Detsky Mir Group Adjusted EBITDA Increased by 48% YoY in June 2020

Moscow, Russia, 25 August 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 second quarter and the first half ended 30 June 2020.

Q2 2020 Financial Highlights[1]

- Group unaudited consolidated revenue increased by 2.9% year-on-year to RUB 28.8 bn, compared to RUB 28 bn in Q2 2019.
- Online revenue[2] increased 3.2x year-on-year to RUB 8.7 bn.
  - The share of online sales in total revenue of Detsky Mir in Russia increased 3.1x year-on-year to 31.1%.
  - The share of courier delivery service grew by 10.8 p.p. year-on-year to 23%.
- Revenue in Kazakhstan decreased by 17.3% year-on-year to RUB 634 m.
- Like-for-like sales[3] at Detsky Mir stores in Russia and Kazakhstan grew by 0.8%. The number of tickets decreased by 11.3%, while the average ticket grew 13.7%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 1.1%. The number of tickets decreased by 11.0%, while the average ticket grew by 13.5%.
- Detsky Mir opened 12 new branded stores[4] in Q2 2020. The Group had 850 stores[5] as of 30 June 2020:
  - Three Detsky Mir stores have been temporarily closed in Russia. The Belarusian retail chain Detmir and Kazakhstan's Detsky Mir remained open.
- Total selling space increased by 10.1% year-on-year to approximately 855,000 sq. m.
- Gross profit decreased by 6.6% year-on-year to RUB 8.9 bn, with a gross margin of 30.8%.
- SG&A as a percentage of revenue[6] decreased by 3.1 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA[7] increased by 2.9% year-on-year to RUB 3.6 bn; the adjusted EBITDA margin was flat year-on-year to 12.3%. EBITDA[8] totaled RUB 3.5bn (+4.4% year-on-year).
- Adjusted net profit[9] amounted to RUB 1.4 bn (-29.4% year-on-year). Net profit totaled RUB 1.4 bn (-28.6% year-on-year).
- The net debt[10]/adjusted EBITDA LTM ratio improved to 1.6x as of 30 June 2020.

1H 2020 Financial Highlights

- Group unaudited consolidated revenue increased by 7.1% year-on-year to RUB 59.9 bn, compared to RUB 55.9 bn in 1H 2019.
- Online revenue increased 2.7x year-on-year to RUB 14.1 bn.

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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. The store is included in the calculation of the monthly like-for-like, if the difference between the worked periods in comparable months does not exceed three business days.
(4) In Q2 2020, Detsky Mir closed two stores.
(5) Including 52 ELC and ABC stores, five Detmir Pickup stores as well as eleven 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 for the last 12-months period.

- The share of online sales in total net revenue of Detsky Mir in Russia increased 2.5x year-on-year to 24.6%.
- The share of courier delivery service grew by 4.6 p.p. year-on-year to 19.9%.

- Revenue in Kazakhstan decreased by 6.1% year-on-year to RUB 1,601 m.
- Like-for-like sales at Detsky Mir stores in Russia and Kazakhstan grew 2.5%. The number of tickets decreased 3.0%, while the average ticket grew 5.7%.
- Like-for-like sales at Detsky Mir stores in Russia grew 2.4%. The number of tickets decreased 3.1%, while the average ticket grew 5.7%.
- Detsky Mir opened 20 new branded stores[11] in 1H 2020, as well as one new Detmir Pickup store and one new Zoozavr store.
- Gross profit increased by 2.1% year-on-year to RUB 18 bn, with a gross margin of 30%.
- SG&A as a percentage of revenue decreased by 1.6 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA increased by 9.1% year-on-year to RUB 5.8 bn; the adjusted EBITDA margin improved by 0.2 p.p. to 9.7%. EBITDA totaled RUB 5.4 bn (+8.4% year-on-year).
- Adjusted net profit amounted to RUB 1.4 bn (-42.5% year-on-year). Net profit totaled RUB 1.1 bn (-49.7% year-on-year).

