

**DETSKY MIR GROUP ANNOUNCES
AUDITED FINANCIAL RESULTS FOR THE FULL YEAR 2017**

05 March 2018. Moscow, Russia. – Detsky Mir Group ("Detsky Mir", "the Group" or "the Company") – Russia's largest specialized children's goods retailer, announces its audited financial results in accordance with International Financial Reporting Standards (IFRS) for the full year ended 31 December 2017.

4Q 2017 FINANCIAL HIGHLIGHTS

- Group revenue increased by 19.9% year-on-year to RUB 30.4 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 revenue at Detsky Mir stores in Russia grew by 7.2%¹, with the number of tickets growing by 14.1% and the average ticket size declining by 6.0%.
- Gross profit increased by 19.0% year-on-year to RUB 10.8 bn, with a gross margin of 35.4%;
- Selling, general and administrative expenses as a percentage of revenue² decreased year-on-year from 21.8% to 21.4% driven by increased operational efficiency;
- Adjusted EBITDA³ increased by 22.9% to RUB 4.3 bn for 4Q 2017 from RUB 3.5 bn for 4Q 2016; adjusted EBITDA margin reached 14.1%, while EBITDA⁴ amounted to RUB 4.2 bn;
- Adjusted profit for the period⁵ rose by 26.9% year-on-year to RUB 2.6 bn, while profit for the period amounted to RUB 2.5 bn;
- Net debt /Adjusted EBITDA ratio decreased to 1.0x as of 31 December 2017 from 1.4x as of 31 December 2016.

FY 2017 FINANCIAL HIGHLIGHTS

- Group revenue increased by 21.9% year-on-year to RUB 97.0 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 revenue at Detsky Mir stores in Russia grew by 7.2%¹, with the number of tickets growing by 12.2% and the average ticket size declining by 4.4%.
- Gross profit increased by 21.0% year-on-year to RUB 32.8 bn, with a gross margin of 33.8%;
- Selling, general and administrative expenses as a percentage of revenue² decreased year-on-year from 23.7% to 22.8% driven by increased operational efficiency;
- Adjusted EBITDA³ increased by 30.0% to RUB 10.7 bn for FY2017 from RUB 8.2 bn for FY2016, adjusted EBITDA margin reached 11.0%, while EBITDA⁴ amounted to RUB 9.8 bn;
- Adjusted profit for the period⁵ rose by almost a half year-on-year to RUB 5.5 bn, while profit for the period amounted to RUB 4.8 bn;

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

“Detsky Mir Group had a successful first year in the status of a public company. The steady progress made by the company helped increase the appeal of Detsky Mir for business community.

(1) 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.

Despite Russia's retail market being under pressure, Detsky Mir managed to meet the expectations of its shareholders: the company outperformed its retail chain development plan by opening 104 stores and achieved the highest growth of like-for-like sales among publicly-traded Russian retailers. As a result, Detsky Mir's consolidated revenue in 2017 increased by 22% to RUB 97.0bn, enabling the company to strengthen its leadership in the Russian children's goods retail market.

Detsky Mir's sales volumes were also boosted by the successful implementation of projects aimed at improving online sales and resulting in a more than 50% increase in revenue from the e-commerce business. In 2017, Detsky Mir's online store had more than 133m visits and delivered more than 2.4m online orders. The share of Detsky Mir's online business in total revenue increased to 4.8%.

In 2017, the company continued to pursue its strategy aimed at enhancing operational efficiency, first of all, by improving productivity and cutting rental costs. Automation of business processes and introduction of new software enabled the company to cut time spent per transaction and reduce labour input per business process. As a result, selling, general and administrative expenses as percentage of revenue decreased by 0.9 p.p., with adjusted EBITDA margin reaching a record high of 11%.

Moreover, thanks to its "asset light" business strategy, i.e. development of the retail chain on the basis of a rental business model, Detsky Mir managed to increase returns on invested capital to 86% in 2017.

Detsky Mir increased its adjusted profit for the period by almost 50% to RUB 5.5bn and distributed RUB 4.8bn in dividends, a record-high amount.

The Company will continue acting as a consolidator of the children's goods retail market due to its unique and diversified product range, affordable prices and a well-developed online sales channel. Detsky Mir retail chain has considerable growth potential in Russia and Kazakhstan and we plan to open at least 250 more stores in the medium term. Our management will do its best to ensure that our shareholders get a high return on their investments in the company."

Guidance

The company's management team plans to open at least 250 new Detsky Mir stores with a minimum IRR of 40% in the next 4 years. In 2018, the company expects that its like-for-like sales in Russia can grow faster than the children's goods market in general and remain at single digits due to an increase in the number of tickets.

