



DETSKY MIR GROUP ANNOUNCES OPERATING RESULTS FOR 4th QUARTER & FULL YEAR 2018

17 January 2019. Moscow, Russia. – Detsky Mir Group (“Detsky Mir” or “the Company”, MOEX: DSKY), Russia’s largest specialized children’s goods retailer and a Sistema company (LSE: SSA, MOEX: AFKS), announces its operating results for the fourth quarter and twelve months ended 31 December 2018.

Q4 2018 OPERATING HIGHLIGHTS¹

- Group unaudited revenue increased by 13.0% year-on-year to RUB 34.3 bn.
 - Online revenue² increased by 82% year-on-year to RUB 3.6 bn.
- Like-for-like sales³ at Detsky Mir stores in Russia grew by 3.0%. The number of tickets grew by 5.4% while the average ticket price decreased by 2.3%.
- Detsky Mir opened 63 new branded stores in Q4 2018. The Group had 743 stores as of 31 December 2018.⁴
- Total selling space increased by 11.6% year-on-year to c. 768,000 sq. m.
- The number of total outstanding Detsky Mir loyalty cards increased by 14% year-on-year to 20.7 mln, while the number of active loyalty cardholders⁵ was 9.7 mln. Transactions using the loyalty card accounted for 70% of total sales.

FY 2018 OPERATING HIGHLIGHTS

- Group unaudited revenue increased by 14.3% year-on-year to RUB 110.9 bn
 - Online revenue² almost doubled year-on-year to RUB 8.8 bn.
- Like-for-like sales³ at Detsky Mir stores in Russia grew by 4.3%. The number of tickets grew by 6.9% while the average ticket price decreased by 2.4%.
- Detsky Mir opened 100 new branded stores⁶ in 2018.

Q4 2018 KEY EVENTS

- In December 2018, Detsky Mir paid interim dividends in the amount of RUB 3.2 bn, or RUB 4.39 per ordinary share, based on the results of the first nine months of 2018. The total amount of dividends declared in 2018 amounted to RUB 6.1 bn, which is equivalent to a dividend yield of 9% based on the average price of Company’s shares for the last 12 months.
- Detsky Mir launched a mobile application for customers. The app provides users with a virtual card for the Company's loyalty program. In addition, online customers can check the current balance of bonus points and their transaction history, as well as follow promos, so as not to miss the most attractive discounts. Customers can seamlessly migrate from the app to the online store www.detmir.ru and place orders.
- The Company entered a new region – the Russian Far East – with the opening of stores in Blagoveshchensk, Vladivostok and Khabarovsk.
- Detsky Mir opened four pet supply stores under the Zoozavr brand. The stores present leading manufacturers' products: pet food, as well as medical, veterinary drugs, cosmetics, hygiene products and grooming products, and a host of other goods. Pet supplies are also available at Detsky Mir’s online store (www.detmir.ru). Our customers can pick up an order at any Detsky Mir store in the Moscow region and St. Petersburg or make use of the courier delivery service.
- A new distribution center (DC) was launched at PNK Park Bekasovo, in the Naro-Fominsk district of the Moscow region. Total investment in the DC amounted to RUB 2.5bn, while the total area of the facility is 62,000 sq m.

(1) Hereinafter the figures are presented excluding the effect of the new IFRS 16 accounting standards (“Lease”)

(2) This channel includes online orders at 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 stores in operation for at least 12 full calendar months.

(4) Including 66 ELC and ABC stores, as well as four Zoozavr stores.

(5) Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 31 December 2018 are considered active.

(6) In 2018, Detsky Mir closed five stores.

- As part of its long-term incentive programme (LTIP), Detsky Mir repurchased 521,220 ordinary shares of Detsky Mir for RUB 47.1 mln, representing 0.07% of the share capital of the Company.

