

# Obuv Rossii

multi-profile holding,  
the first public company  
of Russian fashion retail



**535**  
STORES



**5**  
ONLINE STORES



**RUB 10.8<sup>BLN</sup>**  
REVENUE in 2017



**AUTOMATED  
PRODUCTION**



**FINANCIAL  
SERVICES:**  
INSTALMENT  
PAYMENTS,  
CASH LOANS



**RUB 1.3<sup>BLN</sup>**  
NET PROFIT in 2017

## ABOUT THE COMPANY

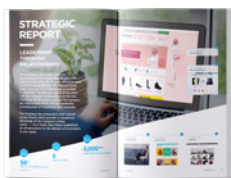
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## STRATEGIC REPORT

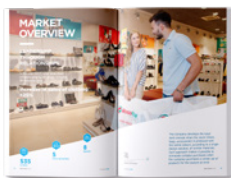
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Online version of the Annual Report  
**OBUV ROSSII GROUP**

[report2017en.obuvrus.ru](http://report2017en.obuvrus.ru)



See more information  
at our website

[www.obuvrus.ru/en](http://www.obuvrus.ru/en)



# ABOUT THE COMPANY

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## LEADERSHIP THROUGH RELATIONSHIPS

Brand ideas and customer relationships work with different formats of interaction with customers through offline, online, mobile, social networks.

This is our competitive advantage, which helps to achieve market leadership.

**Net profit growth  
+10.8%**



**MULTI-FORMAT STRATEGY  
AND RECOGNIZABLE  
BRANDS**



**DIVERSIFICATION  
OF ASSORTMENT**





### INNOVATIVE LOYALTY PROGRAMME



### ONLINE AND OMNI- CHANNEL SALES



### ADVANCED TECHNOLOGIES AND PRODUCTION DEVELOPMENT



For more information see  
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The implementation of the business strategy enables the company to form a broad audience of loyal customers, to effectively develop, increase sales, expand business and launch new projects.

# Message from CEO



## DEAR SHAREHOLDERS!

Obuv Rossii Group has successfully completed its first year as a public company, demonstrating high performance indicators and fulfilling the declared plans. In 2017, we were actively expanding our retail chain: in 2017, it grew by 83 stores and had 535 retail outlets by the end of the year. Thus, we have substantially strengthened our position of the leader of the mid-price segment of the footwear market and increased the separation from our nearest competition. We are intending to maintain these high rates of our chain growth in the future.

In 2017 the revenue of the Group increased by 8.4% (to 10.8 billion rubles), the like-for-like sales increased by 2.8%. The Company demonstrated high indicators of profitability growth. EBITDA increased by 7.8% and was 2.74 billion rubles, in comparison with 2.54 billion rubles in 2016. The net profit increased by 10.8% (to 1.3 billion rubles).

The results of 2017 showed that the EBITDA profitability was 25.3%, which is a high result among the leading world fashion retailers.

We have managed to achieve such impressive results for several reasons.

First, the Russian footwear market started to restore in 2017: it returned to growth in volume terms for the first time since 2014. In addition, we see growth of demand and change of customer preferences: customers start to be interested in the more fashionable colour footwear made of genuine leather again.

Second, in 2017 we went on improving our collections. Taking into account the change of customer trends, we started to increase the share of the more modern and fashionable footwear of interesting design in our collections again.



**535**  
STORES



**RUB 1.3<sup>BLN</sup>**  
NET PROFIT in 2017



**RUB 10.8<sup>BLN</sup>**  
REVENUE in 2017



**RUB 2.74<sup>BLN</sup>**  
EBITDA in 2017

While the share of such footwear was 15% of collections in 2016, it was 20% in 2017, and it is 30% in the new spring-summer season of 2018. We also expanded collections of casual sport footwear, since the popularity of such footwear grows. In 2017, the share of casual sport doubled in retail sales.

Third, in 2017, under the strategy of diversification of the product line, we went on developing the assortment of related products under our own trademarks.

We started to more professionally work with the clothes category and expanded this assortment. As a result, the share of related products in the retail revenue of the company was 31% in 2017 (this indicator was 28% in 2016). The diversified product line increases the complexity of purchases, the average ticket size, and facilitates the business profitability growth.

Our company focuses on brands in its development strategy. We develop all the assortment represented in our chains under our own brands, including footwear, accessories and related products. We follow the concept of Total look and offer our customers an opportunity to form a fashionable look for a season. We launch branded marketing campaigns, using all communication channels, including the digital one. All these allow us to achieve the high recognition of our brands and form a wide audience of loyal customers. Thus, in 2017 the number of holders of our loyalty cards increased by 25% and was 1.95 million people, 60% of purchases in our stores were made with the use of loyalty cards.

Development of the model of omni-channel sales, our own Internet stores and online services for customers is an important strategic direction for the company. In 2017, we improved the operation of our online sites, launched the renewed mobile versions of websites, expanded the partnership with the online hypermarkets of Wildberries, OZON. All these gave us the growth of sales in e-commerce by 56%, its share in the retail revenue was 10%. It is the development of our own Internet stores that will be of priority for us in the future, the results of 2017 showed that their share in the total revenue of online sales was 90%.

Summing up the results of activity in 2017, we note that the company has achieved high results in all the fields, has demonstrated high indicators of profit and profitability. Thus, we are following the declared plans and will be actively developing in the future. According to forecasts by Discovery Research Group, in the nearest 5 years the Russian footwear market will on the average grow by 4-5% in volume terms and by 6-8% in value terms. Taking into account the favourable 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 a portfolio of recognizable brands, a diversified assortment of goods and services, an innovation loyalty program, and development of the omni-channel model of sales.

**Sincerely yours, Anton Titov,**  
**Chief Executive Officer**  
**OR PJSC**

**Summing up the results of activity in 2017, we note that the company has achieved high results in all the fields, has demonstrated high indicators of profit and profitability. Thus, we are following the declared plans and will be actively developing in the future.**





# Priority Business Areas

Obuv Rossii Group is a federal footwear company, it was founded in 2003, its head office is located in Novosibirsk. Obuv Rossii is one of the top two footwear retailers of Russia in terms of the number of stores (including franchising), according to Discovery Research Group<sup>1</sup>, and the leader of the mid-price segment of the footwear market.

## OBUV ROSSII DEVELOPS SEVERAL BUSINESS AREAS:

**Retail sale of footwear, accessories and related goods**

**The portfolio of retails brands of Obuv Rossii Group includes the following trademarks:**



### RETAIL CHAINS

- ▶ Westfalika — the main brand of the Group, monobrand stores of the mid-price segment, they offer footwear of classic design;
- ▶ Rossita — multibrand stores for the whole family, they include footwear of different styles under the same-name brand and of other European trademarks;
- ▶ Lisette — monobrand footwear showrooms, they present a French trend in the footwear design; they are meant for the young audience;
- ▶ Emilia Estra — shoes boutiques, they offer fashionable and ultrafashionable women's footwear and accessories for the young audience;
- ▶ Peshekhod — multibrand footwear supermarkets, they play the role of stock centres for the other monobrand chains of the Group.



### BRANDS THAT ARE DEVELOPED IN THE SHOP-IN-SHOP FORMAT

- ▶ S-TEP — a casual brand, comfortable practical footwear of the semi-sport style for everyday wear; it is made of genuine leather and fur with the technology of direct injection to the upper;
- ▶ All.go — a casual brand, walking footwear for different seasons; it is made with the use of polymer materials (EVA);
- ▶ Snow Guard — a brand of outdoor clothes for all seasons; the main idea is comfort and correspondence to fashionable trends.



### RELATED PRODUCTS

The stores of Obuv Rossii offer a wide assortment of related products under our own trademarks — over 5,000 SKU. Such goods are mainly represented under the umbrella brands of footwear chains, there are also separate independent lines — Westfalika Medical, Westfalika Kids, etc. The share of related products in the retail revenue grows every year and it was 31% based on results of 2017.

<sup>1</sup> data as of 31 Dec. 2017



## ONLINE SALES

Now, Obuv Rossii manages five Internet stores (westfalika.ru, westfalika-home.ru, emilia-estra.ru, westfalika-home.ru and rossita.com) and sells footwear all over Russia. The company uses the model of omni-channel sale, forming a unified experience of interaction with the brand in customers and using different channels of communication and sales, both traditional and new ones: e-commerce and mobile. That is how Obuv Rossii achieves the synergy of different sales channels, expanding the customer audience and increasing the recognition of the brand. In 2017 the revenue in the area of e-commerce increased by 56%, the audience of Internet stores increased by 38% (from 2.5 million to 3.4 million people).



## FINANCIAL SERVICES

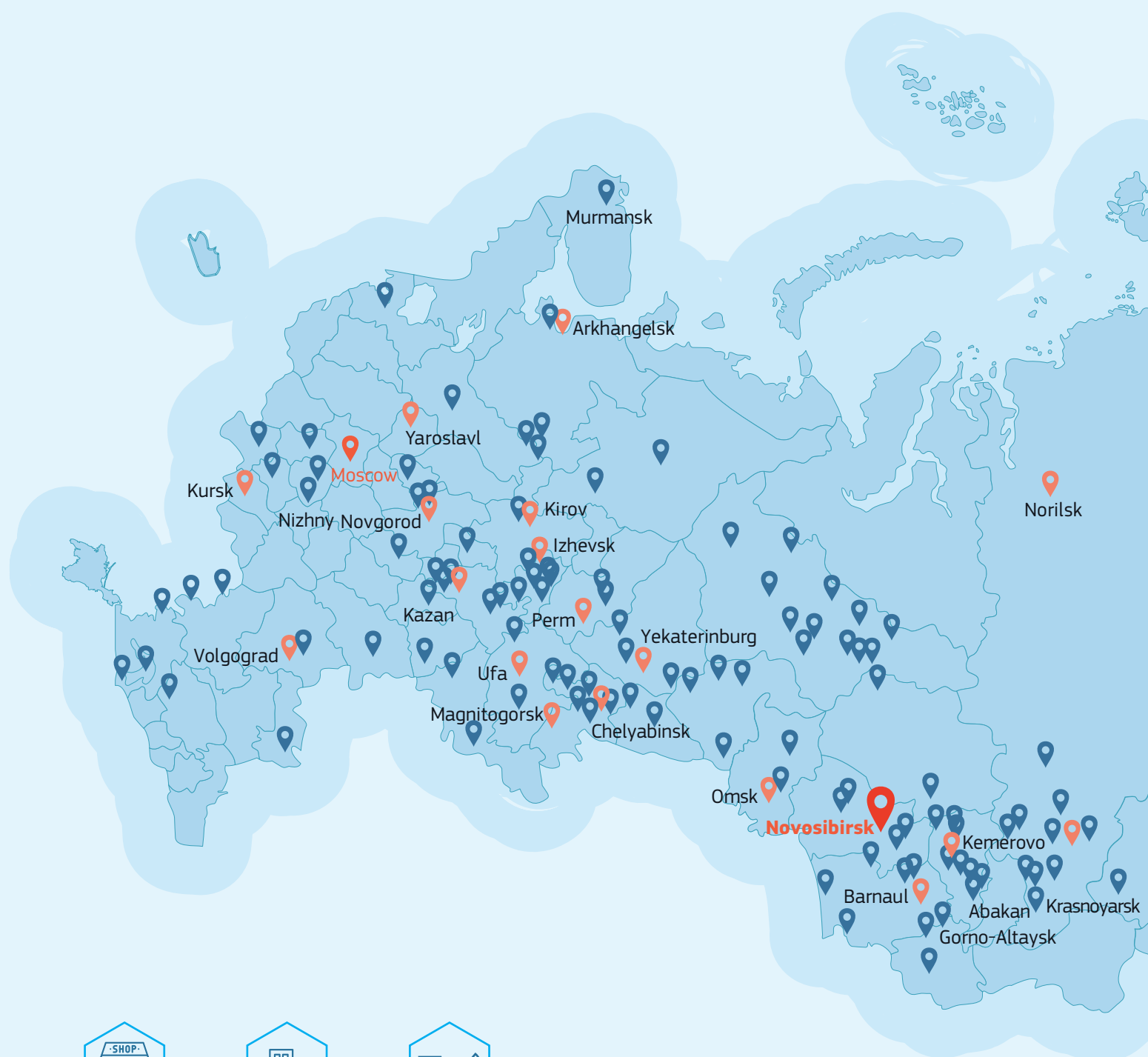
Stores of the future are multifunctional service centres that offer not only goods but also a wide range of services for customers. Such world and Russian retail leaders as Walmart, Svyaznoy, Euroset and other companies are already following this line. For Obuv Rossii additional services are the continuation of the retail strategy, one of important instruments to increase customer loyalty and build long-term relations with them. Obuv Rossii has been developing this area since 2010, today the stores of the company have such services as: instalment sales of footwear, financial loans, different payments at the till, etc. All of them are combined under the innovation loyalty program of Arifmetika that is implemented based on MasterCard payment cards. The results of 2017 showed that the number of holders of Arifmetika cards increased by 25% and reached nearly 2 million people.



## PRODUCTION OF FOOTWEAR AND COMPONENTS

Production of Obuv Rossii includes two sites in Novosibirsk Region. The factories of the Group have a high level of automation, the enterprises use state-of-the-art equipment by the leading world manufacturers. Today the company produces footwear of genuine leather and polymer materials and uses all the main types of sole attachment. The production areas of the Group are more than 5 thousand square metres. In its factories the company produces footwear of the casual style, for walks and active rest, under its own brands such as S-TEP, All.go, Pioneer of Arctic Travel. The Group has also entered the market of corporate footwear and produces occupational footwear and special-purpose footwear for different industries (banking industry, food industry, etc.).

# Sales Geography



**535**  
STORES

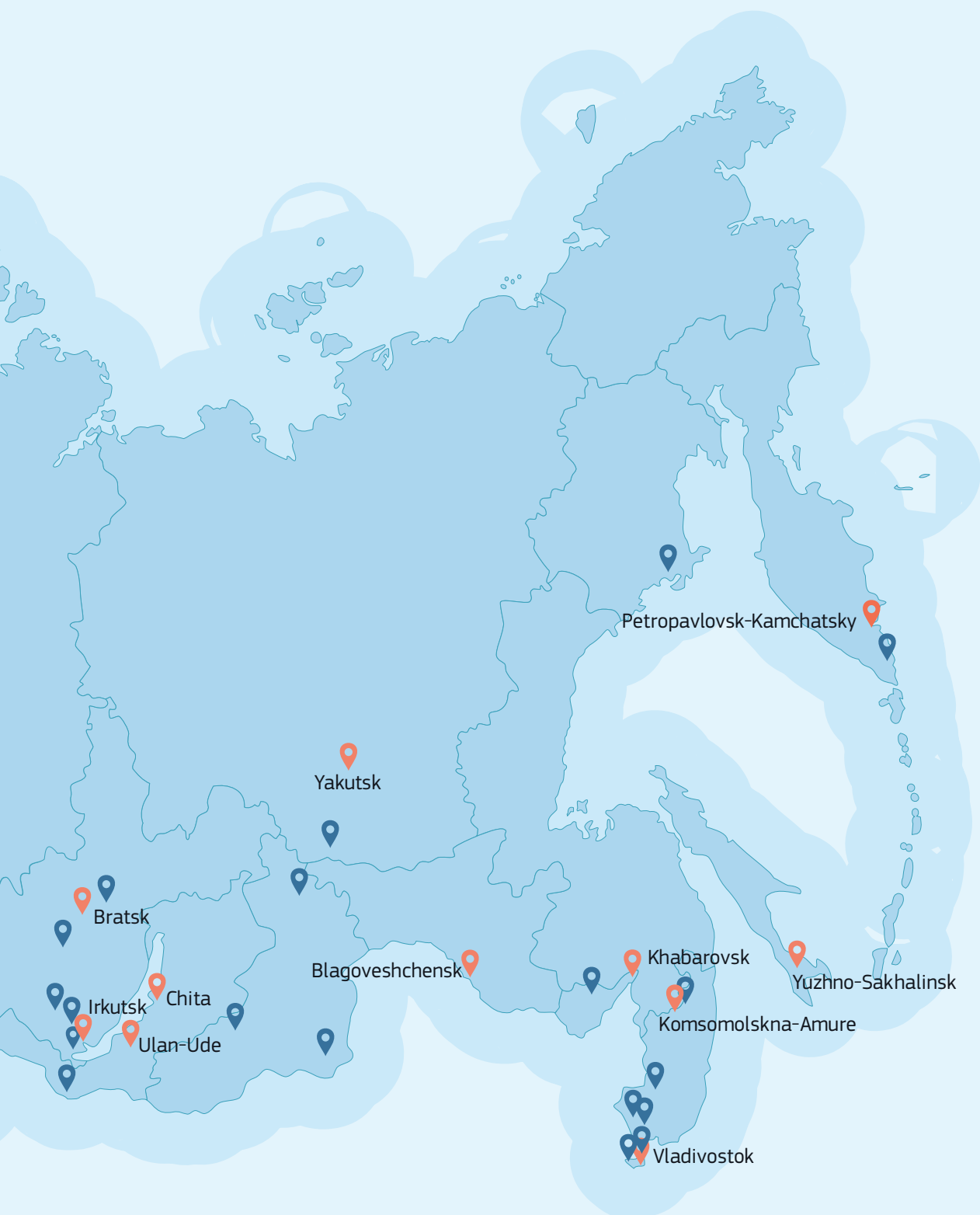





**151**  
CITIES



**40,100** SQ. METERS  
TOTAL DOS SELLING SPACE





-  Cities of presence
-  Largest cities of presence
-  HQ, Moscow branch

# Key Events in 2017

## JANUARY

### Obuv Rossii Group placed the fourth issue of exchange-traded bonds for 1 billion rubles.

Obuvrus LLC that is a member of Obuv Rossii Group placed 5-year exchange-traded bonds of series 50-07 (identification number 4802-07-16005-R of 21 March 2016) with the amount of 1 billion rubles. This is the fourth issue of bonds of the company in 2.5 years. The placement was at the Moscow Exchange by public subscription. PAO AKB Svyaz Bank was the organizer and technical underwriter of the deal. The raised money was sent to finance the current activity of the Group and to implement the program of production development.



**RUB 1 BLN**

**THE VOLUME OF  
5-YEAR EXCHANGE-TRADED  
BONDS OF SERIES 50-07**

## FEBRUARY

## MARCH

### Obuv Rossii Group became a diploma winner of IT Awards in the nomination of "IT Project in the Real Sector".

Obuv Rossii Group won a diploma in the nomination of "IT Project in the Real Sector" for the launching of a regional data processing centre in Khabarovsk in 2016.

### Obuv Rossii Group combined the assembly on the production site in Berdsk.

Obuv Rossii Group reconstructed the assembly shop and combined the assembly of footwear, that is produced with the cement welt-sewing method and with the technology of high-temperature vulcanization of rubber to the upper, on one site in Berdsk. For that purpose, the company transported the conveyor line of footwear assembly with the cement method of sole attachment from the rented premises in Novosibirsk to its own premises in Berdsk. Combining the shops, the company optimized the technological process, which will allow it to perform all the works more quickly and with lesser labour efforts.

### Obuv Rossii Group launched the pilot sales of rubber footwear under the brand of all.go.

The model line is presented with the footwear with coloured soles, with bright laces, floral prints and made of matte rubber. The pilot sales of the new line started two weeks ago, in some regions the percent of realization is 80% already.

## APRIL

### Obuv Rossii Group won the prestigious prize of PRIVATE LABEL AWARDS 2017.



Obuv Rossii won in the nomination of "The Best Private Label in Your Segment: Clothes, Footwear" (the Snow Guard brand), as well as it became a Degree 2 Laureate in the nominations of "The Best Private Label Online" and "Wide Assortment of the Private Label".

### Obuv Rossii Group concluded a contract with Sberbank for the production of footwear for the cash-in-transit and security service.

The contract is for three years and implies the production of more than 80 thousand pairs of footwear for the services of cash-in-transit and security of the bank. Obuv Rossii developed a separate assortment of footwear based on technical characteristics provided by the Bank. The first batch was supplied to the financial organization in June. The company considers the direction of corporate footwear promising and will further develop it, cooperating with the enterprises of food production and other industries.

## MAY

### Obuv Rossii declared a new franchising program and opened nearly 40 partner stores by the end of the first half of the year.

The expansion geography are towns and small inhabited localities all over Russia, both in the regions of presence of Obuv Rossii, and in the regions where Obuv Rossii is not represented yet, for example, the North Caucasian Federal District.

### Obuv Rossii launched online payment of instalment contracts and cash loans.



The pilot project of payments via the services of Sberbank PAO started to operate in Novosibirsk, including the payment via the Internet service of Sberbank Online. By the end of June, the service was available in all the regions where the chain of Obuv Rossii is present. In December 2017, the share of online payments under the projects of instalment payment and financial loans in Obuv Rossii reached nearly 3%.

## JUNE

JULY

**Obuv Rossii placed 3-year exchange-traded bonds for 1.5 billion rubles and became the first issuer in the Growth Sector of the Moscow Exchange.**

Obuvrus LLC that is a member of Obuv Rossii Group placed 3-year exchange-traded bonds of series 60-01 (identification number 4B02-01-16005-R) for 1.5 billion rubles at the Moscow Exchange. BCS Global Markets was the organizer of placement, GLOBEXBANK JSC was the co-organizer.

AUGUST

**Obuv Rossii started to produce more than 20 new models footwear made of EVA, including fully moulded high boots.**



Obuv Rossii has substantially expanded the assortment of footwear made of superlight EVA material that is produced at the factory in Novosibirsk, since the beginning of 2017. The footwear was produced with the new technologies and materials: the production of boots with galoshes made of EVA and fully moulded boots, the combination of EVA and textile materials.

SEPTEMBER

**Director of Obuv Rossii Group Anton Titov made the TOP 250 top managers in the rating of the Association of Managers and the Kommersant Publishing House.**

General Director of Obuv Rossii Anton Titov was on the list of the TOP 250 top managers, that is a part of the annual rating of "Top 1000 Russian Managers" prepared by the Association of Managers of Russia and the Kommersant Publishing House.

**Obuv Rossii started to develop the new assortment of clothes.**



In the autumn-winter season of 2017/18, Obuv Rossii Group made the assortment of the mid-layer clothes (cardigans, jumpers, polo necks) 5 times wider. The percent of realization for a number of commodity items was 80% within the first month of sales.

OCTOBER

**Obuv Rossii Group held an IPO.**

Obuv Rossii Group held an IPO at the Moscow Exchange. The price of the initial public offering of shares was established at the level of 140 rubles per share. The total amount of the raised money was 5.9 billion rubles. Obuv Rossii became the first company on the Russian fashion market that held an IPO.



**RUB 140**  
PER SHARE



**RUB 5.9 BLN**  
TOTAL AMOUNT  
OF THE RAISED MONEY

NOVEMBER

**The rating agency of RAEX (Expert RA) improved the credit rating of Obuv Rossii Group to ruBBB+. The rating forecast is stable.**



Prior to the credit rating increase, the Company was rated at the level of ruBBB with a stable forecast.

DECEMBER





# STRATEGIC REPORT

## LEADERSHIP THROUGH RELATIONSHIPS

In its strategy, Obuv Rossii invest in the development of multi-channel and omni-channel trade when the buyer is offered to make purchases using different channels and tools, while switching from one channel to another is “seamless” and the interaction of the client with the Company’s brand comes to the fore. Therefore, all the online stores of the Company are mono-brand stores and are essentially a continuation of traditional retail networks.

The Company has a branched retail network across Russia which provides a competitive advantage of the Company’s online stores — as a result, Obuv Rossii established an infrastructure for the delivery of its products to any region.



