



DETSKY MIR GROUP ANNOUNCES OPERATING RESULTS FOR 4th QUARTER & FULL YEAR 2019

Moscow, Russia, 24 January 2020 – Detsky Mir Group (“Detsky Mir”, “the Group” or “the Company”, MOEX: DSKY), Russia’s largest specialized children’s goods, announces its operating results for the fourth quarter and twelve months ended 31 December 2019.

Q4 2019 OPERATING HIGHLIGHTS¹

- Group unaudited revenue increased by 13.4% year-on-year to RUB 38.9 bn.
 - Online revenue² increased by 58.8% year-on-year to RUB 5.8 bn.
 - Revenue in Kazakhstan rose by 39.5% year-on-year to RUB 1.1 bn.
- Like-for-like sales³ at Detsky Mir stores in Russia and Kazakhstan grew by 5.0%. The number of tickets grew by 7.9%, while the average ticket decreased 2.7%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 4.7%. The number of tickets grew by 7.4%, while the average ticket decreased by 2.5%.
- Like-for-like sales⁴ at Detsky Mir stores in Kazakhstan increased by 27.4%.
- Detsky Mir opened 56 new branded stores in Q4 2019. The Group had 842 stores as of 31 December 2019.⁵
- Total selling space increased by 9.7% year-on-year to approximately 843,000 sq. m.
- The total number of issued Detsky Mir loyalty cards increased by 16% year-on-year to 24 mn, while the number of active loyalty cardholders⁶ was 10.6 mn. Transactions using the loyalty card accounted for 77.7% of total sales.

FY 2019 OPERATING HIGHLIGHTS

- Group unaudited revenue increased by 16.1% year-on-year to RUB 128.7 bn.
 - Online revenue increased by 64.5% year-on-year to RUB 14.4 bn.
 - Revenue in Kazakhstan rose by 48.1% year-on-year to RUB 3.7 bn.
- Like-for-like sales at Detsky Mir stores in Russia and Kazakhstan grew by 7.2%. The number of tickets grew by 8.5%, while the average ticket decreased by 1.2%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 6.8%. The number of tickets grew by 7.9%, while the average ticket decreased by 1.0%.
- Like-for-like sales at Detsky Mir stores in Kazakhstan increased by 35.5%.
- Detsky Mir opened 101 new branded stores⁷ in 2019.

Q4 2019 KEY EVENTS

- In December 2019, Detsky Mir paid an interim dividend for the first nine months of 2019 to a total of RUB 3.7 bn, or RUB 5.06 per ordinary share, bringing the total dividend declared in 2019 to RUB 7.0 bn, which is equivalent to a dividend yield⁸ of 10.4%.
- In December 2019, the Company announced plans to enter the Kyrgyz market. Detsky Mir’s goal is to open its first store in Kyrgyzstan in 2020 and become a market leader in the mid-term.
- In December 2019, Detsky Mir announced the launch of active trials of the new Detmir.ru store format. The format utilizes a selling space of roughly 130–170 sq. m, primarily in cities with a population of less than 40,000 inhabitants. The total market capacity of such locations is now estimated at 2,000 Detmir.ru stores.

(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 are based on stores in operation for at least 12 full calendar months.

(4) Calculated in the national currency of Kazakhstan (tenge).

(5) Including 62 ELC and ABC stores, four Detmir.ru stores as well as ten Zoozavr stores.

(6) Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 31 December 2019 are considered active.

(7) In 2019, Detsky Mir closed eight stores.

(8) Dividend Yield is calculated at the record date.

- In November 2019, PJSFC Sistema (the majority shareholder of the Company), and the Russia-China Investment Fund (RCIF) successfully priced the offering of Detsky Mir shares. The offering size was 175 million existing shares in Detsky Mir, representing 23.7% of Detsky Mir's issued share capital. The offering increased the free float of the Company to 57.6%. PJSFC Sistema has a remaining ownership interest of 33.4% and RCIF has a remaining interest of 9.0% in the Company.
- In November 2019, Detsky Mir launched the pilot version of a children's fashion marketplace. As part of the pilot, the assortment was increased by 5,000 SKUs, taking into account the size range.
- In November 2019, Detsky Mir launched the pilot of a full-feature mobile application, enabling customers to make purchases via the convenient online interface while using a virtual loyalty card.
- In October 2019, the Company launched a next-day delivery service (last-mile delivery) priced at RUB 99 for orders placed via Detsky Mir's online store, making the service available in 30 major Russian cities. Compared to express delivery, the service offers a lower price, a wider geographic 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 (February 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 totaling 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.

