

**DETSKY MIR GROUP ANNOUNCES
AUDITED FINANCIAL RESULTS FOR THE FULL YEAR 2016**

2 March 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 audited financial results in accordance with International Financial Reporting Standards (IFRS) for the full year ended 31 December 2016.

KEY FINANCIAL RESULTS FOR FY 2016

- Group revenue increased by 31.4% to RUB 79.5bn, vs. RUB 60.5bn in 2015
- 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 retailers in Russia, like-for-like sales at Detsky Mir stores in Russia grew by 12.3%¹, with the number of tickets growing by 6.0% and the average ticket price increasing by 5.9%
- Gross profit increased by 23.8% year-on-year to RUB 27.1bn, with a gross margin of 34.1%
- Selling, administrative and other operating expenses² as a share of revenue decreased by almost 2.2p.p. to 25.9% compared to 23.7% for 2015, driven by increased operational efficiency
- Adjusted EBITDA³ increased by 32.6% to RUB 8.2bn for FY2016 vs RUB 6.2bn for FY2015; the EBITDA margin reached 10.3%; EBITDA⁴ amounted to RUB 8.2bn
- Adjusted profit for the period⁵ increased by 74.8% year-on-year to RUB 3.8bn; Profit for the period amounted to RUB 3.8bn
- Adjusted net debt⁶/Adjusted EBITDA ratio improved to 1.4x vs 1.7x at the end of 2015

OTHER 2016 HIGHLIGHTS

- The Group's total number of stores increased to 525, with total retail space of 596,000 sq.m. In 2016 the Group opened 100⁷ new Detsky Mir stores and one ELC store
- The In-Store Pickup function launched in 2015 service became one of the key drivers of revenue growth for the online store that provided leadership for the Group in the sale of children's products in the e-commerce segment in 2016
- The Group increased dividend payments to shareholders by nearly 50% to RUB 4.4bn compared to FY2015 (RUB 3.0bn)
- The success of Detsky Mir's IPO in February 2017 was the acknowledgement of outstanding performance by the Company over the last several years

(1) 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.

In accordance with the conservative methodology of calculation of like-for-like comparisons, like-for-like sales at Detsky Mir stores in Russia grew by 10.8%, the number of tickets rose by 4.4% and the average ticket price increased by 6.2%. These drivers calculated on the basis of the operations of our Detsky Mir stores in Russia only. The Detsky Mir stores that are included in like-for-like comparisons are those stores that have been in operation for one full prior calendar year. For example, the like-for-like comparison of retail sales between 2015 and 2016 would include revenue of all Detsky Mir stores that were opened prior to 31 December 2014 and that were in operation during the entirety of 2015 and 2016.

(2) Selling, general and administrative expenses exclude D&A expenses and are 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, gain on acquisition of controlling interest in associate, effect on disposal of subsidiary, net finance expense, D&A; adjusted for the one-off effect relating to disposal of the Yakimanka building in 2014; 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 the one-off effect relating to disposal of the building occupied by the Yakimanka Gallery in 2014 (together with related tax effects), impairment of goodwill in 2015 as well as additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.

(6) Adjusted Net debt is calculated as total borrowings less cash and cash equivalent / adjusted for the loan issued to CJSC "DM-Finance" (a Sistema subsidiary) in 2013, fully repaid on February 27, 2017

(7) Detsky Mir net chain growth since the beginning of 2016 amounted to 99 stores including one relocation.

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

“Our wide geographic reach, iconic brand, diversified product line and cutting-edge logistics and IT infrastructure supported the significant growth of Detsky Mir’s business and strengthened its leadership position in the children’s goods market.

“2016, and the fourth quarter in particular, were successful for Detsky Mir. Revenues increased more than 31% for the year to RUB 79.5 billion. This significant increase was driven by strong like-for-like sales of the Detsky Mir chain in Russia, which stood at 12.3%, as well as thanks to stores opened in 2015-2016 operating at full capacity.

“Selling, general and administrative expenses as a proportion of revenue decreased by more than 2 p.p. This was achieved thanks to completion of a number of initiatives to automatize business processes, which boosted productivity in our stores.

“As an anchor tenant at the majority of shopping malls where we are present, Detsky Mir Group has succeeded in significantly lowering rental costs as a percentage of sales and increased the operational efficiency of our chain of stores.

“As a result, Detsky Mir Group generated record profit of RUB 3.8 billion and paid out dividends that represent a record for the company of RUB 4.4 billion – further confirmation of the investment appeal of the business.

