DETSKY MIR GROUP ADJUSTED EBITDA INCREASES BY 18.5%
TO RUB 9.5BN IN 9M 2019

Moscow, Russia, 7 November 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 third quarter and the nine months ended 30 September 2019.

Q3 2019 FINANCIAL HIGHLIGHTS[1]

- Group unaudited revenue increased by 19.3% year-on-year to RUB 34.0 bn.
  - Online revenue[2] increased by 64.5% year-on-year to RUB 3.4 bn.
  - Revenue in Kazakhstan rose by 51.2% year-on-year to RUB 1.1 bn.
- Like-for-like revenue[3] at Detsky Mir stores in Russia and Kazakhstan grew by 10.7%. The number of tickets grew by 9.6%, while the average ticket increased by 1.0%.
- Like-for-like revenue at Detsky Mir stores in Russia grew by 10.2%. The number of tickets grew by 9.1%, while the average ticket increased by 1.0%.
- Like-for-like revenue [4] at Detsky Mir stores in Kazakhstan increased by 42.2%.
- Detsky Mir opened 22 new branded stores in Q3 2019. The Group had 780 stores as of 30 September 2019.[5]
- Total selling space increased by 11.2% year-on-year to approximately 794,000 sq. m.
- Gross profit increased by 12.6% year-on-year to RUB 10.7 bn, with a gross margin of 31.5%.
- SG&A as a percentage of revenue[6] decreased by 1.5 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA[7] increased by 15.8% year-on-year to RUB 4.2 bn; the adjusted EBITDA margin was 12.3%. EBITDA[8] totalled RUB 4.1 bn (+16.9% year-on-year).
- Adjusted net profit[9] increased by 9.9% year-on-year to RUB 2.4 bn. Net profit totalled RUB 2.4 bn (+11.0% year-on-year).
- The net debt[10]/adjusted EBITDA LTM ratio stood at 1.4x as of 30 September 2019.

9M 2019 FINANCIAL HIGHLIGHTS[1]

- Group unaudited revenue increased by 17.3% year-on-year to RUB 89.8 bn.
  - Online revenue increased by 69.2% year-on-year to RUB 8.7 bn.
  - Revenue in Kazakhstan rose by 52.3% year-on-year to RUB 2.6 bn.
- Like-for-like revenue at Detsky Mir stores in Russia and Kazakhstan grew by 8.2%. The number of tickets grew by 8.8%, while the average ticket decreased by 0.5%.
- Like-for-like revenue at Detsky Mir stores in Russia grew by 7.7%. The number of tickets grew by 8.1%, while the average ticket decreased by 0.4%.

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(1)The Company's consolidated financial measures for 2018-2019 and related interim periods are based on proforma financial information prepared as if IFRS 16 'Leases' had not been adopted, and thus do not represent IFRS measures.
(2) This channel includes online orders at www.detmir.ru (including sales via "in-store pickup" service).
(3) Hereinafter like-for-like average ticket growth, number of tickets growth and revenue growth are based on stores in operation for at least 12 full calendar months. Revenue of each store included into like-for-like comparison represents retail revenue of the store (including VAT, excluding plastic bags and revenue from online orders delivered by couriers) for respective period but excludes store revenue for those months in which the store was not operating for 3 days or more.
(4) Calculated in the national currency of Kazakhstan (tenge).
(5) Including 62 ELC and ABC stores, as well as eight Zoozavr stores.
(6) Hereinafter, selling, general and administrative expenses is calculated as selling, general and administrative expenses adjusted for depreciation and amortization expenses, additional share-based compensation expense and cash bonuses under the LTI program.
(7) Hereinafter, adjusted EBITDA is calculated as profit for the period before income tax expense, foreign exchange (loss)/gain, gain on acquisition of controlling interest in associate, finance expense, finance income, depreciation and amortization, adjusted for share-based compensation expense and cash bonuses under the LTI program. See Attachment A.
(8) Hereinafter, see Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.
(9) Hereinafter, adjusted net profit is calculated as profit for the period adjusted for the share-based compensation expense and cash bonuses under the LTI program. See Attachment A.
(10) Hereinafter, net debt is calculated as total borrowings (defined as long term loans and borrowings and short-term loans and borrowings and current portion of long-term loans and borrowings) less cash and cash equivalents. Lease liabilities are not included in the calculation of net debt. Adj. EBITDA LTM is calculated as adj. EBITDA (as defined above) for the last 12-months period.

