**DETSKY MIR GROUP ADJUSTED EBITDA INCREASES BY 20.6%**
**TO RUB 5.3BN IN H1 2019**

**Moscow, Russia, 26 August 2019 –** Detsky Mir Group ("Detsky Mir", "the Group" or "the Company", MOEX: DSKY), Russia's largest specialized children's goods retailer and a Sistema company (LSE: SSA, MOEX: AFKS) announces its unaudited financial results in accordance with International Financial Reporting Standards (IFRS) for the second quarter and the first half ended 30 June 2019.

## Q2 2019 FINANCIAL HIGHLIGHTS[1]

- Group unaudited revenue increased by 16.3% year-on-year to RUB 28 bn.
  - Online revenue[2] increased by 70.8% year-on-year to RUB 2.7 bn.
  - Revenue in Kazakhstan rose by 46.6% year-on-year to RUB 766 m.
- Like-for-like sales[3] at Detsky Mir stores in Russia and Kazakhstan grew by 6.7% year-on-year. The number of tickets grew by 8.5% while the average ticket price decreased by 1.7%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 6.2% year-on-year. The number of tickets grew by 7.8% while the average ticket price decreased by 1.4%.
- Like-for-like sales[4] at Detsky Mir stores in Kazakhstan increased by 38.4% year-on-year.
- Detsky Mir opened 17 new branded stores[5] in Q2 2019. The Group had 760 stores as of 30 June 2019.[6]
- Total selling space increased by 10.3% year-on-year to approximately 777,000 sq. m.
- Gross profit increased by 12.8% year-on-year to RUB 9.5 bn, with a gross margin of 33.9%.
- SG&A as a percentage of revenue[7] decreased by 1.0 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA[8] increased by 16.0% year-on-year to RUB 3.5 bn; the adjusted EBITDA margin was 12.4%. EBITDA[9] totalled RUB 3.4 bn (+18.8% year-on-year).
- Adjusted net profit[10] increased by 16.8% year-on-year to RUB 2.0 bn. Net profit totalled RUB 1.9 bn (+20.8% year-on-year).
- The net debt /adjusted EBITDA ratio stood at 1.9x as of 30 June 2019.

## H1 2019 FINANCIAL HIGHLIGHTS[1]

- Group unaudited revenue increased by 16.2% year-on-year to RUB 55.9 bn.
  - Online revenue increased by 72.3% year-on-year to RUB 5.3 bn.
  - Revenue in Kazakhstan rose by 53.1% year-on-year to RUB 1.5 bn.
- Like-for-like sales at Detsky Mir stores in Russia and Kazakhstan grew by 6.9%. The number of tickets grew by 8.3% while the average ticket price decreased by 1.3%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 6.4%. The number of tickets grew by 7.6% while the average ticket price decreased by 1.2%.
- Like-for-like sales at Detsky Mir stores in Kazakhstan increased by 37.4%.
- Detsky Mir opened 23 new branded stores[11] in H1 2019.
- Gross profit increased by 13.2% year-on-year to RUB 17.6 bn, with a gross margin of 31.5%.

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*(1) Excluding the effect of the new IFRS 16 ("Lease") accounting standards.*
*(2) This channel includes online orders at www.detmir.ru, including in-store pick-up.*
*(3) Hereinafter 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) Calculated in the national currency of Kazakhstan (tenge).*
*(5) In Q2 2019, Detsky Mir closed three stores.*
*(6) Including 66 ELC and ABC stores, as well as six Zoozavr stores.*
*(7) Hereinafter, selling, general and administrative expenses exclude D&A expenses and are adjusted for share-based compensation and cash bonuses under the LTI program*
*(8) Hereinafter, adjusted EBITDA is calculated as profit for the period before income tax, FX loss, net finance expense and D&A; adjusted for share-based compensation and cash bonuses under the LTI program. See Attachment A.*
*(9) Hereinafter, see Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.*
*(10) Hereinafter, adjusted for additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.*
*(11) In H1 2019, Detsky Mir closed eight stores.*

- SG&A as a percentage of revenue decreased by 1.1 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA increased by 20.6% year-on-year to RUB 5.3 bn; the adjusted EBITDA margin improved by 0.3 p.p. to 9.5%. EBITDA totalled RUB 5.0 bn (+21.4% year-on-year).
- Adjusted net profit increased by 14.2% year-on-year to RUB 2.5 bn. Net profit totalled RUB 2.2 bn (+14.8% year-on-year).

