Detsky Mir Group Adjusted EBITDA Increased by 20.5% YoY to RUB 2.3bn in Q1 2020

Moscow, Russia, 30 April 2020 – Detsky Mir Group ("Detsky Mir", the "Group" or the "Company", MOEX: DSKY), Russia's largest specialized children's goods retailer, announces its unaudited financial results in accordance with International Financial Reporting Standards (IFRS) for the first quarter ended 31 March 2020.

Q1 2020 Financial Highlights[1]

- Group unaudited revenue increased by 11.2% year-on-year to RUB 31.0 bn.
  - Online revenue[2] increased by 110.5% year-on-year to RUB 5.4 bn.
  - Revenue in Kazakhstan rose by 31.1% year-on-year to RUB 974 m.
- Like-for-like sales[3] at Detsky Mir stores in Russia and Kazakhstan grew by 4.0%. The number of tickets grew by 4.4%, while the average ticket decreased 0.4%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 3.5%. The number of tickets grew by 3.9%, while the average ticket decreased by 0.4%.
- Like-for-like sales[4] at Detsky Mir stores in Kazakhstan increased by 25.7%.
- Detsky Mir opened 8 new branded stores[5] in Q1 2020. The Group had 846 stores[6] as of 31 March 2020.
- Total selling space increased by 10.2% year-on-year to approximately 847,000 sq. m.
- Gross profit increased by 12.4% year-on-year to RUB 9.1 bn, with a gross margin of 29.3%.
- SG&A as a percentage of revenue[7] decreased by 0.3 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA[8] increased by 20.5% year-on-year to RUB 2.3bn; the adjusted EBITDA margin improved by 0.6 p.p. to 7.3%. EBITDA[9] totalled RUB 1.9bn (+16.8% year-on-year).
- Adjusted net profit[10] amounted to RUB 15m. Net losses totalled RUB 255m.
- The net debt[11]/adjusted EBITDA LTM ratio improved to 1.6x as of 31 March 2020.

Q1 2020 Key Events

- 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.
- In March 2020, the Company's Board of Directors approved the early termination of appointment of Vladimir Chirakhov as the Company's CEO, to be succeeded by Maria Davydova, Deputy CEO of Commercial Activities since 3 April 2020. Vladimir Chirakhov was elected as Chairman of the Board of Directors of PJSC Detsky Mir.
- In March 2020, Detsky Mir was added to Russia's list of systemically important companies. In implementing the Presidential Decree On the Announcement of a Public Holiday until the End of April, the Government approved a 23-category-strong list of essential non-food supplies. As diapers, baby

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(1)The Company's consolidated financial measures for 2019-2020 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) In Q1 2020, Detsky Mir closed two stores.
(6) Including 58 ELC and ABC stores, five Detmir Pickup stores as well as eleven Zoozavr stores.
(7) 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.
(8) 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.
(9) Hereinafter, see Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.
(10) 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.
(11) 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 for the last 12-months period.

pacifiers, feeding bottles and babycare products are included in the list, the decree provides a legal basis for the Detsky Mir retail chain to continue to provide essential supplies to the population while the country is on high alert.

- In March 2019, Expert RA rating agency reiterated Detsky Mir a long-term credit rating of ruA+ with a stable outlook.
- As part of its long-term incentive programme (LTIP), the Company repurchased 1,212,210 ordinary shares of Detsky Mir for RUB 90 m, representing 0.16% of the share capital of the Company.

Events after the Reporting Period

- As of 30 April 2020, the majority of stores operated by Detsky Mir in Russia remain open, with a total of 84 stores temporarily closed due to the spread of the coronavirus (COVID-19). Zoozavr and Detmir Pickup stores are continuing normal operation, while ELC and ABC stores are temporarily closed. In Kazakhstan, 36 stores have been temporarily closed, with pickup points set up at 12 closed locations so that customers are able to collect goods ordered from the Detsky Mir online store. The Belarusian retail chain Detmir is operating normally.
- Group unaudited revenue decreased by 33% year-on-year in first 27 days of April (-19% YoY last week), while online revenue rose by 3.5x year-on-year. The online share of Detsky Mir's total sales in Russia reached 41%.
- In April 2020, Detsky Mir successfully issued its series BO-06 exchange-traded bond with a nominal value of RUB 3 bn and a coupon rate of 7.0% p.a. The put option is in 3 years.