- Like-for-like revenue at Detsky Mir stores in Kazakhstan increased by 39.4%.
- Detsky Mir opened 45 new branded stores[11] in 9M 2019.
- Gross profit increased by 13.0% year-on-year to RUB 28.3 bn, with a gross margin of 31.5%.
- SG&A as a percentage of revenue decreased by 1.3 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA increased by 18.5% year-on-year to RUB 9.5 bn; the adjusted EBITDA margin improved by 0.1 p.p. to 10.6%. EBITDA totalled RUB 9.1 bn (+19.3% year-on-year).
- Adjusted net profit increased by 12.0% year-on-year to RUB 4.9 bn. Net profit totalled RUB 4.6 bn (+12.8% year-on-year).

EVENTS AFTER THE REPORTING PERIOD

- In November 2019, the Board of Directors recommended that the EGM (to be held by absentee vote with the final date for receipt of completed ballots on December 6, 2019) approved an interim dividend for the nine months of 2019 totalling RUB 3.7 bn, representing a payment of RUB 5.06 per ordinary share. The Board also recommended that the EGM set the record date establishing eligibility to receive the dividend as 17 December 2019.
- In November 2019, Detsky Mir launched the pilot of a full-feature mobile application, which provides customers with ability to make purchases via the convenient online interface while using a virtual loyalty program card.
- In October 2019, the Company launched next-day delivery service (last mile delivery) for a charge of RUB 99 for orders placed via Detsky Mir's online store, making this service available to 30 major Russian cities. Compared to express delivery, this service offers lower price, wider geographical coverage, including regional cities, as well as a wider assortment of goods.
- In October 2019, the Board of Directors approved a new Long Term Incentive Plan (LTIP) for the senior management of Detsky Mir. The new LTIP covers the 3-year period from the end date of the current program (Feb 8, 2020) through February 7, 2023. Senior executives who are program members and continue to be employed by the Company on April 30, 2024 will be eligible for share grants and cash payments totalling up to 4.6% of the increase in the Company’s stock market value (inclusive of dividend payments) over the three-year period. The new LTIP includes more than 20 key employees.

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

“In the first nine months of 2019, we continued to actively consolidate the children’s goods market in Russia, Kazakhstan and Belarus. Our consolidated unaudited revenue grew by 17.3% year-on-year to RUB 89.8bn.

“Our biggest achievement for the past nine months has been the strong growth of like-for-like revenue *at Detsky Mir stores in Russia and Kazakhstan, which were up 8.2% in 9M 2019. As new stores reach their designed capacity, they also start making a significant contribution to the growth of the Company’s turnover. This year, we expect to open at least 100 Detsky Mir stores instead of the previously planned 90. As many as 45 stores have already been opened, and the rest will open in the last quarter, during the peak sales period.*

“At the same time, we have demonstrated excellent results in the e-commerce segment. Revenue from our online store, www.detmir.ru, surged by 69.2% to RUB 8.7bn, and its share in Detsky Mir's total revenue in September was 11.7%. We believe that the further development of our omnichannel business model, as well as the continuous improvement of service level across all online orders delivery channels, will provide for a 30% share of the online store in Detsky Mir's total revenue in the medium term.

“We continue looking for new opportunities to optimize the Company’s operating expenses. This year, lease and marketing expenses have been the key factors behind Detsky Mir’s improving operational efficiency. In 9M 2019, the amount of selling, general and administrative expenses (net of management bonuses) as a percentage of revenue fell by 130 b.p. year-on-year. Such savings enable us to further reduce prices, which would in turn increase customer traffic. At the same time, we managed to increase the adjusted EBITDA margin for 9M 2019 by 10 b.p. year-on-year.

