DETSKY MIR GROUP ADJUSTED EBITDA INCREASES BY 16.3% TO RUB 14.7BN IN 2019

Moscow, Russia, 2 March 2020 – Detsky Mir Group ("Detsky Mir", "the Group" or "the Company", MOEX: DSKY), Russia's largest specialized children's goods retailer, announces its audited financial results in accordance with International Financial Reporting Standards (IFRS) for the fourth quarter and twelve months ended 31 December 2019.

Q4 2019 FINANCIAL HIGHLIGHTS[1]

- Group audited revenue increased by 13.4% year-on-year to RUB 38.9 bn.
    - Online revenue[2] increased by 59.8% year-on-year to RUB 5.8 bn.
    - Revenue in Kazakhstan rose by 41.5% year-on-year to RUB 1.2 bn.
- Like-for-like sales[3] 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 sales[4] 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.
- Gross profit increased by 12.3% year-on-year to RUB 13.3 bn, with a gross margin of 34.1%.
- SG&A as a percentage of revenue[6] decreased by 0.1 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA[7] increased by 12.4% year-on-year to RUB 5.2bn; the adjusted EBITDA margin was 13.4%. EBITDA[8] totalled RUB 4.7bn (+11.0% year-on-year).
- Adjusted net profit[9] increased by 9.4% year-on-year to RUB 3.1bn. Net profit totalled RUB 2.8bn (+5.6% year-on-year).
- The net debt[10]/adjusted EBITDA LTM ratio stood at 1.2x as of 31 December 2019.

FY 2019 FINANCIAL HIGHLIGHTS

- Group audited revenue increased by 16.1% year-on-year to RUB 128.8 bn.
- Online revenue increased by 65.2% year-on-year to RUB 14.5 bn.
- Revenue in Kazakhstan rose by 48.8% 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%.

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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 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) 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.

- Like-for-like sales at Detsky Mir stores in Kazakhstan increased by 35.5%.
- Detsky Mir opened 101 new branded stores[11] in 2019.
- Gross profit increased by 12.8% year-on-year to RUB 41.5 bn, with a gross margin of 32.3%.
- SG&A as a percentage of revenue decreased by 1.0 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA increased by 16.3% year-on-year to RUB 14.7 bn; the adjusted EBITDA margin amounted to 11.4%. EBITDA totalled RUB 13.8 bn (+16.4% year-on-year).
- Adjusted net profit increased by 11.0% year-on-year to RUB 8.0 bn. Net profit totalled RUB 7.3 bn (+10.6% year-on-year).

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 yield[12] 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.
- 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 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.

EVENTS AFTER THE REPORTING PERIOD

- In February 2020, Detsky Mir launched Manu, a new private-label brand of diapers, in the children's goods markets of Russia, Kazakhstan and Belarus. Developed in partnership with Unicharm, Japan's largest diaper manufacturer, Manu offers premium Japanese quality for a medium price, giving it a competitive edge over other global brands.

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

"In 2019, Detsky Mir consolidated its leadership of the Russian and Kazakhstan children's goods markets, and successfully entered the Belarusian market. We were able to accelerate our total sales growth to 16.1% year-on-year, with consolidated revenue for FY 2019 reaching RUB 128.8 billion. At the same time, we have maintained our strong focus on driving extra footfall through low pricing and improved business processes. This has allowed us to grow faster than any other public Russian retailer in like-for-like sales, without sacrificing our strong EBITDA margins.

(11) In 2019, Detsky Mir closed eight stores.
(12) Dividend Yield is calculated at the record date.

The Company's key achievements of 2019 include the 101st new store opening, a 65% growth of online sales with a double-digit EBITDA margin, along with the launch of an online courier delivery service and a full-feature mobile application.

The successful secondary public offering (SPO) of PJSC Detsky Mir was another key highlight of the year. We are delighted with the positive response to our offering on the Russian stock market, and are now pleased to move forward with a high-quality and geographically diverse shareholder base.

