarter of 2016.
- Gross profit margin reached 54.8% growing by 2.9 p.p.
- EBITDA² decreased by 3.9% and accounted for RUB 0.949 bln, compared to RUB 0.987 bln in the same period of 2016.
- EBITDA margin slightly declined by 1.5 p.p. and amounted to 26.6%.
- Net profit rose by 13.2% to RUB 0.640 bln, compared to RUB 0.566 bln in the 4th quarter of 2016.
- Net profit margin reached 17.9% compared to 16.1% in the same period of 2016.

FY 2017 FINANCIAL HIGHLIGHTS:

- Group revenue increased by 8.4% and amounted to RUB 10.801 bln, compared to RUB 9.965 bln in 2016.
- Like-for-like sales of Obuv Rossii Group increased by 2.8%:
 - Like-for-like number of tickets decreased by 3.7%;
 - Like-for-like average ticket size increased by 6.8%.
- Gross profit slightly decreased by 0.1% to RUB 5.853 bln, compared to RUB 5.859 bln in 2016.
- Gross profit margin declined by 4.6 p.p. and amounted to 54.2%.
- EBITDA grew by 7.8% and accounted for RUB 2.737 bln, compared to RUB 2.540 bln in 2016.
- EBITDA margin slightly declined by 0.2 p.p. and amounted to 25.3%.

¹ In terms of the number of stores and revenue for the six months of 2017, according to Discovery Research Group

² EBITDA = Profit (loss) before taxation + (Interest payable – Interest receivable + Depreciation of fixed and intangible assets).

- Net profit rose by 10.8% to RUB 1.310 bln, compared to RUB 1.183 bln in 2016.
- Net profit margin reached 12.1%, compared to 11.9% in 2016.
- Net debt / EBITDA ratio decreased to 1,7x as of 31 December 2017, from 2.8x as of 31 December 2016.

Anton Titov, CEO of Obuv Rossii Group, comments:

Obuv Rossii Group successfully completed its first year as a public company, demonstrating high performance indicators and meeting the guidance to the full extent. In 2017 the Group's retail chain increased by 83 stores and amounted to 535 stores as of 31 December 2017. The revenue of the company increased by 8.4% (to RUB 10.8 bln) within the year. As a result, Obuv Rossii strengthened its position as a leader in the mid-price segment, lengthening its lead over competitors.

In 2017 EBITDA margin amounted to 25.3%, it is a high result among leading global fashion retailers. In 2017, Obuv Rossii demonstrated high growth of the net profit — by 10.8% to RUB 1.310 bln. It became possible thanks to several drivers: in 2017 Obuv Rossii continued developing its collections increasing the share of fashionable shoes of more interesting design and casual style shoes; the Company enhanced the range of high-margin related products (their share in the retail revenue reached 31%). In 2017 Obuv Rossii improved its online stores operations and launched modernized mobile versions of the web-sites, which resulted in jump of e-commerce revenue by 56%.

The growth of the company's indicators is also related to the positive dynamics on the Russian footwear market. 2017 was a turning point for the industry: the footwear market returned to growth in volume terms for the first time since 2014, the consumer demand started to recover. According to Discovery Research Group forecasts, in the nearest 5 years the market will on the average grow by 4-5% in volume terms and by 6-8% in value terms.

Taking into account the favorable situation on the market, Obuv Rossii intends to further consolidate the market, using the advantages of the unique business model that includes the development of the portfolio of recognizable brands, the diversified range of goods and services, the innovation loyalty program, and the development of omnichannel sales model. In 2018, Obuv Rossii will open 100 stores, with 60 of them starting to operate already in the first half year. The Group will further actively grow and increase its financial indicators, in order to ensure the high income of shareholders from their investments into the Group.

KEY FINANCIAL & OPERATING HIGHLIGHTS FOR 4Q2017 and FY 2017

Operating highlights

Indicator	31.12.2017	31.12.2016	Δ, %
Number of Obuv Rossii Group stores	535	452	18.4%
DOS ³	422	378	11.6%
Franchise	113	74	52,7%
DOS selling space (thousand sq.m.)	40.1	36.8	8.9%

³ DOS – Directly operated stores.