**56%**

GROWTH OF ONLINE SALES



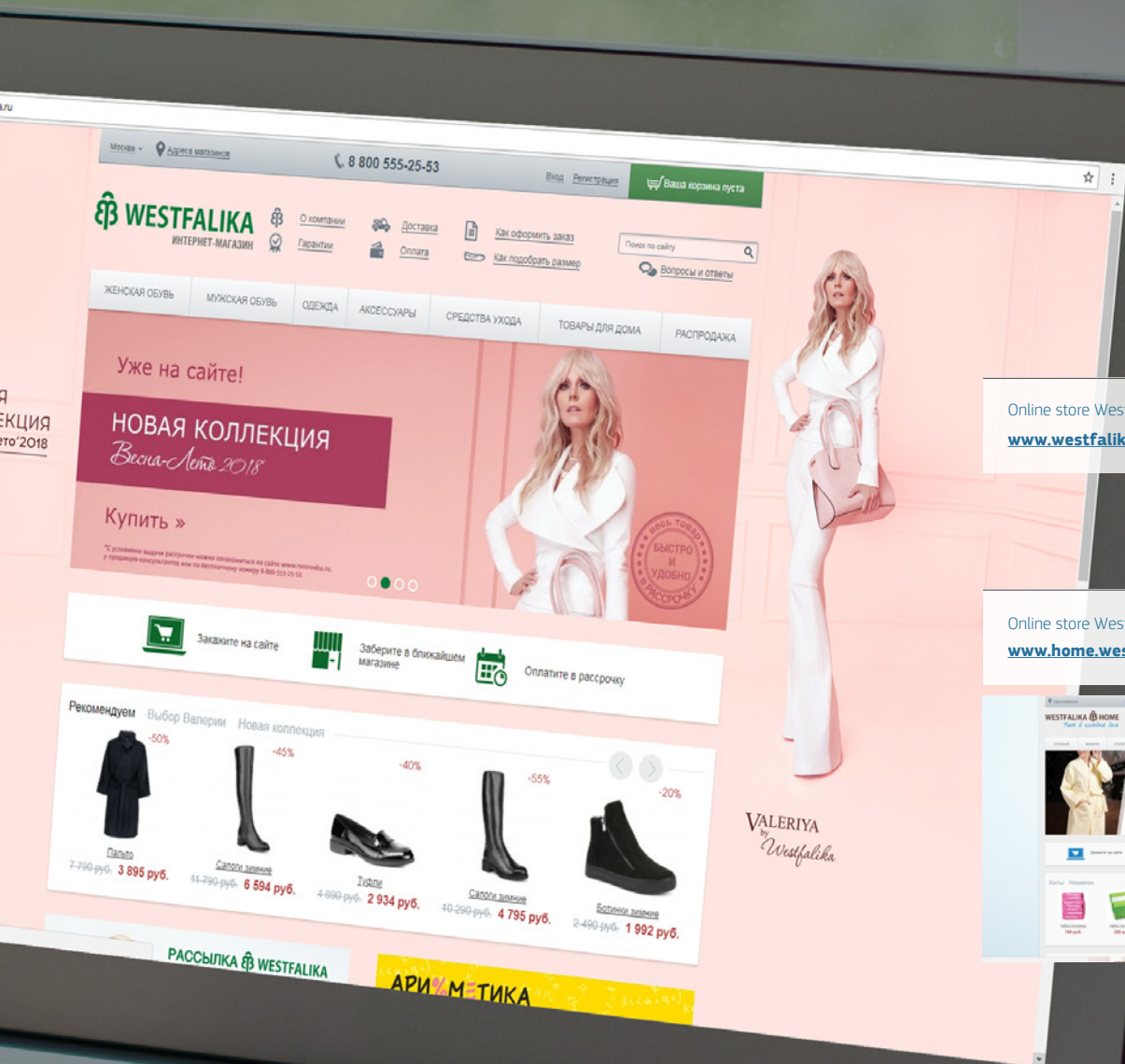
**5**

ONLINE STORES



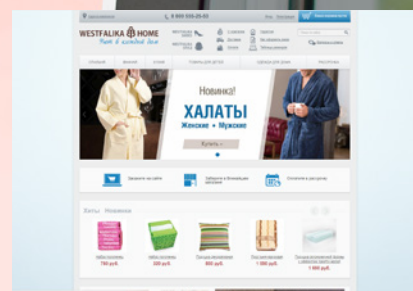
**> 5,000** SKU

ASSORTMENT OF WESTFALIKA.RU



Online store Westfalika  
[www.westfalika.ru](http://www.westfalika.ru)

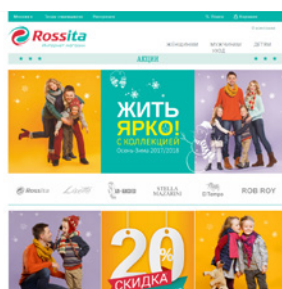
Online store Westfalika Home  
[www.home.westfalika.ru](http://www.home.westfalika.ru)



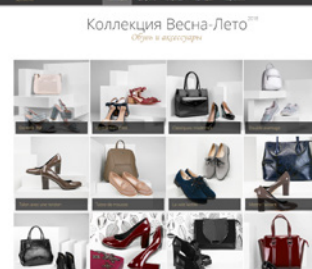
Online store EMILIA ETRA  
[www.emilia-estra.ru](http://www.emilia-estra.ru)



Online store Rossita  
[www.rossita.com](http://www.rossita.com)



Online store Lisette  
[Lisette.me](http://Lisette.me)



# Development Prospects of Obuv Rossii

## STRATEGIC GOAL OF THE GROUP

To become the leader of the Russian market in footwear brand recognition, the level of retail development, efficiency, IT-integration and development of the omni-channel commerce model; to operate in all cities with a population of over 100 thousand people and to significantly increase Company's market share.

## RUSSIAN SHOE MARKET AND DEVELOPMENT PROSPECTS

Obuv Rossii's development strategy is supported by the positive dynamics of the shoe market. According to the forecast of Discovery Research Group the market in the coming 3-5 years would grow on average by 4-5% in volume terms and by 6-8% in value. In addition, the mid-price segment where the Group operates will grow (in 2017, its share grew by 3%). Consumption will also grow. The level of consolidation on the footwear market is low; the share of the three largest players in the mid-price segment is only 4.7%. All this creates the conditions for active growth, increasing presence of the Group in the regions and its active participation in the consolidation of the market.

## KEY AREAS OF DEVELOPMENT

- ▶ Development of the retail network, mainly in the western part of Russia.
- ▶ Like-for-like sales increase due to improved technologies, stock diversification and development of additional services.
- ▶ Development of own production: increasing the output at the existing facilities and development of the corporate footwear sector.
- ▶ Improvement of the entire value chain: development of unique product lines, supplier chain development, IT introduction.
- ▶ Brand recognition enhancement through the launch of national advertising campaigns and improving their quality and efficiency.
- ▶ Improvement of the customer experience through the development of omni-channel sales, introduction of new services and the development of innovative loyalty program.

## MULTI-FORMAT STRATEGY

Business strategy of the Company is based on diversification: the development of several brands that are targeted at different groups of people within one price segment. Obuv Rossii is one of a few companies on the Russian footwear market that has successfully implemented this strategy.

Since the beginning of 2006, when the Company, in addition to its core Westfalika network, began to develop a new retail brand of Peshekhod, Obuv Rossii has followed the diversification strategy. Today the company operates five retail networks, each having its unique positioning and a target group. By implementing this strategy, Obuv Rossii has achieved significant results: it has occupied a leadership position in the mid-price segment of the market according to the number of its stores, having become one of the two largest shoe chains in Russia<sup>1</sup>.

The fashion market is a market of non-standard products. Each retail chain (brand) offers collections for different categories of customers who prefer different styles. Each brand collections differ in style, design and perception of buyers.

To reach a large audience of buyers and take a big market share, global retailers develop several networks with different positioning, each having its own concept and regular buyers. For example, Inditex, the world's largest fashion company, develops nine brands of retail networks. The major shoe companies, such as Belle (China), Deichmann (Germany), CCC Group (Poland), follow the diversification strategy, which allowed them to take a leadership position on their national markets.

In the medium term, Obuv Rossii intends to develop five retail chains within the Group and increase its presence in the regions where its retail is yet poorly represented. This is, first of all, the western part of Russia. The Group will give priority to opening their own stores.

<sup>1</sup> according to Discovery Research Group as of 31.12.2017.



### LIKE-FOR-LIKE SALES INCREASE

Diversification of the stock variety and services is one of the key components of Group's strategy. The Company develops the total look concept when the stock (shoes, bags, accessories) is produced with the same colours, according to a single design solution, of similar materials. Such approach makes it possible to stimulate complex purchases when the customer purchases a whole set of products for the season at once.

According to the results of 2017, the share of related products in retail revenues of the Company amounted to 31%. However, there is still potential for further growth by means of expanding the stock variety and introduction of new product categories. For example, in 2017, the Company introduced a new line of middle layer clothing. This category showed a high percentage of sales, so already in the spring-summer season of 2018, the line was expanded 7 times. Additional services also help enhance the complexity of purchases and increase the average ticket. Therefore, the average ticket on instalments is on average twice the average ticket when the purchase is made the traditional way. Therefore, the Company will continue to develop additional services, expanding the list of services available for buyers.

### SHOE MANUFACTURING

In the past two years, Russian footwear production has been demonstrating positive dynamics. Prospects of production development are linked to the development of specific niches, such as working and corporate footwear, as well as casual style shoes. In addition, opportunities for further growth of production are connected with the automation of production processes, which makes it possible to raise labour productivity. During the previous two years, Obuv Rossii reequipped its production facilities, expanded the cutting and sewing shop having bought some modern automated sewing systems, and launched a line for the production of special purpose shoes. Thereby, the Company has formed the basis for further increase in production output using the existing capacities. Obuv Rossii will develop the corporate footwear line. Now the Company cooperates with the enterprises of financial and food sectors; it will also expand the range of shoes made using polymer materials, casual style footwear produced with the help of the moulding technology. The casual segment has been showing growth during the last two years in connection with increased demand from buyers. Therefore, this line is promising.

### IMPROVING THE CUSTOMER EXPERIENCE

According to forecasts of the GfK research firm, the main trend, which will determine the development of retail in the near future, is the shopping experience and the creation of a unique customer experience. Given these trends, Obuv Rossii develops omni-channel sales, an innovative loyalty program (Arifmetika) and introduces new services<sup>2</sup>. Obuv Rossii makes a bet on the development of their own online stores, different channels of communication with its buyers including social networking and mobile.

As for the Arifmetika innovative program, it will help expand the set of available services. This approach allows the Company to build lasting relationships with customers: according to the results of 2017, the number of Group loyalty card holders increased by 25% to a total of 1.95 million persons; now 60% of purchases in retail chains of Obuv Rossii are made with the use of loyalty cards.

### IMPROVING THE VALUE CHAIN

The fact that Obuv Rossii controls all stages of product creation, from its design to its selling to the end customer is the Company's competitive advantage. One of the areas for improvement is the introduction of new unique lines of footwear and related products. The Company has its own design center; it also develops and introduces new materials and technologies for the production of footwear. As consumer trends change, Obuv Rossii will further expand its stock variety of more fashionable shoes with interesting design, as well as collections of the casual sport style shoes. In addition, the Company plans to improve its IT infrastructure. At the end of 2016, Obuv Rossii started to implement a project of regional data centers creation. The first one of them began to operate in Khabarovsk at the end of 2016; in 2018, a data center will be launched in Moscow. This will allow the Company to increase the mobility, flexibility and resiliency of the existing IT system and, therefore, to improve the quality and the speed of business process management, of the introduction of new services for customers, etc.

### BRAND AWARENESS ENHANCEMENT

In this strategy, the Company bets on brands. The Company develops its entire stock under its own brands. The Group launches branded marketing campaigns, using all channels of communication, including digital ones. At present, Obuv Rossii is actively developing representation of its brands in social networks, including Instagram feeds. When promoting itself, the Company emphasises targeted and personalized communication: a multifunctional customer information centre was created in the structure of the Group to actively communicate with customers. Such an integrated approach, when the Company uses various promotion tools and channels, allows Obuv Rossii to improve recognition of its brands and develop customer loyalty.

Obuv Rossii will continue to use such a tool as cooperation with celebrities for the purposes of promotion. This allows the company to achieve quickly the recognition of brands in new regions, which is important as the network dynamically grows, and to form a big group of loyal buyers.

<sup>2</sup> Shopping of impressions. GfK review [https://www.gfk.com/fileadmin/user\\_upload/dyna\\_content/RU/Documents/Reports/2016/GfK\\_Rus\\_Report\\_Shopping\\_of\\_Impressions.pdf](https://www.gfk.com/fileadmin/user_upload/dyna_content/RU/Documents/Reports/2016/GfK_Rus_Report_Shopping_of_Impressions.pdf)

# Development Results on Business Areas

## KEY PERFORMANCE INDICATORS

Indicators	Unit	2016	2017	Rate of indicator changes (2017/2016)
Revenue	ths. rub	9,965,460	10	8.39
Cost	ths. rub	4,106,332	4,947,993	20.50
Profit from sales	ths. rub	2,329,037	2,300,558	-1.22
Net profit	ths. rub	1,182,668	1,310,080	10.77
Return on sales	%	23.37	21.30	
Net profit margin	%	11.87	12.13	
EBITDA	ths. rub	2,539,848	2,736,705	7.75
EBITDA margin	%	25.49	25.34	
Revenue per employee	ths. rub	3,591	4,430	23.38

**Note.** The data is given for Obuv Rossii Group base on the consolidated financial statements of OR PJSC according to IFRS

### REVENUE, RUB bln

## +8.39%



### COST, RUB bln

## +20.50%



### EBITDA, RUB bln

## +7.75%



## RETAIL

In the year 2017, retail shoe chain in Russia grew by 83 stores including 39 franchise ones.

## WESTFALIKA



since **1993**  
ON THE MARKET

**306**<sup>3</sup>  
STORES<sup>4</sup>

**98**  
CITIES<sup>4</sup>

**The main retail network of the Obuv Rossii Group, the brand history goes back more than 15 years.**

Mono-brand Westfalika stores offer European-style shoes, which is distinguished by elegance, simple clean design, beauty and convenience. Westfalika footwear is made only of genuine leather and fur. Westfalika creates a topical collection each season with consideration of the main fashion trends. Westfalika offers city footwear for every day.

Chief Designer of the Westfalika brand is a German designer Thomas Frank, with whom Obuv Rossii has cooperated since 2011. He has over 30 years of experience in working with well-known European brands such as Peter Kaiser, Ara, Dockers, and Tom Tailor. In Obuv Rossii Thomas is responsible for Westfalika brand development and for the development of new collection concepts.

Since 2010, the spokesperson of the Westfalika brand is singer Valeriya. She participates in both advertising campaigns and the design of new models of shoes. The Westfalika assortment in stores includes a line of fashionable shoes under the Valeriya by Westfalika brand name. In addition to footwear, Westfalika stores offer a wide range of related products under own brands. In the retail space, there are separate areas for clothing, branded racks for hosiery, shoe care, foot care products, etc.

<sup>3</sup> including own and franchise stores

<sup>4</sup> data as of 31 Dec. 2017



## PESHEKHOD

FABRIKA OBUVI



since **2006**  
ON THE MARKET

The Peshekhod chain was introduced to the market in 2006. It consists of multi-brand shoe supermarkets that offer a wide range of footwear for various categories of customers.

**51<sup>5</sup>**  
STORES<sup>6</sup>

The network stores offer about 2,000 models of women's, men's and children's footwear for all seasons and lines. Assortment of Peshekhod consists of remaining collections of previous seasons of other monobrand chains of the Group and shoes under the Peshekhod brand name.

**34**  
CITIES<sup>6</sup>

The target audience of Peshekhod is 20-60 years old people leading an active life and at the same time want to look stylish and bright. The network range of products not only includes stylish, fashionable shoes, but also classical models for every day.

## EMILIA ESTRA

*shoes boutique*



since **2014**  
ON THE MARKET

In summer 2014, Obuv Rossii Group launched a new shoe network under the brand name Emilia Estra.

**7<sup>5</sup>**  
STORES<sup>6</sup>

Emilia Estra's target customer group are young women between the ages of 25 and 30. The main ideas of the brand are brightness, fashion and singularity.

**5**  
CITIES<sup>6</sup>

The products assortment in new stores consists only of women's fashionable and trendy designer genuine leather shoes, as well as accessories and shoe care products under the same brand.

In October 2014, Emilia Estra online store began to work:

[www.emilia-estra.ru](http://www.emilia-estra.ru)

<sup>5</sup> including own and franchise stores

<sup>6</sup> data as of 31.12.2017



since **1992**  
ON THE MARKET

**32<sup>5</sup>**  
STORES<sup>6</sup>

**14**  
CITIES<sup>6</sup>

The Rossita brand has been on the market since 1992, in the Obuv Rossii Group — since September 2014.

Rossita includes stores offering European shoes with a wide range for the whole family: stylish shoes — for women, practical footwear for men, and comfortable — for children. The Rossita retail network offers models of not only leading European and Russian brands, but also models under the same brand.

For the first time, the Rossita collection of women's shoes was presented in the spring/summer season of 2015. Now it comprises 30% of the women's product range of the footwear network. In October 2015, the [rossita.com](http://rossita.com) online store started to operate.

*Lisette*  
PARIS



since **2002**  
ON THE MARKET

**106<sup>6</sup>**  
STORES<sup>7</sup>

**64**  
CITIES<sup>6</sup>

The Lisette brand was introduced to shoe market in the year 2002; it became part of the Obuv Rossii Group in September 2014.

They are small cozy shoe showrooms designed in the same style. Lisette is the French style in footwear design: sophisticated, easy and feminine. Lisette creates unique collections for every season. Varied decor: perforation, contrasting stitching, hems, and appliques distinguish the collections under this brand and make each model expressive, emphasizing corporate identity.

To create a harmonious and unique image, Lisette stores offer handbags and other accessories that perfectly go with the shoes. In the year 2017, online Lisette store [lisette.me](http://lisette.me) was launched.

<sup>6</sup> including own and franchise stores

<sup>7</sup> data as of 31.12.2017



## BRANDS DEVELOPING IN THE SHOP-IN-SHOP FORMAT

**S-TEP**

This brand of men's and women's comfortable shoes was introduced on the market in 2000. It became part of the Obuv Rossii Group in 2015, when, as a result of an M&A transaction, the shoe factory producing shoes under this brand name was included in the Group. S-TEP shoes are manufactured using a progressive German moulding technology. It allows producing solid, light and comfortable shoes, which is suitable for both everyday wear and for recreation. The lasting moulding construction method, non-slip nonfreezing outsole, natural materials, and peculiar design are the main distinctive features of S-TEP shoes. A design center works to develop S-TEP collections at the factory in the Novosibirsk region. They also produce the whole range of S-TEP footwear there. The S-TEP brand is presented in the shop-in-shop format in retail networks of the Group. A significant amount is also supplied to wholesale customers.

**All.go**

All.go is a new casual brand, which appeared on the market in the spring of 2014. Initially, the collections of All.go consisted only of models for summer, beach and garden shoes made of an ultra-light EVA material. In 2015-2017, walking shoes, demi-season winter boots, winter snow joggers and cast boots manufactured using EVA appeared in the assortment. Some of the All.go shoe models are made at own production site of Obuv Rossii in Novosibirsk. The of All.go brand is developed in the shop-in-shop format and its products are mainly sold through other retail chains of the Group.

**Snow Guard**

Obuv Rossii entered the market of outerwear with the Snow Guard brand in July 2014. Initially the collection included only the winter range, but in 2015-2017 the company expanded the range and divided outer garments into different categories: now the stores offer light cloaks and coats for early autumn, light jackets with padding polyester and puffer jackets. Thus, the Group became more professional in working with the outerwear category; it expanded the season limits which helped it increase its revenue and the group of buyers. The concept of the Snow Guard brand is the creation of practical and trendy solutions using modern innovative technologies. These are clothes for modern active people wanting to look stylish even in cold weather. The Snow Guard brand is developed in the shop-in-shop format in retail networks of Obuv Rossii. Each store is equipped with a separate area for clothing, which is usually located in the center of the selling space next to the cash register area. In 2017, sales of clothing increased by 25 per cent, their share in retail revenues amounted to 14.5%.

## RELATED PRODUCTS UNDER OWN BRANDS



> **5,000** SKU  
RELATED PRODUCTS



**31%**  
SHARE  
IN THE RETAIL REVENUES

Since 2010, Obuv Rossii has been developing related products under own brands.

Today, there are more than 5,000 SKU of related products: bags, leather products, shoe care products, a specialized line of care products for feet, and hosiery. Annual revenues in this line are growing: in 2017, the sale of related products (taking into account clothing) increased by 7%, their share in the retail revenues amounted to 31%.

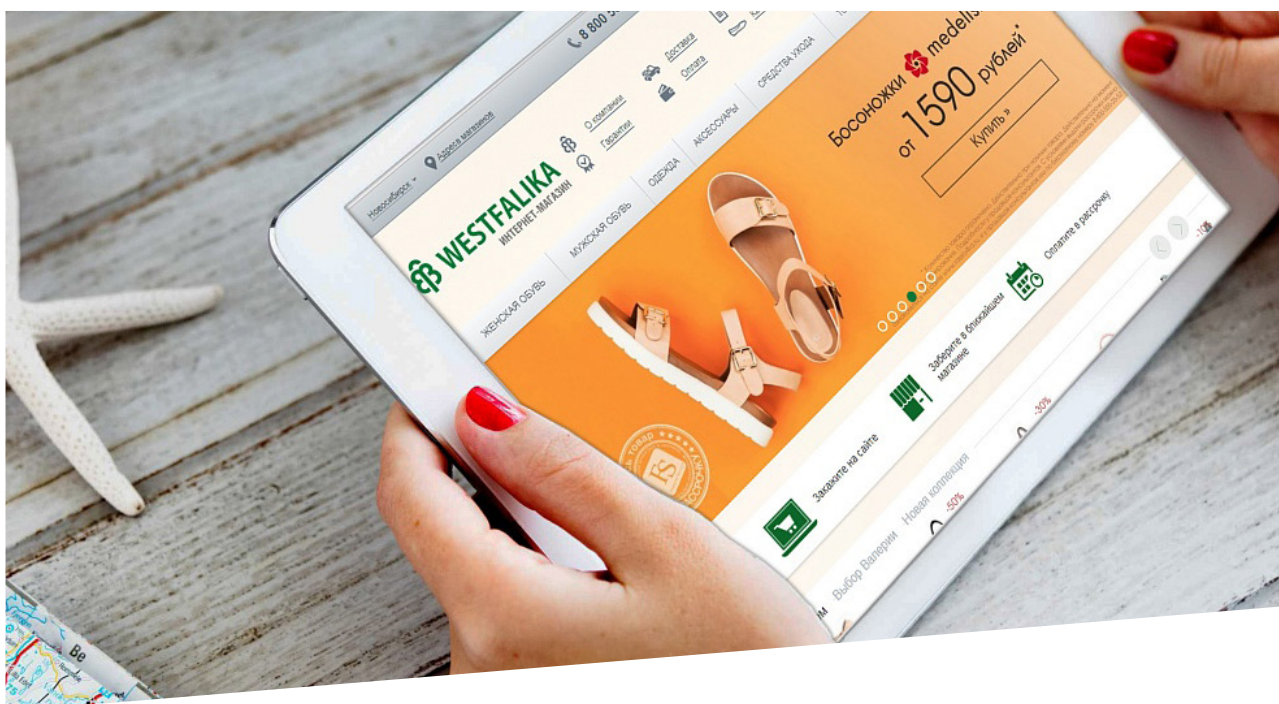
Some branded zones for related products were created in retail network stores that are part of Obuv Rossii Group. These zones are fitted with special point of sale equipment.

In 2017, Obuv Rossii included a new product category in the assortment of stores — middle layer clothes (sweaters, cardigans, and turtlenecks). In the autumn-winter season, pilot sale of this line of 150 SKU started.