Maria Davydova, PJSC Detsky Mir Chief Executive Officer, said:

"As with previous downturns, this crisis has confirmed that we have selected a highly effective business model, driven by our omnichannel and multi-category proposition. During the first quarter, we were able not only to increase the Company's share across all our markets, but also to achieve explosive growth in the online segment. We have also been keeping to our strategy of low prices to maintain traffic and improve operational efficiency. As a result, we have posted strong adjusted EBITDA growth, almost twice as high as revenue growth rates.

"However, in mid-March we faced with the impact of COVID-19 outbreak, rapidly unfolding in Russia and around the world and leading to a considerable drop in traffic across our stores. Detsky Mir is responding in a consistent manner to ensure employee and customer safety, as well as to maintain the necessary stock of essential goods. We have also significantly streamlined our operating expenses, including through temporary store closures in large shopping malls. Most of our Russian stores remain open to continue playing the important societal role of providing essential food and non-food products for children.

"Right now, we are placing a strong focus on e-commerce. In March, we boosted the share of our online revenue to 25%. Despite a higher demand for online shopping, our logistics and IT infrastructure are ready to absorb a twofold growth of the online segment. We are planning to expand our e-commerce presence by developing our children's goods marketplace, increasing our product assortment in this category from 50,000 to 1 million SKUs.

"Maintaining financial stability is a top priority for the Company during the crisis. In March and April, we have refinanced more than RUB 11 bn of our short-term debt. We have also decided to increase the Company's cash balances to RUB 10.8 bn so as to ensure business continuity in the event of a further economic or epidemiologic downturn in the country.

"We remain fully committed to the Company's mid-term targets announced in early March: we are planning to open at least 300 stores with a 40% IRR and maintain our double-digit adjusted EBITDA margin. We also see strong potential in pursuing our new compact format of stores, with this segment tentatively estimated at 2,000 stores. However, our 2020 targets may be subject to change after the second quarter."

Operating Results

	Q1 2020	Q1 2019	*Change*
Number of stores	**846**	**748**	***+13.1%***
Detsky Mir	772	674	*+14.5%*
ELC & ABC	58	68	*-14.7%*
Zoozavr	11	6	*+83.3%*
Detmir Pickup	5	-	-

Selling space ('000, sq.m.)	847	769	*+10.2%*

Russian Ruble (RUB), million	Q1 2020	Q1 2020	*Change*
Revenue of Detsky Mir in Russia	29,607	26,930	*+9.9%*
Revenue of Detsky Mir in Kazakhstan	974	743	*+31.1%*
Other revenue[12]	438	213	*+105.6%*
Total Revenue	**31,020**	**27,886**	***+11.2%***

Detsky Mir in Russia and Kazakhstan	Q1 2020	Q1 2019	*Change*
Like-for-like revenue growth	**4.0%**	**7.2%**	***-3.2 p.p.***
Like-for-like number of tickets growth	4.4%	8.2%	*-3.8 p.p.*
Like-for-like average ticket growth	-0.4%	-0.9%	*+0.5 p.p.*

Detsky Mir in Russia	Q1 2020	Q1 2019	*Change*
Like-for-like revenue growth	**3.5%**	**6.6%**	***-3.1 p.p.***
Like-for-like number of tickets growth	3.9%	7.5%	*-3.6 p.p.*
Like-for-like average ticket growth	-0.4%	-0.9%	*+0.5 p.p.*

Eight new stores of the Detsky Mir chain were opened in the first quarter of 2020, as most of the new stores are traditionally opened in the second half of the year. As part of the new retail format pilots, the fifth compact store of the Detmir Pickup chain was opened, as well as the eleventh store of the Zoozavr chain.

As of the end of the reporting period, Detsky Mir Group had 846 retail outlets: 772 branded Detsky Mir stores in 297 cities of Russia, Kazakhstan and Belarus, 5 Detmir Pickup stores, 58 ELC and ABC retail chain stores, as well as 11 Zoozavr pet supplies stores. The Group's total selling space was 847,000 sq. m (+10.2% year-on-year).

Despite the challenging economic and epidemiological situation both in Russia and globally, Detsky Mir has delivered strong business growth: our consolidated unaudited revenue rose by 11.2% year-on-year to RUB 31.0 bn. Detsky Mir's revenue in Kazakhstan grew by 31.1% year-on-year.