Like-for-Like ⁴	4Q 2017	4Q 2016	Δ, %	FY 2017	FY 2016	Δ, %
LFL sales growth	10.9%	2.3%	8.6%	2.8%	9.4%	-6.6%
Number of tickets growth	4.7%	1.6%	3.1%	-3.7%	5.3%	-9.0%
Average ticket size growth	6.0%	0.7%	5.3%	6.8%	4.0%	2.8%

Indicator	4Q 2017	4Q 2016	Δ, %	FY 2017	FY 2016	Δ, %
Share of related products in retail revenues	33%	29%	4%	31%	28%	3%

Financial highlights

Russian rubles (RUB), billion	4Q 2017	4Q 2016	Δ, %	2017	2016	Δ, %
Revenue	3.572	3.343	6.8%	10.801	9.965	8.4%
retail revenue	2.667	2.624	7.0%	7.078	7.663	-7.6%
wholesale revenue	0.527	0.360	46.4%	2.224	0.825	169.7%
cash loans revenue	0.379	0.359	5.6%	1.500	1.478	1.5%
Gross profit	1.959	1.829	7.1%	5.853	5.859	-0.1%
<i>Gross profit margin, %</i>	<i>54.8%</i>	<i>52.0%</i>	<i>2.9%</i>	<i>54.2%</i>	<i>58.8%</i>	<i>-4.6%</i>
SG&A (excluding provisions)	(1.103)	(0.895)	23.3%	(3.553)	(3.530)	0.6%
<i>% of revenue</i>	<i>30.9%</i>	<i>25.4%</i>	<i>-5.5%</i>	<i>32.9%</i>	<i>35.4%</i>	<i>-2.5%</i>
EBITDA	0.949	0.987	-3.9%	2.737	2.540	7.8%
<i>EBITDA маржа, %</i>	<i>35.6%</i>	<i>35.2%</i>	<i>0.3%</i>	<i>25.3%</i>	<i>25.5%</i>	<i>-0.2%</i>
Profit for the period	0.640	0.566	13.2%	1.310	1.183	10.8%
<i>Profit margin, %</i>	<i>12.1%</i>	<i>11.9%</i>	<i>0.3%</i>	<i>12.1%</i>	<i>11.9%</i>	<i>0.3%</i>
Net debt	4.732	6.989	-32.3%	4.732	6.989	-32.3%
<i>Net debt / EBITDA</i>	<i>1.7</i>	<i>2.8</i>		<i>1.7</i>	<i>2.8</i>	

Indicator	4Q 2017	4Q 2016	Δ, %	2017	2016	Δ, %
Average commission on installment loans (%)	0.2%	6.7%	-6.5%	2,2%	6,3%	-4,1%
Average interest rate on cash loans (%)	215.3%	190.6%	24.7%	209.8%	205.0%	4.8%
Installment loan loss provisions for the period (RUB thousand)	-	-	-	262 877	311 841	-15.7%
Cash loan loss provisions for the period (RUB thousand)	-	-	-	125 961	221 476	-43.1%
Cost of risk ⁵ for installment loans (%)	-	-	-	5.1%	6.3%	-1.2%
Cost of risk for cash loans ⁶ (%)	-	-	-	3.7%	6.0%	-2.3%

⁴ 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. For example, the indicator of the growth of like-for-like sales for 2017-2016 will include the proceeds of all the stores of Obuv Rossii Group that were opened before 31 December 2015 and were in operation throughout the whole of 2016 and 2017.

⁵ Cost of risk⁵ for installment loans = *Loan loss provisions divided by volume of installment loans issued for the financial year*

⁶ Cost of risk for cash loans = *Loan loss provisions divided by volume of cash loans issued for the financial year*



Audited financial statements in accordance with IFRS are published on the Group web-site www.obuvrus.ru in the section For Investors.

Company background:

Obuv Rossii is a nationwide footwear company ranked among the top two Russian footwear retailers in terms of the number of stores (according to Discovery Research Group), and is the market leader in the mid-price footwear segment. 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 560 stores (113 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 December 2017, RAEX (Expert PA) upgraded the creditworthiness rating of Obuv Rossii Group to 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; Internet stores: www.westfalika.ru, www.westfalika-home.ru, www.emilia-estra.ru, www.rossita.com, www.lisette.me.

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