## EVENTS AFTER THE REPORTING PERIOD

- In August 2019, the company launched express delivery service (last mile delivery) for a charge of RUB 99 for orders placed via Detsky Mir's online store. Today this service is available in Moscow, St. Petersburg and 15 other major cities in Russia, while the time of delivery to the customer has been reduced to just several hours.
- In August 2019, Detsky Mir launched in-store pickup in the Republic of Kazakhstan. Online customers will be able to pick up their orders at any retail stores of the chain in Kazakhstan 60 minutes after placing an order.

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

*"Detsky Mir continues to grow revenue through consolidation of the children's goods market. In the first half of 2019, we increased the revenue growth rate to 16.2% year-on-year, with consolidated unaudited revenue coming in at RUB 55.9bn.*

*"Turnover increased after new stores were opened and reached full capacity. At the same time, we managed to significantly boost our customer base. The number of transactions in Detsky Mir's like-for-like stores in Russia and Kazakhstan rose by 8.3%.*

*"We are growing our e-commerce segment in line with our omni-channel business model, with in-store pickup accounting for about 85% of total online sales. In the first half of 2019, online revenue increased by 72.3% year-on-year to RUB 5.3bn.*

*"A top strategic priority for Detsky Mir is operational efficiency. Thanks to a 1.1 percentage point reduction of SG&A expenses as a percentage of revenue, the Company managed to offer its customers a broad assortment at highly affordable prices and also to improve its adjusted EBITDA margin by 0.3 percentage points to 9.5% in the first half of 2019.*

*"The Company continues to generate strong cash flow despite increased debt, which is related to investments in the logistics infrastructure and working capital. Adjusted net profit increased by 14.2% year-on-year in the first half of 2019. Net profit came under pressure from rising interest expenses and forex losses.*

*"At the end of Q2, Detsky Mir paid final dividends for 2018 in the amount of RUB 3.3bn, representing a dividend yield of more than 10%. Looking ahead, we plan to maintain high business growth rates and to continue paying significant dividends to shareholders.*

*"Rapid growth of the business, a stable financial situation and the exit of many players from the retail market have allowed us to adjust our previous goal for expansion of the retail chain in 2019: we now plan to open 90 stores versus the previously planned 70 stores."*

## OPERATING HIGHLIGHTS

| | Q2 2019 | Q2 2018 | *Change* |
|---|---|---|---|
| **Number of stores** | **760** | **650** | ***16.9%*** |
| Detsky Mir | 688 | 599 | *14.9%* |
| ELC & ABC | 66 | 51 | *29.4%* |
| Zoozavr | 6 | - | - |
| **Selling space ('000, sq.m.)** | **777** | **704** | ***10.3%*** |

| Russian Ruble (RUB), million | Q2 2019 | Q2 2018 | *Change* | H1 2019 | H1 2018 | *Change* |
|---|---|---|---|---|---|---|
| Detsky Mir in Russia | 26,991 | 23,402 | *15.3%* | 53,921 | 46,782 | *15.3%* |
| Detsky Mir in Kazakhstan | 766 | 523 | *46.6%* | 1,509 | 986 | *53.1%* |
| Other[12] | 257 | 172 | *49.1%* | 470 | 349 | *34.7%* |
| **Total Revenue** | **28,014** | **24,096** | ***16.3%*** | **55,899** | **48,116** | ***16.2%*** |

*(12) Includes performance of ELC, ABC, Zoozavr stores as well as Detmir retail chain in Belarus*

| **Detsky Mir in Russia and Kazakhstan** | **Q2 2019** | **Q2 2018** | ***Change*** | **H1 2019** | **H1 2018** | ***Change*** |
|---|---|---|---|---|---|---|
| ***Like-for-like revenue growth*** | **6.7%** | **6.7%** | - | **6.9%** | **6.2%** | *0.6 p.p.* |
| *Like-for-like number of tickets growth* | 8.5% | 9.4% | *(1.1 p.p.)* | 8.3% | 9.3% | *(1.0 p.p.)* |
| *Like-for-like average ticket growth* | -1.7% | -2.5% | *0.8 p.p.* | -1.3% | -2.9% | *1.6 p.p.* |