The new range was demanded by the buyers: the percentage of sale of this category exceeded 90%. Given the successful sales experience, Obuv Rossii expanded the middle layer clothing line 7 times in the spring-summer collection of 2018.

Diversification of the product range is one of the most important components of the Company's business strategy. Related products under private label are promising and show annual growth of sales. In addition, it's a high-margin product category providing for not only revenue increase but also for profit. Diversification of the range also allows the company to increase average ticket, to stimulate purchases and to enhance customer loyalty.





## OMNI-CHANNEL SALES AND E-COMMERCE

Obuv Rossii entered the e-commerce market in March 2014. Now the company operates five online stores: Westfalika.ru, Emilia-estra.ru, Westfalika-home.ru and Rossita.com, Lisette.me. In 2017, sales in e-commerce increased by 56%, their share in retail revenue reached 10%.

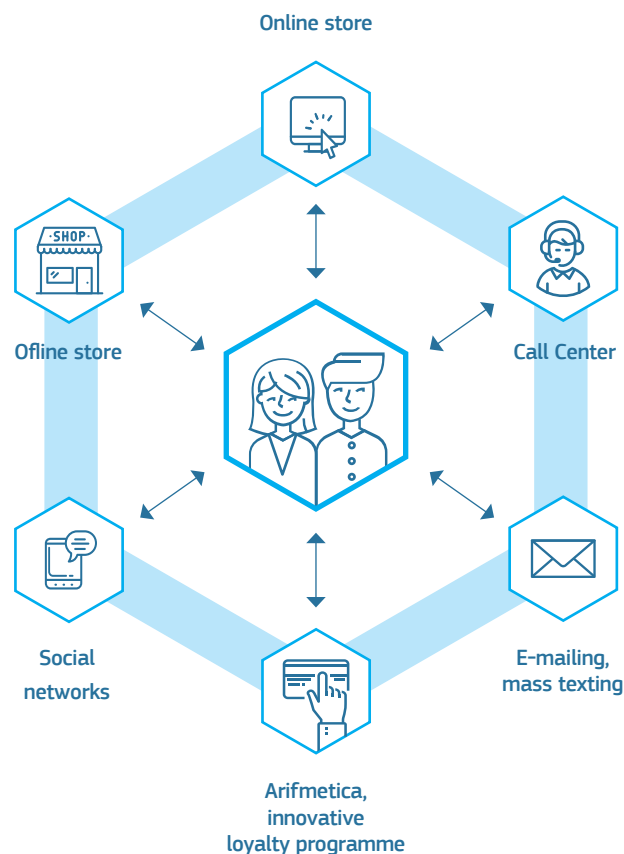
Over the past two years, the range of products in online sites of Obuv Rossii grew considerably: now it includes shoes, clothing, various accessories and related products. For example, there are over 5,000 SKU at the Westfalika.ru online store.

In its strategy, Obuv Rossii invest in the development of multi-channel and omni-channel trade when the buyer is offered to make purchases using different channels and tools, while switching from one channel to another is "seamless" and the interaction of the client with the Company's brand comes to the fore. Therefore, all the online stores of the Company are mono-brand stores and are essentially a continuation of traditional retail networks.

An important trend that will determine the direction of e-commerce development in the near future is growing mobilization. In this regard, in 2017, the Company launched updated mobile versions of its Westfalika.ru and Rossita.com on-line stores. This allowed for a boost in mobile sale: in 2017, the number of requests issued through mobile devices increased 2.6 times.

### CHANNELS OF COMMUNICATION WITH PURCHASERS

(multi-channel marketing)



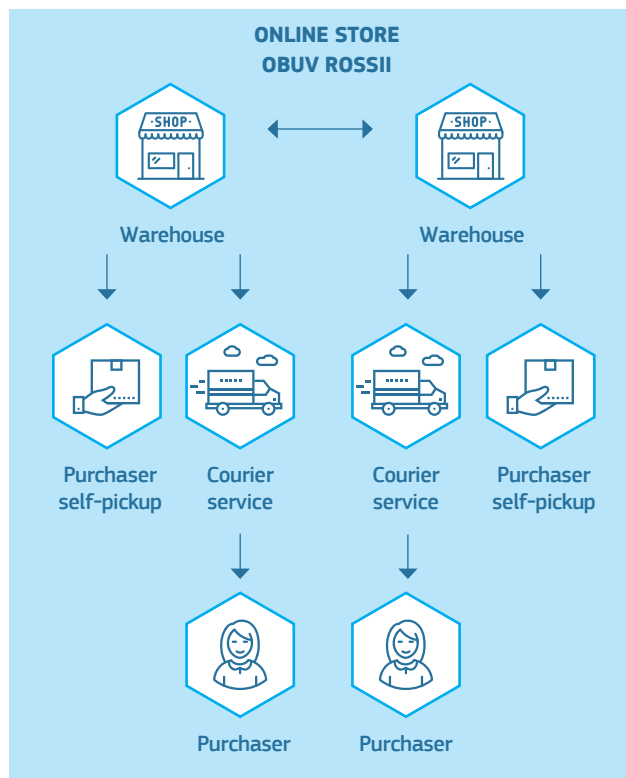
### NUMEROUS WAREHOUSES

The Company has a branched retail network across Russia which provides a competitive advantage of the Company's online stores — as a result, Obuv Rossii established an infrastructure for the delivery of its products to any region. It makes it possible to reduce logistics costs, to offer buyers the service of pick up from outlets (it now comprises 90% of all purchases in online stores) and, in general, solve the tasks of prompt delivery of the goods more effectively. Each of the Company's stores performs the function of a mini-warehouse and a pickup point. Customers of Obuv Rossii's e-shops are also offered other delivery options: delivery via courier services (SDEK and DPD) and via Russian Post.

#### TRADITIONAL ONLINE STORE



#### ONLINE STORE OBUV ROSSII



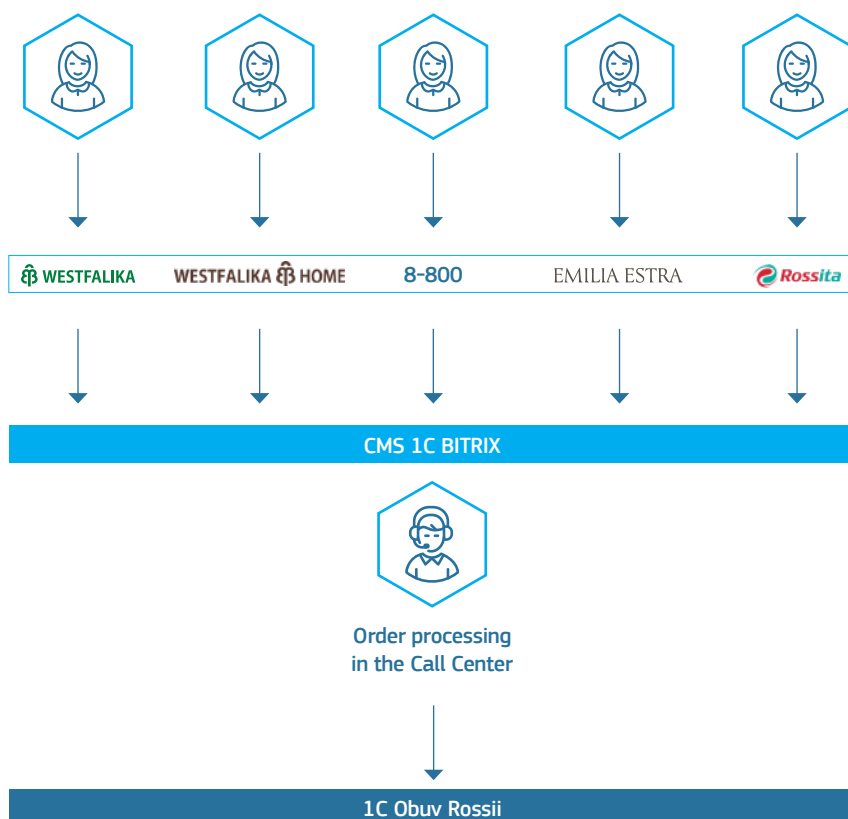
### CONTACT CENTER

The Company created a multifunctional centre for information support and order processing. It works 7 days a week from 7am to 10 pm Novosibirsk time providing serves to clients from all regions of Russia. The call center employs 20 specialists processing each more than 100 incoming calls per day on average.

Obuv Rossii has a unified order management system, i.e. data on all orders from any on-line stores of the Company are received and processed in a single database; and operation of the call center is automated based on CMS 1C-Bitrix.

To communicate with its clients, Obuv Rossii uses various channels, including both traditional — offline stores, catalogues, etc., and new — email-newsletters, social networks, etc. This allows the Company to make interaction with the brand most comfortable for the customers: they can choose the channel of interaction, which is convenient to them at any given time.

#### A SINGLE SYSTEM OF ORDER MANAGEMENT





## FINANCIAL SERVICES

Financial services for customers are one of Obuv Rossii's key activities. In 2007, the Company was the first one on the shoe market to offer a program of consumer crediting. Then, in 2009, Obuv Rossii started their own lending to customers and introduced the service of buying shoes with payment by instalments. Since the beginning of the project, over 1 million customers have purchased shoes using this programme, every second of them took advantage of the service again. In 2017, instalment sales totalled RUB4.54 bln.

Later, the list of services was expanded: in summer 2012, Obuv Rossii started to extend cash loans to its customers who had already purchased shoes on an instalment plan and successfully fulfilled their obligations to the Company. Most customers borrow up to the salary and for current consumer needs. The microfinance line makes a substantial contribution to the earnings of the Company. According to the results of 2017, the cash loans amounted to RUB3.43 bln, the Company's interest income was RUB1.5 bln, which makes 13.89% of the Company's revenues. The projects are managed by a team of over 100 managers with experience in working in banks.

A group for retail lending was created in the structure of the financial services, as well as an analytical support group, and a group of financial security. The Company has developed its own IT system which makes it possible to register and support instalment contracts and cash loan contracts online. The scoring system is regularly improved.

### ARIFMETIKA FINANCIAL SERVICES SYSTEM

The Arifmetika system started to operate in Obuv Rossii networks in summer 2015. Platezhny Standart credit organization is the system operator (license of the Central Bank of the Russian Federation for transfers without opening an account No. 3530-K of 28 January 2015) which is a member of Obuv Rossii Group.

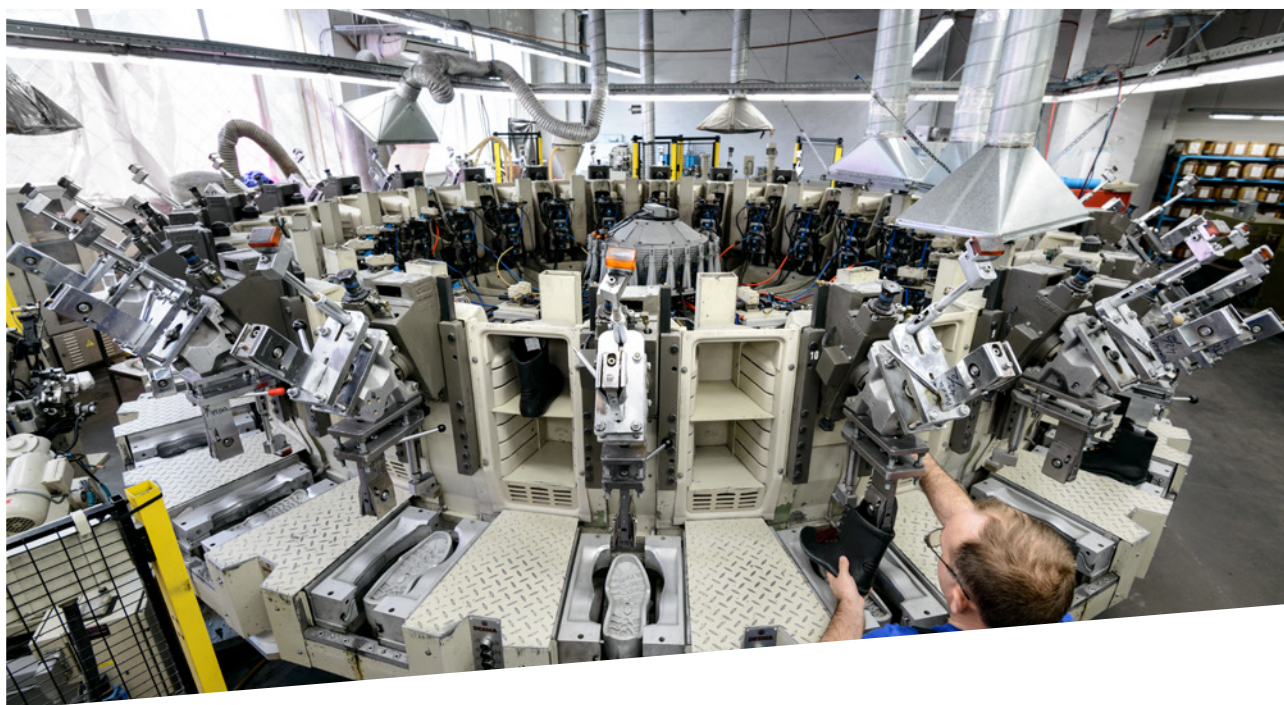
Initially, the customers were offered a service of payments at the cash register for different services: Internet, mobile communications, etc. Later on, Obuv Rossii united all of the loyalty programs operating in the retail networks of the Group into a single cumulative discount system on the basis of Arifmetika. In 2016, an eWallet service began to operate; in the summer of 2016, a prepaid Arifmetika MasterCard was issued, to which cash loans are credited.

According to the results of 2017, the number of loyalty cardholders in Obuv Rossii' networks increased by 25% to a total of 1.95 mln people. 60% of them do repeated purchases.

The development of financial services is a worldwide trend in retail when stores do not just offer merchandise, but are transformed into universal service companies. Such trends can be seen on more advanced Russian retail markets, such as mobile retail. New services make it possible to increase traffic to the stores; they stimulate cross-selling, increase customer loyalty and, as a result, improve efficiency and profitability of the business.

In 2017, Obuv Rossii launched the services of receiving online payments by instalments contracts and cash loans through the services of Sberbank PJSC, including Sberbank-online. The service started to operate throughout the network in June. In December, the share of online payments reached already almost 3%. In 2018, the Company plans further expansion of the possibilities of remote payments, including the introduction of online payment using the Arifmetika card.





## MANUFACTURE OF FOOTWEAR

Obuv Rossii's production site is located in the Novosibirsk city and the Novosibirsk Region. Currently, Obuv Rossii produces shoes using all major shoe construction types: cement, injection moulded, combined (stitching and gluing) and high-temperature vulcanization. The Company mainly manufactures a footwear range of casual and semi-sport style. In 2016, Obuv Rossii entered also the market of working and special purpose footwear and opened a separate production line.

The manufacturing facilities of Obuv Rossii are one of the most advanced in terms of technology and equipment used in our country. The Obuv Rossii enterprise is characterized by a high degree of automation and the use of state-of-the-art high-tech equipment: computerised shoe design systems, NewLast and Orisol automated shoe cutting and tailoring systems, and high performance Desma injection moulding machines. The injection moulding machine installed at the factory is unique for Russia. It is peculiar because the material for the shoe sole is poured in the liquid form into the mould and congeals in direct contact with the leather. As a result, the sole bonds with the shoe upper at the molecular level.

In the spring of 2017, Obuv Rossii reconstructed its assembly shop and combined on one site in Berdsk the shoe assembly, which is made using the cement, combined glue and stitching method as well as the high-temperature vulcanization construction method. For this purpose, the Company transported a conveyor shoe assembly line using the cement construction method from leased premises in Novosibirsk to its own facility in the town of Berdsk. Having combined the shops, the Company optimized the technological process which will allow it to perform all works faster and with less effort. The joint assembly shop was located by the Company in a new facility acquired by Obuv Rossii in autumn 2016 (the Company expanded its production area in Berdsk 1.5 times: from 3.8 to 5.8 thous. sq. m.).

Since the spring of 2014, an automated production system has been operated in Novosibirsk to manufacture footwear of EVA (ethylene vinyl acetate polymer material). The production system makes it possible to have a complete cycle of footwear production, including moulding in press forms, lasting, etc. In 2017, Obuv Rossii significantly expanded the range of its shoes made of

an ultralight EVA material and produced at the factory in Novosibirsk, launching more than 20 new models. To manufacture them, new technologies and materials were used: production of boots with EVA galoshes using the all cast technology, a combination of EVA and textile materials.

The Obuv Rossii Group actively cooperates with research institutions and specialized universities for the testing and development of new materials and inventions patenting. A key partner in this activity is the Novosibirsk Institute of Technology (branch) of the Moscow State University of Design and Technology. Recent projects include the development of wearing surface of the sole and heel with antislip properties, sole material testing for wear resistance.



# Description of Main Risk Factors

## RISKS RELATED TO THE ACQUISITION OF THE PLACED EMISSION SECURITIES

OR PJSC is a member of Obuv Rossii Group and is a holding company that consolidates the assets of operation companies of the Group. The main type of activity of Obuv Rossii Group is retail sale and wholesale of footwear. Thus, the activity of OR PJSC is exposed to risks that are specific to the whole Obuv Rossii Group. That's why description of risks to which the activity of the Group, as a whole, and of OR PJSC, in particular, is exposed will be given below in this section.

### THE POLICY OF OR PJSC IN THE AREA OF RISK MANAGEMENT

The policy of OR PJSC in the area of risk management is the permanent control of all the business processes of activity of Obuv Rossii Group, the monitoring of arising risks and problems, their analysis and prevention in the future.

In addition, the marketing subdivision of Obuv Rossii Group permanently monitors and analyses the activity of its competitors and performs comparative analysis of their positions.

The financial subdivision analyses risks related to the financing of activity of Obuv Rossii Group. The objectives of work with financial risks are as follows: to minimize the possible liquidity gaps, to reduce the weighted average cost of financing the activity, and to optimize the financial flows inside the Group.

## INDUSTRY RISKS

The influence of the possible deterioration of the situation in the industry of OR PJSC on its activity and its performance of obligations related to securities is described. The most important, according to OR PJSC, possible changes in the industry (separately for the internal and external markets), as well as the supposed actions of OR PJSC in this case, are given:

The dynamics of income of OR PJSC and Obuv Rossii Group, that perform activity in the industry of retail sale of footwear to the population, is substantially determined by the level of customer demand, which makes the financial position of OR PJSC and Obuv Rossii Group, in particular, dependent on the level of income of the population. While the level of foreign policy and foreign-economic uncertainty remains quite high, we can see a revival of economic activity in Russia against the background of

moderately tough money-and-credit policy in 2016 and 2017. Changes in the foreign-policy and foreign-economic situation can have a negative impact on the results of financial-and-economic activity of Obuv Rossii Group, but the deterioration of the situation in the industry of the company will have no substantial impact on the performance of obligations related to the placed securities. In addition, in order to mitigate the impact of the foreign-economic uncertainty and dependence on the external markets, Obuv Rossii Group cooperates and plans to further cooperate with suppliers from Russia and from the countries that are not under economic sanctions (such as China), as well as has made a decision to expand its own production of footwear.

The most important, according to OR PJSC, possible changes in the industry (separately on the internal and external markets):

### On the internal market:

OR PJSC performs its activity on the territory of the Russian Federation. That's why the industry risks related to the activity of OR PJSC mainly arise in performing the activity on the internal market.

The following major risks of the activity of OR PJSC and of the Group, related to the possible deterioration of the situation in the industry (including the major possible changes) can be given:

- ▶ Reduction of income of the population.
- ▶ Foreign retail chains entering the market.
- ▶ Increase of expenses: electricity cost, rental rate growth, etc.
- ▶ Unfavorable changes in the legislation and taxation.
- ▶ Growth of purchase prices of suppliers.

**On the external market:**

Obuv Rossii Group cooperates with suppliers from China and Europe. The main risk on the external market is the increase of purchase prices by foreign suppliers. OR PJSC deems the impact of this risk on the activity results insignificant.

The supposed actions of OR PJSC in this case are as follows:

**On the internal market:**

In order to reduce the unfavourable development of the situation in the industry, OR PJSC and Obuv Rossii Group performs and plans to further perform:

- ▶ Activity to improve the logistic schemes, aimed at the reduction of expenses and the increase of the production rate, introduction of new technologies and automation of process operations;
- ▶ Activity aimed at the improvement of the assortment of the retail chain in order to establish and maintain the image;
- ▶ Diversification of the supplier database that allows Obuv Rossii Group not to depend on the growth of prices of individual suppliers;
- ▶ Monitoring of prices.

**On the external market:**

In case of substantial increase of prices for import supplies from abroad, OR PJSC and Obuv Rossii Group will have to look for new suppliers abroad or in the Russian Federation, or to increase the trade margin.

Risks related to the possible changes of prices for raw materials and services used by OR PJSC in its activity (separately on the internal and external markets) and their influence on the activity of OR PJSC and performance of obligations related to securities:

**On the internal market:**

Obuv Rossii Group has long-term partnership relations with suppliers based on the conscientious performance of all contractual obligations. In case of deterioration of the macroeconomic situation to the critical level, a drop in the purchasing power of the population and reduction of prices for the products, there is a risk that the purchase prices will grow. However, according to OR PJSC, the total growth of purchase prices will not exert substantial influence on the activity of Obuv Rossii Group and on the performance of obligations related to securities by OR PJSC, since Obuv Rossii Group works in different price segments, and footwear is on the first place after food products in the list of basic consumer goods, that's why the risk of a substantial drop in sales is unlikely.

**On the external market:**

Obuv Rossii Group cooperates with more than 40 suppliers from Russia, Europe and China. In case the foreign suppliers substantially increase their prices, Obuv Rossii Group will have to look for alternative suppliers abroad or in the Russian Federation or to increase retail prices. The above risks will exert no substantial impact on the activity of Obuv Rossii Group and on the performance of obligations related to securities by OR PJSC. Risks related to possible changes of prices for products and/or services of OR PJSC (separately on the internal and external markets) and their impact on the activity of OR PJSC and performance of obligations related to securities:

The risk of reduction of prices for services of OR PJSC can have an impact on the following financial indicators: profit, financial liquidity, as well as the business reputation of OR PJSC.

**On the internal market:**

The level of prices for products of Obuv Rossii Group has a direct impact on financial results of activity and on the opportunity to generate free cash both of OR PJSC and Obuv Rossii Group as a whole. Store chains of Obuv Rossii Group are clearly targeted at certain audiences of customers and are within different price segments of the market: Westfalika — the mid-price segment, Peshekhod Footwear Factory — a footwear discounter. That is why a substantial reduction of the level of prices for products of Obuv Rossii Group in the medium term is not expected. Taking into account the above, changes of prices for products sold by Obuv Rossii Group will have no substantial impact on the activity of OR PJSC and on the performance of its obligations related to securities.

**On the external market:**

OR PJSC and Obuv Rossii Group do not perform the export of products on the external market, that's why risks for the external market are not described.

## COUNTRY AND REGION RISKS

Risks related to the political and economic situation in the country (countries) and region, in which OR PJSC is registered as a taxpayer and (or) performs main activity, provided that the main activity of OR PJSC in such country (region) brings 10 and more percent of income for the last completed reporting period before the date a prospectus of securities is approved:

OR PJSC is registered on the territory of the Russian Federation. Today the federal chain of footwear stores of Obuv Rossii Group includes over 452 stores in 100 cities in Russia. OR PJSC shares the view of most analysts who forecast that in the medium term the previous course of economic, political and other reforms implemented in the country will be continued.

The sovereign ratings of Russia were last changed in March 2017. The international rating agency of Standard & Poor's confirmed the sovereign credit rating of Russia at the level of BB+, with the forecast being "positive". According to the agency, the positive forecast means that S&P can increase the credit rating of Russia, if the Russian economy goes on adapting to the relatively low oil prices, and the amount of the net public debt remains small.

