DETSKY MIR GROUP ANNOUNCES
UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER 2017

3 May 2017. Moscow, Russia. – Detsky Mir Group ("Detsky Mir", "the Group" or "the Company") (MOEX: DSKY), Russia's largest specialized children's goods retailer, announces its unaudited financial results in accordance with International Financial Reporting Standards (IFRS) for the first quarter ended 31 March 2017.

KEY FINANCIAL RESULTS FOR 1Q 2017

- Group Revenue increased by 28.3% to RUB 21.1bn, vs. RUB 16.4bn in 1Q 2016;
- In accordance with the methodology of calculation of like-for-like comparisons, which would be closer to methodologies used in operating and financial reporting of publicly traded food retailers in Russia, like-for-like sales at Detsky Mir stores in Russia grew by 11.2%[1] , with the number of tickets growing by 13.3% and a decline in the average ticket price by 1.9%;
- Gross profit increased by 17.9% year-on-year to RUB 6.5bn, with a gross margin of 30.7%;
- Selling, administrative and other operating expenses as a share of revenue[2] decreased year-on-year from 28.4% to 25.4% driven by increased operational efficiency;
- Adjusted EBITDA[3] increased by 37.6% to RUB 1.1bn for 1Q 2017 vs RUB 0.8bn for 1Q 2016; the EBITDA margin reached 5.3%. EBITDA[4] amounted to RUB 0.8bn;
- Adjusted profit for the period[5] increased by 34.4% year-on-year to RUB 137mln; Profit for the period amounted to RUB (89)mln;
- Net debt /Adjusted EBITDA LTM ratio amounted to 1.9x at the end of 1Q 2017.

Vladimir Chirakhov, PJSC Detsky Mir Chief Executive Officer, said:

"Despite the continued contraction of retail turnover, Detsky Mir Group successfully implements its strategy of attracting new customers and consolidating the market.

The variety of goods and affordable prices help maintain good growth rates. We reached a double-digit growth rate in the number of transactions (the number of checks) in like-for-like stores of Detsky Mir chain in Russia, which was amounted to 13.3%. The consolidated unaudited revenue grew by 28.3% to RUB 21.1bn. The implementation of the multichannel sales strategy is a priority and has a significant impact on the chain's business development. In the first quarter of 2017, the unaudited revenue of the online store almost doubled year-on-year: from RUB 491m to RUB 900m. One of the main components of the multichannel sales strategy is omni-pricing", which was implemented in 2016 through the reduction of prices in our brick-and-mortar stores to the level of the online store in order to offer the same prices to our customers.

In the first quarter of 2017, Detsky Mir Group successfully achieved all targets for reaching the double-digit adjusted EBITDA margin in the full-year 2017. Adjusted EBITDA grew by 37.6% year-on-year.

Improvements in operating efficiency continue to play the key role in increasing business profitability. The management's efforts to further improve labour productivity and optimise rental payments have reduced SG&A expenses as a percentage of revenue by 300 bps. Adjusted income increased by 34.4% year-on-year.

Detsky Mir Group will continue rapid development in 2017 and will open at least 70 new stores."

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(1) Alternative like-for-like average ticket growth, like-for-like number of tickets growth and like-for-like revenue growth based on the stores that have been in operations for at least 12 full calendar months.
(2) Selling, general and administrative expenses exclude D&A expenses and adjusted for share-based compensation and cash bonuses under the LTI program
(3) Adjusted EBITDA is calculated as profit for the period before income tax, FX loss, net finance expense, D&A; adjusted for share-based compensation and cash bonuses under the LTI program. See Attachment A.
(4) See Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.
(5) Adjusted for additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.