| **Detsky Mir in Russia** | **Q2 2019** | **Q2 2018** | ***Change*** | **H1 2019** | **H1 2018** | ***Change*** |
|---|---|---|---|---|---|---|
| ***Like-for-like revenue growth*** | **6.2%** | **6.1%** | *0.1 p.p.* | **6.4%** | **5.6%** | *0.9 p.p.* |
| *Like-for-like number of tickets growth* | 7.8% | 8.9% | *(1.1 p.p.)* | 7.6% | 8.9% | *(1.3 p.p.)* |
| *Like-for-like average ticket growth* | -1.4% | -2.6% | *1.2 p.p.* | -1.2% | -3.0% | *1.8 p.p.* |

In the first half of 2019, Detsky Mir opened 23 new retail stores; that said, in the past most new Detsky Mir stores are opened in the second half of the year. The Company achieved its goal for international expansion: in the first half of 2019 it opened four new stores in the Republic of Belarus. The first stores were launched in large shopping malls in the cities of Minsk and Gomel.

As of the end of the reporting period Detsky Mir Group included 760 retail outlets: 688 branded Detsky Mir stores in 258 cities of Russia, Kazakhstan and Belarus, 66 ELC and ABC retail chain stores and six stores of the Zoozavr chain selling products for pets. Total Group selling space was 777,000 sq m (+10.3% year-on-year).

In the first half of 2019, the Company accelerated revenue growth rates to 16.2% year-on-year, with consolidated unaudited revenue reaching RUB 55.9bn. Detsky Mir's revenue in Kazakhstan grew by 53.1% year-on-year.

Revenue growth was primarily driven by the chain's organic expansion and by new locations achieving their full design capacity. At the same time, like-for-like sales in the first half of 2019 across the Detsky Mir chain in both Russia and Kazakhstan were up 6.9% year-on-year.

In the first half of the year, toy sales accounted for 29% of Detsky Mir's total sales in Russia, making a significant contribution to revenue growth. Detsky's private labels, such as Demi Star (toys for girls), Mobicaro (toys for boys), Attivio (construction sets and arts), and BabyGo (toys for infants), also proved to be among the company's best-selling items, with their aggregate share in the total toy sales up 5.4 p.p. year-on-year, to 15.4% in the first half of 2019.

In the clothing and footwear categories the Company successfully sold out its winter collection and had strong sales of its spring-summer collection. As a result, the share of this product category in Detsky Mir's total revenue in the first half of 2019 increased by 2.1 p.p. year-on-year, up to 26%.

By the end of the first half of 2019, the online store detmir.ru generated RUB 5.3bn in revenue, up 72.3% year-on-year, or 9.8% of Detsky Mir sales in Russia (up 3.3 p.p. year-on-year), with baby products and toys accounting for nearly 72% of online sales. In-store pickup remains the most convenient and popular delivery method among our customers, accounting for 85% of online orders in the first half of the year.

## FINANCIAL HIGHLIGHTS

**Income Statement Highlights**[13]

| Russian Ruble (RUB), million | IAS 17 | | Change | IFRS 16 | |
|---|---|---|---|---|---|
| | Q2 2019 | Q2 2018 | | Q2 2019 | Q2 2018 |
| **Revenue** | **28,014** | **24,096** | ***+16.3%*** | **28,014** | **24,096** |
| Online store | 2,720 | 1,593 | *+70.8%* | 2,720 | 1,593 |
| **Gross profit** | **9,509** | **8,430** | ***+12.8%*** | **9,509** | **8,430** |
| *Gross profit margin,%* | *33.9%* | *35.0%* | *(1.1 p.p.)* | *33.9%* | *35.0%* |
| **SG&A** | **(6,054)** | **(5,444)** | ***+11.2%*** | **(3,761)** | **(3,432)** |
| *% of revenue* | *-21.6%* | *-22.6%* | *(1.0 p.p.)* | *-13.4%* | *-14.2%* |
| Other operating expenses | 4 | (4) | *+212.8%* | 4 | (4) |
| **EBITDA** | **3,367** | **2,834** | ***+18.8%*** | **5,659** | **4,846** |
| *EBITDA margin, %* | *12.0%* | *11.8%* | *+0.2 p.p.* | *20.2%* | *20.1%* |
| **Adjusted EBITDA** | **3,460** | **2,982** | ***+16.0%*** | **5,752** | **4,994** |
| *Adjusted EBITDA margin, %* | *12.4%* | *12.4%* | - | *20.5%* | *20.7%* |
| **Profit for the period** | **1,902** | **1,574** | ***+20.8%*** | **2,098** | **799** |
| *Profit margin, %* | *6.8%* | *6.5%* | *+0.3 p.p.* | *7.5%* | *3.3%* |
| **Adjusted profit for the period** | **1,976** | **1,692** | ***+16.8%*** | **2,173** | **917** |
| *Adjusted profit margin, %* | *7.1%* | *7.0%* | *+0.1 p.p.* | *7.8%* | *3.8%* |
| **Net debt** | **26,176** | **18,901** | | **26,176** | **18,901** |
| **Lease liabilities** | **-** | **-** | | **31,390** | **32,732** |
| *Net debt / EBITDA* | *2.1* | *1.7* | | | |
| *Net Debt / adjusted EBITDA* | *1.9* | *1.6* | | | |