Negative changes in the economic and political situation in the regions, according to OR PJSC, can only be caused a serious economic downturn of the nationwide production in the Russian Federation, the likelihood of which is estimated to be insignificant. OR PJSC bears no specific risks related to the political and economic situation in the regions, in which OR PJSC is registered and performs its activity.

### **Supposed actions of OR PJSC in the case of a negative impact of the changed situation in the country (countries) and region on its activity:**

In the case of a negative impact of the changed situation in the country and region in which OR PJSC and Obuv Rossii Group perform their activity, OR PJSC plans to reduce the self-cost of realization, reduce the period of turnover of receivables and stock, and to increase the trade margin.

Risks related to possible military conflicts, the announcement of the state of emergency, and strikes in the country (countries) and region in which OR PJSC is registered as a taxpayer and (or) performs its main activity: The social situation in the regions, in which OR PJSC is registered as a taxpayer and/or performs its main activity, is characterized as quiet, there are no pronounced ethnic conflicts or religious extremism, that's why it is possible to perform business activity in the region with minimal social-and-political risks. In this context, the probability of military conflicts, the announcement of the state of emergency, and strikes on the territory of the company's activity are estimated to be extremely insignificant.

### **Risks related to the geographic features of the country (countries) and region, in which OR PJSC is registered as a taxpayer and (or) performs its main activity, including those with the higher hazard of natural disasters, possible termination of transportation due to remoteness and (or) isolated location and the like:**

Regions of activity of OR PJSC and Obuv Rossii Group have no geographic features that can create a higher hazard of natural disasters or to create the termination of transportation, that is why the corresponding risks are estimated as minimal. Overall, OR PJSC deems that in the medium term the possibility of a substantial negative impact of country and region risks on its activity and on the performance of its obligations is unlikely. The above risks are of nationwide character; their forecast, estimation and prevention are implemented by corresponding state organizations. However, Obuv Rossii Group, in its turn, is ready to take actions to develop and implement certain anti-crisis measures aimed at the mobilization of business and minimization of the negative impact of the above country and region factors, if necessary.

## FINANCIAL RISKS

If one of the several financial risks listed below arises, OR PJSC will take all possible measures to minimize the negative consequences. Parameters of the measures taken will depend on the features of the situation in every particular case. OR PJSC is not able to guarantee that the actions aimed at the overcoming of the arising negative changes can result in the improvement of the situation, since the described factors are beyond the control of OR PJSC.

The exposure of OR PJSC to the risks related to changes of interest rates, exchange rate of foreign currencies, in relation to the activity of OR PJSC or in relation to the hedging performed by OR PJSC in order to reduce unfavourable consequences of the impact of the above risks:

Negative changes of the money-and-credit policy in the country, of the currency rate, and the increase of interest rates for the money raised, as well as the significant escalation of inflation can result in the growth of expenses of OR PJSC and Obuv Rossii Group as a whole, and, consequently, have a negative impact on the financial results of their activity. OR PJSC does not perform the hedging of risks.

Exposure of the financial status of OR PJSC, its liquidity, sources of finance, results of activity and such to changes of the currency rate (currency risks):

### Currency rate change risk:

OR PJSC and Obuv Rossii Group are exposed to the impact of financial risks related to the fluctuation of the exchange rate of foreign currencies, due to the cooperation with foreign suppliers. The further behaviour of the ruble rate will depend on the two main factors: the policy of the Central Bank of the Russian Federation and the dynamics of world prices for oil. OR PJSC can respond to the negative fluctuation of the Russian ruble exchange rate towards foreign currencies by means of changing its principles of work with suppliers and a closer cooperation with the Russian partners.

### Interest rate change risk:

In order to minimize this risk, the management of Obuv Rossii Group performs the effective management of the structure of the raised money. It should be taken into account that some part of the interest rate change risk cannot be fully neutralized, as the above risks are largely beyond the control of activity of OR PJSC and depend on the general economic situation in the country.

Supposed actions of OR PJSC in the case of a negative impact of fluctuation of the currency and interest rates on the activity of OR PJSC.

The management of Obuv Rossii Group takes all the necessary actions to reduce the impact of fluctuation of the currency and interest rates, for example it performs the required management of the structure of the money raised and implements a policy aimed at the reduction of obligations expressed in foreign currencies, maintaining the high level of ruble obligations at the same time.

### Supposed actions of Obuv Rossii Group in the case of a negative impact of fluctuation of interest rates on the activity of Obuv Rossii Group:

- ▶ Reconsideration of the investment policy in order to reduce the durations of loans;
  - ▶ Prolongation of the existing credits and loans, if their rates are lower than the market ones;
  - ▶ Optimization of settlements with creditors in order to prolong the periods of maturity.
- In the case of a sharp increase of interest rates for the borrowed money, it is planned to reconsider the structure of distribution of the obtained money with account of the priority financing of areas with the higher return on equity. That is why the growth of interest rates shall not substantially influence the paying capacity of Obuv Rossii Group in the short term.

Supposed actions of OR PJSC in the case of a negative impact of fluctuation of currency exchange rates on the activity of OR PJSC: In the case of negative changes of the currency exchange rate for OR PJSC, OR PJSC plans to optimize the expense portion of the activity, as well as to reconsider the structure of financing. OR PJSC believes that the taking of a number of actions in response to the deterioration of the situation on the currency market and the capital market, i.e. the reconsideration of plans of raising funds and investment expenses, will exert a positive impact on the preservation of profitability and financial status of OR PJSC. It should be taken into consideration that the above risks are, to a greater extent, beyond the control of activity of OR PJSC and depend on the general economic situation in the country.

Possible impact of inflation on the payments on securities, critical values of inflation (according to OR PJSC), as well as supposed actions of OR PJSC to reduce the above risk:

According to the forecast by the Government of the RF, the inflation rates will be stable in the immediate future. In 2013, the inflation rate was 6.5%, in 2014 it was 11.4%, in 2015 it was 12.9%, in 2016 it was 5.4%, in 2017 it is forecast to be about 4-5%. OR PJSC believes that the inflation rate will further be forecastable and controllable. At the current moment, the inflation rates are not substantial for the activity of OR PJSC and Obuv Rossii Group. High inflation rates can have a negative impact on the paying capacity of OR PJSC. A substantial excess of real inflation indicators over the forecasts by the government of the RF will result in the growth of expenditures of OR PJSC and Obuv Rossii Group for the performance of its main economic activity and, consequently, can result in the decrease of profitability indicators.

According to OR PJSC and Obuv Rossii Group, the range of the inflation rate within which it can have difficulties in performing its obligations is higher than the inflation value forecasted by the Ministry of Finance of the RF for 2017 and is within 20-25%. If the inflation value exceeds the above critical values, OR PJSC will reconsider its investment policy and to reduce the durations of loans, take measures to increase the trade price, and perform measures to reduce internal costs.

Indicators of financial statements of OR PJSC that are most likely to change under the influence of the above financial risks. Risks, likelihood of their occurrence, and the character of changes in financial statements:

The indicators of financial statements of OR PJSC and the Group that are most likely to change under the influence of the above financial risks are profit and revenue. The risks (inflation, growth of interest rates) that have an impact on the above indicators of financial statements of OR PJSC and the probability of their occurrence are estimated by OR PJSC as low. The changes in the statements are insignificant.



## LEGAL RISKS

Legal risks are also determined by the drawbacks residing in the Russian legal system and the Russian legislation, which result in the atmosphere of uncertainty in the field of investments and commercial activity.

Russia continues to develop the legal base that is required to maintain the market economy.

### Legal risks related to the activity of OR PJSC (separately for the internal and external markets):

#### Internal market and external market:

OR PJSC does not export goods, works or services. On the whole, the risks related to the activity of OR PJSC are typical for most entities in entrepreneurial activity operating on the territory of the Russian Federation. Legal risks, first of all, include risks of collision (controversy) and ambiguity of interpretation of legal norms, as well as the introduction of legal restrictions in the area of activity of enterprises of Obuv Rossii Group.

### Risks related to the changes of currency regulation:

#### Internal market and external market:

Changes of currency regulation do not exert a substantial impact on the activity of OR PJSC.

### Risks related to the changes of tax legislation:

#### Internal market:

Since the Government of the RF takes measures to reduce the taxation burden, the tax risks of OR PJSC shall be considered as minimal, within the activity of a conscientious taxpayer.

However, the activities of Obuv Rossii Group and OR PJSC can be negatively impacted by the following changes:

- ▶ Amendments or supplements to the legislation acts on taxes and duties, concerning the increase of tax rates;
- ▶ New types of taxes.

These substantial and other changes in the taxation legislation can result in the increase of tax payments and, consequently, in the decrease of net profit of Obuv Rossii Group. Russian legal entities effect substantial tax payments on a large number of taxes. These taxes, for instance, include:

- ▶ Profit tax;
- ▶ Value added tax;
- ▶ Social and pension payments;
- ▶ Property tax.

All the above taxes can be changed, but even further reforms of the Tax Code of the RF can fail to result in the substantial reduction of the tax burden in Russian and the establishment of a more effective taxation system; on the contrary, new measures can be taken to maintain the collection of taxes. Thus Obuv Rossii Group and OR PJSC can be forced to pay much higher taxes, which can exert a substantial negative impact on the results of the operation activity of Obuv Rossii Group and OR PJSC. With that, general legal risks resulting from the general features of the Russian taxation legislation, such as the absence of sufficient specification and a single law enforcement practice, are typical of the activity of OR PJSC.

#### External market:

Risks related to changes of taxation legislation on the external market are estimated as minimal by OR PJSC. But in raising funds on the external markets, OR PJSC is subject to risks of changes of the taxation legislation of foreign countries. But currently the Russian Federation has a large number of agreements for the avoidance of double taxation, which makes it possible to minimize the negative impact of changes of foreign legislations. In any case, OR PJSC will take all the necessary measures to perform activity in full compliance with the novelties.

### Risks related to changes of rules of customs control and duties:

Since suppliers of Obuv Rossii Group include suppliers from Europe and China, there is a risk of related to changes of customs control and duties. If these rules are tightened, Obuv Rossii Group will take all the necessary measures to observe the new requirements.

### Risks related to changes of requirements to the licensing of the main activity of OR PJSC or the licensing of rights of use of objects whose turnover is limited (including natural resources):

The above risks are not present on the internal and external markets, since the main activity of OR PJSC is not subject to licensing. And OR PJSC does not use objects whose turnover is limited in its activity.

Risks related to changes of the court practice on the issues related to the activity of OR PJSC (including on the issues of licensing) that can have a negative impact on the results of its activity, as well as on the results of the ongoing court proceedings in which OR PJSC takes part:

The above risks are not present on the internal and external markets, since there is no settled court practice on the issues of activity of OR PJSC and OR PJSC does not take part in any ongoing court proceedings as a defendant or in any other court proceedings that are likely to have a negative impact on its financial-and-economic status.

## RISK OF LOSS OF GOOD WILL (REPUTATION RISK)

Risk of OR PJSC losses resulting from the reduction of the number of clients (counterparties) due to the formation of a negative image of the financial stability, financial status of OR PJSC, the quality of its products (works, services) or the character of its activity as a whole:

Obuv Rossii Group is exposed to the risk of loss of good will due to the possible reduction of the quality of the realized goods, which has an indirect impact on the above risk of OR PJSC itself. For the preventive purposes, structural subdivisions were created and are successfully functioning, that are specializing

in the control of the operation activity of the Group enterprises, purchases and suppliers, analysis of work with clients, and that reveal the weak points of the business processes requiring additional development and improvement for the subsequent increase of the customer satisfaction.

## STRATEGY RISK

Risk of OR PJSC losses resulting from errors (drawbacks) made in the making of decisions that determine the strategy of activity and development of OR PJSC (strategic management) and expressed as a lack of account or insufficient account of possible hazards that can threaten the activity of OR PJSC, wrong or insufficiently substantiated determination of future directions of activity in which OR PJSC can have an advantage over its competitors, absence or insufficient provision of required resources (financial, material-and-technical, human) and

organizational measures (managerial decisions) that are to provide the reaching of strategic objectives of activity of OR PJSC: As a strategic risk, OR PJSC considers the risk of losses resulting from errors (drawbacks) made in the making of decisions that determine the strategy of activity and development and expressed in the insufficient account of possible drawbacks of activity of OR PJSC, wrong or insufficiently substantiated determination of future directions of activity, absence or insufficient provision of required resources and organizational measures

that are to provide the reaching of strategic objectives of activity of OR PJSC. The management of Obuv Rossii Group permanently monitors the reaching of main objectives and parameters of strategic development, controls the performing of main business objectives and the implementing of strategic initiatives, makes it possible to identify the factors of strategic risk inside and outside Obuv Rossii Group and to take prompt measures in order to mitigate their impact on the business.

## RISKS RELATED TO THE ACTIVITY OF OR PJSC

### **Risks peculiar to OR PJSC or related to the main financial-and-economic activity performed by OR PJSC:**

Risks related to the activity of OR PJSC are typical of most entities of entrepreneurial activity working on the territory of the Russian Federation and can be considered as countrywide.

### **Risks related to the ongoing court proceedings in which OR PJSC takes part:**

Since there are no court proceedings in which OR PJSC is a defendant, there are no such risks.

### **Risks related to the inability to extend the license of OR PJSC for a certain type of activity or for the use of objects whose turnover is limited (including natural resources):**

There is no such risk, since the main activity of OR PJSC is not subject to licensing, and OR PJSC does not use objects, whose turnover is limited, in its activity.

### **Risks related to the possible liability of OR PJSC for the debts of the third parties, including subsidiary companies of OR PJSC:**

There is a risk related to the liability of OR PJSC for the obligations issued on behalf of the third parties as security, including those for the debts of subsidiary companies. The factors that can result in the non-performance or the improper

performance of such secured obligations were not present at the moment such obligations were issued; according to OR PJSC, there are no such risks as of the current date. Obligations are performed by the third parties and subsidiary companies in a timely manner and to the full extent.

### **Risks related to the possibility to lose customers, with which the turnover is at least 10 percent of the total revenue from the sale of products (works, services) of OR PJSC:**

Risks related to the possibility to lose customers, which the turnover is at least 10 percent of the total revenue from the sale of products (works, services) of OR PJSC, are estimated by OR PJSC as insignificant. There are no other risks related to the activity of OR PJSC, according to OR PJSC.

## BANK RISKS

No information is provided, since OR PJSC is not a credit organization.

# MARKET OVERVIEW

## LEADERSHIP THROUGH RELATIONSHIPS

In the year 2017, retail shoe chain in Russia grew by 83 stores including 39 franchise ones.

**Increase in sales of clothing  
+25%**



**535**  
STORES



**5**  
SHOE NETWORKS



**8**  
BRANDS





The Company develops the total look concept when the stock (shoes, bags, accessories) is produced with the same colours, according to a single design solution, of similar materials. Such approach makes it possible to stimulate complex purchases when the customer purchases a whole set of products for the season at once.



For more information see  
**FORECAST FOR THE MARKET**

38



# Russian Footwear Market in 2017

**21.4 %**  
MARKET GREW  
IN VOLUME TERMS

**30.7 %**  
MARKET GREW  
IN VALUE TERMS

## MARKET VOLUME

In 2017, the volume of the Russian footwear market grew considerably: in volume terms — by 21.4%, to 329 million pairs, in value terms — by 30.7% to 1,363 billion rubles. Shoe imports increased considerably — by 33.1% in pairs and by 39.6% in value terms. Russian production showed growth too: by 4.4% and by 12.6% respectively. Significant increase in imports and market volume in physical terms is explained by the fact that major retail chains increased their purchase volumes, and some volume of footwear purchased in 2017 will be sold in 2018, for example, in the winter season of 2017–2018. However, because the market volume is calculated in the study according to the apparent consumption formula, the shoes are posted as sold in 2017.

**Such high dynamics of the footwear market is attributable to several factors:**

- ▶ [Changing consumer behaviour, positive consumer sentiment index](#): consumers have adapted to the current economic situation and are willing to purchase more actively; according to GfK research company, in February 2017 the index of consumer sentiment left the negative zone for the first time from 2014.
- ▶ [Effect of pent-up demand](#): footwear is a product that has a period of physical deterioration amounting to an average of 1.5–2 years; in 2017 buyers who scrimped on buying shoes for the previous two years, began returning to stores.
- ▶ [In 2017, shoe retailers increased their orders from factories and purchase of products](#), given the previous two factors and expecting that the positive trend on the market will continue and will increase in 2018.

## CALCULATION OF FOOTWEAR MARKET VOLUMES IN VOLUME TERMS IN 2012–2017

mln pairs

Indicator	2012	2013	2014	2015	2016	2017	2017 to 2016, %
production	102.7	131.4	115.8	93.2	96.3	100.6	4.4%
import	391.6	401.8	323.7	237.3	177.9	236.9	33.1%
export	4.9	5.7	5.5	3.5	3.1	8.3	166.5%
market volume	489.4	527.5	434.0	327.0	271.1	329.2	21.4%

Source: DISCOVERY Research Group calculations

## CALCULATION OF VOLUMES OF THE FOOTWEAR MARKET IN VALUE TERMS IN 2012–2017

RUB bln

Indicator	2012	2013	2014	2015	2016	2017	2017 to 2016, %
production	139.7	185.3	186.4	205.0	279.3	314.4	12.6%
import	701.0	739.3	767.2	783.0	777.4	1,085.5	39.6%
export	8.8	10.5	13.0	11.6	13.5	36.8	172.6%
market volume	831.9	914.1	940.6	976.5	1,043.2	1,363.1	30.7%

Source: DISCOVERY Research Group calculations

### Note:

- the market volume in 2012 was calculated on the basis of the dollar rate of 30.98 RUB to USD;
- the market volume in 2013 was calculated on the basis of the dollar rate of 32.73 RUB to USD;

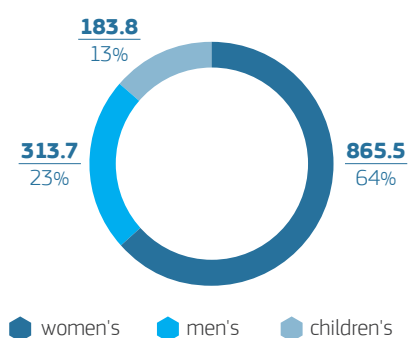
- the market volume in 2014 was calculated on the basis of the dollar rate of 38.47 RUB to USD;
- the market volume in 2015 was calculated on the basis of the dollar rate of 65.2 RUB to USD;

- the market volume in 2016 was calculated on the basis of the dollar rate of 67.2 RUB to USD;
- the market volume in 2017 was calculated on the basis of the dollar rate of 58.3 RUB to USD.

## MARKET SEGMENTATION

### FOOTWEAR MARKET STRUCTURE BY STYLE (MEN'S, WOMEN'S, CHILDREN'S) IN 2017

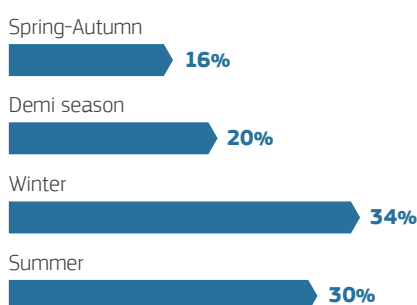
RUB bln and %



Source: Calculation of DISCOVERY Research Group

### FOOTWEAR MARKET VOLUME IN RUSSIA BY TYPES OF SHOES (SUMMER, WINTER, DEMI SEASON, SPRING-AUTUMN) IN 2017

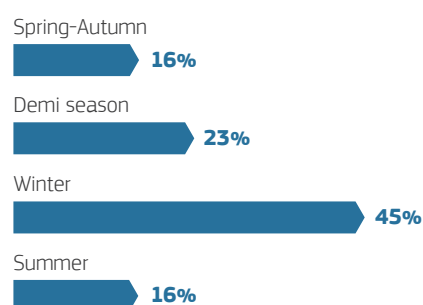
% of the volume terms



Source: DISCOVERY Research Group calculations

### FOOTWEAR MARKET VOLUME IN RUSSIA BY TYPES OF SHOES (SUMMER, WINTER, DEMI SEASON, SPRING-AUTUMN) IN 2017

% of the value terms



Source: DISCOVERY Research Group calculations

### SEGMENTATION BY FEDERAL DISTRICTS (WITH SEPARATE MOSCOW AND ST. PETERSBURG)

Winter shoes occupy almost half of the volume in value terms in the market structure, because the autumn-winter season is the key one for Russia's shoe retailers accounting for approximately 50% of annual revenue.

In 2017, the main share of the footwear market falls on the Central (29.9%), Volga (17.4%) and Northwestern (12.9%) Federal districts. The footwear market share of Moscow in the total market volume is 23.3%, the market share of St. Petersburg is 7.9%. In its chain development strategy for the next 3 years, Obuv Rossii lays emphasis

on the central part of Russia, because, on the one hand, it is a promising market, where a substantial part of the footwear sold in Russia is, on the other hand, the Company has not been represented in this region yet compared to the Urals, Siberia and the Far East. In 2018, Obuv Rossii plans to open stores throughout Russia; 30 per cent of outlets will start operating in the central part of Russia.

### THE FOOTWEAR MARKET VOLUME IN RUSSIA BY FEDERAL DISTRICTS (WITH SEPARATE MOSCOW AND ST. PETERSBURG) IN 2012-2017

RUB bln

Federal District	2012	2013	2014	2015	2016	2017
Northwestern FD	95.1	105.6	108.5	149.1	140.9	176.3
incl. St. Petersburg	56.5	58.0	59.7	86.5	80.3	109.0
Central FD	264.1	286.6	295.9	305.5	305.8	407.7
incl. Moscow	194.1	215.7	221.9	235.2	232.4	317.3
Volga FD	141.3	156.3	162.7	146.5	176.3	237.7
Southern FD	57.9	63.7	64.9	69.4	79.3	105.0
Ural FD	119.2	134.1	135.4	127.9	136.7	165.0
Siberian FD	68.6	75.5	80.0	94.8	103.3	135.0
North-Caucasian FD	39.0	40.8	40.4	39.0	49.1	65.5
Far Eastern FD	46.8	51.4	52.7	44.9	52.1	70.8
<b>TOTAL</b>	<b>831.9</b>	<b>914.1</b>	<b>940.6</b>	<b>976.5</b>	<b>1,043.2</b>	<b>1,363.1</b>

Source: DISCOVERY Research Group calculations

## SEGMENTATION ACCORDING TO PRICE

In 2017, the low-price segment made up the main footwear market share among price segments: 63% of the market volume in volume terms and 57% of the market volume in value terms.