Q2 2020 Key Events

- In June 2020, the Annual General Meeting of Shareholders approved a dividend for 2019 totaling RUB 2.2 bn, or RUB 3.0 per ordinary share.
- In June 2020, 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 118 million existing shares in Detsky Mir, representing 15.9% of Detsky Mir's issued share capital. The offering increased the Company's free float to 75%-1 share. PJSFC Sistema has a remaining ownership interest of 20.38%, and RCIF has a remaining interest of 4.62% in the Company.
- As of 31 May 2020, 38 Detsky Mir stores in Russia, as well as all 58 ELC and ABC stores were temporarily closed due to the spread of the coronavirus (COVID-19).
- As of 30 April 2020, 83 Detsky Mir stores in Russia, as well as all 58 ELC and ABC stores were temporarily closed due to the spread of the coronavirus (COVID-19). In Kazakhstan, 36 stores were temporarily closed, although pickup points for online orders were set up at most of the closed locations.
- In April 2020, Detsky Mir successfully issued its series BO-06 exchange-traded bond with a nominal value of RUB 3 bn, a coupon of 7.0% p.a. and a 3-year put option.

Events after the Reporting Period

- As of 25 August 2020, all Detsky Mir stores remained open to customers.
- In August 2020, the Board of Directors recommended that PJSC Detsky Mir's shareholders approve a dividend payment of the remaining undistributed profit for Q4 2019 of RUB 1.8 bn or RUB 2.5 per ordinary share. The total amount of paid dividends for FY 2019 may amount to RUB 7.8 bn (100% of net profit under RAS), or RUB 10.6 per ordinary share.
- In July 2020, the Company launched its first regional distribution center in PNK Park Rostov-on-Don, a Class A+ industrial park developed by PNK Group. Detsky Mir leased 6,000 sq. m of warehousing space for seven years with the option to expand. The project's CAPEX totals around RUB 100 m.

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

"Detsky Mir has been successfully dealing with the current COVID-19 crisis. In the second quarter, our team has not only successfully recovered the revenue losses suffered in April but also increased adjusted EBITDA by 2.9%. In July, we fully brought our business back to normal, returning to double-digit growth in total sales at 13.9% year-on-year, despite a high base in July 2019 (+18% year-on-year). At the same time, we expect EBITDA for July 2020 to be up by at least 25% year-on-year.

This solid performance was driven by the Company's successful omnichannel journey, which allowed us to quickly adapt to new market conditions. Following the lifting of lockdown measures and customers returning to normality,

(11) In 1H 2020, Detsky Mir closed four stores.

Detsky Mir's online sales have continued to show strong growth. For example, the share of online sales in Detsky Mir's total revenue increased by more than 2.5 times year-on-year in July 2020, reaching 25.3% of the Detsky Mir chain's total revenue in Russia.

In response to new market opportunities and challenges, our team decided to update the Company's medium-term development strategy. Detsky Mir is above all focused on maintaining its leadership in the children's goods segment and sustaining double-digit sales growth by further evolving its omnichannel business model.

We have set ourselves the ambitious target of growing the share of online sales to 45% in the medium term by developing direct delivery and in-store fulfillment of online orders. We have set our sights on offering next-day delivery on at least 80% of all online orders by building out a robust regional logistics network. In addition, we plan to significantly expand our assortment of children's products to 2.4 million SKUs through the development of our own marketplace.

Our key priority is to deliver a superior customer experience in all sales channels, in part by achieving leadership across all e-comm products in terms of mobile app and online store usability. We also see an excellent opportunity to expand into the market for digital services targeted at children by leveraging the traffic generated by our detmir.ru online store.

We plan to open at least 800 Detmir Pickup stores, our new compact store format, by the end of 2024, enabling increased penetration in smaller towns and locations while also improving the delivery service for online orders. At the same time, we remain committed to the Company's targets announced in early March: we are planning to open at least 300 stores in the Detsky Mir chain's traditional format and maintain our double-digit adjusted EBITDA margin.

Finally, we took a decision to scale up the Zoozavr chain, with medium-term plans to open at least 500 retail outlets and achieve a 30% share of online sales in pet supplies. Our goal is to become a leader in this segment with a double-digit market share."