“In 2016 the Group exceeded its own plans in terms of expansion of its geographic footprint, as it opened 100 Detsky Mir stores as well as one ELC store. The chain’s first stores were opened in the Russian South – in the Republic of Chechnya (Grozny), the Republic of Ingushetia (Magas and Nazran) and the Republic of Dagestan (Makhachkala) – as well as in cities in the Moscow Region, Eastern and Western Siberia and other regions.

“The Kazakh market continues to represent an attractive growth opportunity for the Detsky Mir chain. 2016 like-for-like sales in the country increased 35% in Kazakh tenge terms. During the reporting period five new stores were opened and the first supermarkets were opened in the Kazakh cities of Aktobe, Kostanay and Uralsk. As such, Detsky Mir’s retail chain in Kazakhstan now includes 12 stores in seven cities (Almaty, Astana, Aktobe, Karaganda, Kostanay, Shymkent and Uralsk).

“Growing the e-commerce segment is a key element of executing on the Company’s multi-channel strategy. Internet sales represented the Group’s fastest-growing sales channel. In 2016 online revenue more than doubled.

“In 2017 Detsky Mir Group will continue to grow the scale of its business. The Company plans to open at least 70 new stores.

“We are encouraged by the strong interest the market showed in our initial public offering (IPO) that took place in February 2017 on Moscow Exchange and are pleased to welcome the Group’s new shareholders. The Company’s IPO was the culmination of the outstanding performance over the last several years.”

KEY FINANCIAL & OPERATING HIGHLIGHTS

Key Operating Highlights

	Year ended 31 December			
	2013	2014	2015	2016
Number of stores	252	322	425	525
Detsky Mir	225	279	381	480
ELC	27	43	44	45
Selling space ('000, sq.m.)	320	390	491	596

Alternative Like-for-Like, %	Year ended 31 December			
	2013	2014	2015	2016
Like-for-Like revenue growth, %⁸	15.3%	14.6%	13.7%	12.3%
Like-for-Like number of tickets growth, % ⁹	10.0%	8.9%	5.0%	6.0%
Like-for-Like average ticket growth, % ⁹	4.8%	5.2%	8.3%	5.9%

(8) 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.

Like-for-Like, %	Year ended 31 December			
	2013	2014	2015	2016
Like-for-Like revenue growth, %⁹	13.4%	13.7%	12.3%	10.8%
Like-for-Like number of tickets growth, % ⁹	8.2%	8.3%	3.7%	4.4%
Like-for-Like average ticket growth, % ⁹	4.8%	5.0%	8.2%	6.2%

Profit and Loss Statement Highlights

Russian Ruble (RUB), million (mln)	Year ended 31 December			
	2013	2014	2015	2016
Revenue	36,001	45,446	60 544	79,547
Online store ¹⁰	227	443	1,260	2,776
Gross Profit	13,908	17,263	21 904	27,108
Gross Profit Margin, %	38.6%	38.0%	36.2%	34.1%
Gross Profit per sq.m ¹¹	46	48	50	50
SG&A ¹²	(11,155)	(12,807)	(15,709)	(18,884)
% of revenue	-31.0%	-28.2%	-25.9%	-23.7%
EBITDA¹³	2,771	4,911	5,123	8,195
EBITDA Margin, %	7.7%	10.8%	8.5%	10.3%
Adjusted EBITDA ¹⁴	2,771	4,463	6,185	8,203
Adjusted EBITDA Margin, %	7.7%	9.8%	10.2%	10.3%
Profit for the period	1,153	2,043	976	3,820
Profit Margin, %	3.2%	4.5%	1.6%	4.8%
Adjusted profit for the period ¹⁵	1,153	1,685	2,189	3,827
Adjusted profit Margin, %	3.2%	3.7%	3.6%	4.8%

Consolidated Cash Flow Statement Highlights

RUB mln	Year ended 31 December			
	2013	2014	2015	2016
Net cash flows generated from operating activities	2,025	1,492	(678)	5,801
Net cash used in investing activities	(750)	(2,646)	(5,218)	3,165
of which cash paid for capital expenditures	(772)	(1,945)	(5,308)	(1,747)
Net cash generated by / (used in) / financing activities	(2,047)	1,964	6,160	(8,455)
Net increase/(decrease) in cash & cash equivalents	(772)	810	264	511

(9) Like-for-like average growth, like-for-like number of tickets growth and like-for-like revenue growth as measures calculated on the basis of the operations of our Detsky Mir stores in Russia only. The Detsky Mir stores that are included in like-for-like comparisons are those stores that have been in operation for one full prior calendar year. For example, the like-for-like comparison of retail sales between 2015 and 2016 would include revenue of all Detsky Mir stores that were opened prior to 31 December 2014 and that were in operation during the entirety of 2015 and 2016

(10) Online store includes all online orders on the website - www.detmir.ru, including home delivery to customers and in store pick-up

(11) Gross profit per sq.m. is calculated by dividing gross profit for the period by average selling space for the period (calculated in thousands of square meters as simple average of selling space as of the beginning and as of the end of the period)

(12) Selling, general and administrative expenses exclude D&A expenses adjusted for share-based compensation and cash bonuses under the LTI program

(13) See Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.