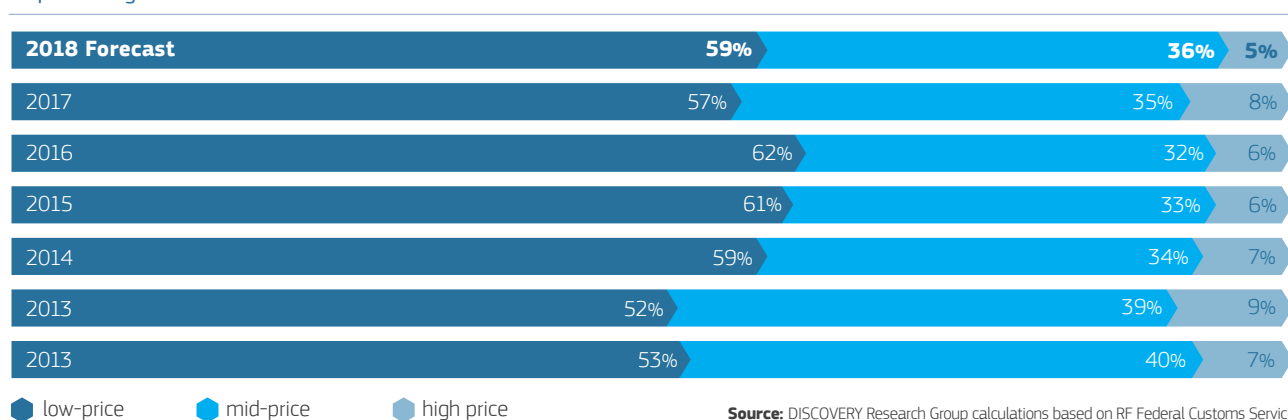
## THE FOOTWEAR MARKET VOLUME IN RUSSIA BY PRICE SEGMENTS IN 2012-2017

mln pairs

Indicator	2012	2013	2014	2015	2016	2017
Low-price	336.7	363.5	294.7	215.2	181.4	207.4
Mid-price	141.9	153.0	130.2	104.7	84.0	111.9
High price	10.8	11.0	9.1	7.2	5.7	9.9
<b>TOTAL</b>	<b>489.4</b>	<b>527.5</b>	<b>434.0</b>	<b>327.0</b>	<b>271.1</b>	<b>329.2</b>

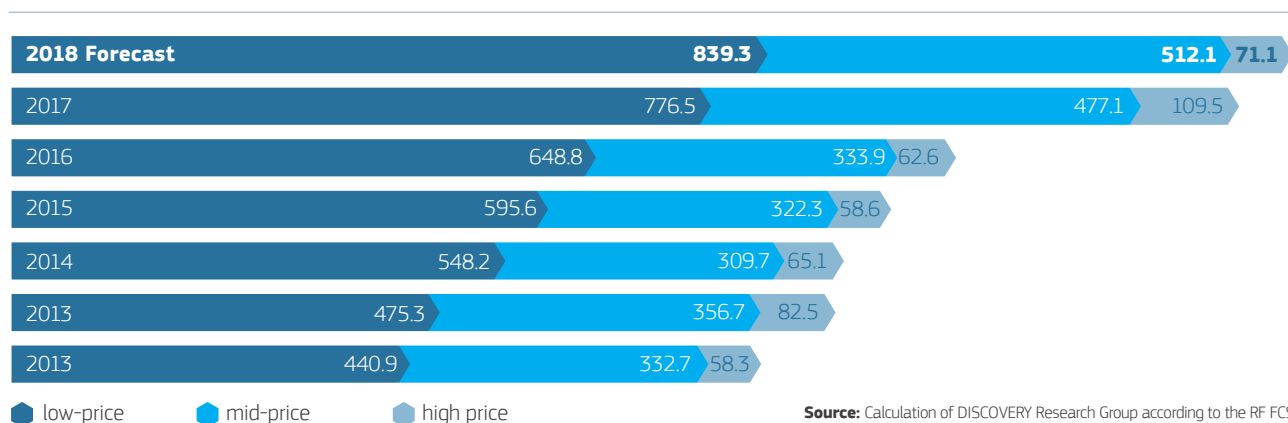
## MARKET BEHAVIOUR BY PRICE SEGMENTS, 2012-2017, FORECAST FOR 2018,

as percentage of the value terms of the market



## VOLUME OF PRICE SEGMENTS ON THE FOOTWEAR MARKET IN VALUE TERMS IN RUSSIA IN 2012-2017, FORECAST FOR 2018

RUB bln



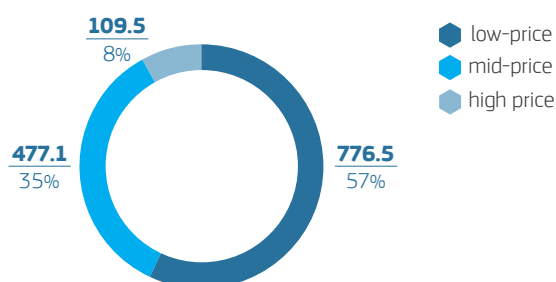
## Note:

- the volume of price segments in 2013 was calculated based on the rate of 32.73 rubles per US dollar;
- the volume of price segments in 2014 was calculated based on the rate of 38.47 rubles per US dollar;
- the volume of price segments in 2015 was calculated based on the rate of 65.2 rubles per US dollar;
- the volume of price segments in 2016-2017 was calculated based on the rate of 67.2 rubles per US dollar;
- the market volume in 2017 was calculated on the basis of the dollar rate of 58.3 RUB to USD.

In 2017, the proportion of the mid-price segment of the market increased from 32 to 35% in value terms. It testifies to gradual restoration of the market and consumer demand. According to the forecasts of the Discovery Research Group, the upward trend in the proportion of the mid-price segment will continue in 2018.

## FOOTWEAR MARKET STRUCTURE BY PRICE SEGMENTS IN 2017

RUB bln and %



## CONSUMPTION LEVEL

Analysts of DISCOVERY Research Group estimate that, according to the results of 2017, footwear consumption per capita amounted to 2.24 pairs of shoes per person, the growth made 21%. According to the forecasts of DISCOVERY Research Group, the consumption of footwear in the coming 5 years will slowly grow: shoe consumption in 2018 will be 2.35 pairs per capita, by 2022 this figure will increase to 2.86 pairs of shoes.

### CONSUMPTION IN 2012-2017 pairs of shoes per capita

Indicator	2012	2013	2014	2015	2016	2017
Footwear market volume, mln pairs	489.4	527.5	434.0	327.0	271.1	329.2
Population, mln people	143.0	143.3	143.7	146.3	146.5	146.8
Per capita consumption	3.42	3.68	3.02	2.24	1.85	2.24

## MARKET CONSOLIDATION

According to the results of 2017, the TOP-10 players of the footwear market possess 23.4% of the market in terms of value in 2017, the TOP-20 players — 32.6%. An increase in the share of TOP-10 and Top-20 is connected with the fact that during the second half of the year the imported deliveries increased sharply, while the sales of the leading chains in the Top-20 are primarily formed of imports.

According to DRG's estimates, scattered shoe stores (44%) are the key sales channel on the market. The shoe chains make up 34% of the sales of the market volume in terms of value in 2017.

Thus, so far considerable sales on the footwear market falls on unorganized retail, therefore there is a good opportunity on the market for further consolidation and growth of the leading footwear retailers share.

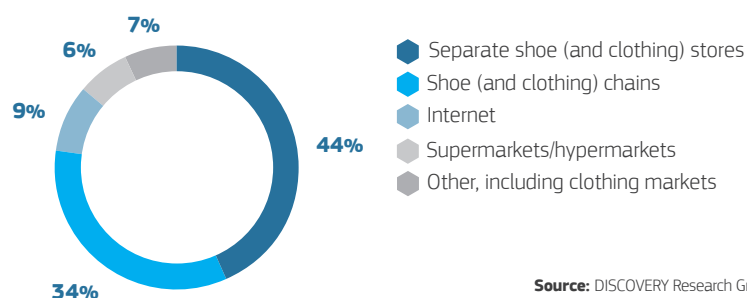
Such channel as e-commerce demonstrates growth too. According to data from 2017, the volume of online sales makes 9% of the total footwear market volume. The growth in 2017 was almost 47%. Development of new sales channels is a promising line. So, the dynamics of Obuv Rossii in this line exceeds the market growth rate: in 2017, omni-channel receipts of the Company (taking into account e-commerce) increased by 56%, their share in retail revenue reached 10%.

### THE LEVEL OF SHOE MARKET CONSOLIDATION IN RUSSIA (TOP-10/20) IN 2017 % of total value



Source: DISCOVERY Research Group calculations

### THE STRUCTURE OF THE SALES FORMATS ON THE FOOTWEAR MARKET IN RUSSIA IN 2017 % of the value



Source: DISCOVERY Research Group calculations

### THE MARKET VOLUME OF ONLINE SHOE SALES IN RUSSIA IN 2012-2017 RUB bln

Indicator	2012	2013	2014	2015	2016	2017
volume of online sales	56.6	63	68.7	74.2	83.5	122.7
rate of growth		11.40%	8.90%	8.00%	12.50%	46.92%

Source: DISCOVERY Research Group calculations



## TOP-10 PLAYERS ON THE RUSSIAN FOOTWEAR MARKET

In 2017, Kari was again the market leader with the biggest number of stores on the market: the number of stores in this chain in Russia amounted to 787. Obuv Rossii occupies the second place with its 535 outlets.

## FORECAST FOR THE MARKET TO THE END OF 2018

### Market Drivers:

- ▶ Changing consumer behaviour, positive consumer sentiment index.
- ▶ Effect of pent-up demand: customers who previously scrimped on buying shoes, will be returning to stores.
- ▶ Buyers from the low-price segment are returning to the mid-price segment, because the economic situation is gradually improving.
- ▶ Low consumption level and the pronounced seasonality: Russia lags far behind Europe and the United States according to consumption indicators. During the crisis, the consumption of footwear fell almost to the physical deterioration level. It will gradually recover.
- ▶ Gradual improvement of the legal framework (a draft of shoe marking): as a result, the development of professional footwear market and of large shoe chains offering quality stock.
- ▶ Gradual crowding out of no-name players, scattered shops and a decline in the share of commodity markets: development of large shoe chains that have their own brands, good positioning and offer high-quality products.
- ▶ Domestic shoe manufacturers will further invest in development, develop new sales channels and increase volumes of output.

## TOP-10 PLAYERS ON THE RUSSIAN RETAIL MARKET ACCORDING TO THE NUMBER OF SHOE STORES IN 2013-2017

No.	Company	2017
1	Kari	in RF — 787 (total 930)
2	Obuv Rossii	535
3	Unichel	526
4	Belwest	276
5	Zenden	254
6	Monro	220
7	Chester/Carnaby/TJ collection	206
8	Respect	185
9	Ralf Ringer	169
10	Ecco	157 (with partners — 243)

Source: official web sites of the companies

## A FORECAST FOR THE MARKET TO THE END OF 2018

mln pairs

Indicator	Value
production	113.5
import	239.4
export	11.6
market volume	341.3

Source: Study of Discovery Research Group

## FORECAST FOR THE MARKET TO THE END OF 2018

RUB bln

Indicator	Value
production	363.2
import	1,113.2
export	53.9
market volume	1,422.5

**Note.** The forecasted market size is calculated based on the dollar rate in 2016 for the first option and at the rate of the first quarter of 2017 for the second variant

Source: Study of Discovery Research Group

## DESCRIPTION OF MAIN SEGMENTS

DISCOVERY Research Group distinguishes three main price segments on the Russian footwear market:

### SEGMENTATION OF THE RUSSIAN FOOTWEAR MARKET ACCORDING TO PRICE RUB thous.

Price segment	Boundaries, thous. rub per pair
Low-price	Up to 3 thous. rub
Mid-price	3-7.5 thous. rub
High	More than 7.5 thous. rub

**Note.** The price segments were determined on the basis of expert survey data that is publicly available on the Internet. To identify price segments, analytical market reviews were also used

### THE OBUV ROSSII SHARE IN THE FOOTWEAR MARKET IN GENERAL AND IN THE MID-PRICE SEGMENT

In 2017, the share of Obuv Rossii in the mid-price segment amounted to 2.26%, in the total market — 0.79%.

### OBUV ROSSII'S SHARE OF THE FOOTWEAR MARKET IN VALUE TERMS AND IN THE MID-PRICE SEGMENT IN 2017 RUB bln and %

Indicator	2017
Obuv Rossii, sales	10.8
Volume of mid-price segment	477.1
Footwear market volume	1,363.1
Obuv Rossii's share in the mid-price segment	2.26%
Obuv Rossii's share in the footwear market volume	0.79%

**Source:** DISCOVERY Research Group calculations

### ANALYSIS OF THE MID-PRICE FOOTWEAR MARKET SECTOR

In 2017, the mid-price segment amounted to RUB477.1 bln. or 35% of the market size. Its share increased by 3 percentage points compared to 32% in 2016.

The mid-price segment is characterized by a low level of consolidation. In 2017, the share of the three largest chain companies in this segment amounted to 4.7%. The largest player in this segment is Obuv Rossii — 2.26% of the mid-price segment of the footwear market. The second and the third places belong to Respect and Ralf Ringer.

### THE VOLUME OF THE MID-PRICE SEGMENT IN 2013-2017 RUB bln and %

	2013	2014	2015	2016	2017
Market share, %	39	34	33	32	35
Volume, RUB bln	356.7	309.7	322.3	333.9	477.1

**Source:** DISCOVERY Research Group calculations

### TOP-10 PLAYERS IN THE MID-PRICE SEGMENT ACCORDING TO THE NUMBER OF STORES IN RUSSIA IN 2017

No.	Company	2017
1	Obuv Rossii	535
2	Respect	185
3	Ralf Ringer	169
4	Tervolina	99
5	Paolo Conte	77
6	Mascotte	69
7	Salamander	60
8	Geox	60
9	Francesco Donni	57
10	Calipso	54

**Source:** official web sites of the companies

### ECONOMY AND UPPER-PRICE SEGMENTS

In 2017, the economy segment stood at RUB776.5 bln or 57%. The level of consolidation was 9.1%. The biggest player is the Kari chain, the second place belongs to Unichel and Belwest.

In 2017, the high price segment amounted to RUB109.5 bln or 8%. The level of consolidation was 33%.

The largest retailer in the high price segment is Ecco companies. The second and third places belong to Chester/Carnaby/TJ collection and Ekonika.

### RUSSIAN FOOTWEAR PRODUCTION

Over the past four years, the share of imports declined. It is explained by the fact that during the crisis the market dwindled and the volumes of shoes imported into Russia decreased too. At the same time, the proportion and level of Russian production increased as domestic factories got some competitive advantage as a result of the ruble devaluation, and a number of Government measures such as a ban on the purchase of light industry products imported for municipal and public use, contributed to the development of the market for special and working footwear.

In 2017, the trend changed: during the second half of the year, import shipments soared, primarily due to the fact that large shoe chains increased imports of their products. Russian shoe production, because of relatively small volumes and limited variety of stock, cannot fully meet the needs of the shoe chains in diverse footwear collections. As a result, the share of imports in the total size of the market began to rise, and by the end of the year amounted to almost 80%.

Also, Russian footwear production has maintained a positive trend and grew by 4.4%, surpassing 100 million pairs. Russian shoe factories are gradually increasing production volumes, serving certain segments of the footwear market: they mainly specialize in men's shoes, shoes of textile and polymeric materials, working footwear, and casual style shoes.

### ECONOMY SEGMENT VOLUME IN 2013-2017 RUB bln and %

	2013	2014	2015	2016	2017
Market share	0.52	0.59	0.61	0.62	0.57
Volume, RUB bln	475.3	548.2	595.6	646.8	776.5

Source: DISCOVERY Research Group calculations

### TOP-5 PLAYERS IN THE ECONOMY SEGMENT ACCORDING TO THE NUMBER OF BRANDED STORES IN 2017

No.	Enterprise	2017
1	Kari	in RF — 787 (total 930)
2	Unichel	526
3	Belwest	276
4	Zenden	254
5	Monro	220

Source: official web sites of the companies

### THE VOLUME OF THE HIGH PRICE SEGMENT IN 2013-2017 RUB bln and %

	2013	2014	2015	2016	2017
Market share	0.09	0.07	0.06	0.06	0.08
Volume, RUB bln	82.5	65.1	58.6	62.6	109.5

Source: DISCOVERY Research Group calculations

### TOP-5 PLAYERS OF THE HIGH PRICE SEGMENT ACCORDING TO THE NUMBER OF STORES IN 2017

No.	Enterprise	2017
1	Ecco	157 (with partners — 243)
2	Chester/Carnaby/TJ collection	206
3	Ekonika	129
4	Rendez-Vous	79
5	Baldinini	52

Note. Stores were attributed to a price segment based on where the larger part of the company's variety of stock falls into

Source: official websites of the companies

## THE SHARE OF IMPORTS AND THE PROPORTION OF IN-HOUSE PRODUCTION IN THE TOTAL VOLUME OF THE RUSSIAN FOOTWEAR MARKET IN 2012-2017

% of the value

Indicator	2012	2013	2014	2015	2016	2017
import	84.26%	80.88%	81.56%	80.19%	74.52%	79.64%
production	16.79%	20.27%	19.82%	21.00%	26.78%	23.06%

Source: Study of Discovery Research Group

## THE VOLUME OF RUSSIAN FOOTWEAR PRODUCTION, 2013-2017

mln pairs and the rate of growth

Indicator	2013	2014	2015	2016	2017	2017 to 2016, %
production	131.4	115.8	93.1	96.3	100.6	4.44%

Source: Study of Discovery Research Group

## FORECAST FOR THE MARKET UP TO 2022

### FORECAST OF MARKET DEVELOPMENT IN RUSSIA IN 2018-2023

mln pairs and the rate of growth

Indicator	2017	2018	2019	2020	2021	2022	2023
production	100.6	113.5	126.3	142.5	154.7	166.4	175.7
import	236.9	239.4	243.3	249.5	257.7	263.4	267.8
export	8.3	11.6	12.5	13.4	13.8	14	14.6
market volume	329.2	341.3	357.1	378.6	398.6	415.8	428.9
rate of growth		3.68%	4.63%	6.02%	5.28%	4.32%	3.15%

Source: Study of Discovery Research Group

### FORECAST OF MARKET DEVELOPMENT IN RUSSIA IN 2018-2023

RUB bln and the rate of growth

Indicator	2017	2018	2019	2020	2021	2022	2023
production	314.4	363.2	442.1	527.3	595.6	673.9	737.9
import	1,085.5	1,113.2	1,143.5	1,197.8	1,262.7	1,369.9	1,446.1
export	36.8	53.9	58.8	64.3	67.6	72.8	77.4
market volume	1,363.1	1,422.5	1,526.8	1,660.8	1,790.7	1,971.0	2,106.7
rate of growth		4.36%	7.33%	8.78%	7.82%	10.07%	6.89%

Note. the projected market size was calculated based on the dollar rate in 2016

Source: Study of Discovery Research Group

### Major Trends On the Market:

- ▶ Gradual market growth: in the coming 3-5 years, the shoe market will grow at an average of 4-5% per year in volume terms and by 6-8% in terms of value.
- ▶ Gradual Increase in Consumption: According to the consumption level, Russia (2.24 pairs per person per year) significantly lags Europe (5-6) and United States (7-8). According to experts' forecasts, in the coming years the consumption of footwear per person will reach the pre-crisis performance.
- ▶ Further consolidation of the market: the market is poorly consolidated; during the crisis, many small players withdrew from the market; large chains have

opportunities for further expansion to the regions; there are conditions for consolidating and increasing the share of leading players on the market.

- ▶ Development of Russian footwear brands, new formats: footwear market is still weakly saturated; many formats are not represented; mono-brand shoe chains of Russian origin are few.
- ▶ Development of the mid-price segment of the market: the most appropriate segment for the development of mono-brand store format. Buyers from the low-price segment are returning to the mid-price segment, because the economic situation is gradually improving. According to the GfK research company, since February 2017,

a positive consumer sentiments index has been observed, suggesting that retailers can expect some growth in demand.

- ▶ Development of a concept of a store of the future as a universal service center: the trend is typical in general for retail, when stores are not just shelves for products, but service centers, which offer their customers different services.
- ▶ Development of e-commerce and omni-channel sales: shoes and clothes are one of the fastest growing segments of the online trading market. This trend will continue. The growth will be accounted mainly for the fact that offline retailers and manufacturers will start working online.



# CORPORATE GOVERNANCE

## LEADERSHIP THROUGH RELATIONSHIPS

The manufacturing facilities of Obuv Rossii are one of the most advanced in terms of technology and equipment used in our country. The Obuv Rossii enterprise is characterized by a high degree of automation and the use of state-of-the-art high-tech equipment: computerised shoe design systems, automated shoe cutting and tailoring systems, and high performance injection moulding machines.



AUTOMATED  
PRODUCTION



MACHINES ORISOL,  
DESMAS  
AND OTHERS



> **5,000** SQ. METERS  
PRODUCTION  
AREA





Good corporate governance is the basis for OR PJSC in improving the quality of management decisions, enhancement of financial performance and is one of the competitive advantages of the Company on the market. The system of corporate governance improves the transparency of OR PJSC making it more predictable for investors and ultimately contributes to increased value of the Company and to investment attractiveness of the business.



For more information see

**DEVELOPMENT RESULTS. PRODUCTION**

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# General Information

Good corporate governance is the basis for OR PJSC in improving the quality of management decisions, enhancement of financial performance and is one of the competitive advantages of the Company on the market.

The system of corporate governance improves the transparency of OR PJSC making it more predictable for investors and ultimately contributes to increased value of the Company and to investment attractiveness of the business.

## Organizational Structure

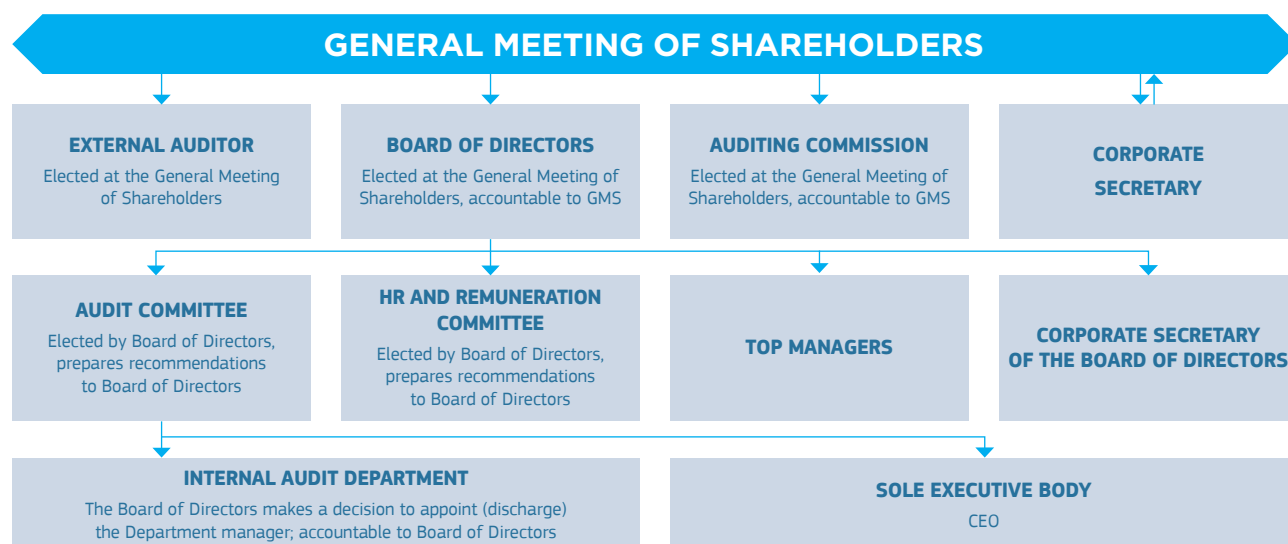
For effective management, the Company formed by a structure that corresponds to the goals and objectives of the Company's activity and is maximally adapted to them. The entire management process is performed within this system, involving managers at all levels, categories and professional specialization.

Each subdivision employs carefully selected managerial staff that coordinates the work of a specific management unit in accordance with the general strategy of the Company. Heads of structural divisions are characterized by broad experience in their sphere of activity, and therefore, deep knowledge of its specificity.

In addition to high requirements for professional experience and knowledge, mandatory requirements for candidates for leadership positions include operational and strategic planning skills, personnel management skills, and organizational skills. The organizational structure of the Company's management shows that the Company is a business with extensive marketing sales system, which includes a wholesale line and regional retail units. In accordance with the requirement of MOEX, the Company's corporate governance structure was adjusted in 2017 for the Company's shares to be included in the second level.

The corporate body structure includes: The general meeting of shareholders, Board of Directors and the sole executive body (CEO). The following Board committees were created: the audit committee, a HR and remuneration committee. The internal audit function is assigned to a separate unit — the Internal Audit Department. Corporate Secretary position was introduced to ensure compliance with the legislation of the Russian Federation, the Articles and internal documents of the Company, guaranteeing the enjoyment of rights and legitimate interests by the shareholders of the Company.