The Company successfully saw through the New Year season and the traditional Russian 'Men's Day' and 'Women's Day' holiday period during the first quarter. However, the significant growth in demand for essential goods seen in mid-March was followed by a marked decline in traffic across shopping malls in the last ten days of the month due to the spread of the coronavirus (COVID-19). Revenue growth was primarily driven by the chain's organic expansion and by new locations ramping up to full capacity. At the same time, like-for-like sales in Russia and Kazakhstan increased by 4.0%.

Essentials like diapers, baby food and babycare products were the fastest growing categories in the first quarter, increasing their share in the chain's total revenue by 1.7 p.p. year-on-year to 36%. In the apparel and footwear category, the Company successfully sold off its winter collection and generated strong sales at the start of the spring/summer season, with the share of these goods hitting 24% of total Detsky Mir sales in Russia.

Toys were also a strong performer in like-for-like sales; however, their share in Detsky Mir's total sales decreased to 31% in Q1, on the back of strong demand for essential items. The month-end spike in demand for arts and crafts and board games brought the share of this category in total toys sales up to 17.6% for March 2020 (up 1.4 p.p. year on-year).

Detsky Mir has been pushing private labels across all categories, maintaining its strong focus on the transition to direct import contracts to provide the best price guarantee to customers. The share of private labels and direct contracts in total sales has grown by 2.1 p.p. year-on-year to 39.6% over the first quarter.

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

The current market dynamics reinforce the role of e-commerce as the key business segment, and Detsky Mir has maintained superior customer service levels in online delivery, as consumers increasingly move their shopping online. Detsky Mir's online revenue more than doubled year-on-year to RUB 5.4 bn in Q1 2020. The online share of Detsky Mir's total sales in Russia reached 25% in March. This strong online performance was led by essentials, with sales of diapers and baby food more than tripling year-on-year on detmir.ru.

In late 2019, Detsky Mir launched the pilot version of its children's fashion marketplace. In Q1, the apparel and footwear category expanded its assortment by 50% to 30,000 SKUs, driven by the marketplace development efforts. The Company expects the assortment in this category to grow to 50,000 SKUs by the end of the second quarter, and has plans to launch a marketplace for fast-moving consumer goods.

Financial Results

Income Statement Highlights[13]

Russian Ruble (RUB), million	IAS 17		*Change*	IFRS 16	
	Q1 2020	Q1 2019		Q1 2020	Q1 2019
Revenue	**31,020**	**27,886**	***+11.2%***	**31,020**	**27,886**
Online store	5,443	2,586	*+110.5%*	5,443	2,586
Gross profit	**9,085**	**8,082**	***+12.4%***	**9,085**	**8,082**
Gross profit margin, %	*29.3%*	*29.0%*	*+0.3 p.p.*	*29.3%*	*29.0%*
SG&A	(6,826)	(6,205)	*+10.0%*	(4,386)	(3,915)
% of revenue	*-22.0%*	*-22.3%*	*-0.3 p.p.*	*-14.1%*	*-14.0%*
Other operating expenses	1	(2)	*+135.7%*	1	(2)
EBITDA	**1,922**	**1,646**	***+16.8%***	**4,362**	**3,936**
EBITDA margin, %	*6.2%*	*5.9%*	*+0.3 p.p.*	*14.1%*	*14.1%*
Adjusted EBITDA	**2,260**	**1,875**	***+20.5%***	**4,700**	**4,165**
Adjusted EBITDA margin, %	7.3%	6.7%	*+0.6 p.p.*	15.2%	14.9%
Profit for the period	**-255**	**291**	***-187.7%***	**-353**	**-164**
Profit margin, %	*-0.8%*	*1.0%*	*-1.8 p.p.*	*-1.1%*	*-0.6%*
Adjusted profit for the period	**15**	**474**	***-96.8%***	**-83**	**19**
Adjusted profit margin, %	0.05%	1.7%	*-1.7 p.p.*	-0.3%	0.1%
Net debt	**24,259**	**23,106**	***+5.0%***	**24,259**	**23,106**
Lease liabilities	**-**	**-**		**33,997**	**33,211**
Net debt / EBITDA	*1.7*	*1.9*			
Net Debt / adjusted EBITDA LTM	*1.6*	*1.8*			

In Q1 2020, Detsky Mir significantly increased its operating income. Rapid revenue growth, combined with an optimization of purchasing prices, effective product mix management and increased operational efficiency, allowed the Company to increase adjusted EBITDA by 20.5% year-on-year to RUB 2.3 bn and adjusted EBITDA margin by 60 bps year-on-year to 7.3%.

