DETSKY MIR GROUP NET INCOME INCREASED 2.7x
TO RUB 1.9BN IN 1H 2018

Moscow, 21 August 2018 – 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 second quarter and the first half ended 30 June 2018.

Q2 2018 FINANCIAL HIGHLIGHTS[1]

- Group unaudited revenue increased by 14.6% year-on-year to RUB 24.1 bn.
  - Online revenue[2] increased by 93.1% year-on-year to RUB 1.6 bn.
- Like-for-like sales[3] at Detsky Mir stores in Russia grew by 6.1%, with the number of tickets growing by 8.9% and the average ticket price declining by 2.6%.
- Detsky Mir opened 20 new branded stores in Q2 2018. Total Group stores[4] amounted to 650 as of 30 June 2018.
- Gross profit increased by 15.3% year-on-year to RUB 8.4 bn, with a gross margin of 35.0%;
- Selling, general and administrative expenses as a percentage of revenue[5] decreased by 150 bps year-on-year, driven by increased operational efficiency;
- Adjusted EBITDA[6] increased by 34.4% year-on-year to RUB 3.0 bn; the adjusted EBITDA margin grew by 180 bps year-on-year to 12.4%, while EBITDA[7] amounted to RUB 2.8 bn (+31.2% year-on-year);
- Adjusted profit[8] doubled year-on-year to RUB 1.7 bn, while profit amounted to RUB 1.6 bn (+98.2% year-on-year);
- The net debt /adjusted EBITDA LTM ratio decreased to 1.6x as of 30 June 2018 from 1.7x as of 30 June 2017.

H1 2018 FINANCIAL HIGHLIGHTS[1]

- Group unaudited revenue increased by 14.3% to RUB 48.1 bn vs. RUB 42.1 bn in H1 2017.
  - Online revenue[2] increased by 78.4% year-on-year to RUB 3.1 bn.
- Like-for-like sales[3] at Detsky Mir stores in Russia grew by 5.6%, with the number of tickets growing by 8.9% and the average ticket price declining by 3.0%.
- Detsky Mir opened 25 new branded stores[9] in H1 2018.
- Gross profit increased by 12.8% year-on-year to RUB 15.5 bn, with a gross margin of 32.3%;
- Selling, general and administrative expenses as a percentage of revenue decreased by 170 bps year-on-year, driven by increased operational efficiency;
- Adjusted EBITDA increased by 32.9% year-on-year to RUB 4.4; the adjusted EBITDA margin grew by 130 bps year-on-year to 9.2%, while EBITDA amounted to RUB 4.1 bn (+38.2% year-on-year);
- Adjusted profit more than doubled year-on-year to RUB 2.1 bn, while profit amounted to RUB 1.9 bn (+170.7% year-on-year);

(1) The figures presented do not account for the new IFRS 16 "Lease" accounting standards.
(2) Here and hereinafter, this segment includes all online orders via 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 the stores that have been in operations for at least 12 full calendar months.
(4) The number of ELC and ABC stores amounted to 51.
(5) Hereinafter, selling, general and administrative expenses exclude D&A expenses and adjusted for share-based compensation and cash bonuses under the LTI program
(6) 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.
(7) Hereinafter, see Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.
(8) Hereinafter, adjusted for additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.
(9) In H1 2018, Detsky Mir closed four stores.

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

"In H1 2018, Detsky Mir remained the undisputed leader in the Russian children's goods market. Despite a challenging macroeconomic and demographic environment, the Company demonstrated strong results in all business segments.

"While growth of the children's goods market has slowed, we were able to increase our consolidated unaudited revenue in H1 2018 by 14.3% to RUB 48.1bn thanks to implementation of our strategy of offering the best prices and a wide product mix. Importantly, like-for-like sale growth was achieved across all product categories. Total LFL sales in H1 2018 grew by 5.6%. The Company continued investing in consumer traffic, which in H1 2018 increased by 8.9%.

"Detsky Mir also bolstered its position in the online segment, with the online revenue surging by 78.4% in H1. Thanks to the expansive footprint of our retail chain, we are able to offer customers a convenient and cost-effective way to receive their online orders: in-person pick-up at any retail store within an hour.

"Strong operational efficiency remains Detsky Mir's key competitive advantage over other market participants. Optimized operating expenses make it possible for the Company to offer customers the best prices while maintaining high profit margins. The Company's strong market position and attractive store concept allow it to negotiate the most advantageous lease terms with landlords. Ongoing improvement of business processes supports increased labor productivity. In H1 2018, we reduced our SG&A expenses (net of management bonuses) as a share of revenue by 170 basis points year-on-year. As a result, EBITDA grew by 38.2%.