### MANAGEMENT STRUCTURE



# The General Meeting of Shareholders of OR PJSC

In accordance with Federal law No. 208-FZ On Joint Stock Companies and paragraph 27.1. of the Articles of Association of OR PJSC, a general meeting is the supreme body of Company management. It carries out its activities in accordance with the provisions of the Articles of Association and the requirements of the legislation of the Russian Federation.

The Company is obliged to conduct annual general meeting of its shareholders. Paragraph 27.3. of the Articles of Association of OR PJSC establishes the questions relating to the competence of the general

meeting of shareholders. The following questions are discussed at the annual general meeting: election of members of the Board of Directors and the Auditing Commission, approval of the Auditor, approval of the annual report, annual financial statements, distribution of profit, including payment (declaring) dividends and losses based on the results of the reporting year, and other issues falling within the competence of the general meeting of shareholders.

## Members of the Board of Directors of OR PJSC

The Board of Directors has general oversight of the Company's activity, except for deciding some issues referred by the Federal Law "On Joint Stock Companies" to the competence of the general meeting of company shareholders.

Information about persons who are members of the Board of Directors of the Company as of 31.12.2017.

### SHABAIKIN VYACHESLAV VLADIMIROVICH

Chairman of the Board of Directors

Year of birth  
**1970**

Education  
**higher**

Primary employment  
**Advisor of the Joint Stock Commercial Bank International Financial Club (Joint Stock Company)**

Share in the authorized capital of OR PJSC  
**0.0002%**

Share of ordinary shares of OR PJSC owned by the person  
**0.0002%**

### TITOV ANTON MIKHAILOVICH

General Director

Year of birth  
**1980**

Education  
**higher**

Primary employment  
**Director of the Obuv Rossii Limited Liability Company**

Share in the authorized capital of OR PJSC  
**43.9532%**

Share of ordinary shares of OR PJSC owned by the person  
**43.9532%**

### ZOTIKOVA TATYANA BORISOVNA

Vice-Chairman  
of the Board of Directors of OR PJSC

Year of birth  
**1965**

Education  
**higher**

Primary employment  
**President of the Uniona Limited Liability Company**

Share in the authorized capital of OR PJSC  
**0%**

Share of ordinary shares of OR PJSC owned by the person  
**0%**



**GAVRIKOVA EVGENIA  
ALEKSANDROVNA**Secretary  
of the Board of DirectorsYear of birth  
**1978**Education  
**higher**Primary employment  
**Head of Legal Department  
of the Uniona Limited Liability Company**Share in the authorized capital of OR PJSC  
**0%**Share of ordinary shares of OR PJSC  
owned by the person  
**0%****ZVEREV STANISLAV  
MATVEYEVICH**Independent member  
of the Board of DirectorsYear of birth  
**1940**Education  
**higher**Primary employment  
**General Director of the SOYUZTEKSTIL-  
SPORT Union of Manufacturers and  
Experts in Consumer Goods Industry**Share in the authorized capital of OR PJSC  
**0%**Share of ordinary shares of OR PJSC  
owned by the person  
**0%****SKVORKIN ALEKSEY  
VLADIMIROVICH**Year of birth  
**1978**Education  
**higher**Primary employment  
**General Director  
of the Uniona Limited Liability Company**Share in the authorized capital of OR PJSC  
**0%**Share of ordinary shares of OR PJSC  
owned by the person  
**0%****ZHEREBTSOVA NATALYA  
YURIEVNA**Year of birth  
**1978**Education  
**higher**Primary employment  
**Deputy Director for Legal Affairs  
of the Obuv Rossii Limited Liability  
Company**Share in the authorized capital of OR PJSC  
**0%**Share of ordinary shares of OR PJSC  
owned by the person  
**0%****INFORMATION ON CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS  
OF OR PJSC, WHICH OCCURRED DURING THE REPORTING YEAR:****An Extraordinary General Meeting  
of Shareholders of the OR Open  
Joint-Stock Company**

(Minutes No. 01/2017 of 27.02.2017)  
elected the following candidates  
to the Board of Directors of the Company:

1. Tatiana Borisovna Zotikova;
2. Vyacheslav Vladimirovich Shabaikin
3. Aleksey Vladimirovich Skvorkin;
4. Evgenia Aleksandrovna Gavrikova;
5. Anton Mikhailovich Titov;
6. Natalya Yurievna Zherebtsova;
7. Marianna Sergeyevna Kadaeva.

**Annual General Meeting  
of the Shareholders of  
the OR Open Joint-Stock Company**

(Minutes No. 04/2017 of 01.06.2017)  
elected the following candidates  
to the Board of Directors of the Company:

1. Tatiana Borisovna Zotikova;
2. Vyacheslav Vladimirovich Shabaikin
3. Aleksey Vladimirovich Skvorkin;
4. Evgenia Aleksandrovna Gavrikova;
5. Anton Mikhailovich Titov;
6. Natalya Yurievna Zherebtsova;
7. Marianna Sergeyevna Kadaeva.

**An Extraordinary General Meeting  
of Shareholders of the OR Open  
Joint-Stock Company**

(Minutes No. 06/2017 of 07.09.2017)  
elected the following candidates  
to the Board of Directors of the Company:

1. Tatiana Borisovna Zotikova;
2. Vyacheslav Vladimirovich Shabaikin
3. Aleksey Vladimirovich Skvorkin;
4. Evgenia Aleksandrovna Gavrikova;
5. Anton Mikhailovich Titov;
6. Natalya Yurievna Zherebtsova;
7. Stanislav Matveyevich Zverev.

# Sole Executive Body (CEO) of OR PJSC

In accordance with the Articles of Association of the OR PJSC, the General Director is the sole executive body.

The executive body manages day-to-day activities of OR PJSC and reports to the Board of Directors and the General Meeting of Shareholders.

The competence of the executive body includes all matters of current operations, except the issues attributed to the competence of the general meeting of shareholders and of the Board of Directors. The executive body is formed by the Board of Directors. The executive body of the Company ensures the establishment and maintenance of efficient risk management and internal control systems in the Company, is responsible for the implementation of decisions of the Board of Directors of OR PJSC in the organization of a system for risk management and internal control. The executive body of OR PJSC is responsible for effective economic, financial, scientific, technical and social policies of the Company. Since the inception of the OR PJSC, Anton Mikhailovich Titov has been the Director. Anton Mikhailovich Titov was born in 1980. He graduated from the International Relations Department of the Novosibirsk State Technical University.

His career started career in the Westfalika footwear company: since 1997, he was engaged in foreign economic activity, and in 2001 he became the Director of a sheepskin and fur plant that was part of Westfalika Group. Since 2003, he has been the founder and director of the Obuv Rossii Group. Anton Mikhailovich Titov became the winner of the Entrepreneur of the Year 2008 competition, organized by the Ernst & Young, in the nomination "Young Entrepreneur". According to Finance, he entered the top 10 most successful young owners and managers (March 2009). DelovoyKvartal included Anton Mikhailovich Titov in the list of top 10 most powerful businessmen in the region (August 2010). In 2011, he became the winner of the competition "Best Young Entrepreneur". In 2013 — holder of the "Retailer of the Year" award, and in 2014 — the winner of the main prize "Person of the Year" (the prize was organized by DelovoyKvartal). In 2015, he became the laureate of the "Faces of Business" in the nomination "Region Promotion" (the organizer — Siberian office of the Kommersant newspaper).



**TITOV ANTON MIKHAILOVICH**  
General Director

Year of birth

**1980**

Education

**higher**

Primary employment

**Director of the Obuv Rossii Limited Liability Company**

Share in the authorized capital of OR PJSC

**43.9532%**

Share of ordinary shares of OR PJSC owned by the person

**43.9532%**

# INFORMATION FOR SHAREHOLDERS

## LEADERSHIP THROUGH RELATIONSHIPS

Stores of the future are multifunctional service centres that offer not only goods but also a wide range of services for customers.

For Obuv Rossii additional services are the continuation of the retail strategy, one of important instruments to increase customer loyalty and build long-term relations with them.



~ **2 MLN PEOPLE**  
LOYALTY CARD HOLDERS



**RUB 1.5 BLN**  
INTEREST INCOME  
OF REVENUE



**RUB 4.5 BLN**  
SALES VOLUME  
IN INSTALLMENTS IN 2017





Obuv Rossii Group  
held an IPO  
at the Moscow Exchange



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For more information see  
**DEVELOPMENT RESULTS. FINANCIAL SERVICES**



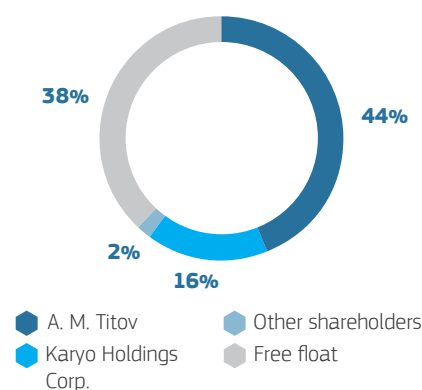
# Structure of Company' Share Capital

As of 31 December 2017, the authorized capital of OR Public Joint-Stock Company was 11,305,600,000 (Eleven billion three hundred and five million six hundred thousand) rubles, consisting of 113,056,000 (One hundred thirteen million fifty-six thousand) placed ordinary registered shares of the Company with a nominal value of 100 (One hundred) rubles each.

The Company may place the following authorized shares in addition to the placed shares: 100,000,000 (One hundred million) ordinary registered shares with a nominal value of 100 (One hundred) rubles each. The authorized shares of the Company referred to in this paragraph provide to the shareholders the same amount of rights and shares as the placed shares of the Company.

The Company has the right to place ordinary shares, as well as one or more types of preferred shares. The nominal value of all ordinary shares has to be the same.

## STRUCTURE OF SHARE CAPITAL OF OR PJSC AS OF 31.12.2017



## THE GENERAL STRUCTURE OF THE SHARE CAPITAL ON 31 DECEMBER 2017 IS AS FOLLOWS:

### INFORMATION ABOUT PLACED SHARES OF OR PJSC AS OF 31.12.2017:

Type, category, series, form and other identifying attributes of issue-grade securities

**Ordinary uncertified registered shares**

State registration number of the issue  
**1-01-50161-A**

Number of securities in the issue, pcs  
**113,056,000**

Nominal value of each of the securities in the issue, (RUB)  
**100.00**

Total shares issue at nominal value, (RUB)  
**11,305,600,000**

Status of securities in circulation

### INFORMATION ON THE PLACEMENT AND OTHER INFORMATION

Date of State registration of the issue  
**26.09.2013**

Name of the body that performed state registration of the issue

**Bank of Russia, the Financial Market Access Department of the Bank of Russia**

Method of share placing

**Distribution of shares among the founders of the joint-stock company**

Number of securities subject to placement, pcs  
**70,660,000**

Date of State registration of the report / date of notification of the issue report  
**26.09.2013**

Number of quoted securities, pcs  
**70,660,000**

### GENERAL INFORMATION ABOUT AN ADDITIONAL ISSUE

Type, category, series, form and other identifying attributes of issue-grade securities

**Ordinary uncertified registered shares**

Number of securities in the issue, pcs  
**42,396,000**

Nominal value of each of the securities in the issue, (RUB)  
**100.00**

Status of securities  
**In principal issue**

Registered prospectus, date of prospectus registration  
**Prospectus registered on 21.09.2017**

Date of State registration of the report / date of notification of the issue report  
**21.11.2017**

# Dividend Policy of the Company

In accordance with the existing Regulation on the dividend policy of OR PJSC developed in accordance with the current legislation of the Russian Federation, the Articles of Association of OR PJSC and the corporate governance code, the dividend policy of OR PJSC is based on the strict observance of the legitimate rights and interests of shareholders, is consistent with the mission and strategic objectives aimed at increasing the capitalization of OR PJSC and the level of dividend yield on the invested capital as a result of effective management of the assets of the shareholders and follows the principles of:

- ▶ compliance with the norms of the current legislation of the Russian Federation, of the Articles of Association of OR PJSC, and local normative acts when paying (declaring) dividends on shares of OR PJSC;
- ▶ respect for shareholder rights stipulated by the current legislation of the Russian Federation, the Articles of Association of OR PJSC and local normative acts;
- ▶ constant improvement of the investment attractiveness of OR PJSC;
- ▶ the priority of dividend pay-outs before investment and other costs in the distribution of the profits of OR PJSC with due account for the need to maintain financial sustainability;
- ▶ the principle of the transparency of the procedure and conditions for the adoption of a decision on payment and amount of dividends;
- ▶ the principle of timeliness of payment of OR PJSC's dividends;
- ▶ the decision to pay and the amount of dividends may be made only if OR PJSC achieves positive financial result, considering the development plans and investment programmes;
- ▶ strict compliance with procedures and principles of the dividend policy;
- ▶ ensuring equal rights of shareholders to receive information about decisions on the payment, amount and timing of dividend payment;
- ▶ continuous improvement of the dividend policy in the context of improving corporate governance procedures and revision of its provisions in connection with changes of OR PJSC's strategic goals, as well as the desire to increase dividend values based on sustained revenue growth.

The Company provides equal conditions for all shareholders, regardless of the size of their holding and the location of the shareholders, and equal treatment by OR PJSC in their ability to participate in the Company's profit by obtaining dividends.

The decision to pay (declare) dividends shall be adopted by the general meeting of shareholders of OR PJSC.

This decision has to determine the size of dividends on shares of each category (type), the form of payment, the timing of payment of non-monetary dividends, the date on which persons who have the right to receive dividends are determined. The decision about the date on which persons having the right to receive dividends are determined is made only on the proposal of the Company's Board of Directors. The dividend size cannot be larger than the dividend size recommended by the Company's Board of Directors.

Report on payment of dividends declared (accrued) on shares of the joint stock company: According to the results of 2017, no dividends of OR PJSC were accrued or paid.

# Company's Net Assets

Indicator		At the end of the reporting period, RUB thous.
I.	Assets	19,640,909
1.	Goodwill and intangible assets	39,988
2.	Fixed assets	1,824,866
3.	Other non-current financial assets	90,379
4.	Advances for assets under construction	180,925
5.	Deferred tax assets	197,209
6.	Inventories	
7.	Trade and other receivables	2,947,618
8.	Advances paid	4,109,025
9.	Overpayment of taxes and VAT recoverable	138,711
10.	Other non-current financial assets	1,498,702
11.	Cash and cash equivalents	2,168,814
12.	Total assets taken for calculation (sum of items 1-11)	19,640,909
II.	Liabilities	19,640,909
13.	Long-term liabilities on loans and credits	6,180,088
14.	Deferred tax liabilities	40,146
15.	Short-term liabilities on loans and credits	720,801
16.	Trade and other accounts payable	379,535
17.	Advances received	2,630
18.	Current tax liabilities	298,048
19.	Other short-term liabilities	5,658
20.	Total assets taken for calculation (sum of items 13-19)	7,626,906
21.	Company's net assets value (total assets taken for calculation minus total liabilities taken for calculation)	12,014,003
22.	Capital:	12,014,003
	Share capital	11,305,600
	Paid-in capital in excess of par	(5,715,802)
	Retained profits	6,424,205

**Note.** The data are for ObuvRossii Group based on consolidated financial statements of OR PJSC according to IFRS

# Remuneration to Members of the Board of Directors and Members of the Executive Bodies of the Company

Remunerations or compensations to the members of the Board of Directors of OR PJSC are regulated by the current Articles of Association of OR PJSC, and by the Regulation on the Board of Directors of OR Public Joint Stock Company. In accordance with the Articles of Association of OR PJSC, decision concerning the payment of remuneration and/or compensation of expenses to members of the Board of Directors fall within the competence of the general meeting of shareholders. In 2017, the general meeting of shareholders of OR PJSC made the following decisions:

**In accordance with minutes No. 01/2017 of the Extraordinary General Meeting of Shareholders, the date of the General Meeting of Shareholders: on 27.02.2017, remuneration paid to members of the Board of Directors of OR OJSC for the performance of their duties was determined:**

To the Chairman of the Board of Directors of OR OJSC — RUB1,250,000 (One million two hundred fifty thousand rubles) a month.  
To Deputy Chairman of the Board of Directors of OR OJSC — RUB1,000,000 (One million rubles) a month.  
No remuneration is paid to other members of the Board of Directors of OR OJSC.

**In accordance with minutes No. 04/2017 of the General Meeting of Shareholders of the OR Open Joint Stock Company, the date of the General Meeting of Shareholders: On 01.06.2017, remuneration paid to members of the Board of Directors of the Company for the performance of their duties was determined:**

To the Chairman of the Board of Directors of the Company — RUB1,250,000 (One million two hundred fifty thousand rubles) a month.  
To Deputy Chairman of the Board of Directors of the Company — RUB1,000,000 (One million rubles) a month.  
No remuneration is paid to other members of the Board of Directors of the Company.

**In accordance with minutes No. 06/2017 of the General Meeting of Shareholders of the OR Open Joint Stock Company, the date of the General Meeting of Shareholders: On 07.09.2017, remuneration paid to members of the Board of Directors of the Company for the performance of their duties was determined:**

To the Chairman of the Board of Directors of the Company — RUB1,250,000 (One million two hundred fifty thousand rubles) a month.  
To Deputy Chairman of the Board of Directors of the Company — RUB1,000,000 (One million rubles) a month.  
No remuneration was paid to other members of the Board of Directors of the Company.  
Total compensation paid within the 12 months of 2017 to members of the Board of Directors — 22,625,000.00 (incl. of personal income tax).  
No compensation was paid to the members of the Board of Directors of OR PJSC in 2017. General Director of OR PJSC, who is an employee of the Company, received wages during the 4<sup>th</sup> quarter of 2017 in accordance with the staffing table. No other remuneration was paid; no benefits/reimbursement was provided.



# Information of Company's Observance of Corporate Governance Code


The Company has not officially approved the Code of corporate governance or another analogical document; however, OR PJSC provides for to shareholders all the opportunities to participate in company governance as well as to get familiarised with the information on company operations under Federal Law On Joint-Stock Companies, under Federal Law On securities market as well as under regulatory acts of the Bank of Russia.






The basic principle of company's building the relationships with shareholders and investors is reasonable balance of interests of the company as the economic agent and as the joint-stock company, interested in protection of rights and legal interests of its shareholders.








## REPORT ON OBSERVANCE OF PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

This report on observance of principles and recommendations of the Code of corporate governance was considered by the Board of Directors of OR Public Joint-Stock Company at its meeting dated 23 May 2018, Minutes of the Meeting No.СД2018-5 dated 24 May 2018.

The Board of Directors confirms that data provided herein contain complete and true information regarding company's observance of principles and recommendations of the Code of corporate governance for year 2017.

No.	Principles of corporate governance	Evaluation criteria for observance of the principle of corporate governance	Status <1> of compliance with the principle of corporate governance	Explanations <2> for deviation from evaluation criteria for observance of the principle of corporate governance
1.1	The Company must ensure equal and just attitude towards all the shareholders when exercising their right to participate in company governance.			
1.1.1	The Company shall provide for shareholders with maximally favourable conditions for their participation in the General Meeting, basis for working out a substantiated position on the issues of the agenda of the general meeting, for coordinating their acts, as well as an opportunity to express their opinion on the issues in question.	1. The Company's corporate document as approved by the General Meeting of shareholders and which regulates procedures for the General meeting is in the public domain. 2. The Company shall provide an accessible way for communication with the Company, such as hot line, e-mail account or chat in the Internet which allows to shareholders to express their opinion as well as to send issues regarding the agenda within the process of preparation to the General Meeting. The said actions would be undertaken by the Company on the eve of each General Meeting which was held within the reporting period.	 partly observed	Company's corporate documents are provided in the Internet: <a href="http://www.e-disclosure.ru/portal/company.aspx?id=33614">http://www.e-disclosure.ru/portal/company.aspx?id=33614</a>







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1.1.2	The procedure of notification on holding the General Meeting and the procedure of provision of materials thereto enables shareholders to get properly prepared to participation in the same.	1. A notice of the General Meeting of shareholders is placed (posted) on the web-site in the Internet at least 30 days prior to the date of the General meeting. 2. The notice of the meeting specifies the place of meeting holding and the documents necessary for admission to the premises.	 partly observed	
1.1.3	Within the process of preparation and holding of the General Meeting shareholders had an opportunity to unrestrictedly and timely obtain information about the meeting and materials thereto, to ask questions to executive bodies and to members of the Board of Company Directors, to communicate with each other.	1. During the reporting period shareholders had an opportunity to ask questions to members of executive bodies and to members of the Board of Company Directors on the eve of and during the Annual General Meeting. 2. Position of the Board of Directors (including special opinions entered into the Minutes) upon each issue of the agenda of general meetings held during the reporting period, was included into materials to the General Meeting of Shareholders. 3. The Company provided to shareholders having the right thereto, access to the list of individuals having the right to participate in the General Meeting, starting from the date when the Company obtained it, in all the cases of holding general meetings during the reporting period.	 partly observed	
1.1.4	Exercise of shareholder's right to demand convening of the General Meeting, to nominate candidates to governing bodies as well as to make proposals as to entering into agenda of the General Meeting was not accompanied by unreasonable difficulties.	1. Within the reporting period shareholders had an opportunity during at least 60 days after the end of the respective calendar year, to make proposals to be entered into agenda of the Annual General Meeting. 2. Within the reporting period the Company did not reject accepting proposals into agenda or accepting nominees into Company's bodies due to errors and other non-material faults in shareholder's proposal.	 observed	
1.1.5	Each shareholder had an opportunity to exercise his right of vote by the simplest and the most convenient way, at his choice.	1. Company's corporate document (corporate policies) contains provisions according to which each participant of the General Meeting may, prior to completion of the respective meeting, require a copy of the bulletin filled-in by him and certified by the tallying commission.	 observed	
1.1.6	The general meeting holding procedure as established by the Company ensures equal opportunity to all the individuals attending the meeting to deliver their opinion and to ask the questions they are interested in.	1. When holding during reporting period General Meetings of shareholders in the form of a meeting (joint attendance of shareholders) sufficient time for reports on agenda issues and time for discussing those issues was provided. 2. Nominees to company's governing and administration bodies were available for answers to shareholders' questions at the meeting at which their candidatures were put to the vote. 3. When making decisions relating to preparation and holding of General Meetings of shareholders, the Board of Directors considered an issue about using telecommunication equipment to provide for remote access to shareholders to participate in general meetings during the reporting period.	 partly observed	






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1.2	Shareholders were provided with an equal and fair opportunity to participate in Company's profit by way of receiving dividends.			
1.2.1	The Company developed and introduced a transparent and comprehensive gear to define the amount of dividends and their payment.	1. In the Company, a dividend policy was developed, approved by the Board of Directors and revealed. 2. If Company's dividend policy uses Company's reporting indices to determine the amount of dividends, the respective provisions of the dividend policy account for consolidated indices of financial statements.	 observed	
1.2.2	The Company shall not make a decision to pay out dividends if such decision, formally not violating restrictions as established by the Law, is economically unjustified and may result in forming up misrepresentation concerning Company's operations.	1. Company's dividend policy contains definite instructions concerning financial/economic circumstances, under which the Company should not pay out dividends.	 observed	
1.2.3	The Company shall ensure absence of impairment of dividend rights of existing shareholders.	1. Within the reporting period, the Company did not undertake the actions resulting in impairment of dividend rights of existing shareholders.	 observed	
1.2.4	The Company aims to exclude the use by shareholders of other ways to receive income (profit) for Company's account, in addition to dividends and to disposal value.	1. For the purposes to exclude the use by shareholders of other ways to receive income (profit) for Company's account, in addition to dividends and to disposal value, in Company's corporate documents there are control gears which ensure timely detection and the procedure of approval for deals with the individuals affiliated with (related to) substantial shareholders (the individuals having the right to dispose of votes covering voting shares) in the cases when the Law formally does not recognise such deals as interested party transactions.	 partly observed	
1.3	Corporate governance system and practice ensure equality of conditions for all the shareholders — holders of shares of the same class (type), including minority shareholders and foreign shareholders and equal attitude towards them from the Company.			
1.3.1	The Company formed up conditions for fair relation towards each shareholder from Company's governing bodies and company's controllers, including conditions which ensure inadmissibility of abusive acts on part of majority shareholders towards minority shareholders.	1. During the reporting period the management procedure for potential conflicts of interests with substantial shareholders are effective, whereas, the Board of Directors paid proper attention to conflicts between shareholders, if such were available.	 observed	During the reporting period there were no conflicts between shareholders
1.3.2	The Company does not undertake the actions, which result in or might result in non-natural re-distribution of corporate control.	1. Quasi-treasury shares are absent or did not participate in voting during the reporting period.	 observed	Quasi-treasury shares are absent
1.4	To the shareholders, reliable and effective ways to account rights to stock, as well as a possibility of free and unencumbered carve-out of the shares they hold are provided.			
1.4	To the shareholders, reliable and effective ways to account rights to stock, as well as a possibility of free and unencumbered carve-out of the shares they hold are provided.	1. Quality and reliability of the activity as to record keeping of securities holders as undertaken by Company's registrar, correspond with needs of the Company and of its shareholders.	 observed	