Operating Results

	Q2 2020	Q2 2019	*Change*
Number of stores	**850**	**760**	***+11.8%***
Detsky Mir	782	688	*+13.7%*
ELC & ABC	52	66	*-21.2%*
Zoozavr	11	6	*+83.3%*
Detmir Pickup	5	-	-
Selling space ('000, sq. m)	**855**	**777**	***+10.1%***

Russian Ruble (RUB), million	Q2 2020	Q2 2019	*Change*	1H 2020	1H 2019	*Change*
Revenue of Detsky Mir in Russia	27,852	26,991	+3.2%	57,460	53,921	+6.6%
Revenue of Detsky Mir in Kazakhstan	634	766	-17.3%	1,608	1,509	+6.6%
Other revenue[12]	350	257	+36.3%	788	470	+67.8%
Total Revenue	**28,836**	**28,014**	**+2.9%**	**59,856**	**55,899**	**+7.1%**

Like-for-like Russia and Kazakhstan	Q2 2020	Q2 2019	*Change*	1H 2020	1H 2019	*Change*
Like-for-like revenue growth	**0.8%**	**6.7%**	**-5.9 p.p.**	**2.5%**	**6.9%**	**-4.4 p.p.**
Like-for-like number of tickets growth	-11.3%	8.5%	-19.8 p.p.	-3.0%	8.3%	-11.3 p.p.
Like-for-like average ticket growth	13.7%	-1.7%	+15.4 p.p.	5.7%	-1.3%	+7.0 p.p.

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

Like-for-like Russia	Q2 2020	Q2 2019	*Change*	1H 2020	1H 2019	*Change*
Like-for-like revenue growth	**1.1%**	**6.2%**	**-5.1 p.p.**	**2.4%**	**6.4%**	**-4.0 p.p.**
Like-for-like number of tickets growth	-11.0%	7.8%	-18.8 p.p.	-3.1%	7.6%	-10.7 p.p.
Like-for-like average ticket growth	13.5%	-1.4%	+14.9 p.p.	5.7%	-1.2%	+6.9 p.p.

Alternative Like-for-like Russia and Kazakhstan[13]	Q2 2020	Q2 2019	*Change*
Like-for-like revenue growth	**-11.9%**	**6.7%**	**-18.6 p.p.**
Like-for-like number of tickets growth	-21.8%	8.5%	-30.3 p.p.
Like-for-like average ticket growth	12.7%	-1.7%	+14.4 p.p.

Alternative Like-for-like Russia	Q2 2020	Q2 2019	*Change*
Like-for-like revenue growth	**-11.3%**	**6.2%**	**-17.5 p.p.**
Like-for-like number of tickets growth	-21.1%	7.8%	-28.9 p.p.
Like-for-like average ticket growth	12.3%	-1.4%	+13.7 p.p.

As of the end of the reporting period, Detsky Mir Group had 850 retail outlets: 782 Detsky Mir branded stores in 302 cities across Russia, Kazakhstan and Belarus, five Detmir Pickup stores, 52 ELC and ABC retail chain stores, as well as 11 Zoozavr pet supplies stores. The Group's total selling space was 855,000 sq. m (+10.1% year-on-year).

Twelve new Detsky Mir chain stores were opened in Q2 2020, as we traditionally open most new stores in the second half of the year. In 2020, the Company plans to open at least 70 Detsky Mir stores, as well as at least 10 Detmir Pickup stores and 10 Zoozavr stores.

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 2.9% year-on-year to RUB 28.8 bn.

During the lockdown, customer preferences shifted to online shopping, but since the lifting of lockdown in June, Russian citizens have been getting back to their normal way of life, driving a 16.5% increase in LFL sales in Russia and Kazakhstan, along with a 4.2% LFL average ticket growth.

Our current key priority is the further rollout of our online channel. Thanks to our omnichannel approach, the Company was able to meet the increased demand for online shopping, which was evidenced by sharp growth in online sales. The share of online sales in Detsky Mir's total revenue more than tripled year-on-year to RUB 8.7 bn in Q2 2020, reaching 31.2% of the Detsky Mir chain's total revenue in Russia.

