

OBUV ROSSII GROUP ANNOUNCES OPERATING RESULTS FOR 3RD QUARTER AND NINE MONTHS 2019

29 October 2019, 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 909¹ stores in 367 cities of Russia and two production facilities, announces its operating results for the third quarter and nine months ended 30 September 2019.

3Q 2019 OPERATING HIGHLIGHTS:

- Group's consolidated unaudited revenue increased by 11.5% and totaled RUB 3.713 bln, compared with RUB 3.330 bln in the 3rd quarter 2018.
- Total like-for-like revenue of Obuv Rossii Group rose by 8% with like-for-like sales decreasing by 2.6% and like-for-like proceeds from cash loans business increasing by 48.3%.
- Group's retail chain increased by 52 new DOS² being part of the Westfalika chain, the main brand of Obuv Rossii Group. As of 30 September 2019, the total number of the sales points amounted to 895 stores, of which 172 operated as a franchise.
- Total DOS selling space grew by 20.3% year-on-year from 51,200 sqm in the 3rd quarter 2018 to 61,600 sqm in the 3rd quarter 2019.
- Within 12 months the number of holders of the loyalty cards that are valid in all retail chains of the Group rose by 12.8% to 2.449 mln holders compared with 2.171 mln holders in the 3rd quarter 2018.

9M 2019 OPERATING HIGHLIGHTS:

- Group's consolidated unaudited revenue increased by 16% and totaled RUB 9.071 bln, compared with RUB 7.823 bln in the first nine months 2018.
- Total like-for-like revenue of Obuv Rossii Group rose by 7.8% with like-for-like sales staying static and like-for-like proceeds from cash loans business increasing by 34.4%.
- Group's retail chain increased by 168 new stores, 157 of them being directly operated stores and 11 of them being franchising ones.
- Portfolio size in installment sales in 9M 2019 grew by 8.6% to RUB 2.586 bln, portfolio size in cash loans increased by 41.9% to RUB 2.315 bln.

KEY EVENTS OF 3Q 2019:

- Over the nine months 2019 the net growth of the retail chain amounted to 157 directly operated stores. As of 30.09.2019, the Group comprised 895 stores (including 172 franchising ones) in 361 cities and towns of Russia. Most new stores were opened in Siberia — 43%. The Group also strengthened its positions in Far East, Volga Region and Urals — 19%, 18% and 17% of all openings for the period, 3% of new sales outlets were located in Northwestern Federal District.

¹ As of 29 October 2019.

² DOS – directly operated stores.

- Obuv Rossii Group and OZON online retailer concluded a partnership agreement under which the online retailer's pickup points started operation in Obuv Rossii stores in July, 2019. Till the end of August 127 pickup points were launched, the companies plan to increase its number by 3.5 times till the end of 2019.
- Obuv Rossii paid dividends on the outstanding shares of OR PJSC for 2018 in the amount of 266.8 million rubles which accounts for 20% of the Company's net profit for 2018. The dividend reserve liabilities were fulfilled on time and in full.
- Obuv Rossii continued to expand its stock of mid-layer clothing and for the first time included base models of jumpers for men in the Autumn-Winter 2019/20 collection. Moreover, the collections were enlarged by new models for women such as trousers made of textile and faux leather, skirts, sweatshirts, dresses and suits. Generally speaking, the sales of mid-layer clothing in the 3rd quarter of 2019 have increased by 55.5% compared to the same period in 2018.
- Within the development program of Arifmetika financial services system Obuv Rossii offered customers a new service — making payments for goods and services using a payment wristband. A test batch of new devices in a number of 5000 units went on sale in the outlets of Obuv Rossii in October. In the future, the Company plans to release about 20 thousand wristbands a year and to deliver them to all stores throughout the chain.