“Thanks to a strict investment discipline, we are successfully balancing a brisk pace of business growth with high dividend payments, while maintaining a low debt burden. The Board of Directors recommended that the General Meeting of Shareholders allocate all of the Company’s net income under RAS, a total of RUB 3.7bn, for dividend payments. This means that the dividend payout this year may grow by 15% compared to 2018. As we look ahead, we plan to maintain high business growth rates and to continue paying significant dividends to our shareholders.”

(11) In 9M 2019, Detsky Mir closed eight stores.

OPERATING HIGHLIGHTS

	Q3 2019	Q3 2018	*Change*
Number of stores	**780**	**666**	***+17.1%***
Detsky Mir	710	610	*+16.4%*
ELC & ABC	62	56	*+10.7%*
Zoozavr	8	-	-
Selling space ('000, sq.m.)	**794**	**714**	***+11.2%***

Russian Ruble (RUB), million	Q3 2019	Q3 2018	*Change*	9M 2019	9M 2018	*Change*
Detsky Mir in Russia	32,504	27,545	*+18.0%*	86,425	74,327	*+16.3%*
Detsky Mir in Kazakhstan	1,064	704	*+51.2%*	2,573	1,690	*+52.3%*
Other[12]	382	200	*+90.6%*	851	549	*+55.1%*
Total Revenue	**33,950**	**28,449**	***+19.3%***	**89,850**	**76.566**	***+17.3%***

Detsky Mir in Russia and Kazakhstan	Q3 2019	Q3 2018	*Change*	9M 2019	9M 2018	*Change*
Like-for-like revenue growth	**10.7%**	**4.1%**	*+6.6 p.p.*	**8.2%**	**5.2%**	*+3.0 p.p.*
Like-for-like number of tickets growth	9.6%	5.4%	*+4.2 p.p.*	8.8%	7.7%	*+1.1 p.p.*
Like-for-like average ticket growth	1.0%	-1.3%	*+2.3 p.p.*	-0.5%	-2.3%	*+1.8 p.p.*

Detsky Mir in Russia	Q3 2019	Q3 2018	*Change*	9M 2019	9M 2018	*Change*
Like-for-like revenue growth	**10.2%**	**3.7%**	*+6.5 p.p.*	**7.7%**	**4.9%**	*+2.8 p.p.*
Like-for-like number of tickets growth	9.1%	5.2%	*+3.9 p.p.*	8.1%	7.5%	*+0.6 p.p.*
Like-for-like average ticket growth	1.0%	-1.5%	*+2.5 p.p.*	-0.4%	-2.4%	*+2.0 p.p.*

In the first nine months of 2019, Detsky Mir opened 45 new retail stores; with more openings to come this year, as historically most new Detsky Mir stores are opened in the fourth quarter of a year. The Company also advanced its international expansion strategy, where in the first nine months of 2019 it opened five new stores in the Republic of Belarus, starting with stores launches in large shopping malls in the cities of Minsk, Gomel and Mogilev.

As of the end of the reporting period, Detsky Mir Group had 780 retail outlets: 710 branded Detsky Mir stores in 266 cities of Russia, Kazakhstan and Belarus, 62 ELC and ABC retail chain stores and eight Zoozavr stores selling pet supplies. Total Group selling space was 794,000 sq m (+11.2% year-on-year).

In the first nine months of 2019, the Company accelerated its revenue growth rates to 17.3% year-on-year, with consolidated unaudited revenue reaching RUB 89.8bn. Detsky Mir's revenue in Kazakhstan grew by more than 1.5x 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 nine months of 2019 across the Detsky Mir chain in both Russia and Kazakhstan were up 8.2% year-on-year.

Detsky Mir successfully completed the back-to-school season, which significantly boosted sales. Clothing and footwear remained the key categories in terms of growth rates and volumes during this season. In 2019, the share of these products as a percentage of total revenue in Russia rose 2.2p.p. YoY to 28.8%. We also achieved excellent results in the stationery category, including a doubling of the number of private labels, while increasing the share of private labels in sales of this category by 3.3 p.p. YoY to 17.4% in the first nine months of 2019.