In December 2019, Detsky Mir Group launched a mobile app for customers, allowing them to shop online using the Company's loyalty card. Over the first six months since launch, the app has been opened over 15 million times on customers' mobile devices, with its daily active audience already exceeding 300,000 users. "Detsky Mir" is also the highest rated free app in Russia, with a score of 4.6 on the App Store and 4.7 on Google Play. Download statistics show that Android mobile devices account for about 70% of installations and iOS devices for about 30%.

Throughout Q2, the Company also witnessed mixed dynamics in individual product groups. Essentials like baby food and diapers were the fastest growing categories in April, increasing their share in the chain's total revenue by 5.9 p.p. year-on-year to 41%. At the same time, apparel and footwear demonstrated explosive growth in May and June on the back of pent-up demand and the approaching summer season, with a 6.5 p.p. year-on-year increase in the share of this category in total sales (to 32.7%).

(13) Hereinafter alternative like-for-like average growth, like-for-like number of tickets growth and like-for-like revenue growth includes the performance of the stores which were temporarily closed due to the spread of the coronavirus (COVID-19).

Detsky Mir continued successfully pushing private labels across all categories, gradually transitioning to direct import contracts to provide a best price guarantee to our customers. The share of private labels and direct contracts in total sales has grown by 5.7 p.p. year-on-year to 47.9% over Q2. In diapers, the Baby Go and Manu private labels demonstrated positive dynamics, with a 1.8 p.p. year-on-year increase in the share of sales in this product group (to 7.7%).

Financial Results

Income Statement Highlights[14]

Russian Ruble (RUB), million	IAS 17		*Change*	IFRS 16	
	Q2 2020	Q2 2019		Q2 2020	Q2 2019
Revenue	**28,836**	**28,014**	**+2.9%**	**28,836**	**28,014**
Online store	8,687	2,720	+219.3%	8,687	2,720
Gross profit	**8,881**	**9,509**	**-6.6%**	**8,881**	**9,509**
Gross profit margin, %	30.8%	33.9%	-3.1 p.p.	30.8%	33.9%
SG&A	**(5,327)**	**(6,054)**	**-12.0%**	**(3,646)**	**(3,761)**
% of revenue	-18.5%	-21.6%	-3.1 p.p.	-12.6%	-13.4%
Other operating expenses	6	4	+46.5%	38	4
EBITDA	**3,514**	**3,367**	**+4.4%**	**5,227**	**5,659**
EBITDA margin, %	12.2%	12.0%	+0.2 p.p.	18.1%	20.2%
Adjusted EBITDA	**3,560**	**3,460**	**+2.9%**	**5,273**	**5 752**
Adjusted EBITDA margin, %	12.3%	12.3%	-	18.3%	20.5%
Profit for the period	**1,357**	**1,902**	**-28.6%**	**737**	**2,098**
Profit margin, %	4.7%	6.8%	-2.1 p.p.	2.6%	7.5%
Adjusted profit for the period	**1,394**	**1,976**	**-29.4%**	**774**	**2,173**
Adjusted profit margin, %	4.8%	7.1%	-2.2 p.p.	2.7%	7.8%
Net debt	**24,908**	**26,176**	***-4.8%***	**24,908**	**26,176**
Lease liabilities	-	-		**34,919**	**31,390**
Net debt / EBITDA	*1.7*	*2.1*			
Net Debt / adjusted EBITDA LTM	*1.6*	*1.9*			

Russian Ruble (RUB), million	IAS 17		Change	IFRS 16	
	1H 2020	1H 2019		1H 2020	1H 2019
Revenue	**59,856**	**55,899**	**+7.1%**	**59,856**	**55,899**
Online store	14,133	5,303	+166.5%	14,131	5,303
Gross profit	**17,966**	**17,591**	**+2.1%**	**17,966**	**17,591**
Gross profit margin, %	30.0%	31.5%	-1.5 p.p.	30.0%	31.5%
SG&A	(12,153)	(12,259)	-0.9%	(8,032)	(7,676)
% of revenue	-20.3%	-21.9%	-1.6 p.p.	-13.4%	-13.7%
Other operating income	7	2	+259.2%	39	2

(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.