"The Company continues to generate strong cash flow thanks to low capital needs and efficient optimization of debt capital. Therefore, net income grew by more than 2.5 times in H1, while returns on invested capital totaled 64%.

"At the end of June 2018, Detsky Mir paid final dividends for 2017 in the amount of RUB 2.9bn, which corresponds to a dividend yield of 7.2%. Management plans to maintain high dividend payouts to shareholders.

"In H2 2018, Detsky Mir will continue implementation of its regional expansion program and will open its first stores in the Russian Far East as well as new cities in the Republic of Kazakhstan. We expect to open at least 100 new stores in 2018. As was previously announced, the Company has made a strategic decision to launch the first Detsky Mir store in Belarus in 2019."

KEY FINANCIAL & OPERATING HIGHLIGHTS

Key Operating Highlights

	Q2 2018	Q2 2017	*Change*
Number of stores	**625**	**529**	***22.9%***
Detsky Mir	599	489	*22.5%*
ELC	51	40	*27.5%*
Selling space ('000, sq.m.)	**704**	**606**	***16.2%***

Like-for-Like	Q2 2018	Q2 2017	*Change*	H1 2018	H1 2017	*Change*
Like-for-Like revenue growth[10]	**6.1%**	**4.8%**	*1.3 p.p.*	**5.6%**	**7.9%**	*(2.3 p.p.)*
Like-for-Like number of tickets growth[10]	8.9%	10.7%	*(1.8 p.p.)*	8.9%	12.0%	*(3.1 p.p.)*
Like-for-Like average ticket growth[10]	-2.6%	-5.4%	*2.8 p.p.*	-3.0%	-3.7%	*0.7 p.p.*

(10) Like-for-like average growth, like-for-like number of tickets growth and like-for-like revenue growth based on the stores in operation for at least 12 full calendar months.

Key Financial Highlights[11]

Russian Ruble (RUB), million	IAS 17 Q2 2018	IAS 17 Q2 2017	*Change*	IFRS 16 Q2 2018
Revenue	**24,096**	**21,035**	***14.6%***	**24,096**
Online store	1,593	825	*93.1%*	1,593
Gross profit	**8,430**	**7,308**	***15.3%***	**8,430**
Gross profit margin,%	*35.0%*	*34.7%*	*0.2 p.p.*	*35.0%*
SG&A	**(5,444)**	**(5,067)**	***7.4%***	**(3,432)**
% of revenue	*-22.6%*	*-24.1%*	*(1.5 p.p.)*	*-14.2%*
Other operating expenses	(9)	(22)	*-59.6%*	(4)
EBITDA	**2,834**	**2,160**	***31.2%***	**4,846**
EBITDA margin, %	*11.8%*	*10.3%*	*1.5 p.p.*	*20.1%*
Adjusted EBITDA	**2,982**	**2,219**	***34.4%***	**4,994**
Adjusted EBITDA margin, %	*12.4%*	*10.5%*	*1.8 p.p.*	*20.7%*
Profit for the period	**1,574**	**794**	***98.2%***	**799**
Profit margin, %	*6.5%*	*3.8%*	*2.8 p.p.*	*3.3%*
Adjusted profit for the period	**1,692**	**841**	***101.1%***	**917**
Adjusted profit margin, %	*7.0%*	*4.0%*	*3.0 p.p.*	*3.8%*
Net debt	**18,901**	**15,148**		**18,901**
Capital Lease Obligation	**-**	**-**		**32,732**
Net debt / EBITDA	*1.7*	*1.7*		*1.7*
Net Debt / adjusted EBITDA	*1.6*	*1.7*		*1.6*

