

**DETSKY MIR GROUP ANNOUNCES
OPERATING RESULTS FOR 4th QUARTER & FULL YEAR 2017**

17 January 2018. Moscow, Russia. – Detsky Mir Group ("Detsky Mir", "the Group" or "the Company") (MOEX: DSKY), Russia's largest specialized children's goods retailer, announces its operating results for the fourth quarter and twelve months ended 31 December 2017.

4Q 2017 OPERATING HIGHLIGHTS

- Group unaudited revenue increased by 19.8% year-on-year to RUB 30.3 bn.
 - Online revenue¹ increased by 79.5% year-on-year to RUB 2.0 bn.
- 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 7.2%², with the number of tickets growing by 14.1% and decline in the average ticket price by 6.0%.
- Detsky Mir opened 62³ new branded stores in the 4th quarter 2017. Group stores amounted to 622⁴ as of 31 December 2017.
- Total selling space increased by 15.4% to c. 688,000 sq. m.
- The number of active Detsky Mir loyalty program cardholders increased by 24% year-on-year to 18.1 mln with c.73% of total sales made using the loyalty card.

FY 2017 OPERATING HIGHLIGHTS

- Group unaudited revenue increased by 21.9% to RUB 97.0 bn vs. RUB 79.5 bn for FY 2016.
 - Online revenue¹ increased by 67.0% year-on-year to RUB 4.6 bn.
- 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 7.2%², with the number of tickets growing by 12.2% and a decline in the average ticket price by 4.4%.
- Detsky Mir opened 104⁵ new branded stores for FY 2017.

MATERIAL EVENTS IN THE 4th QUARTER 2017

- In December 2017, Detsky Mir distributed dividends of RUB 2.2 bn on the result of 9 months 2017.
- Acting under the LTIP, Detsky Mir implemented buyback of 680,470 Detsky Mir ordinary shares for RUB 67 mln, which comprises 0.09% share capital of the Company.
- As part of the program to improve operational efficiency, Detsky Mir acquired its own store on Vernadsky Prospect, which is one of the key locations in Moscow and is the top-5 chain store in terms of sales. The deal price was RUB 550 mln including VAT. Detsky Mir plans to reconstruct the building and launch on its basis the largest modern children's goods store in the South-West of Moscow.

Indicator	31.12.2017	31.12.2016	Δ, %
Number of stores	622	525	18.5%
Detsky Mir	578	480	20.4%
ELC	44	45	-2.2%
Selling space ('000, sq.m.)	688	596	15.4%

(1) This channel includes online orders at www.detsky-mir.ru, including in-store pick-up.

(2) Alternative 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.

(3) In Q4 2017, Detsky Mir closed one store as part of the Company's ongoing rationalisation programme.

(4) The number of ELC stores amounted to 44

(5) In 2017, Detsky Mir closed six stores as part of the Company's ongoing rationalisation programme.

<i>Alternative Like-for-Like</i>	4Q 2017	4Q 2016	Δ, %	FY 2017	FY 2016	Δ, %
<i>Like-for-Like revenue growth⁶</i>	7.2%	9.0%	(1.8 p.p.)	7.2%	12.3%	(5.1 p.p.)
<i>Like-for-Like number of tickets growth⁶</i>	14.1%	7.2%	6,9 n.n.	12.2%	6.0%	6.2 p.p.
<i>Like-for-Like average ticket growth⁶</i>	-6.0%	1.7%	(7.7 n.n.)	-4.4%	5.9%	(10.3 p.p.)
<i>Like-for-Like</i>	4Q 2017	4Q 2016	Δ, %	FY 2017	FY 2016	Δ, %
<i>Like-for-Like revenue growth⁷</i>	5.5%	6.2%	(0.7 p.p.)	6.5%	10.8%	(4.3 p.p.)
<i>Like-for-Like number of tickets growth⁷</i>	12.3%	4.2%	8.1 n.n.	11.4%	4.4%	7.0 p.p.
<i>Like-for-Like average ticket growth⁷</i>	-6.1%	1.9%	(8.0 n.n.)	-4.5%	6.2%	(10.7 p.p.)

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

“The New Year season and the fourth quarter overall made a significant contribution to yet another year of Detsky Mir's record sales. Our focus on a diversified and affordable product range and our long-standing and broad presence in the market enabled us to increase the company's consolidated unaudited revenue by 22% up to RUB 97.0bn in 2017. At the same time, we maintained a high level of EBITDA margin. According to the preliminary data of unaudited financial statements, Detsky Mir's adjusted EBITDA rose by more than 26%.

In the last quarter, we opened 62 Detsky Mir stores, hitting a new all-time high. In 2017, the company launched the total of 104 new stores of the chain. The most rapid growth was delivered in the Moscow region with 23 new stores added to the retail chain. As of the end of 2017, the chain had a total of 166 supermarkets in the Moscow region and 34 stores in St. Petersburg.

41 Detsky Mir stores were opened in some cities of Russia and Kazakhstan for the first time: the company made an entry into the markets of Pervouralsk, Michurinsk, Gudermes, Kaspiysk, Maikop, Solikamsk, Tuapse, Neftekamsk, Salavat, Pushkino and many other cities.

Detsky Mir continued its expansion in the Republic of Kazakhstan by opening 10 new supermarkets and virtually doubling the retail chain in this country. The company's stores are now operating in Aktau, Zhanaozen, Atyrau, Petropavlovsk and Semey. The company expanded its chain in Almaty, Uralsk, Shymkent and Kostanay. As a result, Detsky Mir chain in Kazakhstan now has 22 stores operating in 12 cities. In 2017, like-for-like sales in tenge increased by 25%.

The company's key strategic goals include further expansion of its customer base and market consolidation. Detsky Mir's 7.2% like-for-like sales growth in Russia was achieved due to the double-digit increase in the number of customers, confirming the company's status of the key consolidator in the children's goods market.

Detsky Mir keeps its focus on e-commerce by making continuous improvements in user experience and increasing the quality of online services. The online segment remains the fastest growing sales channel of the Group, in Q4 the revenue of the online segment increased by 80%.

We are planning to proceed with the expansion of our retail chain in all regions of the company's operations and aim to open at least 200 new stores in the next three years, as well as continue pursuing our omni-channel strategy using its extensive chain of stores and opportunities of the fast-growing online market.”

Guidance

New openings guidance, as well as expectations for the LFL sales growth and the level of business operating profitability for 2018 will be published in March 2018 after the FY 2017 financial result announcement.

(6) Alternative 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.

(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 2017 and 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 - 2017

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Detsky Mir Group (MOEX: DSKY) is Russia's largest specialized children's goods retailer. The company operates a network of 622 stores, including 578 Detsky Mir stores located in 207 Russian cities and in 12 Kazakhstani cities, as well as 44 ELC (Early Learning Centre) stores in Russia. The total selling space as of 31 December 2017 was approximately 688,000 square meters.

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

Detsky Mir Group's shareholder structure is as follows: PJSC Sistema⁸ - 52.10%; Russia-China Investment Fund (RCIF)⁹ - 14.03%; Other shareholders owning less than 5% of the shares - 33.87%.

Lear more at www.detmir.ru, corp.detmir.ru, 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.

(8) 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.

(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.