Although we invested heavily in prices to attract new customers, the Company managed to improve its gross profit margin by 0.3 p.p. year-on-year to 29.3%, thanks to an increase in inventory while there was a stable exchange rate.

Detsky Mir is committed to the continuous enhancement of operational efficiency by reducing operating costs, notably through the renegotiation of commercial lease terms. In Q1 2020, rental expenses as a percentage of revenue decreased by 0.5 p.p. year-on-year. By replacing paper marketing materials with electronic

(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.

communications, the Company was able to cut marketing expenses as a percentage of revenue by 0.3 p.p. year-on-year.

Adjusted SG&A less amortization, depreciation and LTI expenses as a percentage of revenue decreased in Q1 2020 to 22.0%, down 0.3 p.p. compared to the same period last year.

Selling, General and Administrative (SG&A) Expenses

Russian Ruble (RUB), million	IAS 17 Q1 2020	IAS 17 Q1 2019	*Change*	IFRS 16 Q1 2020	IFRS 16 Q1 2019
Payroll	**2,662**	**2,397**	***+11.0%***	**2,662**	**2,397**
% of revenue	8.6%	8.6%	-	8.6%	8.6%
Rent & Utilities	**2,810**	**2,679**	***+4.9%***	**370**	**389**
% of revenue	9.1%	9,6%	*-0.5 p.p.*	1.2%	1.4%
Advertising & Marketing	**259**	**319**	***-18.8%***	**259**	**319**
% of revenue	0.8%	1.1%	*-0.3 p.p.*	0.8%	1.1%
Other	**1,095**	**809**	***+35.4%***	**1,095**	**809**
% of revenue	3.5%	2.9%	*+0.6 p.p.*	3.5%	2.9%
SG&A (excl. D&A and LTI)	**6,826**	**6,205**	***+10.0%***	**4,386**	**3,915**
% of revenue	22.0%	22.3%	*-0.3 p.p.*	14.1%	14.0%
Depreciation and amortisation	**686**	**592**	***+15.8%***	**2,606**	**2,444**
% of revenue	2.2%	2.1%	*+0.1 p.p.*	8.4%	8.8%
Additional bonus accruals under the LTI program	338	229	***+47.6%***	338	229
% of revenue	1.1%	0.8%	*+0.3 p.p.*	1.1%	0.8%

Net interest expenses as a percentage of revenue decreased by 0.4 p.p. year-on-year due to leverage optimization, as well as seasonality factors. Detsky Mir's average weighted cost of debt as of the end of the reporting period declined by 0.5 p.p. year-on-year to 8.5%. In order to maintain the financial stability of the business, at the end of March the Company decided to increase the funds in its deposit account to RUB 10.8 bn through additional borrowing, ensuring the continuous operation of the business in the event of a further deterioration of the economic or epidemiological situation in the country. However, in March, Detsky Mir was able to refinance short-term debt in the amount of RUB 5.1 bn for a period of at least 12 months.

The Company recorded RUB 251 m in income tax benefit due to the adjustment in income tax for the previous periods. Costs related to depreciation of fixed assets and amortization of intangible assets as a percentage of revenue were stable in Q1 2020 year-on-year, at 2.2%.

During the same reporting period, Detsky Mir had FX losses totaling RUB 1.3 bn, compared to RUB 182 m of losses in Q1 2019. The main reason for this is the revaluation of foreign currency liabilities (accounts payable to suppliers of goods) to the difference in exchange rates between the beginning and end of the first quarter of 2020. These expenses are unrealized exchange differences that may be compensated in subsequent quarters if the exchange rate improves, or if the payables are paid out at an exchange rate lower than the rate at the end of March 2020.

Adjusted net profit in Q1 2020 was RUB 15 m. Net losses amounted to RUB 255 m.