| Russian Ruble (RUB), million | IAS 17 | | Change | IFRS 16 | |
|---|---|---|---|---|---|
| | H1 2019 | H1 2018 | | H1 2019 | H1 2018 |
| **Revenue** | **55,899** | **48,116** | ***+16.2%*** | **55,899** | **48,116** |
| Online store | 5,303 | 3,077 | *+72.3%* | 5,303 | 3,077 |
| **Gross profit** | **17,591** | **15,536** | ***+13.2%*** | **17,591** | **15,536** |
| *Gross profit margin,%* | *31.5%* | *32.3%* | *(0,8 p.p.)* | *31.5%* | *32.3%* |
| **SG&A** | **(12,259)** | **(11,100)** | ***+10.4%*** | **(7,676)** | **(7,040)** |
| *% of revenue* | *-21.9%* | *-23.1%* | *(1,1 p.p.)* | *-13.7%* | *-14.6%* |
| Other operating expenses | 2 | (13) | *+115.7%* | 2 | (13) |
| **EBITDA** | **5,013** | **4,128** | ***+21.4%*** | **9,596** | **8,188** |
| *EBITDA margin, %* | *9.0%* | *8.6%* | *+0.4 p.p.* | *17.2%* | *17.0%* |
| **Adjusted EBITDA** | **5,335** | **4,423** | ***+20.6%*** | **9,917** | **8,482** |
| *Adjusted EBITDA margin, %* | *9.5%* | *9.2%* | *+0.3 p.p.* | *17.7%* | *17.6%* |
| **Profit for the period** | **2,192** | **1,909** | ***+14.8%*** | **1,935** | **1,031** |
| *Profit margin, %* | *3.9%* | *4.0%* | *(0.1 p.p.)* | *3.5%* | *2.1%* |
| **Adjusted profit for the period** | **2,450** | **2,145** | ***+14.2%*** | **2,192** | **1,267** |
| *Adjusted profit margin, %* | *4.4%* | *4.5%* | *(0.1 p.p.)* | *3.9%* | *2.6%* |

*(13) 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. According to management opinion, this approach allows to more accurately assess the dynamics of business growth. At the same time, the methodology of calculating the lease terms was updated for the audited results of FY 2018 with IFRS 16 "Lease". As a result, the financial results using the IFRS 16 "Lease" for 1H 2019 are presented according to the updated methodology.*

In the first half of 2019, Detsky Mir significantly increased its operating income. Strong revenue growth combined with increased operational efficiency enabled the Company to increase adjusted EBITDA by 20.6% year-on-year to RUB 5.3bn, with the adjusted EBITDA margin gaining 30 b.p. year-on-year to 9.5%.

In 2019, the Company continued investing in prices in order to attract customers from competing retailers. As a result of this strategy, the gross income margin decreased by 80 b.p. year-on-year, down to 31.5%. At the same time, the Company developed private labels and switched to direct contracts, making it possible to offer customers popular goods at the lowest prices on the market, while maintaining high profit margins. Private labels and direct import accounted for 39.9% of total turnover (+600 b.p. year-on-year).

Detsky Mir is committed to continuous enhancement of operational efficiency by cutting operating costs, primarily rental and personnel costs, through improvement of commercial lease terms. In the first half of 2019, rental expenses as a percentage of revenue decreased by 0.5 p.p. year-on-year. Replacement of paper leaflets by electronic mail-outs enabled the company to cut its marketing expenses as a percentage of revenue by 0.3 p.p. year-on-year.

