



OBUV ROSSII GROUP ANNOUNCES

AUDITED FINANCIAL RESULTS FOR FULL YEAR 2019

30 March 2020, 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 903¹ stores in 367 cities of Russia and two production facilities, announces audited financial results in accordance with International Financial Reporting Standards (IFRS) for the fourth quarter and full year ended 31 December 2019.

4Q 2019 FINANCIAL HIGHLIGHTS:

- Group audited consolidated revenue increased by 23.2% and amounted to RUB 4.596 bln, compared to RUB 3.732 bln in the 4th quarter of 2018.
- Total like-for-like revenue of Obuv Rossii Group rose by 0.8%.
- Gross profit grew by 12.8% to RUB 2.633 bln, compared to RUB 2.333 bln in the 4th quarter of 2018. Gross profit margin amounted to 57.3%.
- EBITDA² increased by 48.6% and accounted for RUB 1.558 bln, compared to RUB 1.049 bln in the same period of 2018. EBITDA margin grew by 5.8 p.p. and amounted to 33.9%.
- Net profit grew by 82.8% to RUB 0.934 bln, compared to RUB 0.511 bln in the 4th quarter of 2018. Net profit margin was 20.3%.

FY 2019 FINANCIAL HIGHLIGHTS:

- Group audited consolidated revenue increased by 18.6% and amounted to RUB 13.702 bln, compared to RUB 11.554 bln in 2018.
- Total like-for-like revenue of Obuv Rossii Group rose by 5.2%.
- Gross profit grew by 11.4% to RUB 7.562 bln, compared to RUB 6.789 bln in 2018. Gross profit margin was 55.2%.
- EBITDA increased by 25.5% and accounted for RUB 3.583 bln, compared to RUB 2.855 bln in the same period of 2018. EBITDA margin amounted to 26.1%.
- Net profit grew by 26.7% to RUB 1.687 bln, compared to RUB 1.332 bln in 2018. Net profit margin was 12.3%.
- Net debt / EBITDA ratio increased to 3.3x compared to 2.9x in 2018.

¹ As of 30.03.2020.

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

KEY FINANCIAL & OPERATING HIGHLIGHTS FOR 4TH QUARTER AND FY 2019

Operating highlights

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 sq.m.)	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%

Financial highlights

Russian rubles (RUB), billion	4Q 2019	4Q 2018	Δ, %	FY 2019	FY 2018	Δ, %
Revenue	4.596	3.732	23.2%	13.702	11.554	18.6%
retail revenue	2.541	2.577	(1.4%)	6.872	6.660	3.2%
wholesale revenue	1.425	0.741	92.2%	4.703	3.381	39.1%
cash loans revenue	0.630	0.414	52.3%	2.128	1.514	40.5%
Gross profit	2.633	2.333	12.8%	7.562	6.789	11.4%
<i>Gross profit margin, %</i>	<i>57.3%</i>	<i>62.5%</i>	<i>(5.2p.p.)</i>	<i>55.2%</i>	<i>58.8%</i>	<i>(3.6p.p.)</i>
SG&A	(1.053)	(0.995)	5.9%	(3.845)	(3.626)	6.0%
<i>% of revenue</i>	<i>22.9%</i>	<i>26.7%</i>	<i>(3.7p.p.)</i>	<i>28.1%</i>	<i>31.4%</i>	<i>(3.3p.p.)</i>
Charge of allowance for expected credit losses	(0.129)	(0.161)	(19.9%)	(0.496)	(0.420)	18.2%
EBITDA	1.558	1.049	48.6%	3.583	2.855	25.5%
<i>EBITDA margin, %</i>	<i>33.9%</i>	<i>28.1%</i>	<i>5.8p.p.</i>	<i>26.1%</i>	<i>24.7%</i>	<i>1.4p.p.</i>
Net profit for the period	0.934	0.511	82.8%	1.687	1.332	26.7%
<i>Net profit margin, %</i>	<i>20.3%</i>	<i>13.7%</i>	<i>6.6p.p.</i>	<i>12.3%</i>	<i>11.5%</i>	<i>0.8p.p.</i>
Net debt	11.702	8.392	39.4%	11.702	8.392	39.4%
<i>Net debt / EBITDA ratio</i>	<i>3.27</i>	<i>2.94</i>	<i>0.33</i>	<i>3.27</i>	<i>2.94</i>	<i>0.33</i>

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.

Indicator	4Q 2019	4Q 2018	Δ, p.p.	FY 2019	FY 2018	Δ, p.p.
Average commission rate on installment loans, %	0,9%	0,9%	-	0,8%	1,5%	(0,7p.p.)
Average interest rate on cash loans, %	177,9%	193,2%	(15,3p.p.)	187,9%	205,0%	(17,1p.p.)

Indicator	31.12.2019	31.12.2018	Δ, %
Installment loan loss provisions for the period, million rub	158.692	132.538	19.7%
Cash loan loss provisions for the period, million rub	192.024	130.001	47.7%
Cost of risk ⁵ for installment loans, %	3.2%	3.0%	0.2p.p.
Cost of risk ⁶ for cash loans, %	3.6%	3.8%	(0.2p.p.)