(14) Adjusted EBITDA is calculated as profit for the period before income tax, FX loss, gain on acquisition of controlling interest in associate, effect on disposal of subsidiary, net finance expense, D&A; adjusted for the one-off effect relating to disposal of the Yakimanka building in 2014; adjusted for share-based compensation and cash bonuses under the LTI program. See Attachment A.

(15) Adjusted for the one-off effect relating to disposal of the building occupied by the Yakimanka Gallery in 2014 (together with related tax effects), impairment of goodwill in 2015 as well as additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.

Balance Sheet Highlights

RUB mln	Year ended 31 December			
	2013	2014	2015	2016
Total Debt	5,922	9,716	18,359	14,638
Short-term debt	1,572	6,209	12,894	8,124
Long-term debt	4,350	3,507	5,465	6,514
Net Debt	5 062	8 046	16 425	12 193
<i>Net Debt / EBITDA</i>	<i>1,8</i>	<i>1,6</i>	<i>3,2</i>	<i>1,5</i>
Adjusted Net Debt ¹⁶	5 062	2 806	10 618	11 133
<i>Adjusted Net Debt / Adjusted EBITDA</i>	<i>1,8</i>	<i>0,6</i>	<i>1,7</i>	<i>1,4</i>

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 4:00 pm (Moscow time) / 1:00 pm (London time) / 8:00 am (New York time) to present and discuss FY2016 results.

The dial-in numbers for the conference call are:

Russia

+7 495 705 94 72

United Kingdom

+44 203 043 24 39

United States

+1 866 907 59 24

PIN: 61918599#

The conference title: "«Detsky Mir Group - FY 2016 Audited IFRS Financial Results»".

(16) 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

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Detsky Mir Group (MOEX: DSKY) is Russia's largest specialized children's goods retailer. The company operates a network of 525 stores, including 468 Detsky Mir stores in Russia and 12 in Kazakhstan located in 178 different cities, as well as 45 ELC (Early Learning Centre) stores in Russia. The total selling space as at 31 December 2016 was approximately 596,000 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.

Assuming the Over-Allotment Option is exercised in full Detsky Mir Group's shareholder structure is as follows: Sistema¹⁷ (50%+1 share), RCIF¹⁸ (13.1%), Management¹⁹ (2.84%), Other, incl. free-float (34.06%).

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

(17) 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.

(18) RCIF is a private equity fund established in 2012 as two parallel funds by two government-backed investment vehicles—RDIF and China Investment Corporation. RCIF's stake is held through its funds' two wholly-owned subsidiaries, FLOETTE HOLDINGS LIMITED (wholly-owned by the fund of China Investment Corporation) and EXARZO HOLDINGS LIMITED (wholly-owned by the fund of RDIF).

(19) Owned by the management of Detsky Mir Group and Sistema under the long-term incentive program (LTI).

Attachment A

EBITDA is calculated as profit for the period before income tax expense, foreign exchange loss, gain on acquisition of controlling interest in associate, 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	Year ended 31 December			
	2013	2013	2013	2013
Profit for the period	1,153	2,043	976	3,820
<i>Add / (deduct):</i>				
Finance income	(11)	(56)	(723)	(170)
Finance expense	518	918	2,053	1,938
Impairment of goodwill	—	—	363	—
Gain on acquisition of controlling interest in associate	—	—	—	(16)
Foreign exchange loss	58	582	922	(33)
Income tax expense	419	684	578	1,065
Depreciation and amortisation	634	740	954	1,591
EBITDA	2,771	4,911	5,123	8,195
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program	—	716	1,062	8
Effect of disposal of Yakimanka building	—	(1,164)	—	—
Adjusted EBITDA	2,771	4,463	6,185	8,203

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

RUB mln	Year ended 31 December			
	2013	2013	2013	2013
Profit for the period	1,153	2,043	976	3,820
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program (with related tax effects)	—	573	850	6
Effect of disposal of Yakimanka building (with related tax effects)	—	(931)	—	—
Impairment of goodwill	—	—	363	—
Adjusted profit for the period	1,153	1,685	2,189	3,826