In the first nine months of 2019, the online store detmir.ru generated RUB 8.7bn in revenue, up 69.2% year-on-year, or 10.0% of Detsky Mir revenue in Russia (up 3.1 p.p. year-on-year), with baby products and toys accounting for nearly 72% of online

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

revenue. In-store pickup remains the most convenient and popular delivery method among our customers, accounting for 87% of online orders in the first nine months of the year.

FINANCIAL HIGHLIGHTS

Income Statement Highlights[13]

Russian Ruble (RUB), million	IAS 17		Change	IFRS 16	
	Q3 2019	Q3 2018		Q3 2019	Q3 2018
Revenue	**33,950**	**28,449**	***+19.3%***	**33,950**	**28,449**
Online store	3,369	2,048	*+64,5%*	3,369	2,048
Gross profit	**10,685**	**9,488**	***+12.6%***	**10,685**	**9,488**
Gross profit margin,%	*31.5%*	*33.4%*	*-1.9 p.p.*	*31.5%*	*33.4%*
SG&A	(6,494)	(5,868)	+10.7%	(4,326)	(3,668)
% of revenue	*-19.1%*	*-20.6%*	*-1.5 p.p.*	*-12.7%*	*-12.9%*
Other operating expenses	(10)	(11)	*-6.1%*	(10)	(10)
EBITDA	**4,074**	**3,486**	***+16.9%***	**6,242**	**5,687**
EBITDA margin, %	*12.0%*	*12.3%*	*-0.3 p.p.*	*18.4%*	*20.0%*
Adjusted EBITDA	**4,180**	**3,609**	***+15.8%***	**6,349**	**5,810**
Adjusted EBITDA margin, %	12.3%	12.7%	*-0.4 p.p.*	18.7%	20.4%
Profit for the period	**2,360**	**2,126**	***+11.0%***	**2,148**	**2,370**
Profit margin, %	*7.0%*	*7.5%*	*-0.5 p.p.*	*6.3%*	*8.3%*
Adjusted profit for the period	**2,445**	**2,225**	***+9.9%***	**2,233**	**2,469**
Adjusted profit margin, %	7.2%	7.8%	*-0.6 p.p.*	6.6%	8.7%
Net debt	**20,188**	**16,139**		**20,188**	**16,139**
Lease liabilities	**-**	**-**		**31,710**	**30,152**
Net debt / EBITDA	*1.5*	*1.4*			
Net Debt / adjusted EBITDA	*1.4*	*1.3*			

Russian Ruble (RUB), million	IAS 17		Change	IFRS 16	
	9M 2019	9M 2018		9M 2019	9M 2018
Revenue	**89,850**	**76,566**	***+17.3%***	**89,850**	**76,566**
Online store	8,672	5,126	*+69.2%*	8,672	5,126
Gross profit	**28,277**	**25,024**	***+13.0%***	**28,277**	**25,024**
Gross profit margin,%	*31.5%*	*32.7%*	*-1.2 p.p.*	*31.5%*	*32.7%*
SG&A	(18,753)	(16,968)	+10.5%	(12,002)	(10,708)
% of revenue	*-20.9%*	*-22.2%*	*-1.3 p.p.*	*-13.4%*	*-14.0%*
Other operating expenses	(8)	(24)	*-64.7%*	(8)	(23)
EBITDA	**9,087**	**7,614**	***19.3%***	**15,838**	**13,875**
EBITDA margin, %	*10.1%*	*9.9%*	*+0.2 p.p.*	*17.6%*	*18.1%*
Adjusted EBITDA	**9,515**	**8,032**	***+18.5%***	**16,266**	**14,292**
Adjusted EBITDA margin, %	10.6%	10.5%	*+0.1 p.p.*	18.1%	18.7%
Profit for the period	**4,552**	**4,036**	***+12.8%***	**4,082**	**3,401**
Profit margin, %	*5.1%*	*5.3%*	*-0.2 p.p.*	*4.5%*	*4.4%*
Adjusted profit for the period	**4,895**	**4,370**	***+12.0%***	**4,425**	**3,735**
Adjusted profit margin, %	5.4%	5.7%	*-0.3 p.p.*	4.9%	4.9%

(13) The Company has applied IFRS 16 "Leases" for its audited financial results beginning on January 1, 2018. However, this table provides a comparison of key financial indicators on an IAS 17 basis, as in management's opinion, this approach allows the Company to more accurately assess the trends and dynamics of its business growth. This table also provides our financial results on an IFRS 16 basis.
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In the first nine months 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 18.5% year-on-year to RUB 9.5bn. The adjusted EBITDA margin increased by 10 b.p. year-on-year, to 10.6%.