In 2019, we distributed the Company's entire net profit, totaling RUB 7.0 billion for the relevant periods, as dividends. Since then, we have substantially improved our financial position through strict investment discipline, cutting our net debt and Net Debt to EBITDA ratio compared to 2018. Our team will maintain a focus on increasing the Company's market capitalization and dividends. PJSC Detsky Mir's net profit for Q4 2019 under Russian Accounting Standards may increase by 23% year-on-year to RUB 4.1 billion. We will recommend distributing the entire net profit as a dividend for the year.

In 2020, we are planning to continue the expansion of Detsky Mir store network while focusing on an omnichannel business model. In the medium term, we are planning to open at least 300 stores with a 40% IRR. A top priority for us is to offer our customers a wide assortment of affordable products, including through fostering our private labels and launching a full-scale marketplace. We also see strong potential in pursuing the new extra-small format of stores to increase our presence in smaller towns and other locations while improving online delivery. A preliminary estimate puts total market capacity of such locations at 2,000 stores."

OPERATING HIGHLIGHTS

	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%***

Russian Ruble (RUB), million	Q4 2019	Q4 2018	*Change*	FY 2019	FY 2018	*Change*
Detsky Mir in Russia	37,101	33,101	*+12.1%*	123,526	107,428	*+15.0%*
Detsky Mir in Kazakhstan	1,165	823	*+41.5%*	3,739	2,513	*+48.8%*
Other[13]	649	384	*+68.9%*	1,500	933	*+60.8%*
Total Revenue	**38,915**	**34,308**	***+13.4%***	**128,764**	**110,874**	***+16.1%***

Detsky Mir in Russia and Kazakhstan	Q4 2019	Q4 2018	*Change*	FY 2019	FY 2018	*Change*
Like-for-like revenue growth	**5.0%**	**3.5%**	*+1.5 p.p.*	**7.2%**	**4.7%**	*+2.5 p.p.*
Like-for-like number of tickets growth	7.9%	5.9%	*+2.0 p.p.*	8.5%	7.2%	*+1.3 p.p.*
Like-for-like average ticket growth	-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*
Like-for-like revenue growth	**4.7%**	**3.0%**	*+1.7 p.p.*	**6.8%**	**4.3%**	*+2.5 p.p.*
Like-for-like number of tickets growth	7.4%	5.4%	*+2.0 p.p.*	7.9%	6.9%	*+1.0 p.p.*
Like-for-like average ticket growth	-2.5%	-2.3%	*-0.2 p.p.*	-1.0%	-2.4%	*+1.4 p.p.*

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

In 2019, the Company successfully delivered on its expansion plan, adding 101 new stores in Russia, Kazakhstan and Belarus. The Company traditionally accelerated the expansion program in the last quarter, opening 56 new Detsky Mir stores. In addition, Detsky Mir announced the launch of active trials of a new "microstore" format, Detmir.ru. The new format combines an offline retail store and a pick-up point, and will allow for an increased presence in small towns, while also improving delivery performance. In 2019, the Company opened four such stores.

As of the end of the reporting period, Detsky Mir Group had 842 retail outlets: 766 branded Detsky Mir stores in 293 cities of Russia, Kazakhstan and Belarus, 4 Detmir.ru stores, 62 ELC and ABC retail chain stores, as well as 10 Zoozavr pet supplies stores. Total Group selling space was 843,000 sq. m (+9.3% year-on-year).

In 2019, the Company accelerated its revenue growth rates to 16.3% year-on-year, with consolidated revenue reaching RUB 128.8 bn. Detsky Mir's revenue in Kazakhstan grew 1.5 times 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 2019 across Detsky Mir store network in both Russia and Kazakhstan were up 7.2% year-on-year.

Private label expansion has been playing a vital role in achieving the Company's strategic goals. Detsky Mir store network offers approximately 8,000 SKUs of private labels, whose share in revenue increased by 3.3 p.p. year-on-year to 33.1%. Every third retail ticket item is a private label product. The Company has significant growth potential in private label sales in toys and diapers.

