**DETSKY MIR GROUP ANNOUNCES
UNAUDITED FINANCIAL RESULTS FOR THE FIRST HALF 2017**

24 August 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 half ended 30 June 2017.

KEY FINANCIAL RESULTS FOR 1H 2017

- Group Revenue increased by 24.8% to RUB 42.1bn, vs. RUB 33.7bn in 1H 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 of Detsky Mir stores in Russia grew by 7.9%[1] , with number of tickets growth of 12.0% and a decline in the average ticket price of 3.7%;
- Gross profit increased by 22.9% year-on-year to RUB 13.8bn, with a gross margin of 32.7%;
- Selling, general and administrative expenses as a share of revenue[2] decreased year-on-year from 26.2% to 24.7% driven by increased operational efficiency;
- Adjusted EBITDA[3] increased by 39.9% to RUB 3.3bn for 1H 2017 vs RUB 2.4bn for 1H 2016; Adjusted EBITDA margin reached 7.9%. EBITDA[4] amounted to RUB 3.0bn;
- Adjusted profit for the period[5] rose by more than a half year-on-year to RUB 978mln; Profit for the period amounted to RUB 705mln;
- Net debt /Adjusted EBITDA LTM ratio was 1.7x at the end of 1H 2017.
- In July 2017, Detsky Mir paid dividends in the amount of RUB 2.6bn.

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

"Detsky Mir continues to steadily consolidate the market of children's goods, showing a high revenue growth rate of 24.8% in the first half of 2017. The impact of abnormally cold weather on the sale of clothing and footwear during the first two months of the second quarter was partially offset by a significant influx of new customers. As a result, we reached a double-digit growth rate of 12.0% in the number of transactions (the number of checks) in the like-for-like stores of Detsky Mir chain in Russia.

We continue to automate business processes, as higher operational efficiency remains one of the Company's priorities.

In the first six months of 2017, we managed to reduce SG&A expenses as a percentage of revenue by c.1.4 p.p., getting significant discounts from lessors and improving labour productivity in the chain's stores. As a result, adjusted EBITDA grew by 39.9% year-on-year.

The debt portfolio optimisation, including the effective placement of the bond issue in April 2017, also had a positive impact on the growth of the Company's profitability. Adjusted net profit rose by more than a half year-on-year.

The Company continues its expansion in Kazakhstan this year: a new store was opened in Aktau in June, and at least four supermarkets will be opened in different cities of the country by the end of 2017.

As in previous years, the rate of business expansion will grow in the second half of the year. We will open a total of at least 70 stores in 2017."

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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 - 1H2017 VS 1H2016 (UNAUDITED)

Key Operating Highlights

	1H 2016	1H 2017	Change, YoY (%)
Number of Stores	**444**	**528**	**18.9%**
Detsky Mir	400	488	22.0%
ELC	44	40	(9.1%)
Selling Space ('000, sq.m.)	**511**	**604**	**18.2%**

Alternative Like-for-Like, %	1H 2016	1H 2017	Change, YoY (p.p.)
Like-for-Like revenue growth, %[6]	***13.8%***	***7.9%***	***(5.9p.p.)***
Like-for-Like number of tickets growth, %[1]	*2.4%*	*12.0%*	*9.6p.p.*
Like-for-Like average ticket growth, %[1]	*11.1%*	*(3.7%)*	*(14.8p.p.)*

Like-for-Like, %	1H 2016	1H 2017	Change, YoY (p.p.)
Like-for-Like revenue growth, %[7]	***13.2%***	***7.7%***	***(5.5p.p.)***
Like-for-Like number of tickets growth, %[2]	*1.8%*	*11.8%*	*10.0p.p.*
Like-for-Like average ticket growth, %[2]	*11.2%*	*(3.6%)*	*(14.8p.p.)*

Key Financial Highlights

Russian Ruble (RUB), million (mln)	1H 2016	1H 2017	Change, YoY (%)
Revenue	**33,736**	**42,096**	**24.8%**
Online store [8]	1,056	1,725	63.4%
Gross Profit	**11,207**	**13,771**	**22.9%**
Gross Profit Margin,%	*33.2%*	*32.7%*	*(0.5p.p)*
SG&A [9]	**(8,824)**	**(10,413)**	**18.0%**
% of revenue	*26.2%*	*24.7%*	*(1.4p.p.)*
EBITDA[10]	**2,411**	**2,987**	**23.9%**
EBITDA Margin, %	*7.1%*	*7.1%*	*(0.05p.p)*
Adjusted EBITDA [11]	**2,378**	**3,328**	**39.9%**
Adjusted EBITDA Margin, %	*7.0%*	*7.9%*	*0.9p.p*
Profit for the period	**627**	**705**	**12.5%**
Profit Margin, %	*1.9%*	*1.7%*	*(0.2p.p)*
Adjusted profit for the period [12]	**601**	**978**	**62.7%**
Adjusted profit Margin, %	*1.8%*	*2.3%*	*0.5p.p*
Net Debt	**12,989**	**15,148**	**16.6%**
Net Debt / EBITDA	*2.1*	*1.7*	
Adjusted Net Debt [13]	**11,965**	**15,148**	**26.6%**
Adjusted Net Debt / Adjusted EBITDA	*1.7*	*1.7*	

(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 operation for at least 12 full calendar months.
(7) LfL growth includes only DM stores in Russia that were in operation for one full prior calendar year. For example, a like-for-like comparison of retail sales between 1H 2017 and 1H 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 1H 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 17:00 (Moscow time) / 15:00 (London time) / 10:00 (New York time) to discuss 1H 2017 Unaudited IFRS Financial 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: 33405978#

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

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Detsky Mir Group (MOEX: DSKY) is Russia's largest specialized children's goods retailer. The company operates a network of 528 stores, including 475 Detsky Mir stores in Russia and 13 in Kazakhstan located in 181 different cities, as well as 40 ELC (Early Learning Centre) stores in Russia. The total selling space as of 30 June 2017 was approximately 604,000 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

(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	**1H 2016**	**1H 2017**
Profit for the period	**627**	**705**
Add / (deduct):		
Finance income	(117)	(22)
Finance expense	965	960
Foreign exchange loss	(45)	119
Income tax expense	209	350
Depreciation and Amortisation	771	874
EBITDA	**2,411**	**2,987**
Reverse effect of:		
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program)	(33)	341
Adjusted EBITDA	**2,378**	**3,328**

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

RUB mln	**1H 2016**	**1H 2017**
Profit for the period	**627**	**705**
Reverse effect of:		
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program) with related tax effects	(26)	273
Adjusted profit for the period	**601**	**978**