In 2019, the Company continued to focus on price leadership to attract customers from competing retailers. As a result of this strategy, the gross income margin decreased by 120 b.p. year-on-year 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 what the Company believes are the lowest prices on the market while maintaining high profit margins. Private labels and direct imports accounted for 42.4% of total turnover (+650 b.p. year-on-year).

Detsky Mir is committed to the continuous enhancement of operational efficiency by reducing operating costs, primarily rental and personnel costs, and through improvement of commercial lease terms. In the first nine months of 2019, rental expenses as a percentage of revenue decreased by 0.7 p.p. year-on-year. Replacement of paper marketing materials with electronic communications enabled the company to cut marketing expenses as a percentage of revenue by 0.3 p.p. year-on-year.

Adjusted SG&A less amortisation, depreciation and LTI expenses as a percentage of revenue in the first nine months of 2019 decreased to 20.9%, down 1.3 p.p. compared to the same period of last year.

Selling, General and Administrative (SG&A) Expenses

Russian Ruble (RUB), million	**IAS 17**		***Change***	**IFRS 16**	
	Q3 2019	**Q3 2018**		**Q3 2019**	**Q3 2018**
Payroll	**2,418**	**2,139**	***+13.0%***	**2,418**	**2,139**
% of revenue	7.1%	7,5%	*-0.4 p.p.*	7.1%	7.5%
Rent & Utilities	**2,691**	**2,531**	***+6.3%***	**473**	**333**
% of revenue	7.9%	8.9%	*-1.0 p.p.*	1.4%	1.2%
Advertising & Marketing	**335**	**330**	***+1.5%***	**335**	**330**
% of revenue	1.0%	1.2%	*-0.2 p.p.*	1.0%	1.2%
Other	**1,050**	**867**	***+21.1%***	**1,099**	**865**
% of revenue	3.1%	3.0%	*+0.05 p.p.*	3.2%	3.0%
SG&A (excl. D&A and LTI)	**6,494**	**5,868**	***10.7%***	**4,326**	**3,668**
% of revenue	19.1%	20.6%	*-1.5 p.p.*	12.7%	12.9%
Depreciation and amortisation	**661**	**548**	***+20.6%***	**2,556**	**2,156**
% of revenue	1.9%	1.9%	*+0.02 p.p.*	7.5%	7.6%
Additional bonus accruals under the LTI program	**107**	**123**	***-13.2%***	**107**	**123**
% of revenue	0.3%	0.4%	*-0.1 p.p.*	0.3%	0.4%

Russian Ruble (RUB), million	**IAS 17**		***Change***	**IFRS 16**	
	9M 2019	**9M 2018**		**9M 2019**	**9M 2018**
Payroll	**7,209**	**6,287**	***+14.7%***	**7,209**	**6,287**
% of revenue	8.0%	8.2%	*-0.2 p.p.*	8.0%	8.2%
Rent & Utilities	**7,929**	**7,306**	***+8.5%***	**1,178**	**1,049**
% of revenue	8.8%	9.5%	*-0.7 p.p.*	1.3%	1.4%
Advertising & Marketing	**823**	**902**	***-8.7%***	**823**	**902**
% of revenue	0.9%	1.2%	*-0.3 p.p.*	0.9%	1.2%
Other	**2,792**	**2,473**	***+12.9%***	**2,792**	**2,471**
% of revenue	3.1%	3.2%	*-0.1 p.p.*	3.1%	3.2%
SG&A (excl. D&A and LTI)	**18,753**	**16,968**	***+10.5%***	**12,002**	**10,708**
% of revenue	20.9%	22.2%	*-1.3 p.p.*	13.4%	14.0%

Depreciation and amortisation	**1,886**	**1,576**	***+19.6%***	**7,431**	**6,851**
% of revenue	2.1%	2.1%	*+0.04 p.p.*	8.3%	8.9%
Additional bonus accruals under the LTI program	**429**	**417**	***+2.7%***	**429**	**417**
% of revenue	0.5%	0.5%	*-0.07 p.p.*	0.5%	0.5%

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 8.4%.