KEY FINANCIAL & OPERATING HIGHLIGHTS - 1Q2017 VS 1Q2016 (UNAUDITED)

Key Operating Highlights

	1Q 2016	1Q 2017	Change, YoY (%)
Number of stores	**429**	**521**	**21.4%**
Detsky Mir	385	480	24.7%
ELC	44	41	(6.8%)
Selling space (‘000, sq.m.)	**495**	**596**	20.4%

Alternative Like-for-Like, %	1Q 2016	1Q 2017	Change, YoY (b.p.)
Like-for-Like revenue growth, % [6]	***13.5%***	***11.2%***	***(2.3 b.p.)***
Like-for-Like number of tickets growth, % [1]	*1.2%*	*13.3%*	*12.1 b.p.*
Like-for-Like average ticket growth, % [1]	*12.1%*	*(1.9%)*	*(14.0 b.p.)*

like-for-like, %	1Q 2016	1Q 2017	Change, YoY (b.p.)
Like-for-Like revenue growth, % [7]	***13.2%***	***11.2%***	***(2.0 b.p.)***
Like-for-Like number of tickets growth, % [2]	*0.9%*	*13.2%*	*12.3 b.p.*
Like-for-Like average ticket growth, % [2]	*12.1%*	*(1.9%)*	*(14.0 b.p.)*

Key Financial Highlights

Russian Ruble (RUB), million (mln)	1Q 2016	1Q 2017	Change, YoY (%)
Revenue	**16,414**	**21,061**	**28.3%**
Online store [8]	**491**	**900**	**83.2%**
Gross Profit	**5,479**	**6,462**	**17.9%**
Gross Profit Margin,%	*33.4%*	*30.7%*	*(2,7 b.p.)*
SG&A [9]	**(4,666)**	**(5,345)**	**14.6%**
% of revenue	*-28.4%*	*-25.4%*	*(3.0 b.p.)*
EBITDA [10]	**806**	**827**	**2.6%**
EBITDA Margin, %	*4.9%*	*3.9%*	*(1.0 b.p.)*
Adjusted EBITDA [11]	**806**	**1,109**	**37.6%**
Adjusted EBITDA Margin, %	*4.9%*	*5,3%*	*0.4 b.p.*
Profit for the period	**102**	**-89**	**-187.0%**
Profit Margin, %	*0.6%*	*-0.4%*	*(1.0 b.p..)*
Adjusted profit for the period [12]	**102**	**137**	**34.4%**
Adjusted profit Margin, %	*0.6%*	*0.7%*	*0.1 b.p.*
Net Debt	**12,624**	**15,801**	**25.2%**
Net Debt / EBITDA	*2.4*	*1.9*	
Adjusted Net Debt [13]	**11,626**	**15,801**	**35.9%**
Adjusted Net Debt / Adjusted EBITDA	*1.8*	*1.9*	

(6) Alternative like-for-like average ticket growth, like-for-like number of tickets growth and like-for-like revenue growth based on the stores that have been in operations for at least 12 full calendar months.
(7) LfL growth includes only DM stores in Russia that were in operations for one full prior calendar year. For example, the like-for-like comparison of retail sales between 1Q 2017 and 1Q 2016 would include revenue of all Detsky Mir stores that were opened prior to 31 December 2015 and that were in operation during the entirety of 2016 and 1Q 2017.
(8) Online store includes all online orders on the website - www.detmir.ru, including home delivery to customers and in store pick-up
(9) Selling, general and administrative expenses exclude D&A expenses adjusted for share-based compensation and cash bonuses under the LTI program
(10) See Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.
(11) Adjusted EBITDA is calculated as profit for the period before income tax, FX loss, net finance expense, D&A; adjusted for share-based compensation and cash bonuses under the LTI program. See Attachment A.
(12) Adjusted for the one-off effect relating to additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.
(13)Adjusted Net debt is calculated as total borrowings less cash and cash equivalent / adjusted for the loan issued to CJSC "DM-Finance" (Sistema's subsidiary) in 2013, fully repaid on February 27, 2017

Additional information is available on the Company's corporate website www.corp.detmir.ru

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Conference call information

Detsky Mir's management will host a conference call today at 4:00 pm (Moscow time) / 2:00 pm (London time) / 9:00 am (New York time) to present and discuss 1Q2017 results.

The dial-in numbers for the conference call are:

Russia
+7 495 221 6523

UK
+44 203 043 24 40

USA
+1 877 887 41 63

PIN: 44788326#

The conference title: "Detsky Mir Group – 1Q 2017 Unaudited IFRS Financial Results".