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EBITDA	**5,436**	**5,013**	**+8.4%**	**9,589**	**9,596**
EBITDA margin, %	9.1%	9.0%	+0.1 p.p.	16.0%	17.2%
Adjusted EBITDA	**5,820**	**5,335**	**+9.1%**	**9,973**	**9,917**
Adjusted EBITDA margin, %	9.7%	9.5%	+0.2 p.p.	16.7%	17.7%
Profit for the period	**1,102**	**2,192**	**-49.7%**	**384**	**1,935**
Profit margin, %	1.8%	3.9%	-2.1 p.p.	0.6%	3.5%
Adjusted profit for the period	**1,409**	**2,450**	**-42.5%**	**691**	**2,192**
Adjusted profit margin, %	2.4%	4.4%	-2.0 p.p.	1.2%	3.9%

In Q2 2020, Detsky Mir demonstrated sound growth in operating income. Thanks to the timely anti-crisis measures taken to reduce operating expenses, the Company managed to increase adjusted EBITDA by 2.9% year-on-year to RUB 3.6 bn, and adjusted EBITDA margin was flat year-on-year at 12.3%.

In Q2 2020, gross margin decreased 3.1 p.p. year-on-year to 30.8%, mainly due to a significant increase in the share of sales of low-margin products (baby food, diapers), as well as additional promos.

Detsky Mir is committed to the continuous enhancement of operational efficiency by reducing operating costs, notably through the renegotiation of commercial lease terms. In Q2 2020, rental expenses as a percentage of revenue decreased by 1.9 p.p. year-on-year. The Company was able to cut personnel expenses as a percentage of revenue by 1.1 p.p. year-on-year.

Adjusted SG&A less amortization, depreciation and LTI expenses as a percentage of revenue decreased in Q2 2020 to 18.5%, down 3.1 p.p. compared to the same period last year.

Selling, General and Administrative (SG&A) Expenses

Russian Ruble (RUB), million	**IAS 17**			**IFRS 16**	
	Q2 2020	**Q2 2019**	**Change**	**Q2 2020**	**Q2 2019**
Payroll	**2,152**	**2,393**	**-10.1%**	**2,152**	**2,393**
% of revenue	7.5%	8.5%	-1.1 p.p.	7.5%	8.5%
Rent & Utilities	**2,078**	**2,560**	**-18.8%**	**409**	**316**
% of revenue	7.2%	9.1%	-1.9 p.p.	1.4%	1.1%
Advertising & Marketing	**168**	**168**	**-0.4%**	**168**	**168**
% of revenue	0.6%	0.6%	-	0.6%	0.6%
Other	**929**	**933**	**-0.4%**	**917**	**884**
% of revenue	3.2%	3.3%	-0,1 p.p.	3.2%	3.2%
SG&A (excl. D&A and LTI)	**5,327**	**6,054**	**-12.0%**	**3,646**	**3,761**
% of revenue	18.5%	21.6%	-3,1 p.p.	12.6%	13.4%
Depreciation and amortization	**715**	**633**	**+12.9%**	**2,614**	**2,432**
% of revenue	2.5%	2.3%	+0,2 p.p.	9.1%	8.7%
Additional bonus accruals under the LTI program	**46**	**93**	**-50.2%**	**46**	**93**
% of revenue	0.2%	0.3%	-0.2 p.p.	0.2%	0.3%

Russian Ruble (RUB), million	**IAS 17**			**IFRS 16**	
	1H 2020	**1H 2019**	**Change**	**1H 2020**	**1H 2019**
Payroll	**4,814**	**4,791**	**+0.5%**	**4,814**	**4,791**
% of revenue	8.0%	8.6%	-0.5 p.p.	8.0%	8.6%
Rent & Utilities	**4,888**	**5,239**	**-6.7%**	**779**	**705**
% of revenue	8.2%	9.4%	-1.2 p.p.	1.3%	1.3%
Advertising & Marketing	**427**	**488**	**-12.4%**	**427**	**488**
% of revenue	0.7%	0.9%	-0.2 p.p.	0.7%	0.9%

