

**DETSKY MIR GROUP ANNOUNCES  
OPERATING RESULTS FOR 2<sup>nd</sup> QUARTER and 1<sup>st</sup> HALF 2018**

**16 July 2018. Moscow, Russia.** – Detsky Mir Group ("Detsky Mir", "the Group" or "the Company") – Russia's largest specialized children's goods retailer, announces its operating results for the second quarter and the first half ended 30 June 2018.

**Q2 2018 OPERATING HIGHLIGHTS<sup>1</sup>**

- Group unaudited revenue increased by 14.6% year-on-year to RUB 24.1 bn.
  - Online revenue<sup>2</sup> increased by 93.1% year-on-year to RUB 1.6 bn.
- Like-for-like sales<sup>3</sup> at Detsky Mir stores in Russia grew by 6.1%, with the number of tickets growing by 8.9% and decline in the average ticket price by 2.6%.
- Detsky Mir opened 20 new branded stores in Q2 2018. Total stores of the Group<sup>4</sup> amounted to 650 as of 30 June 2018.
- Total selling space increased by 16.2% to c. 704,000 sq. m.
- The number of issued Detsky Mir loyalty cards increased by 18% year-on-year to 19.3 mln with c.75% of total sales made using the loyalty card.

**H1 2018 OPERATING HIGHLIGHTS**

- Group unaudited revenue increased by 14.3% to RUB 48.1 bn vs. RUB 42.1 bn in H1 2017.
  - Online revenue<sup>2</sup> increased by 78.4% year-on-year to RUB 3.1 bn.
- Like-for-like sales<sup>3</sup> at Detsky Mir stores in Russia grew by 5.6%, with the number of tickets growing by 8.9% and decline in the average ticket price by 3.0%.
- Detsky Mir opened 25 new branded stores<sup>5</sup> in H1 2018.

**Q2 2018 KEY EVENTS**

- In May 2018, Detsky Mir paid out the final dividends of RUB 2.9 bn on the result of Q4 2017. Dividend yield of Detsky Mir shares was 7.2%<sup>6</sup>.
- Acting under the LTIP, Detsky Mir implemented buyback of 438,130 Detsky Mir ordinary shares for RUB 46 mln, which comprises 0.06% share capital of the Company.
- At the end of May 2018 the Company opened the first store of the new retail toy chain of ABC in Chelyabinsk. The company plans to continue to develop ABC in shopping centers and shopping facilities of street retail in those regions where ELC is not yet represented. ABC stores offer an expanded range of products at affordable prices for children of not only preschool, as in ELC, but also of school age. The average area of stores will be up to 150 sq. m.

Indicator	Q2 2018	Q2 2017	Δ, %
<b>Number of stores</b>	<b>625</b>	<b>529</b>	<b>22.9%</b>
Detsky Mir	599	489	22.5%
ELC	51	40	27.5%
<b>Selling space ('000, sq.m.)</b>	<b>704</b>	<b>606</b>	<b>16.2%</b>

(1) Hereinafter the figures are presented without taking into account the new accounting standards IFRS 16 "Lease"

(2) This channel includes online orders at [www.detmir.ru](http://www.detmir.ru), including in-store pick-up.

(3) Like-for-like average 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.

(4) The number of ELC and ABC stores amounted to 51.

(5) In H1 2018, Detsky Mir closed four stores.

(6) Dividend yield is calculated as the ratio of dividends per share paid in the amount of RUB 5.1 bn for FY2017, and the average market price of the share for the last 12 calendar months

Like-for-Like	Q2 2018	Q2 2017	Δ, %	H1 2018	H1 2017	Δ, %
<b>Like-for-Like revenue growth<sup>7</sup></b>	<b>6.1%</b>	<b>4.8%</b>	<i>1.3 p.p.</i>	<b>5.6%</b>	<b>7.9%</b>	<i>(2.3 p.p.)</i>
<i>Like-for-Like number of tickets growth<sup>7</sup></i>	8.9%	10.7%	<i>(1.8 p.p.)</i>	8.9%	12.0%	<i>(3.1 p.p.)</i>
<i>Like-for-Like average ticket growth<sup>7</sup></i>	-2.6%	-5.4%	<i>2.8 p.p.</i>	-3.0%	-3.7%	<i>0.7 p.p.</i>

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

*“In H1 2018, Detsky Mir Group demonstrated excellent results in all business segments. We delivered high business growth and achieved a significant reduction in operating costs, which allows us to expect the EBITDA increase by at least 38% YoY in the first half.*

*The Company's consolidated unaudited revenue grew by 14.6% to RUB 24.1bn in the second quarter of 2018. The Company successfully launched the sales of its summer collection, considerably increasing its turnover in the clothing and footwear categories. The highest growth was once again seen in the online segment, where revenue went up 93.1% due to the improvement of customer service.*

*Influx of new customers is the key growth driver of the Company's sales: positive trends have been observed at both new stores and the stores which have been operating for more than one year. Detsky Mir's like-for-like sales growth amounted to 6.1%, while the like-for-like number of tickets growth gained 8.9%.*

*Rapid growth of the business and stable financial situation, in combination with the plight of many players on the market, allowed adjusting the plan for development of the retail chain: in 2018, Detsky Mir is going to open at least 100 supermarkets instead of the initially planned 70 stores. We also increased the mid-term forecast figures and intend to open at least 300 stores on a 4-year horizon.*

*As part of its geographical expansion strategy, Detsky Mir decided to enter the market of Belarus. The Company's goal is to open the first store in Belarus in the next year and become a key player in the mid-term. Positive experience in Kazakhstan demonstrates the Company's ability to successfully develop its business outside of Russia.”*

Additional information is available on the Company’s corporate website [www.corp.detmir.ru](http://www.corp.detmir.ru)

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**Conference Call Information**

Detsky Mir’s management team will host a brief conference call today at 16:00pm (Moscow time) / 14:00pm (London time) / 9:00am (New York time) to discuss Q2 2018 Trading Update.

The dial-in numbers for the conference call are:

**Russia**

+7495 646 93 15  
8 800 500 98 63 (toll-free)

**UK**

+44 207 194 37 59  
0800 376 61 83 (toll-free)

**USA**

+1 646 722 49 16  
8442 860 643 (toll-free)

**PIN: 88 71 42 31#**

The conference title: “Detsky Mir Group – Q2 2018 Trading Update”.

(7) Like-for-like average 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.

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**Detsky Mir Group** (MOEX: DSKY) is Russia's largest specialized children's goods retailer. The company operates a network of 650 stores, including 599 Detsky Mir stores in Russia and Kazakhstan located in 225 cities, as well as 51 ELC (Early Learning Centre) and ABC stores in Russia. The total selling space as of 30 June 2018 was approximately 704,000 square meters.

In accordance with the audited Financial Statements under IFRS Group revenue amounted to RUB 97.0 bn for FY 2017. Adjusted EBITDA totaled RUB 10.7 bn and adjusted profit for the period amounted to RUB 5.5 bn for FY 2017.

Detsky Mir Group's shareholder structure as of the date of this announcement is as follows: PJSC Sistema<sup>8</sup> - 52.10%, Russia-China Investment Fund (RCIF)<sup>9</sup> - 14.03%, other shareholders owning less than 5% of the shares - 33.87%.

Lear more at [www.detmir.ru](http://www.detmir.ru), [corp.detmir.ru](http://corp.detmir.ru), [elc-russia.ru](http://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.

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(8) Sistema PJSC is a publicly-traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, children's goods retail, paper and packaging, healthcare services, agriculture, high technology, banking, real estate, pharmaceuticals and hospitality.

(9) 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.