	Q4 2018	Q4 2017	Change
Number of stores	743	622	19,5%
Detsky Mir	673	578	16,4%
ELC & ABC	66	44	50,0%
Zoozavr	4	0	-
Selling space ('000, sq.m.)	768	688	11,6%

	Q4 2018	Q4 2017	Change	FY 2018	FY 2017	Change
Like-for-Like revenue growth⁷	3.0%	7.2%	<i>(4.2 p.p.)</i>	4.3%	7.2%	<i>(2.9 p.p.)</i>
<i>Like-for-Like number of tickets growth⁷</i>	5.4%	14.1%	<i>(8.7 p.p.)</i>	6.9%	12.2%	<i>(5.3 p.p.)</i>
<i>Like-for-Like average ticket growth⁷</i>	-2.3%	-6.0%	<i>3.7 p.p.</i>	-2.4%	-4.4%	<i>2.0 p.p.</i>

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

“The past year was a successful one for our Company. Despite stagnation of the market for children's goods, we grew at a rapid pace: consolidated unaudited revenue for the year grew 14.3% YoY to RUB 110.9bn.

“Traditionally, the fourth quarter has had a significant impact on the growth of the Company's annual revenue. Despite the high base effect of the holiday season, we managed to increase like-for-like sales in Russia by 3.0% in the fourth quarter 2018 thanks to effective work with pricing and the product mix. Increased sales were mostly achieved by increasing the number of purchases (the number of tickets) by 5.4%.

“Toys continue to be a key category demonstrating high growth in like-for-like sales. The share of this category in total sales of the Detsky Mir chain in Russia was 33% in 2018.

“The presence of exclusive products allows us to differentiate ourselves from competitors and increase consumer traffic and LfL sales. For example, for the holiday season we signed an exclusive agreement to sell the Mecard Mecardimals game by Mattel, which has already become the number one toy in the South Korean market. In December, Mecard Mecardimals cars became the second biggest item by the chain's turnover in the category of toys for boys.

“In 2018, the Company fulfilled its own plans to expand the Detsky Mir retail chain: we launched 100 new stores, with more than half of them opened in the last quarter. In addition, Detsky Mir continued to actively grow in new regions and outside Russia. In 2018, we opened 33 stores in cities in Russia and Kazakhstan that had never had a Detsky Mir store before.

“Kazakhstan remains a promising market for the international development of the Detsky Mir retail chain. In 2018, the Company expanded its retail chain there by eight stores and almost doubled revenue, while the growth of like-for-like sales in Kazakh tenge terms was 30%. Detsky Mir has a total of 30 stores in 15 cities in the Republic of Kazakhstan.

“In 2018, the Company not only launched a new retail chain called ABC, but also entered a new segment – products for pets – by opening four pilot stores of the Zoozavr chain. We plan to further develop the new retail chain in 2019.

“Strengthening our leading position in e-commerce in the Russian children's goods market is a key strategic priority for the Company. This segment's revenue almost doubled in 2018. Significant growth in online sales was achieved, among other things, due to improved product, services and expanded geography of deliveries.

“The Company's plans to continue upscaling its business in 2019: we will open at least 80 new Detsky Mir stores, enter the Belorussian market, significantly improve the level of service for all delivery channels of online orders, and launch an updated online store.”

(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.

Guidance

New openings guidance, as well as expectations for the LFL sales growth and the level of business operating profitability for FY 2019 will be published in March 2019 following disclosure of FY 2018 financial results.

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Detsky Mir Group (MOEX: DSKY) is a multi-format retailer and Russia's largest specialized children's goods retailer. The Group comprises the Detsky Mir retail chain, ELC (Early Learning Centre in Russia) and the ABC retail chains, as well as the Zoolavr pet supplies retail chain. The company operates a network of 673 Detsky Mir stores in Russia and Kazakhstan located in 237 cities in Russia and 15 cities in Kazakhstan, as well as 57 ELC and nine ABC stores as of 31 December 2018. The Zoolavr retail chain comprises four stores. Total selling space was approximately 768,000 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 amounted to RUB 5.5 bn.

Detsky Mir Group's shareholder structure as of the date of this announcement 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) 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, an equity fund established by the Russian Direct Investment Fund (RDIF) and China Investment Corporation (CIC), holds its stake in PJSC Detsky Mir through its funds: FLOETTE HOLDINGS LIMITED and EXARZO HOLDINGS LIMITED.