Other	2,024	1 742	+16.2%	2,012	1,692
% of revenue	3.4%	3.1%	+0.3 p.p.	3.4%	3.0%
SG&A (excl. D&A and LTI)	12,153	12,259	-0.9%	8,032	7,676
% of revenue	20.3%	21.9%	-1.6 p.p.	13.4%	13.7%
Depreciation and amortization	1,401	1,225	+14.3%	5,220	4,875
% of revenue	2.3%	2.2%	+0.1 p.p.	8.7%	8.7%
Additional bonus accruals under the LTI program	384	322	+19.3%	384	322
% of revenue	0.6%	0.6%	+0.1 p.p.	0.6%	0.6%

Net interest expenses as a percentage of revenue increased by 0.3 p.p. year-on-year due an increase in cash balances to RUB 11 bn, financed by debt to ensure business continuity during the lockdown. Detsky Mir's average weighted cost of debt as of the end of the reporting period declined by 1.3 p.p. year-on-year to 7.5%.

In Q2 2020, the effective income tax rate increased year-on-year to 28.1%, mainly due to the write-off of deferred tax assets in the amount of RUB 162 m. Costs related to the depreciation of fixed assets and amortization of intangible assets as a percentage of revenue increased by 0.2 p.p. year-on-year to 2.5% in Q2 2020 due to the slowdown in sales growth.

During the same reporting period, Detsky Mir experienced FX losses totaling RUB 205 m, compared to RUB 104 m of losses in Q2 2019. The main reason for this is the revaluation of foreign currency liabilities (accounts payable to suppliers of goods), as well as the result of the execution of previously opened forwards and the revaluation of new ones.

Adjusted net profit declined by 29.4% year-on-year to RUB 1.4 bn. Adjusted net profit margin was 4.8% (-2.2 p.p. year-on-year).

Consolidated Cash Flow Statement Highlights

	IAS 17			IFRS 16	
Russian Ruble (RUB), million	**Q2 2020**	**Q2 2019**	**Change**	**Q2 2020**	**Q2 2019**
Adjusted EBITDA	**3,560**	**3,460**	**+2.9%**	**5,273**	**5,752**
Add / (deduct):					
Change in working capital	(3,467)	(1,950)	+77.9%	(3,602)	(1,937)
Net interest and income tax paid	(937)	(553)	+69.6%	(1,527)	(802)
Other operating cash flows	515	(43)	-	475	(91)
Net cash (used in) / generated from operating activities	**(328)**	**914**	**-**	**619**	**2,922**
Net cash used in investing activities	**(322)**	**(741)**	**-130.5%**	**(322)**	**(741)**
Net cash used in financing activities	**(7,255)**	**(195)**	**+3,626.2%**	**(8,202)**	**(2,203)**
Net decrease in cash & cash equivalents	**(7,905)**	**(21)**	**+37,494.5%**	**(7,905)**	**(21)**

	IAS 17			IFRS 16	
Russian Ruble (RUB), million	**1H 2020**	**1H 2019**	**Change**	**1H 2020**	**1H 2019**
Adjusted EBITDA	**5,820**	**5,335**	**+9.1%**	**9,973**	**9,917**
Add / (deduct):					
Change in working capital	(11,128)	(6,893)	+38.1%	(11,199)	(6,681)
Net interest and income tax paid	(1,818)	(1,647)	+10.4%	(3,050)	(2,905)
Other operating cash flows	436	143	+67.1%	394	95
Net cash (used in) / generated from operating activities	**(6,689)**	**(3,062)**	**+118.5%**	**(3,882)**	**428**
Net cash used in investing activities	**(648)**	**(1,596)**	**-59.4%**	**(648)**	**(1,596)**
Net cash (used in) / generated from financing activities	**8,499**	**2,641**	**+221,8%**	**5,692**	**(849)**

Net (decrease) /increase in cash & cash equivalents	1,162	(2,017)	-	1,162	(2,017)

In Q2 2020, operating cash flows before changes in working capital (adjusted EBITDA) grew by 2.9% year-on-year, reaching RUB 3.6 bn. The Company increased its investment in working capital by 77.9% year-on-year to RUB 3.5 bn. Changes in working capital were driven by the slowdown in sales growth, as well as additional purchases of RUB 1 bn to mitigate FX risks. Net interest expenses and income tax in the reporting period increased by 69.9% year-on-year, reaching RUB 937 m. As a result, cash invested in operating activities amounted to RUB 328 m, versus net cash generated from operating activities of RUB 914 m in Q2 2019.

