



## OJSC DETSKY MIR REPORTED NET INCOME OF RUB 368 MLN FOR 1H 2015

**25 August 2014. Russia, Moscow.** OJSC Detsky Mir (hereinafter referred to as "Detsky Mir" or "the Company"), Russia's largest children's goods retailer, announces its unaudited financial results under US GAAP for 1H 2015 ended on 30 June 2015.

### **KEY UNAUDITED FINANCIAL AND OPERATING RESULTS FOR 1H 2015**

- OIBDA<sup>1</sup> increased by 88.4% from RUB 699 mln in the first half of 2014 to RUB 1.317 bln in the first half of 2015, and OIBDA margin reached 5.3%
- Revenue grew by 36.6% compared to 1H 2014, and reached RUB 24.7bn
- In 1H 2015, the Company opened 26 new stores, including 25 Detsky Mir stores and 1 ELC store
- Selling space reached 411,000 sq m in 1H 2015
- Like-for-like sales gained 15.8%<sup>2</sup> (with the number of checks growing by 5.5%, and the average check growing by 9.8%)
- Gross profit grew by 33.5% in 1H 2015 to RUB 8.4bn; gross margin amounted to 34.1% compared to 34.9% in 1H 2014
- Selling, general and administrative expenses to revenue ratio fell from 31.0% to 28.8% due to increased operating efficiency and measures taken to reduce costs
- Net income was RUB 368 mln in 1H 2015 vs Net losses of RUB 365 mln in the same period of the previous year
- The Company's net debt totaled RUB 13.0 bn as of 30 June 2015. The increase in net debt from the beginning of 2015 is due to working capital financing ahead of high sales season in August
- Net Debt<sup>3</sup>/OIBDA LTM amounted to 2.3x as of 30 June 2015

### **KEY UNAUDITED RESULTS FOR THE 12 MONTHS ENDED JUNE 2015.**

- **OIBDA increased by 52.3% to RUB 5.5bn; OIBDA margin grew from 9.1% to 10.6%**
- Revenue grew by 30.8% YoY to RUB 52.1bn
- The Company opened 84 new stores, including 72 DM stores and 12 ELC stores
- Selling space grew by 25.3%, from 328,000 sq m to 411,000 sq m
- Gross Profit increased by 27.8% to RUB 19.4bn; gross margin declined slightly from 38.1% to 37.2%
- Net income nearly doubled to RUB 2.7bn; net income margin grew from 3.5% to 5.2%

<sup>1</sup> OIBDA is a non-GAAP measure, which is calculated on the basis of the US GAAP financial statements. OIBDA is defined as total revenue minus cost of sales and selling, research and administrative costs

<sup>2</sup> LFL measures is calculated on the basis of operations of Detsky mir branded stores only. The Detsky Mir stores that are included in like-for-like comparisons are those stores that have been open during the entirety of the two years for which the like-to-like comparison is being made. For example, the like-for-like comparison of retail sales between 1st half 2015 and 1st half 2014 would include revenue of all Detsky Mir stores that were opened during the course of 2013 and that were in operation during the entirety of 2014 and 1st half 2015. Like-for-like revenue is calculated on the basis of store revenue in roubles (including VAT but excluding returns)

<sup>3</sup> Net debt was calculated as a sum of long- and short-term debt minus cash and cash equivalents

**Vladimir Chirakhov, CEO of Detsky Mir said:**

*"Detsky Mir continues to show high growth businesses.*

*In the first six months of 2015 the Company's revenue increased by 36.6% compared to the same period of last year. Significant growth was spurred by a boost in sales in existing stores, which is reflected in a like-for-like growth of 15.8%. The main driver of like-for-like sales is the average check, which is up 9.8%, with the number of purchases made (number of checks) in like-for-like stores increased by 5.5%.*

*For the first time in a long period Detsky Mir closed first half of a year with a net profit of RUB 368m, which results from a strategy focused on improving the efficiency of business processes, optimising the product matrix, and revising the retail concept. An important factor enhancing the efficiency of business processes was the adoption of a single SAP platform automating key business processes.*

*The chain growth rate all but doubled year-on-year: in the first 6 months of 2015 the Group opened 26 new stores (cf.: 14 new stores in 2014). The Company also entrenched its position in the Moscow region by opening 10 new local stores and went on to enter new Russian cities.*

*In total, we expect to open at least 80 DM stores and 2 ELC stores by the end of the year.*

*Detsky Mir's business development is also very much aided by e-commerce: the revenue Detsky's online store ([www.detmir.ru](http://www.detmir.ru)) generated in 1H 2015 is more than a double of that earned in 1H 2014.*

*The high rates of growth and chain expansion will be further maintained in the future with a new 70,000 sq.m warehouse complex in the Moscow region built for Detsky Mir by PNK Group and commissioned in July 2015.*