In the first nine months of 2019, the effective income tax rate declined to 12.9% mainly due to accounted inventory shortages allowances in income tax, as well as the filing of an amended income tax return for 2018. Total tax adjustments amounted to RUB 372m. Costs related to depreciation of fixed assets and amortisation of intangible assets as a percentage of revenue were stable in the first nine months of 2019 year-on-year, at 2.1%. During the same reporting period Detsky Mir had FX losses from totalling RUB 194m, compared to RUB 175m in income in the first nine months of 2018.

Adjusted net profit in the first nine months of 2019 rose by 12.0% year-on-year to RUB 4.9bn. Adjusted net profit margin was 5.4% (-30 b.p. year-on-year).

Consolidated Cash Flow Statement Highlights

Russian Ruble (RUB), million	**IAS 17**			**IFRS 16**	
	Q3 2019	**Q3 2018**	***Change***	**Q3 2019**	**Q3 2018**
Adjusted EBITDA	**4,180**	**3,609**	***+15.8%***	**6,349**	**5,810**
Add / (deduct):					
Change in working capital	3,078	176	*+1,652.2%*	2,929	84
Net interest and income tax paid	(703)	(579)	*+21.3%*	(1,243)	(871)
Other operating cash flows	377	169	*+122.4%*	425	166
Net cash flows generated from operating activities	**6,932**	**3,375**	***+105.4%***	**8,460**	**5,189**
Net cash used in investing activities	**(949)**	**(553)**	***+71.6%***	**(949)**	**(553)**
Net cash used from financing activities	**(6,584)**	**(2,128)**	***+209.4%***	**(8,112)**	**(3,942)**
Net (decrease) /increase in cash & cash equivalents	**(601)**	**694**	***+186.6%***	**(601)**	**694**

Russian Ruble (RUB), million	**IAS 17**			**IFRS 16**	
	9M 2019	**9M 2018**	***Change***	**9M 2019**	**9M 2018**
Adjusted EBITDA	**9,515**	**8,032**	***+18.5%***	**16,266**	**14,292**
Add / (deduct):					
Change in working capital	(3,815)	(6,958)	*-45.2%*	(3,752)	(6,670)
Net interest and income tax paid	(2,350)	(1,727)	*+36.0%*	(4,147)	(3,511)
Other operating cash flows	520	348	*+49.5%*	520	345
Net cash flows generated from operating activities	**3,870**	**(306)**	***+1,365,6%***	**8,887**	**4,456**
Net cash used in investing activities	**(2,545)**	**(1,283)**	***+98,4%***	**(2,545)**	**(1,283)**
Net cash used from financing activities	**(3,943)**	**(88)**	***+4,362,7%***	**(8,961)**	**(4,850)**
Net (decrease) /increase in cash & cash equivalents	**(2,618)**	**(1,677)**	***+56,1%***	**(2,618)**	**(1,677)**

In the first nine months of 2019, operating cash flows before changes in working capital (adjusted EBITDA) grew by 18.5% year-on-year, reaching RUB 9.5bn. Investments in working capital decreased by 45.2% year-on-year to RUB 3.8bn. Changes in working capital were driven by the stock optimization, as well as the collection of supplier bonuses. Net interest expenses and income tax in the reporting period increased by 36.0%, reaching RUB 2.3bn.

As a result, cash from operating activities totalled RUB 3.9bn in the first nine months of 2019 compared to cash used in operating activities of RUB 306m in the same period of the previous year.