Our online store saw high customer demand in 2019. Online revenue increased by 65.2% year-on-year to RUB 14.5 bn in the 4th quarter, with its share in Detsky Mir's total revenue in Russia at 15.7%. At the same time, the Company recorded over 238 million online visits and fulfilled over 5.1 million online orders in 2019. About 90% of the online orders are collected at retail stores, which confirms a high customer demand for this service.

In the reporting year, Detsky Mir managed to launch next-day and same-day delivery services in 30 major Russian cities. Also, Detsky Mir customers can take advantage of a fully functional mobile application, which allows them to make purchases through a convenient interface, and use a virtual loyalty card.

In 2019, Detsky Mir launched the pilot version of its children's fashion marketplace. The Company is currently aiming to increase the number of SKUs in the fashion assortment from 20,000 SKUs to 250,000 SKUs in the medium term, in an effort to match inventory turnover between marketplace products and other comparable products offered by our online store.

FINANCIAL HIGHLIGHTS

Income Statement Highlights[14]

Russian Ruble (RUB), million	IAS 17		*Change*	IFRS 16	
	Q4 2019	Q4 2018		Q4 2019	Q4 2018
Revenue	**38,915**	**34,308**	***+13.4%***	**38,915**	**34,308**
Online store	5,817	3,641	*+59.8%*	5,817	3,641
Gross profit	**13,255**	**11,805**	***+12.3%***	**13,255**	**11,805**
Gross profit margin, %	*34.1%*	*34.4%*	*-0.3 p.p.*	34.1%	*34.4%*
SG&A	(8,046)	(7,148)	*+12.6%*	(5,725)	(4,960)
% of revenue	*-20.7%*	*-20.8%*	*-0.1 p.p.*	-14.7%	*-14.5%*
Other operating expenses	0	(24)	*-101.3%*	0	(24)
EBITDA	**4,739**	**4,268**	***+11.0%***	**7,060**	**6,457**
EBITDA margin, %	*12.2%*	*12.4%*	*-0.2 p.p.*	18.1%	*18.8%*

(14) 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.

Adjusted EBITDA	5,210	4,633	*+12.4%*	7,531	6,822
Adjusted EBITDA margin, %	13.4%	13.,5%	*-0.1 p.p.*	19.4%	19.9%
Profit for the period	2,751	2,567	*+7.2%*	2,461	2,293
Profit margin, %	*7.1%*	*7.5%*	*-0.4 p.p.*	6.3%	*6.7%*
Adjusted profit for the period	3,127	2,859	*+9.4%*	2,837	2,585
Adjusted profit margin, %	8.0%	8.3%	*-0.3 p.p.*	7.3%	7.5%
Net debt	17,481	18,135	*-3.6%*	17,481	18,135
Lease liabilities	-	-		34,780	30,545
Net debt / EBITDA	*1.3*	*1.5*			
Net Debt / adjusted EBITDA	*1.2*	*1.4*			

Russian Ruble (RUB), million	IAS 17		*Change*	IFRS 16	
	2019	2018		2019	2018
Revenue	128,764	110,874	*+16.1%*	128,764	110,874
Online store	14,489	8,771	*+65.2%*	14,489	8,771
Gross profit	41,532	36,829	*+12.8%*	41,532	36,829
Gross profit margin,%	*32.3%*	*33.2%*	*-1.0 p.p.*	32.3%	*33.2%*
SG&A	(26,799)	(24,116)	*+11.1%*	(17,727)	(15,668)
% of revenue	*-20.8%*	*-21.8%*	*-1.0 p.p.*	-13.8%	*-14.1%*
Other operating expenses	(8)	(48)	*-82.9%*	(8)	(47)
EBITDA	13,826	11,883	*+16.4%*	22,898	20,332
EBITDA margin, %	*10.7%*	*10.7%*	-	17.8%	*18.3%*
Adjusted EBITDA	14,725	12,665	*+16.3%*	23,797	21,114
Adjusted EBITDA margin, %	11.4%	11.4%	-	18,5%	19.0%
Profit for the period	7,303	6 603	*10.6%*	6,543	5,694
Profit margin, %	*5.6%*	*6,0%*	*-0.3 p.p.*	5.1%	*5.1%*
Adjusted profit for the period	8,022	7 229	*11.0%*	7,262	6,320
Adjusted profit margin, %	6.2%	6,5%	*-0,3 p.p.*	5.6%	5.7%

In 2019, Detsky Mir significantly increased its operating income. Strong revenue growth combined with increased operational efficiency enabled the Company to increase adjusted EBITDA by 16.3% year-on-year to RUB 14.7 bn. The Company maintained a high adjusted EBITDA margin of 11.4%.

