



## DETSKY MIR GROUP INCREASES NET INCOME TO RUB 627 MLN IN H1 2016

**24 August 2016. Moscow, Russia.** Detsky Mir Group ("Detsky Mir" or "the Group"), Russia's largest children's goods retailer, announces its unaudited financial results under International Financial Reporting Standards (IFRS) for the six months ended 30 June 2016.

### **KEY FINANCIAL RESULTS FOR H1 2016**

- OIBDA<sup>1</sup> increased nearly twofold to RUB 2.4bn in H1 2016 vs RUB 1.3bn in H1 2015, while OIBDA margin reached 7.1%;
- Group revenue increased by 36.3% to RUB 33.7bn vs. RUB 24.7bn in H1 2015;
- Like-for-like sales at Detsky Mir stores in Russia grew by 13.0%<sup>2</sup>, with the number of checks growing by 1.6% and the average check increasing by 11.2%;
- Gross profit increased by 32.8% year-on-year to RUB 11.2bn vs. RUB 8.4bn in H1 2015; gross margin reached 33.2%;
- Selling, administrative and other operating expenses<sup>3</sup> as a share of revenue decreased by almost 3p.p. to 26.1% compared to 28.8% in H1 2015, driven by increased operational efficiency;
- Net income increased by 70.2% year-on-year to RUB 627mln;
- Net debt/adjusted OIBDA LTM ratio<sup>4</sup> as of 30 June 2016 improved to 1.8x vs 2.6x at the end of H1 2015.

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

*“Despite the weak macroeconomic environment Detsky Mir Group continued to demonstrate solid growth of operating and financial indicators in H1 2016.*

*Consolidated revenue increased by 36.3% year-on-year to RUB 33.7bn. Like-for-like sales at Detsky Mir stores grew by 13.0%, contributing significantly to the increase in sales.*

*Our previously approved strategy to improve operational efficiency had a positive affect on the Company's financial results. Commercial, administrative and other operating expenses as a share of revenue decreased by almost 3p.p. As a result, Detsky Mir Group's OIBDA nearly doubled year-on-year to RUB 2.4 bn. Net income also demonstrated a positive trend, increasing by 70.2% year-on-year.*

*The expansion plan is being implemented in full, and since the beginning of the year 20 new stores have been opened. In 2016, the Company is increasing its pace of expansion in Kazakhstan, with a new store having been opened in Almaty in June. At least four supermarkets in various cities across the country will be opened before the end of the year.*

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(1) OIBDA was calculated based on the financial statement under IFRS by adding depreciation costs to operating income.

(2) Here and elsewhere, like-for-like (LFL) sales and average check are calculated in Russian roubles. Trends are presented for the comparative period (H1 2016 to H1 2015) and include only Detsky Mir stores in Russia.

(3) Selling, general and administrative expenses and other operating expenses are calculated without depreciation and amortization.

(4) Adjusted OIBDA LTM excludes one-off effects related to the disposal of the Yakimanka building and payments under the long-term incentive scheme.

Business expansion typically picks up during the second half of the year.. In total the Group will open at least 80 Detsky Mir stores in 2016.