KEY OPERATING INDICATORS

Indicator	30.09.2019	30.09.2018	Δ, %
Number of Obuv Rossii Group stores	895	677	32.2%
DOS	723	544	32.9%
Franchise	172	133	29.3%
DOS selling space (thousand sqm)	61.6	51.2	20.3%
Number of loyalty cards' holders, mln people	2.449	2.171	12.8%

Like-for-Like ³	3Q 2019	3Q 2018	Δ, p.p.	9M 2019	9M 2018	Δ, p.p.
Total LFL revenue growth	8.0%	n/a	n/a	7.8%	n/a	n/a
LFL sales growth	(2.6%)	(8.8%)	6.2 p.p.	0.0%	(6.6%)	6.6 p.p.
number of tickets growth	(2.6%)	(8.8%)	6.2 p.p.	(1.8%)	(8.6%)	6.9 p.p.
average ticket size growth	0.0%	0.0%	0.0 p.p.	1.8%	2.3%	(0,4 p.p.)
Growth of LFL proceeds from cash loans business	48.3%	n/a	n/a	34.4%	n/a	n/a

Indicator	3Q 2019	3Q 2018	Δ, p.p.	9M 2019	9M 2018	Δ, p.p.
Share of related products in retail revenues, %	38.6%	36.1%	2.5p.p.	36.5%	33.4%	3.1p.p.
Online – sales, RUB bln	0.216	0.151	43.2%	0.597	0.461	29.5%
Share in retail revenue, %	13.3%	9.3%	4.0p.p.	13.8%	11.3%	2.5p.p.

³ 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 two full compared periods.

Indicator	3Q 2019	3Q 2018	Δ, %	9M 2019	9M 2018	Δ, %
Average installment purchase, RUB	9,023	9,578	(5.8%)	8,510	8,438	0.9%
Average cash loan, RUB	20,044	15,888	26.2%	18,722	14,806	26.4%
Amount of issued contracts on installment payments, RUB bln	1.203	1.091	10.3%	3.098	2.660	16.5%
Amount of cash loans issued, RUB bln	1.497	0.866	72.9%	3.768	2.376	58.6%

Indicator	30/09/2019	30/09/2018	Δ, %
Portfolio size in installment sales, RUB bln	2.586	2.381	8.6%
Portfolio size in cash loans, RUB bln	2.315	1.632	41.9%

Anton Titov, CEO of Obuv Rossii Group, comments:

We have outperformed the retail chain rollout plans in 2019: we opened 157 outlets for 9 months. In total, approximately 200 new outlets will be launched this year. The Company has entered more than 130 new cities and towns, and now it is presented in all major regions of Russia. We also demonstrated excellent growth in revenue, which increased by 16% to 9.071 billion rubles over the first 9 months of 2019.

In general, the Russian footwear market shows slight positive dynamics, but consumer demand is growing slowly. Therefore, like-for-like sales of the Company have been at the level of 2018 for 9 months of 2019. These results are also accounted for by the fact that we do not perform in-depth sales and do not follow the dumping strategy that is typical for most players in the Russian footwear market. We maintain the trade markup, which has a positive impact on profitability.

The like-for-like revenue from cash loans is rising amid changes in the retail market and strengthening of the service component of stores: it grew by 43.8% in the 3rd quarter and by 34.4% for 9 months of 2019. We plan to develop additional services in our retail network, to personalize discounts for customers, and to offer special terms and limits, which will help to improve the quality of these services in the Group's business.

The share of related goods in the retail sales of Obuv Rossii continues to grow. The strategy of stock diversification is one of the instruments that provide an increase in sales under the conditions of low consumer activity. Particularly high dynamics was demonstrated by the direction of mid-layer clothing for 9 months of 2019, an increase of 77% compared to the same period in 2018. Over the first nine months, the revenue from related goods rose by 16.6% up to 1.565 billion rubles, their share in the retail proceeds is 36.5%.

The project Pick-up Points is actively developing: the Company currently has six partners, including logistics market operators DPD, PickPoint, and online retailer OZON. For 9 months of 2019, the Company delivered about 200 thousand parcels.

The Group has achieved excellent results in online sales growth, which, according to the results of 3 quarters of 2019, amounted to 29.5%. The share of the e-commerce segment in the retail sales of Obuv Rossii reached 13.8%.

Obuv Rossii plans to expand its retail network further, to diversify its stock and to increase the share of related goods, to strengthen the service component of the business, to develop online orders delivery services in stores (Pick-up Points project) and to increase revenue from e-commerce, including sales via mobile sales channel.

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 909⁴ stores (172 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.

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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