Consolidated Cash Flow Statement Highlights

Russian Ruble (RUB), million	IAS 17 Q1 2020	IAS 17 Q1 2019	*Change*	IFRS 16 Q1 2020	IFRS 16 Q1 2019
Adjusted EBITDA	**2,260**	**1,875**	***+20.5%***	**4,700**	**4,165**
Add / (deduct):					
Change in working capital	(7,661)	(4,944)	*+54.9%*	(7,597)	(4,742)
Net interest and income tax paid	(881)	(1,094)	*-19.5%*	(1,523)	(2,103)
Other operating cash flows	(79)	187	*-143.5%*	(81)	186
Net cash used in operating activities	**(6,361)**	**(3,976)**	***+60.0%***	**(4,501)**	**(2,494)**

Net cash used in investing activities	(326)	(856)	*-61.9%*	(326)	(856)
Net cash generated from financing activities	15,754	2,836	*+455.6%*	13,894	1,354
Net (decrease) /increase in cash & cash equivalents	9,067	(1,996)	*+554.3%*	9,067	(1,996)

In Q1 2020, operating cash flows before changes in working capital (adjusted EBITDA) grew by 20.5% year-on-year, reaching RUB 2.3 bn. The Company increased its investment in working capital to RUB 7,661 m, versus RUB 4,944 m in Q1 2019. Changes in working capital were driven by additional purchases of RUB 5 bn to mitigate FX risks (RUB depreciation in March). Net interest expenses and income tax in the reporting period decreased by 19.5% year-on-year, reaching RUB 881 m. As a result, cash invested in operating activities increased by 60% year-on-year to RUB 6.4 bn in Q1 2020.

Cash used to finance investment activities and acquire fixed and intangible assets decreased by 61.9% year-on-year to RUB 326 m in Q1 2020. The Company didn't make any large one-off investments like those seen in Q1 of last year, when the Company purchased a flagship store and new distribution center. CAPEX for expansion of the retail chain totaled RUB 78 m in Q1 2020.

Net cash generated from financing activities in the reporting period amounted to RUB 15.8 bn, versus RUB 2.3 bn in Q1 2019. This increase was driven by increase in cash liquidity.

As of March 2020, Detsky Mir's total debt was RUB 35.1 bn, of which short-term loans accounted for 58.1% and long-term loans 41.9%. Net debt increased by 5.0% year-on-year to RUB 24.3 bn. All of the Company's debt is denominated in Russian rubles. As of the end of March, the Company's available undrawn credit limit with leading Russian and international banks totaled RUB 22.5 bn. Net debt/adjusted EBITDA declined to 1.6x, mostly due to efficient working capital management.

Conference Call Information

Detsky Mir's management will host a conference call today at 16:00 (Moscow time) / 14:00 (London time) / 9:00 (New York time) to discuss the Company's Q1 2020 unaudited 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

For additional information:

Nadezhda Kiseleva
Head of Public Relations
Office: +7 495 781 08 08, ext. 2041
nkiseleva@detmir.ru

Sergey Levitskiy
Head of Investor Relations
Office: +7 495 781 08 08 ext. 2315
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 and the Detmir Pickup 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 retail chain of 772 Detsky Mir stores located in 297 cities in Russia, Kazakhstan and Belarus, five Detmir Pickup stores, as well as 46 ELC, 12 ABC and eleven Zoozavr stores as of 31 March 2020. Total selling space was approximately 847,000 square meters

Detsky Mir Group's shareholder structure as of the date of this announcement is as follows: PJSFC Sistema[14] – 33.38%, Russia-China Investment Fund (RCIF) [15] – 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, impact of COVID-19 pandemic on macroeconomic situation on the markets of presence and financial results of Detsky Mir and its subsidiaries, as well as many other risks specifically related to Detsky Mir and its operations.

(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.

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 first quarter can be reconciled to our consolidated statements of profit and loss as follows:

RUB m	IAS 17		IFRS 16	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Profit for the period	**(255)**	**291**	**(353)**	**(164)**
Add / (deduct):				
Finance income	(8)	(2)	(9)	(4)
Finance expense	485	558	1,127	1,566
Foreign exchange (income)/ loss	1,267	182	1,267	182
Income tax expense	(251)	26	(276)	(88)
Depreciation and amortisation	686	592	2,606	2,444
EBITDA	**1,922**	**1,646**	**4,362**	**3,936**
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)	338	229	338	229
Adjusted EBITDA	**2,260**	**1,875**	**4,700**	**4,165**

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

RUB m	IAS 17		IFRS 16	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Profit for the period	**(255)**	**291**	**(353)**	**(164)**
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	270	183	270	183
Adjusted profit for the period	**15**	**474**	**(83)**	**19**

Attachment B

Detsky Mir Group

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income with application of IFRS 16 "Leases"
(in millions of Russian Rubles)