## UNAUDITED FINANCIAL AND OPERATING RESULTS FOR 1H 2015<sup>4</sup>

	In RUR mln		
	1 H 2014	1 H 2015	% change
<b>Number of stores, units</b>	<b>264</b>	<b>347</b>	<b>31,4%</b>
Detsky Mir stores	232	303	30,6%
ELC stores	<b>32</b>	<b>44</b>	<b>37,5%</b>
<b>Selling space (ksqm)</b>	328	411	25,3%
<b>Revenue</b>	<b>18 115</b>	<b>24 744</b>	<b>36,6%</b>
<i>% LFL revenue growth</i>	18,1%	15,8%	
<b>Gross profit</b>	<b>6 321</b>	<b>8 439</b>	<b>33,5%</b>
<i>Gross margin, %</i>	34,9%	34,1%	
<b>SG&amp;A</b>	<b>5 620</b>	<b>7 124</b>	<b>26,8%</b>
<i>% of revenue</i>	31,0%	28,8%	
<b>OIBDA</b>	<b>699</b>	<b>1 317</b>	<b>88,4%</b>
<i>Margin, %</i>	3,9%	5,3%	
Currency wxchange (loss)/gain			
<b>EBITDA</b>	<b>333</b>	<b>1 264</b>	<b>280,1%</b>
<i>Margin, %</i>	1,8%	5,11%	
<b>Net income</b>	<b>-315</b>	<b>368</b>	<b>-</b>
<i>Margin, %</i>	-1,7%	1,5%	

<sup>4</sup> The number of stores is made for Detsky Mir stores excluding Yakimanka Children's Gallery

## UNAUDITED FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED JUNE 2015<sup>5</sup>

	In RUS mln		
	LTM-JUNE'14	LTM-JUNE'15	% change
<b>Number of stores, units</b>	<b>264</b>	<b>347</b>	<b>31,4%</b>
Detsky Mir stores	232	303	30,6%
ELC stores	<b>32</b>	<b>44</b>	<b>37,5%</b>
<b>Selling space (ksqm)</b>	328	411	25,3%
<b>Revenue</b>	<b>39 825</b>	<b>52 076</b>	<b>30,8%</b>
<i>% LFL revenue growth</i>			
<b>Gross profit</b>	<b>15 161</b>	<b>19 381</b>	<b>27,8%</b>
<i>Gross margin, %</i>	38,1%	37,2%	
<b>SG&amp;A</b>	<b>11 539</b>	<b>13 862</b>	<b>20,1%</b>
<i>% of revenue</i>	29,0%	26,6%	
<b>OIBDA</b>	<b>3 630</b>	<b>5 528</b>	<b>52,3%</b>
<i>Margin, %</i>	9,1%	10,6%	
<b>Net income</b>	<b>1 408</b>	<b>2 727</b>	<b>93,7%</b>
<i>Margin, %</i>	3,5%	5,2%	
<b>Net debt</b>	<b>7 652</b>	<b>12 988</b>	
<i>Net debt/LTM OIBDA</i>	2,1x	2,3x	

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**The Detsky Mir Group** is the largest children's goods retailer in Russia. The Group includes the national-wide retail chain Detsky Mir, the luxury shopping centre Yakimanka Children's Gallery, the ELC retail chain, and two online stores (DM and ELC). As of 30 June 2015, Detsky Mir's chain is represented by 303 stores in Russia and Kazakhstan. The total floorspace of the chain is 411 K sq.m. Detsky Mir's principal shareholder is Sistema JSFC. Websites: [www.detmir.ru](http://www.detmir.ru), [www.det-mir.ru](http://www.det-mir.ru).

**Sistema** is a publicly-traded diversified Russian holding company serving over 100 million customers in the sectors of telecommunications, high technology, radio and space technology, banking, retail, mass media, tourism and healthcare services. Founded in 1993, the company reported revenues of RUB 167.7 billion for IQ 2015 and total assets of RUB 1.1 trillion as March 31, 2014. Sistema's global depository receipts are listed under the symbol "SSA" on the London Stock

<sup>5</sup> The number of stores is made for Detsky Mir stores excluding Yakimanka Children's Gallery; Financial results are presented, including of disposal of Yakimanka building in 2014

Exchange. Sistema's ordinary shares are listed under the "AFKS" ticker on the Moscow Stock Exchange. Website: [www.sistema.com](http://www.sistema.com).

*Some of the information in this document may contain projections or other forward-looking statements regarding future events of the Detsky Mir Group and Sistema JSFC. Such statements contain phrases like "expected", "estimated", "intended", "will", "could", negatives of such statements, and other similar expressions. We would like to warn you that such statements are assumptions only and the actual course of events and their results may differ significantly from such statements. We do not intend to revise such statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Due to numerous factors, the actual results of the Detsky Mir Group and Sistema JSFC may differ significantly from those stated in our assumptions and projections. Such factors may include general economic conditions, competitive environment in which we operate, risks related to the operations in Russia, rapid technological or market changes in our sphere of business, and many other risks directly related to the Detsky Mir Group and Sistema JSFC and their activities.*

**Foreign Currency Translation**

*The Company follows a translation policy in accordance with ASC 830, Foreign Currency Matters. Management has determined that the functional currency of the Company and its Russian subsidiaries is the Russian Ruble ("RUB"). The functional currencies of the Company's German and Kazakhstan subsidiaries are the Euro and Tenge, respectively.*