Cash used to finance investment activities and acquire fixed and intangible assets increased by 98.4% year-on-year to RUB 2.5bn in the first nine months of 2019. The increase in capital expenses was driven by a RUB 844m payment (net of VAT) for the acquisition of premises for the Company's new flagship store in Moscow. The Company also invested RUB 399m in equipment purchases for its Bekasovo-1 and Bekasovo-2 distribution centres (launched in Q4 2018). Capex for expansion of the retail chain totalled RUB 396m in the first nine months of 2019.

Net cash used from financing activities in the reporting period amounted to RUB 3.9bn, versus RUB 88m in the same period of last year. The increase was driven by the repayment of debt on credit facilities.

As of 30 September 2019, Detsky Mir's total debt was RUB 20.9bn, of which short-term loans accounted for 71.4% and long-term loans 28.6%. Net debt stood at RUB 20.2bn. All of the Company's debt is denominated in Russian rubles. As of 30 September 2019, the Company's available undrawn credit limit with leading Russian and international banks totalled RUB 31.9bn. Net debt/adjusted EBITDA LTM rose to 1.4x, mostly due to investments in the new Bekasovo-2 distribution centre and in the new flagship store.

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

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Conference Call Information

Detsky Mir's management will host a conference call today at 17:00 (Moscow time) / 14:00 (London time) / 9:00 (New York time) to discuss the Company's 9M 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
792 212 55#

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 a multi-format retailer and Russia's largest specialized children's goods retailer. The Group comprises the Detsky Mir retail chain, and the 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 710 Detsky Mir stores located in 266 cities in Russia, Kazakhstan and Belarus, as well as 48 ELC, 14 ABC and eight Zoozavr stores as of 30 September 2019. Total selling space was approximately 794,000 square meters.

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

Lear more at www.detmir.ru, elc-russia.ru, ir.detmir.ru

(14) 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.
(15) 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.

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.

Attachment A

EBITDA is calculated as profit for the period before income tax expense, foreign exchange (loss)/gain, gain on acquisition of controlling interest in associate, finance expense, finance income, depreciation and amortization. *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 third quarter can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	**IAS 17**		**IFRS 16**	
	Q3 2019	**Q3 2018**	**Q3 2019**	**Q3 2018**
Profit for the period	**2,360**	**2,126**	**2,148**	**2,370**
Add / (deduct):				
Finance income	(1)	(1)	(2)	(5)
Finance expense	621	458	1,161	750
Profit from taking control in the subsidiary	-	-	-	-
Foreign exchange loss	(92)	(32)	(92)	(32)
Income tax expense	524	387	471	448
Depreciation and amortisation	661	548	2,556	2,156
EBITDA	**4,074**	**3,486**	**6,242**	**5,687**
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)	107	123	107	123
Adjusted EBITDA	**4,180**	**3,609**	**6,349**	**5,810**

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

RUB mln	**IAS 17**		**IFRS 16**	
	Q3 2019	**Q3 2018**	**Q3 2019**	**Q3 2018**
Profit for the period	**2,360**	**2,126**	**2,148**	**2,370**
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	85	98	85	98
Adjusted profit for the period	**2,445**	**2,225**	**2,233**	**2,469**

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

RUB mln	IAS 17		IFRS 16	
	9M 2019	**9M 2018**	**9M 2019**	**9M 2018**
Profit for the period	**4,552**	**4,036**	**4,082**	**3,401**
Add / (deduct):				
Finance income	(4)	(2)	(8)	(6)
Finance expense	1,785	1,303	3,583	3,087
Profit from taking control in the subsidiary	-	-	-	-
Foreign exchange loss	194	(175)	194	(175)
Income tax expense	673	876	555	718
Depreciation and amortisation	1,886	1,576	7,431	6,851
EBITDA	**9,087**	**7,614**	**15,838**	**13,875**
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)	429	417	429	417
Adjusted EBITDA	**9,515**	**8,032**	**16,266**	**14,292**

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

RUB mln	IAS 17		IFRS 16	
	9M 2019	**9M 2018**	**9M 2019**	**9M 2018**
Profit for the period	**4,552**	**4,036**	**4 082**	**3,401**
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	343	334	343	334
Adjusted profit for the period	**4,895**	**4,370**	**4 425**	**3,735**