In 2019, the Company continued to focus on price leadership to attract customers from competing retailers. As a result of this strategy, the gross profit margin decreased by 1.0 p.p. year-on-year to 32.3%. 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 still maintaining high profit margins. Private labels and direct imports accounted for 41.6% of total turnover (+5.7 p.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 2019, rental expenses as a percentage of revenue decreased by 0.6 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 0.2 p.p. year-on-year.

Adjusted SG&A less amortization, depreciation and LTI expenses as a percentage of revenue decreased in 2019 to 20.8%, down 1.0 p.p. compared to the same period last year.

Selling, General and Administrative (SG&A) Expenses

Russian Ruble (RUB), million	IAS 17 Q4 2019	IAS 17 Q4 2018	Change	IFRS 16 Q4 2019	IFRS 16 Q4 2018
Payroll	**3,046**	**2,540**	***+19.9%***	**3,046**	**2,540**
% of revenue	7.8%	7.4%	*+0.4 p.p.*	7.8%	7.4%
Rent & Utilities	**3,098**	**2,880**	***+7.6%***	**712**	**546**
% of revenue	8.0%	8.4%	*-0.4 p.p.*	1.8%	1.6%
Advertising & Marketing	**576**	**593**	***-2.8%***	**576**	**593**
% of revenue	1.5%	1.7%	*-0.2 p.p.*	1.5%	1.7%
Other	**1,325**	**1,135**	***+16.7%***	**1,390**	**1,281**
% of revenue	3.4%	3.3%	*+0.1 p.p.*	3.6%	3.7%
SG&A (excl. D&A and LTI)	**8,046**	**7,148**	***+12.6%***	**5,725**	**4,960**
% of revenue	20.7%	20.8%	*-0.1 p.p.*	14.7%	14.5%
Depreciation and amortisation	**663**	**1,576**	***-58.0%***	**2,573**	**2,249**
% of revenue	1.7%	4.6%	*-2.9 p.p.*	6.6%	6.6%
Additional bonus accruals under the LTI program	**470**	**365**	***+28.9%***	**470**	**365**
% of revenue	1.2%	1.1%	*+0.1 p.p.*	1.2%	1.1%

Russian Ruble (RUB), million	IAS 17 2019	IAS 17 2018	Change	IFRS 16 2019	IFRS 16 2018
Payroll	**10,255**	**8,827**	***+16.2%***	**10,255**	**8,827**
% of revenue	8.0%	8.0%	-	8.0%	8.0%
Rent & Utilities	**11,028**	**10,186**	***+8.3%***	**1,891**	**1,595**
% of revenue	8.6%	9.2%	*-0.6 p.p.*	1.5%	1.4%
Advertising & Marketing	**1,399**	**1,494**	***-6.4%***	**1,399**	**1,494**
% of revenue	1.1%	1.3%	*-0.3 p.p.*	1.1%	1.3%
Other	**4,117**	**3,609**	***+14.1%***	**4,182**	**3,752**
% of revenue	3.2%	3.3%	*-0.1 p.p.*	3.2%	3.4%
SG&A (excl. D&A and LTI)	**26,799**	**24,116**	***+11.1%***	**17,727**	**15,668**
% of revenue	20.8%	21.8%	*-1.0 p.p.*	13.8%	14.1%
Depreciation and amortisation	**2,549**	**2,113**	***+20.6%***	**10,005**	**9,100**
% of revenue	2.0%	1.9%	*+0.1 p.p.*	7.8%	8.2%
Additional bonus accruals under the LTI program	899	783	***+14.9%***	899	783
% of revenue	0.7%	0.7%	-	0.7%	0.7%

Net interest expenses as a percentage of revenue grew by 0.2 p.p. year-on-year due to high debt at the beginning of the year, as well as seasonality factors. Detsky Mir's average weighted cost of debt as of the end of the reporting period declined by 1.3 p.p. to 8.4%. In December 2019, the Company successfully issued a RUB 3.0 bn bond with a coupon rate of 7.25% per annum.