Anton Titov, CEO of Obuv Rossii Group, commented:

In 2019 we strengthened our leader positions on the Russian market: we launched over 200 stores (the net growth of the retail chain was 181 store considering the relocation and closing of some retail outlets) and entered 125 new towns. We accelerated the growth rates and increased our proceeds by 18.6% up to RUB 13.7 bln.

We succeeded in increasing business process efficiency and showed high profitability: EBITDA grew by 25.5% up to RUB 3.583 bln, EBITDA profitability in 2019 was 26.1%. The net profit grew by 26.7% up to RUB 1.687 bln. Strong performance became possible due to our unique business model that includes the diversification of stock and services, integration in the online trade infrastructure and financial services development. Improving the profitability and efficiency will remain priority tasks for us in the near future.

It is worth mentioning that in 2019 we finished the implementation of a three-year investment program announced in 2017. We fulfilled all the declared plans having doubled our retail chain in two years and entered 220 new towns. The main aim for us in 2020 is to ramp up the outlets opened in the previous two years. Proceeds and profitability in the retail chain will increase due to the growth of such quality indices as proceeds per square meter, conversion ration and like-for-like sales.

We gradually pass to the multicategory store format, develop the shoes range including the lines of both classical shows and casual style shoes, sports shoes. We offer collections of women's and men's clothes and also enter some new segments. This all allows us to increase the market capacity and to increase sales on the shopping capacities we have. In 2019, related product sales in our stores increased by 15.9%, their share in the retail proceeds amounted to 39.2%. This year we plan to increase the share of such products up to 50%.

To achieve an increase in the main business indices of the company, we decided to improve our business model. In the context of the online retailing boost and customer behaviour changes, we see big prospects in the integration of offline retail and online sales channels. In November 2019 we announced a new approach: we started to work with our suppliers using the marketplace model having provided up to 50% of our shopping floor space for partner brand products. To cooperate with the suppliers, we started the Prodayom online platform. As a result, we will reformat our stores to be omnichannel marketplaces (that integrate several lines within one concept). Over the three months of operation, the turnover of the platform exceeded RUB 1 bln. We signed contracts with over 300 suppliers from such segments as glassware, household goods, cosmetics, small home appliances, women's clothes, etc. We will continue to develop this format in our stores in 2020 due to popularity of renewed concept with our customers.

Our aim in the mid-term perspective is to transform our business to become online integrating our retail chain to be an online sale infrastructure. The e-commerce website www.westfalika.ru will become the main point of sales for us

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

while offline stores will perform the role of service points (pick-up points and centres to provide financial services). We are elaborating a new strategy for company development for 3-5 years. It will be presented in the nearest future. Though we have already introduced some strategy elements in the company's operations. They include an online platform for the suppliers, a chain of partner pick-up points, a marketplace and transition of financial services into the online format.

We are successfully implementing the strategy on integration into the logistic infrastructure of the Russian e-commerce market. To date, about 2,000 partners' pickup points is working in our outlets. We are cooperating with eight partners, PickPoint, DPD, Russian Post, Sberlogistika, OZON are among them. In 2020, we plan to increase the amount of parcels delivered through pickup points by 4 times, from 400 thousand to 1.6 million. We also intend to involve into the project all logistics operators that provide the customers the "last mile" service with the help of pickup points.

The development of online sales is one of the top-priority directions for the near future. Their share in the retail was 14.8% in 2019. We are developing the cooperation with online marketplaces such as Wildberries, Lamoda, Tmall. In March 2020, we launched an online marketplace based on the online shop of our main brand westfalika.ru. It will be possible to buy goods from a variety of stock which is not available in the retail chain. The sales from the screen are developed in 30 outlets in the cities and towns of Siberia: the customer can immediately choose something from the stock of the marketplace and order for delivery to the outlet or another address. This project will allow the Group to increase the retail revenue by more than 30% in the next two years without expanding selling space; it also will expand the amount of online customers with inhabitants of towns and older consumers who do not yet have much experience in online shopping.

We will continue to develop the services of our company since it makes a considerable contribution into the growth of key indicators. Thus, the revenue from cash loans increased by 40% in 2019. It is possible due to the fact that those stores that have been launched in 2018-2019 have successfully become parts of the cash loans project and have obtained a great number of standing customers. This year, we will implement technologies to manage financial services: we are planning to develop a customer's account, launch a simple electronic signature mechanism to allow for the execution of instalment contracts, etc. All this will allow us to develop online financial services in future.

We keep an eye on the current situation related to the prevention of the spread of coronavirus disease, track all changes and quickly follow them up. We fully support the government in terms of taken measures. The diversified business model allows us to adapt to current changes to smooth the possible negative impact. We believe that the situation is temporary. As soon as all the issues are resolved, we will be ready to get back to normal operation mode and implement new projects. The development of online retailing and online services which are of top priority will be especially popular due to those changes that are currently taking place in the market.

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 903⁷ 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 of 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; Internet stores: www.westfalika.ru, www.westfalika-home.ru, www.emilia-estra.ru, www.rossita.com, www.lisette.me.

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