## **FINANCIAL PERFORMANCE** **IN H1 2016 VS. H1 2015**

| <i>RUB bn</i>   | <b>H1 2015</b> | <b>H1 2016</b> | <b>Change, YoY (%)</b> |
|---|----------------|----------------|------------------------|
| <b>Number of stores (units)</b>                             | <b>347</b>     | <b>444</b>     | <b>28.0%</b>           |
| <i>Detsky Mir</i> <sup>5</sup>                              | 303            | 400            | 32.0%                  |
| <i>ELC</i>  | 44             | 44             | 0.0%                   |
| <b>Selling space (thousand sq m )</b>                       | <b>411</b>     | <b>511</b>     | <b>24.3%</b>           |
| <b>Revenue</b>  | <b>24.7</b>    | <b>33.7</b>    | <b>36.3%</b>           |
| <b>Gross profit</b>   | <b>8.4</b>     | <b>11.2</b>    | <b>32.8%</b>           |
| <i>Gross margin (%)</i>                                     | 34.1%          | 33.2%          | -0.9p.p                |
| <b>Selling, administrative and other operating expenses</b> | <b>7.1</b>     | <b>8.8</b>     | <b>23.5%</b>           |
| <i>% of revenue</i>   | 28.8%          | 26.1%          | -2.7p.p                |
| <b>OIBDA</b>  | <b>1.3</b>     | <b>2.4</b>     | <b>83.1%</b>           |
| <i>OIBDA margin (%)</i>                                     | 5.3%           | 7.1%           | 1.8p.p                 |
| <b>Net income / (loss)</b>                                  | <b>0.4</b>     | <b>0.6</b>     | <b>70.2%</b>           |
| <i>Net profit margin (%)</i>                                | 1.5%           | 1.9%           | 0.4p.p                 |

## **FINANCIAL PERFORMANCE** **IN 12 MONTHS ENDED 30 JUNE 2016**

| <i>RUB bn</i>   | <b>LTM as of June 2015</b> | <b>LTM as of June 2016</b> | <b>Change YoY, %</b> |
|---|----------------------------|----------------------------|----------------------|
| <b>Revenue</b>  | <b>52.1</b>                | <b>69.5</b>                | <b>33.5%</b>         |
| <b>Gross profit</b>   | <b>19.4</b>                | <b>24.7</b>                | <b>27.3%</b>         |
| <i>Gross margin (%)</i>   | 37.2%                      | 35.5%                      | -1.7p.p              |
| <b>Selling, administrative and other operating expenses<sup>6</sup></b> | <b>14.3</b>                | <b>17.4</b>                | <b>21.6%</b>         |
| <i>% of revenue</i>   | 27.5%                      | 25.0%                      | -2.4p.p.             |
| <b>OIBDA<sup>7</sup></b>  | <b>5,1</b>                 | <b>7.3</b>                 | <b>43.3%</b>         |
| <i>OIBDA margin (%)</i>   | 9.8%                       | 10.5%                      | 0.7 p.p              |
| <b>Net income / (loss)<sup>8</sup></b>                                  | <b>2.4</b>                 | <b>2.4</b>                 | <b>3.3%</b>          |
| <i>Net profit margin (%)</i>  | 4.5%                       | 3.5%                       | -1.0p.p              |
| <b>Net debt</b>   | <b>13.0</b>                | <b>13.0</b>                | <b>0.01%</b>         |
| <i>Net debt / OIBDA (x)</i>   | 2.6x                       | 1.8x                       |                      |

(5) Net chain growth since the beginning of 2016 amounted to 19 stores including relocations

(6) Excluding one-off effects related to the disposal of the Yakimanka building and payment of bonuses under the long-term incentive scheme

(7) Excluding one-off effects related to the disposal of the Yakimanka building and payment of bonuses under the long-term incentive scheme

(8) Excluding one-off effects related to the disposal of the Yakimanka building, payment of bonuses under the long-term incentive scheme and other non-operating one-off costs

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**Detsky Mir Group** is the largest children's goods retailer in Russia. The Group includes the nationwide retail chain Detsky Mir, the ELC retail chain, and two online stores (Detsky Mir and ELC). As of 30 June 2016, Detsky Mir had 400 stores in Russia and Kazakhstan, while the ELC retail chain consisted of 44 stores in Russia. The total retail floorspace of the chain is 511 thousand sq.m. Detsky Mir's principal shareholders are Sistema JSFC (72.6%), and Russia-China Investment Fund (23.1%). Websites: [www.detmir.ru](http://www.detmir.ru), [corp.detmir.ru](http://corp.detmir.ru), [elc-russia.ru](http://elc-russia.ru)

**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, the company reported revenues of RUB 708.6 billion for 2015 and total assets of RUB 1.3 trillion as of December 31, 2015. 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. 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 PJSFC. 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 PJSFC 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 PJSFC and their activities.*