In 2019, the effective income tax rate was flat year-on-year (17.5%) mainly due to accounted inventory shortages allowances in income tax, as well as the filing of an amended income tax return for 2018. Costs related to depreciation of fixed assets and amortisation of intangible assets as a percentage of revenue were stable in 2019 year-on-year, at 2.0%. During the same reporting period, Detsky Mir had FX losses totaling RUB 124 m, compared to RUB 106 m in income in 2018.

Adjusted net profit in 2019 rose by 11.0% year-on-year to RUB 8.0 bn. Adjusted net profit margin was 6.2% (–0.3 p.p. year-on-year).

Consolidated Cash Flow Statement Highlights

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	Q4 2019	Q4 2018	*Change*	Q4 2019	Q4 2018
Adjusted EBITDA	5,210	4,633	*+12,.5%*	7,531	6,822
Add / (deduct):					
Change in working capital	3,684	(198)	*+1,961.6%*	3,645	(350)
Net interest and income tax paid	(1,370)	(980)	*+39.7%*	(2,145)	(1,800)
Other operating cash flows	(172)	340	*-150.6%*	(107)	486
Net cash flows generated from operating activities	7,352	3,795	*+93.7%*	8,925	5,157
Net cash used in investing activities	(922)	(2,510)	*-172.1%*	(922)	(2,510)
Net cash used from financing activities	(5,378)	571	*-1 041.6%*	(6,951)	(790)
Net (decrease) /increase in cash & cash equivalents	1,051	1,857	*-43.4%*	1,051	1,857

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	2019	2018	*Change*	2019	2018
Adjusted EBITDA	14,725	12,665	*+16.3%*	23,797	21,114
Add / (deduct):					
Change in working capital	(132)	(7,156)	*+5,340.9%*	(107)	(7,021)
Net interest and income tax paid	(3,719)	(2,707)	*+37.4%*	(6,292)	(5,311)
Other operating cash flows	348	688	*-97.5%*	413	830
Net cash flows generated from operating activities	11,222	3,489	*+221.6%*	17,812	9,613
Net cash used in investing activities	(3,467)	(3,793)	*-8.6%*	(3,467)	(3,793)
Net cash used from financing activities	(9,322)	483	*-2,030.6%*	(15,911)	(5,640)
Net (decrease) /increase in cash & cash equivalents	(1,567)	180	*-971.8%*	(1,567)	180

In 2019, operating cash flows before changes in working capital (adjusted EBITDA) grew by 16.3% year-on-year, reaching RUB 14.7 bn. The Company reduced its investment in working capital to RUB 132 m, versus RUB 7,156 m in 2018. Changes in working capital were driven by stock optimization, as well as the collection of supplier bonuses. Net interest expenses and income tax in the reporting period increased by 37.4% year-on-year, reaching RUB 3.7 bn. As a result, cash generated from operating activities increased 3.2 times year-on-year to RUB 11.2 bn in 2019.

Cash used to finance investment activities and acquire fixed and intangible assets increased by 8.6% year-on-year to RUB 3.5 bn in 2019. The increase in capital expenses was driven by a RUB 844 m payment (net of VAT) for the property acquired for the Company's new flagship store in Moscow. The Company also invested RUB 449 m in equipment purchases for its Bekasovo-1 and Bekasovo-2 distribution centers (launched in Q4 2018). Capex for store network expansion of the totalled RUB 1,009 m in 2019.

Net cash used from financing activities in the reporting period amounted to RUB 9.3 bn, versus net cash generated from financing activities of RUB 483 m in 2018. The increase was driven by the repayment of debt on credit facilities.