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2.1	The Board of Directors carries out strategic management of the Company, it sets out basic principles and approaches as to organisation of the system of risk management and corporate control within the Company; it controls activities of company's executive bodies, as well it realises other key functions.			
2.1.1	The Board of Directors is responsible for making decisions relating to charging to and discharging from positions taken in executive bodies, including caused by improper performance of obligations by them. As well, the Board of Directors controls that Company's executive bodies act in compliance with the approved development strategy and with main areas of company activities.	1. The Board of Directors has authorities as to charging, discharging from the position occupied and as to setting out terms and conditions with respect to members of executive bodies, as stipulated in the Charter. 2. The Board of Directors has considered a report (reports) of the sole executive body and members of the collegiate executive body as to performance of Company strategy.	 partly observed	
2.1.2	The Board of Directors sets out principle focus in Company activities for a long-term perspective, it evaluates and approves key factors of performance and main business-purposes of the Company; it evaluates and approves the strategy and business-plans on main spheres of Company activities.	1. During the reporting period t meetings of the Board of Directors there were considered the matters relating to the progress in and update of the strategy, approval of company's financial and economic plan (budget), as well as consideration of criteria and indices (including, interim ones) of realisation of Company's strategy and economic plans.	 observed	
2.1.3	The Board of Directors sets out principles and approaches as to organisation of the system of risk management and corporate control within the Company.	1. The Board of Directors has set out principles and approaches as to organisation of the system of risk management and corporate control within the Company. 2. The Board of Directors has assessed the system of risk management and corporate control within the Company during the reporting period.	 observed	
2.1.4	The Board of Directors sets out the company policies as to reward and (or) reimbursement of expenditures (compensations) to members of the Board of Directors, of the executive bodies or to other key managers of the Company.	1. The Company has developed and implemented policy (policies) as approved by the Board of Directors as to reward and reimbursement of expenditures (compensations) to members of the Board of Directors, of the executive bodies or to other key managers of the Company. 2. During the reporting period, issues relating to the specified policy (policies) were considered at meetings of the Board of Directors.	 not observed	
2.1.5	The Board of Directors plays a key role in prevention, detection and regulation of corporate conflicts between bodies of the Company, Company shareholders and Company workers.	1. The Board of Directors plays a key role in prevention, detection and regulation of corporate conflicts. 2. The Company has established a system of identification of the transactions connected with the conflict of interests and a system of measures aimed at resolution of such conflicts.	 partly observed	
2.1.6	The Board of Directors plays a key role in ensuring Company transparency, timeliness and completeness of information disclosure by the Company, unhindered access of shareholders to Company documents.	1. The Board of Directors has approved regulations on information policy. 2. In the Company, the individuals responsible for implementation of information policy are determined.	 not observed	
2.1.7	The Board of Directors carries out control over the practice of corporate governance in the Company and plays a key role in essential corporate affairs of the Company.	1. During the reporting period, the Board of Directors has considered an issue of practice of corporate governance in the Company.	 not observed	





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2.2	The Board of Directors is subjected to Company shareholders.			
2.2.1	Information about work of the Board of Directors is disclosed and is provided to shareholders.	1. The Company's annual report for the reporting period includes information about attendance of meetings of the Board of Directors and committees by individual directors. 2. The annual report contains information about principle results of evaluation of work of the Board of Directors as performed in the reporting period.	 partly observed	
2.2.2	The Chairman of the Board of Directors is available for communication with Company shareholders.	1. The Company has a transparent procedure, which ensures a possibility for shareholders to send questions and their position thereupon to the Chairman of the Board of Directors.	 partly observed	
2.3	The Board of Directors is an effective and professional body of Company governance, which is able to exercise independent judgements and to make decisions corresponding to interests of the Company and its shareholders.			
2.3.1	Only the individuals having unblemished business and personal reputation and possessing knowledge, skills and experience as necessary for making decisions relating to competence of the Board of Directors and which are required for effective carrying out of its functions, are elected by members of the Board of Directors.	1. The procedure of Board of Directors performance evaluation as adopted in the Company, includes evaluation of professional qualification of members of the Board of Directors. 2. During the reporting period the Board of Directors (or its committee on nominations) has evaluated candidates to the Board of Directors in terms of their possession of necessary experience, knowledge, business reputation, absence of conflicts of interests, etc.	 partly observed	
2.3.2	Members of the Board of Directors are elected through a transparent procedure which allows shareholders to obtain information about candidates as sufficient to get a picture of their personal and professional properties.	1. In all the cases of holding the General Meeting of shareholders within the reporting period, which agenda contained issues regarding election of the Board of Directors, the Company provided shareholders with biographic data of all the candidates to members of the Board of Directors, findings of assessment of such candidates performed by the Board of Directors (or by its nomination committee), as well as with information of candidate compliance with criteria of independence, according to recommendations contained in p.102 — 107 of the Code and a written consent of candidates to be elected to the panel of the Board of Directors.	 partly observed	
2.3.3	The panel of the Board of Directors is balanced, including in terms of its members' qualification, their experience, knowledge and business qualities. In addition, they enjoy trust of shareholders.	1. Within the frames of procedure of evaluation of performance of the Board of Directors, which work was performed within the reporting period, the Board of Directors has analysed its needs in the area of professional qualification, experience and business competence.	 partly observed	
2.3.4	The quantitative composition of the Company Board of Directors enables to arrange activity of the Board of Directors in a maximally effective manner, including a possibility to form up committees of the Board of Directors; as well it provides for substantive minority shareholders of the Company an opportunity to be elected to the panel of the Board of Directors for the candidate they vote for.	1. Within the frames of procedure of evaluation of performance of the Board of Directors, which work was performed within the reporting period, the Board of Directors considered an issue of compliance of the Board of Directors in terms of quantity with needs of the Company as well as with shareholders' interests.	 partly observed	






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2.4	The panel of the Board of Directors includes a sufficient number of independent Directors.			
2.4.1	An individual is recognised an independent Director if he possesses sufficient competence, experience and independence to form up its own position, he is able to exercise objective and faithful judgements, which are independent of influence of Company's executive bodies, separate groups of shareholders or other interested parties. Whereas, the following must be taken into account: under ordinary conditions a candidate (an elected member of the Board of Directors) cannot be considered independent if he is related to the Company, its substantial shareholder, substantial contractor or a rival of the Company or is related to the state.	1. During the reporting period all the independent members of the Board of Directors complied with all the independence criteria as specified in recommendations 102 — 107 of the Code, or were recognised as independent upon decision of the Board of Directors.	 observed	
2.4.2	Compliance of a candidate to members of the Board of Directors to independence criteria is evaluated, as well regular analysis of compliance of independent members of the Board of Directors to independence criteria is carried out. When performing such evaluation the content must prevail the form.	1. During the reporting period, the Board of Directors (or nomination committee of the Board of Directors) formed an estimate as to independence of each candidate to the Board of Directors and provided a respective opinion to shareholders. 2. During the reporting period, the Board of Directors (or nomination committee of the Board of Directors) at least once considered independence of acting members of the Board of Directors who are specified by the Company in the annual report as independent directors. 3. The Company has developed procedures which identify necessary acts of a member of the Board of Directors in case if he ceases to be independent, including obligations as to timely notifying the Board of Directors thereof.	 partly observed	
2.4.3	Independent directors constitute at least one third of the elected panel of the Board of Directors.	1. Independent directors constitute at least one third of the panel of the Board of Directors.	 observed	
2.4.4	Independent directors play a key role in preventing corporate conflicts in the Company as well as in performing substantial corporate acts by the Company.	1. Independent directors (who have no conflict of interests) in advance assess substantial corporate acts connected with possible conflict of interests and findings of such assessment are provided to the Board of Directors.	 observed	
2.5	The Chairman of the Board of Directors facilitates the most efficient carrying out of functions vested in the Board of Directors.			
2.5.1	An independent director is elected as the Chairman of the Board of Directors, or out of the elected independent directors the senior independent director is defined who coordinates the work of independent directors and interacts with the Chairman of the Board of Directors.	1. The Chairman of the Board of Directors is an independent director, or among independent directors the senior independent director is defined. 2. The role, rights and obligations of the Chairman of the Board of Directors (and, where applicable, of the senior independent director) are properly defined in Company's corporate documents.	 not observed	
2.5.2	The Chairman of the Board of Directors provides for positive atmosphere of meetings, free discussion of the issues included into agenda of the session, control over performance of the decisions made by the Board of Directors.	1. Performance of the Chairman of the Board of Directors was evaluated within the frames of procedure of evaluation of performance of the Board of Directors in the reporting period.	 not observed	





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2.5.3	The Chairman of the Board of Directors undertakes necessary measures for timely provision to members of the Board of Directors of information necessary to make decisions on agenda issues.	1. Obligation of the Chairman of the Board of Directors to undertake measures as to ensuring timely provision to members of the Board of Directors of materials on agenda issues of a meeting of the Board of Directors is set forth in Company's corporate documents.	 observed	
2.6	Members of the Board of Directors act in good faith and reasonably in the interests of the Company and its shareholders, on the basis of sufficient awareness, with due care and diligence.			
2.6.1	Members of the Board of Directors make decisions subject to all the information available, in the absence of the conflict of interest, subject to equal attitude towards Company shareholders, within the course of ordinary entrepreneurial risk.	1. Company's corporate documents determine that a member of the Board of Directors is obliged to notify the Board of Directors if he starts to have a conflict of interest with respect to any issue of agenda of a meeting of the Board of Directors or of the committee of the Board of Directors, prior to start of discussion of a respective issue of agenda. 2. Company corporate documents provide that a member of the Board of Directors must abstain from voting on any issue in which he has a conflict of interest. 3. In the Company a procedure is established which allows to the Board of Directors to receive professional advice on the matters relating to its competence, for Company's account.	 partly observed	
2.6.2	Rights and obligations of members of the Board of Directors are definitely set out and entrenched in Company corporate documents.	1. The Company has approved and published a corporate document which definitely sets out rights and obligations of members of the Board of Directors.	 observed	
2.6.3	Members of the Board of Directors have sufficient time for fulfilling their obligations.	1. Individual attendance of meetings of the Board and committees, as well as the time being spent to get prepared to participation in meetings, was taken into account within the frames of evaluation procedure of the Board of Directors, in the reporting period. 2. In accordance with Company's corporate documents members of the Board of Directors are obliged to notify the Board of Directors of their intent to enter management bodies of other organisations (in addition to organisations controlled by and dependent of the Company), as well of the fact of such assignment.	 partly observed	
2.6.4	All the members of the Board of Directors have equal possibility to access to company documents and information. Newly elected members of the Board of Directors within the shortest possible term are provided with sufficient information about the Company and about work of the Board of Directors.	1. In compliance with Company corporate documents, members of the Board of Directors are entitled to get access to documents and to make requests which concern the Company and Company controlled organisations, and Company's executive bodies are obliged to provide respective information and documents. 2. The Company has a formalised program of informative activities for newly elected members of the Board of Directors.	 observed	





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2.7	Meetings of the Board of Directors, preparation thereto and participation therein of members of the Board of Directors secure good performance of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held when necessary, subject to the scale of operations and the tasks which the Company faces at a certain period.	1. The Board of Directors had at least six meetings for the reporting year.	 observed	
2.7.2	Company corporate documents formalise the procedure of preparation and holding of meetings of the Board of Directors. Such procedure guarantees to members of the Board of Directors an opportunity to properly prepare to its holding.	1. The Company has approved a corporate document which defines the procedure of preparation and holding of meetings of the Board of Directors. Among others, it sets out that a notice of meeting holding must be made, as a rule, at least 5 days prior to its holding.	 not observed	
2.7.3	The holding form of the meeting of the Board of Directors is defined subject to importance of agenda issues. The most important issues are resolved at the meetings to be held in person.	1. Company's Articles of association or corporate document provides that the most important issues (according to the list provided in recommendation 168 of the Code) must be considered at Board meetings in presentia.	 observed	
2.7.4	Resolutions on the most important matters of Company operations are made at the meeting of the Board of Directors by qualified majority or by majority of votes of all the elected members of the Board of Directors.	1. Company Articles of association provide that resolutions on the most important matters as set out in recommendation 170 of the Code, must be made at the meeting of the Board of Directors by qualified majority, at least by three fourth of the votes or by majority of votes of all the elected members of the Board of Directors.	 observed	
2.8	The Board of Directors forms committees for preliminary consideration of the most important matters of Company operation.			
2.8.1	For advance consideration of the matters relating to control of financial and economic operation of the Company, a committee on auditing consisting of independent directors was created.	1. The Board of Directors has formed a committee on auditing consisting exclusively of independent directors. 2. Company's corporate documents determine tasks of the committee on auditing, including the tasks contained in recommendation 172 of the Code. 3. At least one member of the committee on auditing who is an independent director, possesses experience and knowledge in the area of preparation, analysis, evaluation and audit of accounting (financial) statements. 4. Meetings of the committee on auditing were held at least once quarterly during the reporting period.	 partly observed	
2.8.2	For preliminary consideration of the matters relating to forming up of the effective and transparent practice of rewarding, a committee on rewards consisting of independent directors and headed by an independent director who is not the Chairman of the Board of Directors was created.	1. The Board of Directors created a committee on rewards consisting only of independent directors. 2. The Chairman of the committee on rewards is an independent director who is not the Chairman of the Board of Directors. 3. Company's corporate documents determine tasks of the committee on rewards, including the tasks contained in recommendation 180 of the Code.	 partly observed	







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2.8.3	For preliminary consideration of the matters connected with carrying out of personnel planning (planning of succession), professional composition and performance of the Board of Directors, a committee on nominations (assignments, personnel), majority of which members are independent directors.	1. The Board of Directors has created a committee on nominations (or its tasks as specified in recommendations 186 of the Code are implemented within the frames of another committee <4>) majority of which members are independent directors. 2. Company's corporate documents define tasks of the committee on nominations (or a respective committee with combined functions), including tasks contained in recommendations 186 of the Code.	 not observed	
2.8.4	Subject to scales of operation and risk level the Company Board of Directors has made sure that the panel of its committees fully corresponds to purposes of company operation. Additional committees were either formed or were not recognised as necessary (committee on strategy, committee on corporate governance, committee on ethics, committee on risk management, committee on budget, committee on health, safety and environment, etc.).	1. In the reporting period the Company Board of Directors considered a question of compliance of the composition of its committees with tasks of the Board of Directors and with aims of Company operations. Additional committees were either formed or were not recognised as necessary.	 partly observed	
2.8.5	The composition of committees is defined in such a manner that it allows to carry out omni-faceted discussion of the issues being preliminary considered subject to various opinions.	1. Committees of the Board of Directors are headed by independent directors. 2. Company corporate documents (policies) provide provisions according to which the individuals not being members of the committee on audit, committee on nominations and committee on rewards, may attend meetings of committees only at invitation of the Chairman of a respective committee.	 partly observed	
2.8.6	Chairmen of committees on a regular basis inform the Board of Directors and its chairman of the operation of their committees.	1. During the reporting period, Chairmen of committees on a regular basis reported to the Board of Directors about operation of their committees.	 partly observed	
2.9	The Board of Directors ensures carrying out of performance assessment of the Board of Directors, its committees and members of the Board of Directors.			
2.9.1	Carrying out of performance assessment of the Board of Directors is aimed at determination of the level of effectiveness of the work of the Board of Directors, of committees and members of the Board of Directors, compliance of their operation with needs of Company development, actualisation of operation of the Board of Directors and detection of the areas where their operation may be improved.	1. Self-assessment or external assessment of performance of the Board of Directors as carried out in the reporting period, included assessment of performance of committees, individual members of the Board of Directors as well as of the Board of Directors in general. 2. Results of self-assessment or external assessment of the Board of Directors which was carried out during the reporting period, were considered at a meeting in presence of the Board of Directors.	 not observed	
2.9.2	Performance of the Board of Directors, of committees and members of the Board of Directors is assessed on a regular basis, at least once per year. To carry out an independent assessment of performance of the Board of Directors, at least once in three years, an outside organisation (consultant) is employed.	1. For carrying out an independent assessment of performance of the Board of Directors during the last three reporting periods, at least once an outside organisation (consultant) was employed.	 not observed	

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3.1	Company's corporate secretary carries out effective current interaction with shareholders, coordination of Company's actions as to protection of rights and interests of shareholders, support of effective operation of the Board of Directors.			
3.1.1	The corporate secretary possesses knowledge, experience and qualification, sufficient for performance of obligations laid upon him, unblemished reputation and enjoys trust of shareholders.	1. The Company has adopted and formalised a corporate document — Regulations on corporate secretary. 2. Company's web-site and annual report present biographical information about the corporate secretary; with the same detail level as with members of the Board of Directors and executive management of the Company.	 observed	
3.1.2	The corporate secretary enjoys sufficient independence of Company's executive bodies and has necessary authorities and resources for fulfilling the tasks set in front of him.	1. The Board of Directors approves assignment, discharge from office and additional reward of the corporate secretary.	 observed	
4.1	The level of the reward to be paid by the Company is sufficient to involve, motivate and retain the individuals possessing competence and qualification necessary for the Company. Reward to members of the Board of Directors, to executive bodies and other key managers of the Company is paid according to the reward policy as accepted in the Company.			
4.1.1	The level of reward to be provided by the Company to members of the Board of Directors, to executive bodies and other key managers of the Company, creates sufficient motivation for their effective work, allowing to the Company to involve and to retain competent and qualified specialists. Whereas, the Company avoids the level of reward higher than necessary, as well unjustifiably large difference between levels of reward of the specified individuals and Company workers.	1. The Company has accepted a corporate document (documents) — policy (policies) as to remuneration of members of the Board of Directors, executive bodies and other key managers of the Company, which definitely sets out approaches to remuneration of the specified individuals.	 not observed	
4.1.2	Company policy with respect to remuneration was developed by the committee on rewards and was approved by the Board of Company Directors. The Board of Directors supported by the committee on rewards ensures control over implementation and realisation in the Company of reward policy, and where necessary — it reviews and makes amendments into the policy.	1. During the reporting period the reward committee considered policy (policies) on rewards and practice of its (their) implementation and where necessary it presented respective recommendations to the Board of Directors.	 not observed	
4.1.3	Company policy on reward contains transparent mechanisms to define the amount of reward of members of the Board of Directors, of the executive bodies and of other key managers of the Company; it also regulates all the types of payouts and benefits provided to specified persons.	1. Company policy (policies) on reward contains (contain) transparent mechanisms to define the amount of reward of members of the Board of Directors, of the executive bodies and of other key managers of the Company; as well it regulates (regulate) all the types of payouts, perquisites being provided to specified persons.	 not observed	

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4.1.4	The Company determines the policy of expense reimbursement (compensations), such policy details the list of expenses subject to reimbursement as well as the level of servicing to which may pretend members of the Board of Directors, executive bodies and other key managers of the Company. Such policy may become an integral part of Company policy on reward.	1. The policy (policies) on reward or other corporate documents of the Company set forth rules of remuneration of expenditures of members of the Board of Directors, executive bodies and other key managers of the Company.	 not observed	
4.2	The remuneration system for members of the Board of Directors ensures convergence of directors' financial interests with long-term shareholders' financial interests.			
4.2.1	The Company pays out fixed annual remuneration to members of the Board of Directors. The Company does not pay out remuneration for participation in separate meetings of the Board or committees of the Board of Directors. The Company does not apply forms of short-term motivation and additional material incentives with respect to members of the Board of Directors.	1. Fixed annual remuneration was the only monetary form of remuneration of members of the Board of Directors for work in the Board of Directors during the reporting period.	 partly observed	
4.2.2	Long-term owning of Company shares mostly fosters convergence of financial interests of members of the Board of Directors with long-term shareholders' financial interests. Whereas, the Company does not precondition rights of sale of shares by achieving certain performance indices; and members of the Board of Directors do not participate in optional programs.	1. If a corporate document (documents) — policy (policies) on Company reward provide granting of Company shares to members of the Board of Directors, definite rules for owning of shares by members of the Board of Directors, which are aimed at stimulation of long-term owning of such shares must be provided and revealed.	 not observed	
4.2.3	The Company has not provided any additional payouts or compensations in case of early termination of powers of members of the Board of Directors due to transfer of control over the Company or due to other circumstances.	1. The Company has not provided any additional payouts or compensations in case of early termination of powers of members of the Board of Directors due to transfer of control over the Company or due to other circumstances.	 partly observed	
4.3	The system of rewarding for members of executive bodies and other key managers of the Company provides dependence of the reward on Company performance as well as on their personal input into achievement of that result.			
4.3.1	Rewarding for members of executive bodies and other key managers of the Company is defined so that reasonable and justified proportion of reward fixed part and reward variable part, which depends on Company performance as well as on employee's personal (individual) input into the final result, is ensured.	1. During the reporting period, annual figures of performance were used when establishing the amount of the variable reward for members of executive bodies and other key managers of the Company. 2. Within the course of the latest assessment of rewarding system for members of executive bodies and other key managers of the Company, the Board of Directors (reward committee) has made sure that the Company applies effective balance of reward fixed part and reward variable part. 3. The Company provides a procedure, which ensures return to the Company of premium payments wrongfully obtained by members of executive bodies and other key managers of the Company.	 not observed	