Another key strategic goal of the Group is boosting its operational efficiency and maintaining adjusted EBITDA margin at double-digit levels in the medium term.

Within the framework of Russian accounting standards the company's management will recommend distributing the whole profit for the period as dividends according to the results of 2017.

KEY FINANCIAL & OPERATING HIGHLIGHTS

Key Operating Highlights

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%

Like-for-like Growth	4Q 2017	4Q 2016	Δ, %	FY 2017	FY 2016	Δ, %
Like-for-like revenue growth⁶	7.2%	9.0%	(1.8 p.p.)	7.2%	12.3%	(5.1 p.p.)
Like-for-like number of tickets growth ⁶	14.1%	7.2%	6.9 p.p.	12.2%	6.0%	6.2 p.p.
Like-for-like average ticket growth ⁶	-6.0%	1.7%	(7.7 p.p.)	-4.4%	5.9%	(10.3 p.p.)

(6) 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.

Key Financial Highlights

Russian Ruble (RUB), million	4Q 2017	4Q 2016	Δ, %	FY 2017	FY 2016	Δ, %
Revenue	30,354	25,321	19.9%	97,003	79,547	21.9%
Online store	2,002	1,115	79.6%	4,637	2,776	67.0%
Gross profit	10,750	9,033	19.0%	32,798	27,108	21.0%
<i>Gross profit margin, %</i>	35.4%	35.7%	-0.3%	33.8%	34.1%	-0.3%
SG&A	(6,483)	(5,531)	17.2%	(22,127)	(18,884)	17.2%
<i>% of revenue</i>	-21.4%	-21.8%	0.5%	-22.8%	-23.7%	0.9%
EBITDA	4,170	3,572	16.8%	9,842	8,195	20.1%
<i>EBITDA margin, %</i>	13.7%	14.1%	-0.4%	10.1%	10.3%	-0.2%
Adjusted EBITDA	4,290	3,492	22.9%	10,663	8,203	30.0%
<i>Adjusted EBITDA margin, %</i>	14.1%	13.8%	0.3%	11.0%	10.3%	0.7%
Profit for the period	2,531	2,135	18.6%	4,844	3,820	26.8%
<i>Profit margin, %</i>	8.3%	8.4%	-0.1%	5.0%	4.8%	0.2%
Adjusted profit for the period	2,628	2,071	26.9%	5,501	3,826	43.8%
<i>Adjusted profit margin, %</i>	8.7%	8.2%	0.5%	5.7%	4.8%	0.9%
Net debt	10,436	12,193		10,436	12,193	
<i>Net debt / EBITDA</i>	1.1	1.5		1.1	1.5	
Adjusted Net debt	10,436	11,133		10,436	11,133	
<i>Adjusted Net Debt / adjusted EBITDA</i>	1.0	1.4		1.0	1.4	

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

Conference Call Information

Detsky Mir's management will host a conference call today at 18:00 (Moscow time) / 15:00 (London time) / 10:00 (New York time) to discuss FY 2017 Audited IFRS Financial Results.

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: 37 027 932#

The conference title: "Detsky Mir Group – FY 2017 Audited 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 622 stores, including 556 Detsky Mir stores in Russia and 22 in Kazakhstan located in 219 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 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 Sistema⁷ - 52.10%, Russia-China Investment Fund (RCIF)⁸ - 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.

Attachment A

EBITDA is calculated as profit for the period before income tax expense, foreign exchange loss, finance expense, finance income, depreciation and amortisation, as well as profit from taking control in the subsidiary. *EBITDA margin* is calculated as *EBITDA* for a given period divided by revenue for the same 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 the financial performance of the Group. This represents an underlying financial measure adjusted for 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	4Q 2017	4Q 2016	FY 2017	FY 2017
Profit for the period	2,531	2,135	4,844	3,820
<i>Add / (deduct):</i>				
Finance income	(2)	(22)	(28)	(170)
Finance expense	439	520	1,866	1,938
Profit from taking control in the subsidiary	-	-	-	(16)
Foreign exchange loss	89	(43)	306	(33)
Income tax expense	626	567	1,036	1,065
Depreciation and amortisation	487	415	1,818	1,591
EBITDA	4,170	3,572	9,842	8,195
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program)	121	(80)	821	8
Adjusted EBITDA	4,290	3,492	10,663	8,203

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

RUB mln	4Q 2017	4Q 2016	FY 2017	FY 2017
Profit for the period	2,531	2,135	4,844	3,820
<i>Reverse effect of:</i>				
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	97	(64)	657	6
Adjusted profit for the period	2,628	2,071	5,501	3,826