Adjusted selling, general and administrative expenses less amortisation, depreciation and LTI expenses as a percentage of revenue in the first half of 2019 fell to 21.9%, down by 1.1 p.p. compared to the same period of last year.

**Selling, General and Administrative (SG&A) Expenses**

| Russian Ruble (RUB), million | IAS 17 | | | IFRS 16 | |
|---|---|---|---|---|---|
| | **Q2 2019** | **Q2 2018** | *Change* | **Q2 2019** | **Q2 2018** |
| Payroll | **2,393** | **2,014** | ***+18.8%*** | **2,393** | **2,014** |
| *% of revenue* | 8.5% | 8.4% | *+0.1 p.p.* | 8.5% | 8.4% |
| Rent & Utilities | **2,560** | **2,403** | ***+6.5%*** | **316** | **391** |
| *% of revenue* | 9.1% | 10.0% | *(0.9 p.p.)* | 1.1% | 1.6% |
| Advertising & Marketing | **168** | **236** | ***-28.6%*** | **168** | **236** |
| *% of revenue* | 0.6% | 1.0% | *(0.4 p.p.)* | 0.6% | 1.0% |
| Other | **933** | **791** | ***+17.9%*** | **884** | **791** |
| *% of revenue* | 3.3% | 3.3% | - | 3.2% | 3.3% |
| **SG&A (excl. D&A and LTI)** | **6,054** | **5,444** | ***+11.2%*** | **3,761** | **3,432** |
| *% of revenue* | 21.6% | 22.6% | *(1.0 p.p.)* | 13.4% | 14.2% |
| **Depreciation and amortisation** | **633** | **521** | ***+21.6%*** | **2,432** | **2,432** |
| *% of revenue* | 2.3% | 2.2% | *+0.1 p.p.* | 8.7% | 10,1% |
| **Additional bonus accruals under the LTI program** | **93** | **148** | ***-36.9%*** | **93** | **148** |
| *% of revenue* | 0.3% | 0.6% | *(0.3 p.p.)* | 0.3% | 0.6% |

| Russian Ruble (RUB), million | IAS 17 | | | IFRS 16 | |
|---|---|---|---|---|---|
| | **H1 2019** | **H1 2018** | *Change* | **H1 2019** | **H1 2018** |
| Payroll | **4,791** | **4,147** | ***+15.5%*** | **4,791** | **4,147** |
| *% of revenue* | 8.6% | 8.6% | - | 8.6% | 8.6% |
| Rent & Utilities | **5,239** | **4,775** | ***+9.7%*** | **705** | **715** |
| *% of revenue* | 9.4% | 9,9% | *(0.5 p.p.)* | 1.3% | 1.5% |
| Advertising & Marketing | **488** | **571** | ***-14.6%*** | **488** | **571** |
| *% of revenue* | 0.9% | 1.2% | *(0.3 p.p.)* | 0.9% | 1.2% |
| Other | **1,742** | **1,606** | ***+8.4%*** | **1,692** | **1,606** |
| *% of revenue* | 3.1% | 3.3% | *(0.2 p.p.)* | 3.0% | 3.3% |
| **SG&A (excl. D&A and LTI)** | **12,259** | **11,100** | ***+10.4%*** | **7,676** | **7,040** |
| *% of revenue* | 21.9% | 23.1% | *(1.1 p.p.)* | 13.7% | 14.6% |

| | | | | | |
|---|---|---|---|---|---|
| **Depreciation and amortisation** | **1,225** | **1,029** | ***+19.1%*** | **4,875** | **4,695** |
| *% of revenue* | 2.2% | 2.1% | *+0.1 p.p.* | 8.7% | 9.8% |
| **Additional bonus accruals under the LTI program** | **322** | **295** | ***+9.1%*** | **322** | **295** |
| *% of revenue* | 0.6% | 0.6% | - | 0.6% | 0.6% |

Net interest expenses as a percentage of revenue grew by 30 b.p. year-on-year due to increased debt and seasonality factors. Detsky Mir's average weighted cost of debt as of the end of the reporting period amounted to 8.8%.