	Three months ended March 31,	
	2020	2019
Revenue	**31,020**	**27,886**
Cost of sales	(21,935)	(19,804)
Gross profit	**9,085**	**8,082**
Selling, general and administrative expenses	(7,330)	(6,587)
Other operating income/(expenses), net	1	(2)
Operating profit	**1,756**	**1,493**
Finance income	9	4
Finance expenses	(1,127)	(1,566)
Foreign exchange loss, net	(1,267)	(182)
Loss before tax	**(629)**	**(252)**
Income tax benefit	276	88
Loss for the period	**(353)**	**(164)**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Effect of translation to presentation currency	8	19
Total comprehensive loss for the period	**(345)**	**(145)**

Detsky Mir Group

Unaudited Consolidated Statement of Financial Position with application of IFRS 16 "Leases"

(in millions of Russian Rubles)

	March 31, 2020	March 31, 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	9,472	9,904
Intangible assets	1,346	1,470
Right-of-use assets	32,113	31,949
Deferred tax assets	2,576	1,961
Other non-current assets	144	133
Total non-current assets	**45,651**	**45,417**
CURRENT ASSETS		
Inventories	38,121	32,148
Trade receivables	1,719	2,819
Advances paid and other receivables, incl. prepaid income tax	1,836	2,076
Cash and cash equivalents	10,836	1,339
Total current assets	**52,512**	**38,382**
Total assets	**98,163**	**83,799**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1	1
Treasury shares	(407)	(353)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(7,650)	(6,693)
Currency translation reserve	126	148
Total equity deficit	**(2,137)**	**(1,104)**
NON-CURRENT LIABILITIES		
Lease liabilities	26,853	26,238
Long-term loans and borrowings	14,700	5,220
Deferred tax liabilities	100	123
Total non-current liabilities	**41,653**	**31,581**
CURRENT LIABILITIES		
Trade payables	25,925	21,442
Short-term loans and borrowings and current portion of long-term loans and borrowings	20,395	19,225
Lease liabilities	7,144	6,973
Advances received, other payables and accrued expenses, incl. deferred revenue and income tax payable	5,183	5,682
Total current liabilities	**58,647**	**53,322**
Total liabilities	**100,300**	**84,903**
Total equity and liabilities	**98,163**	**83,799**

Detsky Mir Group

Unaudited Consolidated Statement of Cash Flows with application of IFRS 16 "Leases"
(in millions of Russian Rubles)

	Three months ended March 31,	
	2020	2019
Operating activities:		
Loss for the period	(353)	(164)
Adjustments for:		
Depreciation and amortization expense	2,606	2,444
Foreign exchange loss, net	1,267	182
Finance expenses	1,127	1,566
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	247	338
Expense on equity-settled share-based compensation	11	73
Gain/(loss) on disposal of non-current assets	(1)	9
Finance income	(9)	(4)
Income tax benefit recognized in profit or loss	(276)	(88)
Bad debts written-off and change in loss allowance for doubtful receivables on advances paid and other receivables	-	(5)
Changes in working capital:		
Decrease in trade receivables	2,329	1,654
Increase in advances paid and other receivables	(238)	(36)
Decrease in inventories	274	2,577
Decrease in trade payables	(8,418)	(8,468)
Decrease in advances received, other payables and accrued expenses, incl. deferred revenue	(1,544)	(469)
Cash used in operations	**(2,978)**	**(391)**
Interest paid	(829)	(1,448)
Interest received	8	2
Income tax paid	(702)	(657)
Net cash used in operating activities	**(4,501)**	**(2,494)**
Investing activities:		
Payments for property, plant and equipment	(294)	(832)
Payments for intangible assets	(44)	(31)
Proceeds from sale of property, plant and equipment	12	7
Net cash used in investing activities	**(326)**	**(856)**
Financing activities:		
Purchase of treasury shares	(90)	(139)
Repayment of loans and borrowings	(16,386)	(11,093)
Lease payments	(1,860)	(1,482)
Proceeds from loans and borrowings	32,230	14,068
Net cash generated by financing activities	**13,894**	**1,354**
Net increase/(decrease) in cash and cash equivalents	**9,067**	**(1,996)**
Cash and cash equivalents, beginning of the period	**1,769**	**3,335**
Cash and cash equivalents, end of the period	**10,836**	**1,339**

