DETSKY MIR GROUP ANNOUNCES
UNAUDITED FINANCIAL RESULTS FOR 1st QUARTER 2018

27 April 2018. Moscow, Russia. – Detsky Mir Group ("Detsky Mir", "the Group" or "the Company") **–** 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 2018.

Q1 2018 FINANCIAL HIGHLIGHTS[1]

- Group unaudited revenue increased by 14.0% year-on-year to RUB 24.0 bn.
  - Online revenue[2] increased by 64.9% year-on-year to RUB 1.5 bn.
- Like-for-like sales at Detsky Mir stores in Russia grew by 5.1%[3], with the number of tickets growing by 8.8% and decline in the average ticket price by 3.4%.
- Gross profit increased by 10.0% year-on-year to RUB 7.1 bn, with a gross margin of 29.6%;
- Selling, general and administrative expenses as a percentage of revenue[4] decreased by 190 bps year-on-year driven by increased operational efficiency;
- Adjusted EBITDA[5] increased by 30.0% to RUB 1.4 bn for Q1 2018 from RUB 1.1 bn for Q1 2017; adjusted EBITDA margin reached 6.0%, while EBITDA[6] amounted to RUB 1.3 bn (+57% year-on-year);
- Adjusted profit for the period[7] more than tripled year-on-year to RUB 0.5 bn, while profit for the period amounted to RUB 0.3 bn;
- Net debt /Adjusted EBITDA LTM ratio decreased to 1.5x as of 31 March 2018 from 1.9x as of 31 March 2017.

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

"In the first quarter of 2018, Detsky Mir Group strengthened its position as the leader of the Russian children's goods market. Its consolidated revenue grew by 14.0% to RUB 24.0bn.

The management's priority is still the reduction of operating costs, which allows it to maintain high operating efficiency of the business and increase its profit margins. In the first quarter, rent as a percentage of revenue decreased by 1.3 p.p. year-on-year. The Company's management continues to implement best practices in IT and HR management, optimising the staffing structure of the retail chain.

As a result, SG&A expenses as a percentage of revenue decreased by 1.9 p.p. year-on-year, increasing adjusted EBITDA by 30% year-on-year.

The company continues focusing on optimising the debt burden, ensuring the continuity of financing for operating activities on the best market terms with a high level of diversification of the loan portfolio. The weighted average cost of debt capital decreased to 9.5% as of the end of the reporting period, which contributed to a threefold increase in adjusted net profit year-on-year."

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(1) The figures are presented without taking into account the new accounting standards IFRS 16 "Lease".
(2) Hereinafter, this channel includes online orders at www.detmir.ru, including in-store pick-up.
(3) Hereinafter, 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) Hereinafter, selling, general and administrative expenses exclude D&A expenses and adjusted for share-based compensation and cash bonuses under the LTI program
(5) Hereinafter, 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.
(6) Hereinafter, see Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.
(7) Hereinafter, adjusted for additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.

KEY FINANCIAL & OPERATING HIGHLIGHTS

Key Operating Highlights

Indicator	Q1 2018	Q1 2017	Δ, %
Number of stores	**625**	**521**	***20.0%***
Detsky Mir	579	480	*20.6%*
ELC	46	41	*12.2%*
Selling space (‘000, sq.m.)	**686**	**596**	***15.1%***

Like-for-like Growth	Q1 2018	Q1 2017	Δ, %
Like-for-like revenue growth	**5.1%**	**11.2%**	***(6,1 p.p.)***
Like-for-like number of tickets growth	8.8%	13.3%	*(4,5 p.p.)*
Like-for-like average ticket growth	-3.4%	-1.9%	*(1,5 p.p.)*

Key Financial Highlights[8]

Russian Ruble (RUB), million	IAS 17		Δ, %	IFRS 16
	Q1 2018	Q1 2017		Q1 2018
Revenue	**24,020**	**21,061**	***14.0%***	**24,020**
Online store	1,484	900	*64.9%*	1,484
Gross profit	**7,106**	**6,462**	***10.0%***	**7,106**
Gross profit margin,%	*29.6%*	*30.7%*	*(1.1 p.p)*	*29.6%*
SG&A	**(5,655)**	**(5,345)**	***5.8%***	**(3,608)**
% of revenue	*-23.5%*	*-25.4%*	*(1.9 p.p)*	*-15.0%*
Other operating expenses	(9)	(8)	*8.4%*	(9)
EBITDA	**1,294**	**827**	***56.5%***	**3,341**
EBITDA margin, %	*5.4%*	*3.9%*	*1.5 p.p*	*13.9%*
Adjusted EBITDA	**1,441**	**1,109**	***30.0%***	**3,489**
Adjusted EBITDA margin, %	6.0%	5.3%	*0.7 p.p*	14.5%
Profit for the period	**336**	**-89**	***478.5%***	**232**
Profit margin, %	*1.4%*	*-0.4%*	*1.8 p.p*	*1.0%*
Adjusted profit for the period	**453**	**137**	***231.1%***	**350**
Adjusted profit margin, %	1.9%	0.7%	*1.2 p.p*	1.5%
Net debt	**16,300**	**15,801**		**46,896**
Net debt / EBITDA	*1.6*	*1.9*		-
Net Debt / adjusted EBITDA	*1.5*	*1.9*		-

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 Q1 2018 Unaudited IFRS Financial Results.

(8) Although the Company has applied IFRS 16 "Lease" as of January 1, 2018, the comparison of key financial indicators of unaudited financial statements is provided without reference to the application of IFRS 16. In the transition to the new standard, the comparative figures were not reconsilated for 2017.

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
85 05 36 64 #

The conference title: “Detsky Mir Group – Q1 2018 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 625 stores, including 579 Detsky Mir stores in Russia and Kazakhstan located in 221 cities, as well as 46 ELC (Early Learning Centre) stores in Russia. The total selling space as of 31 March 2018 was approximately 686,000 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[9] - 52.10%, Russia-China Investment Fund (RCIF) [10] - 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	**IAS 17**		**IFRS 16**
	Q1 2018	**Q1 2017**	**Q1 2018**
Profit for the period	**336**	**(89)**	**232**
Add / (deduct):			
Finance income	(1)	(17)	(1)
Finance expense	389	448	811
Profit from taking control in the subsidiary	-	-	-
Foreign exchange loss	(13)	20	(13)
Income tax expense	76	39	50
Depreciation and amortisation	508	426	2 262
EBITDA	**1,294**	**827**	**3 341**
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)	147	282	147
Adjusted EBITDA	**1,441**	**1,109**	**3 489**

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

RUB mln	**IAS 17**		**IFRS 16**
	Q1 2018	**Q1 2017**	**Q1 2018**
Profit for the period	**336**	**(89)**	**232**
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	118	226	118
Adjusted profit for the period	**453**	**137**	**350**