Russian Ruble (RUB), million	IAS 17 H1 2018	IAS 17 H1 2017	*Change*	IFRS 16 H1 2018
Revenue	**48,116**	**42,096**	***14.3%***	**48,116**
Online store	3,077	1,725	*78.4%*	3,077
Gross profit	**15,536**	**13,771**	***12,8%***	**15,536**
Gross profit margin,%	*32.3%*	*32.7%*	*-0.4%*	*32.3%*
SG&A	**(11,100)**	**(10,413)**	***6.6%***	**(7,040)**
% of revenue	*-23.1%*	*-24.7%*	*(1.7 p.p.)*	*-14.6%*
Other operating expenses	(13)	(30)	*-57.8%*	(13)
EBITDA	**4,128**	**2,987**	***38.2%***	**8,188**
EBITDA margin, %	*8.6%*	*7.1%*	*1.5 p.p.*	*17.0%*
Adjusted EBITDA	**4,423**	**3,328**	***32.9%***	**8,482**
Adjusted EBITDA margin, %	*9.2%*	*7.9%*	*1.3 p.p.*	*17.6%*
Profit for the period	**1,909**	**705**	***170.7%***	**1,031**
Profit margin, %	*4.0%*	*1.7%*	*2.3 p.p.*	*2.1%*
Adjusted profit for the period	**2,145**	**978**	***119.3%***	**1,267**
Adjusted profit margin, %	*4.5%*	*2.3%*	*2.1 p.p.*	*2.6%*
Net debt	**18,901**	**15,148**		**18,901**
Capital Lease Obligation	**-**	**-**		**32,732**
Net debt / EBITDA	*1.7*	*1.7*		*1.7*
Net Debt / adjusted EBITDA	*1.6*	*1.7*		*1.6*

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

(11) 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 reconciled for 2017.

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Conference Call Information

Detsky Mir's management will host a conference call today at 16:00 (Moscow time) / 14:00 (London time) / 9:00 (New York time) to discuss the Company's H1 2018 Unaudited 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
22 20 27 94#

The conference call title: "Detsky Mir Group – H1 2018 Unaudited IFRS Financial Results".

For additional information:

Nadezhda Kiseleva
Head of Public Relations
Office: +7-495-781-08-08, ext. 2041
Cell: +7-985-992-78-57
nkiseleva@detmir.ru

Sergey Levitskiy
Head of Investor Relations
Office: +7-495-781-08-08 ext. 2315
Cell: +7-903-971-43-65
slevitskiy@detmir.ru

Detsky Mir Group (MOEX: DSKY) is Russia's largest specialized children's goods retailer. The company operates a network of 650 stores, including 599 Detsky Mir stores in Russia and Kazakhstan located in 225 cities, as well as 51 ELC (Early Learning Centre) and ABC stores in Russia. The total selling space as of 30 June 2018 was approximately 704,000 square meters.

In accordance with the audited Financial Statements under IFRS for FY 2017, Group revenue amounted to RUB 97.0 bn., 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 Sistema[12] - 52.10%, Russia-China Investment Fund (RCIF) [13] - 14.03%, other shareholders owning less than 5% of the shares - 33.87%.

Learn more at www.detmir.ru, corp.detmir.ru and 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.

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(8) Sistema PJSFC 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 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 of the second quarter* can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	**IAS 17**		**IFRS 16**
	Q2 2018	**Q2 2017**	**Q2 2018**
Profit for the period	**1 574**	**794**	**799**
Add / (deduct):			
Finance income	(0)	(5)	(0)
Finance expense	457	512	1,526
Profit from taking control in the subsidiary	-	-	-
Foreign exchange loss	(130)	99	(130)
Income tax expense	413	312	219
Depreciation and amortisation	521	447	2,432
EBITDA	**2 834**	**2 160**	**4,846**
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)	148	59	148
Adjusted EBITDA	**2 982**	**2 219**	**4,994**

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

RUB mln	**IAS 17**		**IFRS 16**
	Q2 2018	**Q2 2017**	**Q2 2018**
Profit for the period	**1 574**	**794**	**799**
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	47	118
Adjusted profit for the period	**1 692**	**841**	**917**

EBITDA and *Adjusted EBITDA of the first half* can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	IAS 17		IFRS 16
	H1 2018	**H1 2017**	**H1 2018**
Profit for the period	**1,909**	**705**	**1,031**
Add / (deduct):			
Finance income	(2)	(22)	(2)
Finance expense	846	960	2,337
Profit from taking control in the subsidiary	-	-	-
Foreign exchange loss	(143)	119	(143)
Income tax expense	489	350	270
Depreciation and amortisation	1,029	874	4,695
EBITDA	**4,128**	**2,987**	**8,188**
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)	295	341	295
Adjusted EBITDA	**4,423**	**3,328**	**8,482**

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

RUB mln	IAS 17		IFRS 16
	H1 2018	**H1 2017**	**H1 2018**
Profit for the period	**1,909**	**705**	**1,031**
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	236	273	236
Adjusted profit for the period	**2,145**	**978**	**1,267**