Detsky Mir Group

Had the Group continued applying IAS 17 instead of IFRS 16, Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income would have been as follows:
(in millions of Russian Rubles)

	Three months ended March 31,	
	2020	**2019**
Revenue	**31,020**	**27,886**
Cost of sales	(21,935)	(19,804)
Gross profit	**9,085**	**8,082**
Selling, general and administrative expenses	(7,850)	(7,025)
Other operating income/(expenses), net	1	(2)
Operating profit	**1,236**	**1,055**
Finance income	8	2
Finance expenses	(485)	(558)
Foreign exchange loss, net	(1,267)	(182)
(Loss)/profit before tax	**(506)**	**317**
Income tax benefit/(expense)	251	(26)
(Loss)/profit for the period	**(255)**	**291**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Effect of translation to presentation currency	**9**	**8**
Total comprehensive (loss)/income for the period	**(246)**	**299**

Had the Group continued applying IAS 17 instead of IFRS 16, Unaudited Consolidated Statement of Financial Position would have been as follows:
(in millions of Russian Rubles)

	March 31, 2020	March 31, 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	9,472	9,904
Intangible assets	1,346	1,470
Deferred tax assets	2,134	1,620
Other non-current assets	247	229
Total non-current assets	**13,199**	**13,223**
CURRENT ASSETS		
Inventories	38,121	32,148
Trade receivables	1,719	2,819
Advances paid and other receivables, incl. prepaid income tax	2,203	2,481
Cash and cash equivalents	10,836	1,339
Total current assets	**52,879**	**38,787**
Total assets	**66,078**	**52,010**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1	1
Treasury shares	(407)	(353)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(5,885)	(5,331)
Currency translation reserve	127	137
Total (equity deficit)/equity	**(371)**	**247**
NON-CURRENT LIABILITIES		
Long-term loans and borrowings	14,700	5,220
Deferred tax liabilities	100	123
Total non-current liabilities	**14,800**	**5,343**
CURRENT LIABILITIES		
Trade payables	25,925	21,442
Short-term loans and borrowings and current portion of long-term loans and borrowings	20,395	19,225
Advances received, other payables and accrued expenses, incl. deferred revenue and income tax payable	5,329	5,753
Total current liabilities	**51,649**	**46,420**
Total liabilities	**66,449**	**51,763**
Total equity and liabilities	**66,078**	**52,010**

Detsky Mir Group

Had the Group continued applying IAS 17 instead of IFRS 16, Unaudited Consolidated Statement of Cash Flows would have been as follows:
(in millions of Russian Rubles)

	Three months ended March 31,	
	2020	**2019**
Operating activities:		
(Loss)/profit for the period	(255)	291
Adjustments for:		
Foreign exchange loss, net	1,267	182
Depreciation and amortization expense	686	592
Finance expenses	485	558
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	247	338
Expense on equity-settled share-based compensation	11	73
Gain/(loss) on disposal of non-current assets	(1)	9
Finance income	(8)	(2)
Income tax (benefit)/expense recognized in profit or loss	(251)	26
Bad debts written-off and change in loss allowance for doubtful receivables on advances paid and other receivables	-	(5)
Changes in working capital:		
Decrease in trade receivables	2,329	1,654
Increase in advances paid and other receivables	(283)	(150)
Decrease in inventories	274	2,577
Decrease in trade payables	(8,418)	(8,468)
Decrease in advances received, other payables and accrued expenses, incl. deferred revenue	(1,563)	(557)
Cash used in operations	**(5,480)**	**(2,882)**
Interest paid	(187)	(439)
Interest received	8	2
Income tax paid	(702)	(657)
Net cash used in operating activities	**(6,361)**	**(3,976)**
Investing activities:		
Payments for property, plant and equipment	(294)	(832)
Payments for intangible assets	(44)	(31)
Proceeds from sale of property, plant and equipment	12	7
Net cash used in investing activities	**(326)**	**(856)**
Financing activities:		
Purchase of treasury shares	(90)	(139)
Repayment of loans and borrowings	(16,386)	(11,093)
Proceeds from loans and borrowings	32,230	14,068
Net cash generated by financing activities	**15,754**	**2,836**
Net increase/(decrease) in cash and cash equivalents	**9,067**	**(1,996)**
Cash and cash equivalents, beginning of the period	**1,769**	**3,335**
Cash and cash equivalents, end of the period	**10,836**	**1,339**