As of 31 December 2019, Detsky Mir's total debt was RUB 19.3 bn, of which short-term loans accounted for 53.4% and long-term loans 46.6%. Net debt decreased by 3.6% year-on-year to RUB 17.5 bn. All of the Company's debt is denominated in Russian rubles. As of 31 December 2019, the Company's available undrawn credit limit with leading Russian and international banks totalled RUB 34.4 bn. Net debt/adjusted EBITDA declined to 1.2x, mostly due to efficient working capital management.

Guidance

The Company's management team expects to open at least 300 new Detsky Mir stores in Russia, Kazakhstan and Belarus with IRR of around 40% in the next 3–4 years. The Company currently expects that like-for-like sales in Russia may grow faster than the children's goods market as a whole, and remain at single digits due to an increase in the number of tickets in 2019. As a result of the further development of the omnichannel business model, the Company aims to achieve a 30% share of online sales in the total revenue of Detsky Mir in Russia in the medium term.

Another key strategic goal of the Group in the medium term is to boost operational efficiency and maintain the adjusted EBITDA margin at double-digit levels under IAS 17, or in upper-teens under IFRS 16.

In accordance with Russian Accounting Standards (RAS), the Company's management will recommend distributing the entire net profit for 2019 as a dividend. Thus, the final dividend for 2019 may increase by 23.0% year-on-year to RUB 4.1 bn.

CONFERENCE CALL INFORMATION

Detsky Mir's management will host a conference call today at 16:00 (Moscow time) / 13:00 (London time) / 8:00 (New York time) to discuss the Company's FY 2019 audited IFRS Financial Results.

The dial-in numbers for the conference call are:

Russia
+7 495 283 98 58

UK
+44 203 984 98 44

USA
+1 718 866 46 14

PIN
288 543#

Online presentation
Detsky Mir Webcast

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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 Sistema[15] – 33.38%, Russia-China Investment Fund (RCIF) [16] – 9.0%, free-float – 57.62%.

Lear 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, 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.

(15) 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.

(16) 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)/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 fourth quarter can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	IAS 17		IFRS 16	
	Q4 2019	Q4 2018	Q4 2019	Q4 2018
Profit for the period	**2,751**	**2,567**	**2,461**	**2,293**
Add / (deduct):				
Finance income	(1)	(2)	(3)	(4)
Finance expense	520	520	1,295	1,341
Foreign exchange (income)/ loss	(71)	69	(71)	69
Income tax expense	877	578	805	509
Depreciation and amortisation	663	536	2,573	2,249
EBITDA	**4,739**	**4,268**	**7,060**	**6 457**
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)	470	365	470	365
Adjusted EBITDA	**5,210**	**4,633**	**7,531**	**6,822**

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

RUB mln	IAS 17		IFRS 16	
	Q4 2019	Q4 2018	Q4 2019	Q4 2018
Profit for the period	**2,751**	**2,567**	**2,461**	**2,293**
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	376	292	376	292
Adjusted profit for the period	**3,127**	**2,859**	**2,837**	**2,585**

EBITDA and Adjusted EBITDA of the full year can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	IAS 17		IFRS 16	
	2019	2018	2019	2018
Profit for the period	**7,303**	**6,603**	**6,543**	**5,694**
Add / (deduct):				
Finance income	(5)	(5)	(11)	(10)
Finance expense	2,305	1,824	4,878	4,427
Foreign exchange loss	124	(106)	124	(106)
Income tax expense	1,550	1,454	1,360	1,227
Depreciation and amortisation	2,549	2,113	10,005	9,100
EBITDA	**13,826**	**11,883**	**22,898**	**20,332**
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)	899	783	899	783
Adjusted EBITDA	**14,725**	**12,665**	**23,797**	**21,114**

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

RUB mln	IAS 17		IFRS 16	
	2019	2018	2019	2018
Profit for the period	**7,303**	**6,603**	**6,543**	**5,694**
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	719	626	719	626
Adjusted profit for the period	**8,022**	**7,229**	**7,262**	**6,320**