	Q4 2019	Q4 2018	Change
Number of stores	842	743	13.3%
Detsky Mir	766	673	13.8%
ELC & ABC	62	66	-6.1%
Detmir.ru	4	-	-
Zoozavr	10	4	150.0%
Selling space ('000, sq.m.)	843	768	9.7%

Detsky Mir in Russia and Kazakhstan	Q4 2019	Q4 2018	Change	FY 2019	FY 2018	Change
<i>Like-for-like revenue growth</i>	5.0%	3.5%	+1.5 p.p.	7.2%	4.7%	+2.5 p.p.
<i>Like-for-like number of tickets growth</i>	7.9%	5.9%	+2.0 p.p.	8.5%	7.2%	+1.3 p.p.
<i>Like-for-like average ticket growth</i>	-2.7%	-2.3%	-0.4 p.p.	-1.2%	-2.3%	+1.1 p.p.

Detsky Mir in Russia	Q4 2019	Q4 2018	Change	FY 2019	FY 2018	Change
<i>Like-for-like revenue growth</i>	4.7%	3.0%	+1.7 p.p.	6.8%	4.3%	+2.5 p.p.
<i>Like-for-like number of tickets growth</i>	7.4%	5.4%	+2.0 p.p.	7.9%	6.9%	+1.0 p.p.
<i>Like-for-like average ticket growth</i>	-2.5%	-2.3%	-0.2 p.p.	-1.0%	-2.4%	+1.4 p.p.

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

"In 2019, we accelerated business growth despite a challenging macro-environment; consolidated unaudited revenue grew by 16.1% YoY to RUB 128.7 bn. At the same time, we maintained a high EBITDA margin. According to the preliminary data of unaudited financial statements, Detsky Mir's adjusted EBITDA rose by at least 16% YoY.

"In the 4th quarter, we successfully completed the New Year season despite the high base of customer traffic in the prior year and abnormally warm weather. As a result, the consolidated revenue increased by 13.4% to RUB 38.9 bn. Like-for-like sales in Russia and Kazakhstan rose by 5.0% YoY thanks to effective pricing initiatives and improved product mix. The strong sales growth was largely driven by increases in the number of purchases (the number of tickets) by 7.9% YoY.

"In the last quarter, toys remained the key category with a 42% share in Detsky Mir's total revenue in Russia and a continued focus on private labels. The share of private labels in toys increased by 3.9 p.p. YoY to 18.7%.

“In 2019, we successfully delivered on our expansion plan, adding 101 new stores in Russia, Kazakhstan, and Belarus. We have traditionally accelerated our expansion program in the last quarter, opening 56 new Detsky Mir stores.

“International expansion is a key strategic priority for the Company. This year, we successfully entered the Belarusian market, having already opened eight Detmir stores in the largest shopping malls of Minsk, Brest, Gomel, Molodechno, and Mogilev. Detsky Mir’s Belarusian business outperformed our initial targets and is expected to reach EBITDA break-even this year. At the same time, we continued our market consolidation efforts in Kazakhstan, opening eight new stores and increasing like-for-like sales by 35.5%. This strong performance prompted our decision to enter the Kyrgyz market in 2020.

“Our customers are increasingly shopping at the www.detmir.ru online store: our online revenue increased by 58.8% YoY to RUB 5.8 bn in the 4th quarter, with its share in Detsky Mir’s total revenue in Russia at 16%. About 90% of the online orders are picked up at retail stores. In line with the development of our omnichannel business model, we decided to move Detmir.ru, our new “microstore” format, to an active pilot phase. The new format combines an offline retail store and a pick-up point, and will allow us to increase our presence in small towns, while also improving our delivery performance.

“One of our key initiatives in 2020 is the full-scale launch of a marketplace for the apparel and footwear category. We are happy with the pilot’s initial results: inventory turnover at the marketplace matched that of other comparable products offered by our online store. Our target is to increase the number of SKUs in the fashion assortment from 20,000 SKUs to 250,000 SKUs in the medium term.”

Guidance

New openings guidance, as well as expectations for the LFL sales growth and the level of business operating profitability for FY 2020 will be announced in March 2020 following disclosure of FY 2019 financial results.

Additional information is available on the Company’s website, <https://ir.detmir.ru/>

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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 and the Detmir.ru retail chains, 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 766 Detsky Mir stores located in 293 cities in Russia, Kazakhstan and Belarus, 4 Detmir.ru stores, as well as 49 ELC, 13 ABC and ten Zoozavr stores as of 31 December 2019. Total selling space was approximately 843,000 square meters

Detsky Mir Group’s shareholder structure as of the date of this announcement is as follows: PJSFC Sistema⁹ - 33.38%, Russia-China Investment Fund (RCIF)¹⁰ - 9.0%, free-float - 57.62%.

Learn more at www.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,

(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, 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.

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.