For additional information:

Nadezhda Kiseleva
Head of Public Relations
Office: +7-495-781-0808, ext. 2041
Cell: +7-985-992-7857
nkiseleva@detmir.ru

Sergey Levitskiy
Head of Investor Relations
Office: +7-495-781-0808 ext. 2315
Cell: +7-903-971-4365
slevitskiy@detmir.ru

Detsky Mir Group (MOEX: DSKY) is Russia's largest specialized children's goods retailer. The company operates a network of 525 stores, including 468 Detsky Mir stores in Russia and 12 in Kazakhstan located in 178 different cities, as well as 45 ELC (Early Learning Centre) stores in Russia. The total selling space as at 31 December 2016 was approximately 596,000 square meters.

In accordance with the audited Financial Statements under IFRS Group revenue amounted to RUB 79.5bn for the full year 2016. Adjusted EBITDA totaled RUB 8.2bn and Adjusted profit for the period amounted to RUB 3.8bn for 2016.

Detsky Mir Group's shareholder structure is as follows: PJSC Sistema[14] - 52.10%; Russia-China Investment Fund (RCIF) [15] - 14.03%; Other shareholders owning less than 5% of the shares - 33.87%.

Lear more at www.detmir.ru, corp.detmir.ru or elc-russia.ru.

Disclaimer

Some of the information in these materials may contain projections or other forward-looking statements regarding future events or the future financial performance of Detsky Mir. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could," "may" or "might" the negative of such terms or other similar expressions. Detsky Mir wishes to caution you that these statements are only predictions and that actual events or results may differ materially. Detsky Mir does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Detsky Mir, including, among others, general economic conditions, the competitive environment, risks associated with operating in the Russian Federation, rapid technological and market change in the industries Detsky Mir operates in, as well as many other risks specifically related to Detsky Mir and its operations.

(14) PJSC Sistema is a publicly-traded diversified Russian holding company serving over 100 million customers in the sectors of telecommunications, high technology, pulp and paper, radio and space technology, banking, retail, mass media, tourism and healthcare services. Founded in 1993. Sistema's global depositary receipts are listed under the symbol SSA on the London Stock Exchange. Sistema's ordinary shares are listed under the ticker AFKS on Moscow Exchange.
(15) RCIF is an equity fund established by the Russian Direct Investment Fund (RDIF) and China Investment Corporation (CIC), hold its stake in PJSC Detsky Mir through its funds: FLOETTE HOLDINGS LIMITED and EXARZO HOLDINGS LIMITED.

Attachment A

EBITDA is calculated as profit for the period before income tax expense, foreign exchange loss, finance expense, finance income, depreciation and amortisation. *EBITDA margin* is calculated as *EBITDA* for a given period divided by revenue for such period expressed as a percentage. Our *EBITDA* may not be similar to *EBITDA* measures of other companies; is not a measurement under accounting principles generally accepted under IFRS and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of profit and loss. We believe that *EBITDA* provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of businesses and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. *EBITDA* is commonly used as one of the bases for investors and analysts to evaluate and compare the periodic and future operating performance and value of companies.

Adjusted EBITDA and Adjusted profit for the period are used to evaluate financial performance of the Group. This represents an underlying financial measure adjusted for a one-off gains and losses. We believe that adjusted measures provide investors with additional useful information to measure our underlying financial performance, particularly from period to period, because these measures are exclusive of certain one-off gains and losses.

EBITDA and *Adjusted EBITDA* can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	**1Q 2016**	**1Q 2017**
Profit for the period	**102**	**(89)**
Add / (deduct):		
Finance income	(84)	(17)
Finance expense	508	448
Foreign exchange loss	-31	20
Income tax expense	-60	39
Depreciation and amortisation	370	426
EBITDA	**806**	**827**
Reverse effect of:		
Additional bonus accruals under the LTI program	-	282
Adjusted EBITDA	**806**	**1 109**

Adjusted profit for the period can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	**1Q 2016**	**1Q 2017**
Profit for the period	**102**	**(89)**
Reverse effect of:		
Additional bonus accruals under the LTI program (with related tax effects)	-	226
Adjusted profit for the period	**102**	**137**