As of the end of the reporting period, the effective income tax rate declined to 6.3% mainly due to accounted inventory shortages, as well as filing of an amended income tax return for 2018. The total amount of adjustments was RUB 320m. The costs related to depreciation of fixed and intangible assets as a percentage of revenue increased by 10 b.p. in the first half of 2019 year-on-year, reaching 2.2%. In the reporting period Detsky Mir had losses from forex rate differences totalling RUB 286m, compared to RUB 143m in income in the first half of 2018.

Adjusted net profit in the first half of 2019 rose by 14.2% year-on-year and amounted to RUB 2.5bn. This result was mostly driven by an increase in interest expenses and a loss from forex rate differences. The adjusted net profit margin was 4.4% (-10 b.p. year-on-year).

**Consolidated Cash Flow Statement Highlights**

| **Russian Ruble (RUB), million** | **IAS 17** | | | **IFRS 16** | |
|---|---|---|---|---|---|
| | **Q2 2019** | **Q2 2018** | ***Change*** | **Q2 2019** | **Q2 2018** |
| **Adjusted EBITDA** | **3,460** | **2,982** | ***+16.0%*** | **5,752** | **4,994** |
| *Add / (deduct):* | | | | | |
| Change in working capital | (1,950) | (2,031) | *-4.0%* | (1,937) | (1,651) |
| Net interest and income tax paid | (553) | (345) | *+60.0%* | (802) | (1,837) |
| Other operating cash flows | (43) | 115 | *-137.2%* | (91) | 115 |
| **Net cash flows generated from operating activities** | **914** | **720** | ***+27.0%*** | **2,922** | **1,621** |
| **Net cash used in investing activities** | **(741)** | **(412)** | ***+79.7%*** | **(741)** | **(412)** |
| **Net cash generated from financing activities** | **(195)** | **(488)** | ***-60.1%*** | **(2,203)** | **(1,388)** |
| **Net increase/(decrease) in cash & cash equivalents** | **(21)** | **(180)** | ***+88.3%*** | **(21)** | **(180)** |

| **Russian Ruble (RUB), million** | **IAS 17** | | | **IFRS 16** | |
|---|---|---|---|---|---|
| | **H1 2019** | **H1 2018** | ***Change*** | **H1 2019** | **H1 2018** |
| **Adjusted EBITDA** | **5,335** | **4,423** | ***+20.6%*** | **9,917** | **8,482** |
| *Add / (deduct):* | | | | | |
| Change in working capital | (6,893) | (7,134) | *-3.4%* | (6,681) | (6,754) |
| Net interest and income tax paid | (1,647) | (1,148) | *+43.5%* | (2,905) | (2,640) |
| Other operating cash flows | 143 | 179 | *-19.7%* | 95 | 179 |
| **Net cash flows generated from operating activities** | **(3,062)** | **(3,680)** | ***-16.8%*** | **427** | **(732)** |
| **Net cash used in investing activities** | **(1,596)** | **(730)** | ***+118.6%*** | **(1,596)** | **(730)** |
| **Net cash generated from financing activities** | **2,641** | **2,039** | ***+29.5%*** | **(848)** | **(908)** |
| **Net increase/(decrease) in cash & cash equivalents** | **(2,017)** | **(2,370)** | ***+14.9%*** | **(2,017)** | **(2,370)** |

In the first half of 2019, operating cash flows before changes in working capital (adjusted EBITDA) grew by 20.6% year-on-year, reaching RUB 5.3bn. Investments in working capital dropped by 3.4% year-on-year to RUB 6.9bn. Changes in working capital were driven by the repayment of receivables (bonuses from suppliers) and a drop in accounts payable due to seasonality factors and the increased share of direct import and private labels. The amount of net interest expenses and income tax in the reporting period increased by 43.5%, reaching RUB 1.6bn.

As a result, the amount of cash funds used in operating activities totalled RUB 3.1bn in the first half of 2019 compared to RUB 3.7bn in the same period of last year.

The amount of cash funds used to finance investment activities and acquire fixed and intangible assets increased to RUB 1.6bn in the first half of 2019 compared to RUB 730m in the same period of the previous year. The increase in capital expenses was driven by a RUB 306m advance payment (net of VAT) for a property purchased to house the Company's new flagship store in Moscow. Moreover, the Company invested RUB 378m in purchasing equipment for its new distribution centre Bekasovo-2 that was launched at the end of 2018.