No.	Principles of corporate governance	Evaluation criteria for observance of the principle of corporate governance	Status <1> of compliance with the principle of corporate governance	Explanations <2> for deviation from evaluation criteria for observance of the principle of corporate governance
4.3.2	The Company has introduced a long-term motivation program for members of executive bodies and other key managers of the Company with the use of Company shares (options or other derivatives, which underlying asset is Company shares).	1. The Company has introduced a long-term motivation program for members of executive bodies and other key managers of the Company with the use of Company shares (financial instruments, which underlying asset is Company shares). 2. The long-term motivation program for members of executive bodies and other key managers of the Company provides that the right of sale of shares and other financial instruments to be used in such program occurs at the earliest three years after they are provided. Whereas, the right for their sale is stipulated by achievement of certain figures of Company performance.	 not observed	
4.3.3	The amount of compensation (golden parachute) to be paid out by the Company in case of early termination of powers to members of executive bodies and other key managers of the Company upon Company initiative and at absence of wrongful acts on their side, shall not exceed double amount of the fixed part of annual reward.	1. The amount of compensation (golden parachute) to be paid out by the Company in case of early termination of powers to members of executive bodies and other key managers of the Company upon Company initiative and at absence of wrongful acts on their side, during the reporting period did not exceed double amount of the fixed part of annual reward.	 not observed	
5.1	The Company has created an effectively functioning risk management system and internal control system, aimed at ensuring reasonable confidence in reaching the targets set before the Company.			
5.1.1	The Company Board of Directors has set out principles and approaches as to organisation of the system of risk management and corporate control within the Company.	1. Functions of various administrative bodies and units of the Company in the risk management system and in internal control are definitely identified in Company's corporate documents/respective policy as approved by the Board of Directors.	 observed	
5.1.2	Company's executive bodies provide for creation and maintenance of functioning of the effective system of risk management and corporate control within the Company.	1. Company's executive bodies have provided for distribution of functions and authorities with respect to risk management and corporate control between chief executive officers (heads) of units and departments, subjected to them.	 observed	
5.1.3	The system of risk management and corporate control within the Company provides for objective, fair and clear picture about Company's current state and perspectives, integrity and transparency of Company statements, reasonableness and acceptability of the risks assumed by the Company.	1. The Company has approved policy on corruption counter-acting. 2. The Company has arranged for an accessible way to inform the Board of Directors or audit committee of the Board of Directors about facts of infringement of the Law, corporate procedures, Code of ethics of the Company.	 partly observed	
5.1.4	The Company Board of Directors undertakes necessary measures to make sure that the system of risk management and corporate control as introduced in the Company, complies with principles and approaches as established by the Board of Directors as to its organisation and effectively functions.	1. During the reporting period, the Board of Directors or the audit committee of the Board of Directors has assessed performance of the system of risk management and corporate control of the Company. Information about main findings of such assessment is a part of Company's annual report.	 not observed	



No.	Principles of corporate governance	Evaluation criteria for observance of the principle of corporate governance	Status <1> of compliance with the principle of corporate governance	Explanations <2> for deviation from evaluation criteria for observance of the principle of corporate governance
5.2	For systematic independent assessment of reliability and effectiveness of the system of risk management and corporate control, as well as of corporate governance practices, the Company organises corporate auditing.			
5.2.1	For the purposes of performing internal audit the Company organised a separate structural unit or an independent outsourced company is employed. Functional and administrative accountability of the corporate audit unit is separated. In terms of functionality, the internal audit unit is subordinate to the Board of Directors.	1. For the purposes of performing internal audit the Company organised a separate structural unit for internal audit which is functionally subordinated to the Board of Directors or to audit committee, or an independent outsourced company with the same accountability principle is employed.	 observed	
5.2.2	Internal audit unit assesses performance of corporate control system, it assesses performance of the system of risk management and corporate control system. The Company applies generally accepted standards of operation in the area of internal audit.	1. During the reporting period within the frames of internal audit, evaluation of performance of internal-control and risk management system is provided. 2. The Company applies generally accepted approaches to internal control and risk management.	 partly observed	
6.1	The Company and its operation are transparent for shareholders, investors and other interested persons.			
6.1.1	The Company has developed and implemented information policy, which ensures efficient informational interaction of the Company, shareholders, investors and other concerned persons.	1. The Company Board of Directors has approved information policy of the Company as developed subject to recommendations in the Code. 2. The Board of Directors (or one of its committees) considered issues connected with Company's observance of its informational policy at least once per the reporting period.	 not observed	
6.1.2	The Company discloses information about the system and practices of corporate governance, including detailed information on observance of principles and recommendations of the Code.	1. The Company discloses information about the system of corporate governance in the Company and general principles of corporate governance being applied in the Company, including on Company's web-site in the Internet. 2. The Company discloses information about composition of executive bodies and the Board of Directors, independence of members of the Board and about their membership in committees of the Board of Directors (according to definition of the Code). 3. In case of availability of a person exercising control over the Company, the Company publishes a Memo of the controller with respect to plans of such person concerning corporate governance in the Company.	 partly observed	

No.	Principles of corporate governance	Evaluation criteria for observance of the principle of corporate governance	Status <1> of compliance with the principle of corporate governance	Explanations <2> for deviation from evaluation criteria for observance of the principle of corporate governance
6.2	The Company timely discloses complete, actual and true information about the Company to ensure an opportunity to make substantiated decisions by Company shareholders and investors.			
6.2.1	The Company discloses information in accordance with principles of regularity, succession and operative response, as well as accessibility, trustworthiness, completeness and comparability of data being disclosed.	<p>1. In its informational policy the Company has decided on approaches and criteria to identify information which can exercise substantial impact upon assessment of the Company and the price of its securities; as well as procedures ensuring timely disclosure of such information.</p> <p>2. In case if Company's securities are traded in foreign organised markets, disclosure of substantive information in the Russian Federation and in such markets is carried out simultaneously and equivalently during the reporting year.</p> <p>3. If foreign shareholders own a substantial number of Company stocks, during the reporting year information was disclosed not only in Russian, but also in one of mostly wide-spread foreign languages.</p>	 partly observed	
6.2.2	The Company avoids formal approach when disclosing information and discloses substantial information of its operation, even if disclosure of such information is not stipulated by the Law.	<p>1. During the reporting period, the Company disclosed year- and six-month financial statements as made according to IFRS. Company's annual report for the reporting period includes yearly financial statements as drawn under IFRS standards, along with auditor's opinion.</p> <p>2. The Company discloses comprehensive information about structure of Company capital in accordance with Recommendation 290 of the Code in the annual report and on Company web-site in the Internet.</p>	 observed	
6.2.3	The annual report as one of the most important tools of informational communication with shareholders and other concerned parties, contains information which allows to assess Company performance for the year.	<p>1. Company's annual report contains information of key aspects of Company operating activities and its financial performance.</p> <p>2. Company's annual report contains information about ecologic and social aspects of Company operation.</p>	 partly observed	
6.3	The Company provides information and documents upon shareholders' requests in compliance with principles of equal and unhindered access.			
6.3.1	Provision by the Company of information and documents upon shareholders' requests is carried out in compliance with principles of equal and unhindered access.	1. Company's informational policy defines unhindered procedure for granting shareholders access to information, including information about legal entities under Company's control, upon shareholders' request.	 partly observed	
6.3.2	When the Company provides information to shareholders it secures reasonable balance between interests of individual shareholders and interests of the Company which is concerned about preserving confidentiality of important commercial information which may exercise substantial influence upon its competitiveness.	<p>1. During the reporting period, the Company did not refuse to satisfy shareholders' requests concerning provision of information, or such refusals were grounded.</p> <p>2. In cases, established by Company's information policy, shareholders are warned about confidential character of information and assume an obligation to preserve its confidentiality.</p>	 partly observed	

No.	Principles of corporate governance	Evaluation criteria for observance of the principle of corporate governance	Status <1> of compliance with the principle of corporate governance	Explanations <2> for deviation from evaluation criteria for observance of the principle of corporate governance
7.1	The actions which considerably affect or may affect the structure of the equity capital and financial status of the Company and, respectively, may affect the position of shareholders (substantial corporate actions) are performed on fair conditions which ensure observance of rights and interests of shareholders, as well as of other concerned parties.			
7.1.1	As substantial corporate actions such actions are recognised as: reorganisation of the Company, purchase of 30 and more percent of Company's voting shares (acquisition), carrying out substantial transactions by the Company, increase or reduction in Company's authorised capital, listing and delisting of Company stock, as well as other actions which may result in substantial change in shareholders' rights and infringement of their interests. Company's Charter sets out a list (criteria) of transactions or other actions which are substantial corporate actions and such actions are referred to competence of the Board of Company Directors.	1. Company Charter has defined the list of transactions or other actions, which are substantial corporate actions and criteria for their definition. Making decisions with respect to substantial corporate actions is related to competence of the Board of Directors. In the cases where carrying out of such corporate actions is directly related by the Law to competence of the General meeting of shareholders, the Board of Directors provides respective recommendations to shareholders. 2. Company Charter relates to substantial corporate actions, as minimum as follows: reorganisation of the Company, purchase of 30 and more percent of Company's voting shares (acquisition), carrying out substantial transactions by the Company, increase or reduction in Company's authorised capital, listing and delisting of Company stock.	 partly observed	
7.1.2	The Board of Directors plays the key role in making decisions or elaboration of recommendations with respect to substantial corporate actions, the Board of Directors backs on position of Company's independent directors.	1. The Company provides a procedure according to which independent directors declare about their position on substantial corporate actions prior to their approval.	 not observed	
7.1.3	When performing substantial corporate actions, which concern rights and lawful interests of shareholders, equal conditions are provided for to all the Company shareholders; where mechanisms as provided by the Law, aimed at protection of shareholders' rights are insufficient — additional measures, which protect rights, and lawful interests of Company shareholders, are provided for. Whereas, the Company is guided not only by observance of formal requirements of the Law, but as well by principles of corporate governance as set out in the Code.	1. The Company Charter, subject to peculiarities of its operation, establishes lower (than those provided by the Law) minimal criteria for relating Company transactions to substantial corporate actions. 2. During the reporting period, all the substantial corporate actions underwent the procedure of approval prior to their performance.	 partly observed	

No.	Principles of corporate governance	Evaluation criteria for observance of the principle of corporate governance	Status <1> of compliance with the principle of corporate governance	Explanations <2> for deviation from evaluation criteria for observance of the principle of corporate governance
7.2	The Company provides for such procedure for performance of substantial corporate actions, which allows to shareholders to timely receive complete information about such actions, it provides for an opportunity to affect performance of such actions and guarantees observance and adequate protection level of their rights when performing such actions.			
7.2.1	Information about performance of substantial corporate actions is disclosed with explanation of reasons, conditions and consequences of performance of such actions.	1. During the reporting period the Company timely and in detail disclosed information about substantial corporate actions of the Company, including grounds for and terms for performance of such actions.	 partly observed	
7.2.2	Rules and procedures relating to performance of substantial corporate actions by the Company are formalised in Company's corporate documents.	<p>1. Company's corporate documents provide the procedure for engaging an independent appraiser to establish the price of the property to be alienated or purchased under a major transaction or under an interested party transaction.</p> <p>2. Company's corporate documents provide the procedure for engaging an independent appraiser to establish the price of purchase and repurchase of Company stock.</p> <p>3. Company's corporate documents provide an extended list of grounds under which members of the Board of Directors and other individuals as provided by the Law, are recognised as interested in Company transactions.</p>	 not observed	



# Information About Major Transactions Carried out by OR PJSC in the Reporting Year

Date of transaction approval	Date of transaction performance	Company body which made a decision on transaction approval	Subject of the transaction and its substantial terms and conditions	Privity
27.04.2017	15.05.2017	The Board of Directors  MINUTES No.15/17CD 27.04.2017	Creditor — Bank VTB (PJSC) Guarantor — OR OJSC Borrower — Obuv Rossii LLC. Entering into the Surety agreement by and between OR OJSC and Bank VTB (PJSC). The Guarantor is jointly liable to the Creditor in the same scope as the Borrower under Loan agreement. The amount of disbursement limit is 1,415,000,000.00 (One billion four hundred fifteen million) Rubles. Term until 31/03/2025	interest of a shareholder, a member of the Board of Directors of OR OJSC as well as of Director General of OR OJSC Mr. Anton Mikhailovich Titov. Mr. Anton Mikhailovich Titov holds the position of Director of Obuv Rossii LLC and is the controller with respect to Obuv Rossii LLC through its controlled company OR OJSC. Participation share in the issuer is 71.3756%.
22.06.2017	30.06.2017	The Board of Directors  MINUTES No.19/17CD 22.06.2017	Conclusion of Additional agreement to Surety agreement dated 15.05.2017, as entered into by and between OR OJSC and Bank VTB (PJSC) for the purpose of compliance with obligations of Obuv Rossii LLC under Loan agreement No. KC-ЦУ-703730/2017/00023 dated 31.03.2017, on amendment of material conditions of the specified Loan agreement, namely with regards to establishing the amount of disbursement limit under Credit facility: 1,500,000,000.00 (One billion five hundred million) Rubles, as well as on other Bank's terms and conditions.	interest of a shareholder, a member of the Board of Directors of OR OJSC as well as of Director General of OR OJSC Mr. Anton Mikhailovich Titov.

# Information About Interested Party Transactions as Concluded by the Company in the Reporting Year

Date of transaction approval	Date of transaction performance	Company body which made a decision about transaction approval	Subject and other material terms and conditions of transaction	Category of transaction	Price of transaction in monetary terms and in % from the book value of issuer's assets as of the date of the end of the latest completed reporting period.	Interested person Privy	Other information about performed transaction
28.03.2017	20.01.2017	General meeting of shareholders  MINUTES No.02/2017 28.03.2017	Parties of transaction: Issuer — Obuvrus LLC, Offerer — OR OJSC Holder of Debentures — Svyaz-Bank JSCB (PJSC)  Signing by OR OJSC of irrevocable direct offer, according to which OR OJSC undertakes to purchase exchange-traded interest-bearing inconvertible documentary bearer bonds of Obuvrus LLC (Issuer) with obligatory centralised storage of series 60-07, totally of 500 (Five hundred) pieces, with par value of 2,000,000 (Two million) Rubles each.  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	Interested party transaction	1,000,000,000 Rubles  14.13%	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Guarantor's shareholder, who holds the position of the Sole executive body of the Beneficiary in transaction. Participation share in the issuer is 71.3756%.	Not available
18.04.2017	21.04.2017	General meeting of shareholders  MINUTES No.03/2017 18.04.2017	Parties of transaction: Creditor — Absolut Bank JSB (PJSC) Guarantor — OR OJSC Borrower — MFO LLC  Transaction of suretyship granting as security for obligation of MFO LLC on conclusion of Loan agreement No. Hck-001 /BK/1-2017 dated 21.02.2017 with Absolut Bank JSB (PJSC).  Upon mutual agreement of the parties the Loan agreement, as well as the Suretyship agreement are cancelled, obligations are complied with in full 20.06.2017.  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	Interested party transaction	814,383,562 Rubles  11.5%.	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Guarantor's shareholder, who holds the position of the Sole executive body of the Beneficiary in transaction. Participation share in the issuer is 71.3756%.	Not available

Date of transaction approval	Date of transaction performance	Company body which made a decision about transaction approval	Subject and other material terms and conditions of transaction	Category of transaction	Price of transaction in monetary terms and in % from the book value of issuer's assets as of the date of the end of the latest completed reporting period.	Interested person Privity	Other information about performed transaction
25.07.2017	01.08.2017	General meeting of shareholders  MINUTES No.05/2017 25.07.2017  MINUTES No.19/17CD 22.06.2017	Parties of transaction: Creditor — GLOBEXBANK JSC Guarantor — OR OJSC Borrower — Design-Studia LLC  Transaction of suretyship granting as security for obligation of Design-Studia LLC on conclusion of Loan agreement No. K-166/2017 dated 01.08.2017 with GLOBEXBANK JSC.  Period of effectiveness of the Suretyship agreement is until 31.07.2020.  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	Interested party transaction	1,100,000,000 Rubles  14.9%	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Guarantor's shareholder. Participation share in the issuer is 71.3756%.	Not available
11.01.2017	12.01.2017	The Board of Directors  MINUTES No.02/17CD 11.01.2017	Parties of transaction: Creditor — MTC-Bank PJSC Guarantor — OR OJSC Borrower — Design-Studia LLC  Transaction of suretyship granting as security for obligation of Design-Studia LLC on conclusion of Loan agreement No. 0086-21-1/17-K with MTC-Bank PJSC. Period of effectiveness of the Suretyship agreement is until 23.01.2023.  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	Interested party transaction	200,000,000 Rubles  2.83%.	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Guarantor's shareholder. Participation share in the issuer is 71.3756%.	Not available
20.02.2017	06.03.2017	The Board of Directors  MINUTES No.09/17CD 20.02.2017	Parties of transaction: Buyer — OR OJSC Seller No.1 — Obuv Rossii LLC Seller No.2 — Anton Mikhailovich Titov. Conclusion of Agreement of purchase and sale of a share in Authorised capital of MKK Arifmetika LLC by and between OR OJSC and Obuv Rossii LLC and individual Anton Mikhailovich Titov for the purpose of acquisition of 100% of Authorised capital of MKK Arifmetika LLC.	Interested party transaction	300,000,000 Rubles  4.24%	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Guarantor's shareholder, who also holds the position of the Sole executive body of the Beneficiary in transaction. Participation share in the issuer is 71.3756%.	Not available

Date of transaction approval	Date of transaction performance	Company body which made a decision about transaction approval	Subject and other material terms and conditions of transaction	Category of transaction	Price of transaction in monetary terms and in % from the book value of issuer's assets as of the date of the latest completed reporting period.	Interested person Privity	Other information about performed transaction
22.02.2017	06.03.2017	The Board of Directors  MINUTES No.10/1/17CD 22.02.2017	Parties of transaction: Creditor — Raiffeisenbank JSC Guarantor — OR OJSC Borrower — Obuvrus LLC 1. Making amendments No.1 to Suretyship agreement No. 17307/1/SS dated 17 of August, 2015 by and between OR OJSC and Raiffeisenbank JSC aimed at securing obligations under Agreement on terms & conditions and procedure for opening a credit facility with the indebtedness threshold No.17307/1-NSK, by and between Obuvrus LLC and Raiffeisenbank JSC. 2. Making amendments No.1 to Suretyship agreement No. 17307/2/SS dated 20 of November, 2015 by and between OR OJSC and Raiffeisenbank JSC aimed at securing obligations under Agreement on terms & conditions and procedure for opening a credit facility with the indebtedness threshold No.17307/2-NSK, by and between Obuv Rossii LLC and Raiffeisenbank JSC. Upon mutual agreement of the parties the Loan agreement, as well as the Suretyship agreement are cancelled, obligations are complied with in full 03.04.2017.  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	Interested party — transaction	—	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Guarantor's shareholder, who also holds the position of the Sole executive body of the Borrower in suretyship transaction. Participation share in the issuer is 71.3756%.	Not available
27.04.2017	15.05.2017	The Board of Directors  MINUTES No.15/17CD 27.04.2017	Parties of transaction: Creditor — Bank VTB (PJSC) Guarantor — OR OJSC Borrower — Obuv Rossii LLC.  Transaction of suretyship granting as security for obligation of Obuv Rossii LLC on conclusion of Loan agreement No. KC-703730/2017/00023 dated 31.03.2017 with Bank VTB (PJSC).  Term until 31/03/2025  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	A major transaction, which at the same time is an interested party transaction.	2,285,000,000 Rubles  31.0%	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Guarantor's shareholder, who holds the position of the Sole executive body of the Beneficiary in transaction. Participation share in the issuer is 71.3756%.	Not available



Date of transaction approval	Date of transaction performance	Company body which made a decision about transaction approval	Subject and other material terms and conditions of transaction	Category of transaction	Price of transaction in monetary terms and in % from the book value of issuer's assets as of the date of the end of the latest completed reporting period.	Interested person Privity	Other information about performed transaction
08.06.2017	08.06.2017	The Board of Directors  MINUTES No.18/17CD 08.06.2017	Parties of transaction: Creditor — Bank VTB (PJSC) Guarantor — OR OJSC Borrower — Obuv Rossii LLC.  Transaction on conclusion of Additional agreement to Suretyship agreement dated 11.08.2014, as entered into by and between OR OJSC and Bank VTB (PJSC) for the purpose of compliance with obligations of Obuv Rossii LLC under Loan agreement No. KC-UY-703730/2014/00044 dated 11.08.2014, on amendment of material conditions of the specified Loan agreement, with regards to establishing the interest rate and on other conditions of the Bank.  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	Interested party — transaction	—	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Guarantor's shareholder, who holds the position of the Sole executive body of the Beneficiary in transaction. Participation share in the issuer is 71.3756%.	Not available
22.06.2017	30.06.2017	The Board of Directors  MINUTES No.19/17CD 22.06.2017	Parties of transaction: Creditor — Bank VTB (PJSC) Guarantor — OR OJSC Borrower — Obuv Rossii LLC.  Transaction of suretyship granting as security for obligation of Obuv Rossii LLC on Loan agreement No. KC-UY-703730/2017/00023 dated 31.03.2017 to be concluded with Bank VTB (PJSC). Period of effectiveness of the Suretyship agreement is until:30.03.2025  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	A major transaction which at the same time is an interested party transaction.	2,094,572,859.25 Rubles  28.4%.	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Guarantor's shareholder, who holds the position of the Sole executive body of the Beneficiary in transaction. Participation share in the issuer is 71.3756%.	Not available

Date of transaction approval	Date of transaction performance	Company body which made a decision about transaction approval	Subject and other material terms and conditions of transaction	Category of transaction	Price of transaction in monetary terms and in % from the book value of issuer's assets as of the date of the latest completed reporting period.	Interested person Privity	Other information about performed transaction
22.06.2017	14.07.2017 17.07.2017 24.07.2017	The Board of Directors  MINUTES No.19/17CD 22.06.2017	Parties of transaction: Buyer No.1 — OR OJSC Buyer No.2 — Obuv Rossii LLC Seller — Anton Mikhailovich Titov The Seller undertakes to transfer and the Buyer undertakes to accept and to pay a share in authorised capital, owned by the Seller: - 100 % of share in the authorised capital of Integra LLC, with par value of 10,000 (Ten thousand) Rubles; - 100 % of share in the authorised capital of Dion LLC, with par value of 10,000 (Ten thousand) Rubles; - 100 % of share in the authorised capital of MKK MiraStil LLC, with par value of 10,000 (Ten thousand) Rubles; - 100 % of share in the authorised capital of ModernShoes LLC, with par value of 20,000 (Twenty thousand) Rubles; - 100 % of share in the authorised capital of StilMarket LLC, with par value of 10,000 (Ten thousand) Rubles; - 100 % of share in the authorised capital of TD Rossita LLC, with par value of 16,700 (Sixteen thousand seven hundred) Rubles; - 100 % of share in the authorised capital of Design-Studia LLC, with par value of 10,000 (Ten thousand) Rubles.	Interested party transaction	86,509,616 Rubles  1.17%  146,489,617 Rubles  1.98%  3,460,385 Rubles  0.05%  11,534,615 Rubles  0.16%  103,811,539 Rubles  1.41%  144,182,693 Rubles  1.95%  11,535 Rubles  0.0002%	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and Buyer's shareholder. Participation share in the issuer is 71.3756%.	Not available
31.10.2017	06.12.2017	The Board of Directors  MINUTES No.26/17CD 31.10.2017	Parties of transaction: Obuv Rossii LLC — Company OR PJSC — member.  An increase in authorised capital of Obuv Rossii LLC from 8,000,000 (Eight million) Rubles to 1,508,000,000 (One billion five hundred and eight million) Rubles for the account of providing additional monetary deposit into authorised capital of Obuv Rossii LLC by the sole member of Obuv Rossii LLC: OR PJSC.  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	The material transaction which is not major; an interested party transaction.	1,500,000,000 Rubles  11.26%	Anton Mikhailovich Titov  Sole executive body, a member of the Board of Directors and member's shareholder, who holds the position of the Sole executive body of the Beneficiary in transaction. Participation share in the issuer is 427348%.	Not available
31.10.2017	06.12.2017	The Board of Directors  MINUTES No.26/17CD 31.10.2017	Parties of transaction: Design-Studia LLC — Company OR PJSC — member.  An increase in authorised capital of Design-Studia LLC from 10,000 (Ten thousand) Rubles to 3,895,450,000 (Three billion eight hundred ninety five million four hundred and fifty thousand) Rubles for the account of providing additional monetary deposit of a member: ORPJSC.  State registration and (or) notarial certification of transaction was not obligatory under the Law of the Russian Federation.	The material transaction which is not major, so far as it is made within the course of ordinary course of business.	3,895,440,000 Rubles  29.23 %	Anton Mikhailovich Titov  Sole executive body of the Guarantor, who holds the position of the Sole executive body of the Beneficiary in transaction. It is the controller for Design-Studia LLC through controlled OR PJSC (Individual Taxpayer's Number (INN) 5410779580, Primary State Registration Number (OGRN) 1135476124101) Participation share in the issuer is 42.7348%.	Not available

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