Proceeds from financing activities in the reporting period amounted to RUB 2.6bn, versus RUB 2bn in the same period of last year. The growth of this indicator was driven by the drawdown of funds from open credit facilities in order to finance the Company's investment programme.

As of 30 June 2019, Detsky Mir's total debt was RUB 27.5bn, with short-term loans accounting for 78.4%, and long-term loans accounting for 21.6%. The Company's Net Debt amounts to RUB 26.2bn. All of the Company's debt is denominated in roubles. As of 30 June 2019, the Company's available undrawn credit limit with leading Russian and international banks totalled RUB 25.1bn. Net debt/adjusted EBITDA rose to 1.9x, mostly due to investments in the new distribution centre Bekasovo-2 and additional contributions to working capital.

Additional information is available on the Company's website https://ir.detmir.ru/

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**<u>Conference Call Information</u>**

Detsky Mir's management will host a conference call today at 17:00 (Moscow time) / 15:00 (London time) / 10:00 (New York time) to discuss the Company's H1 2019 unaudited IFRS Financial Results.

The dial-in numbers for the conference call are:

**Russia**
+7 495 646 93 15

**UK**
+44 207 194 37 59

**USA**
+1 646 722 49 16

**PIN**
227 092 47#

**For additional information:**


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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 Zoozavr pet supplies retail chain. The company operates a network of 688 Detsky Mir stores located in 258 cities in Russia, Kazakhstan and Belarus, as well as 51 ELC and 15 ABC stores as of 30 June 2019. The Zoozavr retail chain comprises six stores. Total selling space was approximately 777,000 square meters.

In accordance with the audited Financial Statements under IFRS, Group revenue amounted to RUB 110.9 bn for FY 2018, adjusted EBITDA totalled RUB 12.7 bn and adjusted profit amounted to RUB 7.2 bn.

Detsky Mir Group's shareholder structure as of the date of this announcement is as follows: PJSC Sistema[14] - 52.10%, Russia-China Investment Fund (RCIF) [15] - 14.03%, other shareholders owning less than 5% of the shares - 33.87%.

*(13) 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.*

Lear more at detmir.ru, elc-russia.ru, ir.detmir.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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*(14) 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.*

**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 2019** | **Q2 2018** | **Q2 2019** | **Q2 2018** |
| **Profit for the period** | **1,902** | **1,574** | **2,098** | **799** |
| *Add / (deduct):* | | | | |
| Finance income | (1) | (0.3) | (2) | (0.3) |
| Finance expense | 606 | 457 | 855 | 1,526 |
| Profit from taking control in the subsidiary | - | - | - | - |
| Foreign exchange loss | 104 | (130) | 104 | (130) |
| Income tax expense | 123 | 413 | 172 | 219 |
| Depreciation and amortisation | 633 | 521 | 2,432 | 2,432 |
| **EBITDA** | **3,367** | **2,834** | **5 659** | **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) | 93 | 148 | 93 | 148 |
| **Adjusted EBITDA** | **3,460** | **2,982** | **5,752** | **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 2019** | **Q2 2018** | **Q2 2019** | **Q2 2018** |
| **Profit for the period** | **1,902** | **1,574** | **2,098** | **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 | 74 | 118 | 74 | 118 |
| **Adjusted profit for the period** | **1,976** | **1,692** | **2,173** | **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 2019 | H1 2018 | H1 2019 | H1 2018 |
| **Profit for the period** | **2,192** | **1,909** | **1,935** | **1,031** |
| *Add / (deduct):* | | | | |
| Finance income | (3) | (2) | (6) | (2) |
| Finance expense | 1,164 | 846 | 2,422 | 2,337 |
| Profit from taking control in the subsidiary | - | - | - | - |
| Foreign exchange loss | 286 | (143) | 286 | (143) |
| Income tax expense | 148 | 489 | 84 | 270 |
| Depreciation and amortisation | 1,225 | 1,029 | 4,875 | 4,695 |
| **EBITDA** | **5,013** | **4,128** | **9 596** | **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) | 322 | 295 | 322 | 295 |
| **Adjusted EBITDA** | **5,335** | **4,423** | **9,917** | **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 2019 | H1 2018 | H1 2019 | H1 2018 |
| **Profit for the period** | **2,192** | **1,909** | **1,935** | **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 | 257 | 236 | 257 | 236 |
| **Adjusted profit for the period** | **2,450** | **2,145** | **2,192** | **1,267** |