Cash used to finance investment activities and acquire fixed and intangible assets decreased by 130.5% year-on-year to RUB 321 m in Q2 2020. The Company didn't make any large one-off investments like those seen in Q1 of last year. Expansion CAPEX totaled RUB 123 m in Q2 2020, with investment in the launch of the first regional distribution center in the Southern Federal District amounting to RUB 65 m.

Net cash generated from financing activities in the reporting period amounted to RUB 7.3 bn, versus RUB 195 m in Q2 2019, driven by a decrease in our cash position due to the repayment of our credit lines.

As of June 2020, Detsky Mir's total debt was RUB 27.8 bn, of which short-term loans accounted for 60.5% and long-term loans 39.5%. Net debt decreased by 4.8% year-on-year to RUB 24.9 bn. All of the Company's debt is denominated in Russian rubles. As of the end of June, the Company's available undrawn credit limit with leading Russian and international banks totaled RUB 27.7 bn. Net debt/adjusted EBITDA declined to 1.6x.

Mid-Term Guidance

The Company's management confirms its store opening guidance, with at least 300 stores in the Detsky Mir chain's traditional format on the horizon in Russia, Kazakhstan and Belarus. The Group also plans to open 800 Detmir Pickup stores – our new compact store format – along with 500 Zoozavr pet supplies stores.

Detsky Mir expects to maintain double-digit growth in total sales in the medium term by developing its omnichannel business model, with the share of online sales reaching 45% in the children's goods category and 30% in the pet supplies category. The Company's goal is leadership in both markets.

Detsky Mir's strategic priority is to offer an affordable and wide product assortment, which will be ensured in part by a focus on private labels and the full-scale launch of our own marketplace. Within 3 to 5 years, the product assortment in the children's goods segment is expected to grow from 150 thousand to 2.4 million SKUs.

Detsky Mir is constantly improving its customer experience across all sales channels, with a medium-term target of achieving an overall NPS score of 70%[15] and gaining user experience leadership over online peers. Furthermore, the Company will consider entering the market for digital services and other non-children's product categories.

The Company will continue to build out its logistics network to support the fast and cheap delivery of online orders. Between 2021 and 2024, Detsky Mir expects to launch five new distribution centers: three leased regional centers and two Company-owned, federal-level centers. While the level of investment required for each federal distribution center should be no more than RUB 2.5 bn, CAPEX per regional warehouse will amount to about RUB 100 m. On top of this, Detsky Mir's total IT infrastructure CAPEX is not expected to exceed RUB 4 bn in the medium term.

The Group will continue to improve its operational efficiency to maintain its double-digit adjusted EBITDA margin (excluding the impact of IFRS 16 "Leases") in the medium term.

The Company expects to confirm its dividend recommendation of 100% of net profit under Russian Accounting Standards (RAS). At the same time, Detsky Mir expects its financial year-end net debt/adjusted EBITDA ratio to stay below 2x throughout the entire forecast period.

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(15) Net Promoter Score is a metric used in customer experience programs. NPS measures the loyalty of customers to a company.

Conference Call Information

Date: Tuesday, August 25, 2020

Time: 16:00 (Moscow) 14:00 (London) 9:00 AM (U.S. Eastern time)

To register for the event please follow the link below.

Detsky_Mir_Webcast

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The Detsky Mir Group of Companies (MOEX: DSKY) is a multi-format retailer and the leader in the children's goods sector in Russia. 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 782 Detsky Mir stores located in 302 cities in Russia, Kazakhstan and Belarus, five Detmir Pickup stores, as well as 43 ELC, 9 ABC and eleven Zoozavr stores as of 30 June 2020. The total selling space was approximately 855,000 square meters.

Detsky Mir Group's shareholder structure as of the date of this announcement is as follows: PJSC AFK Sistema[16] – 20.38%; Russian-Chinese Investment Fund (RCIF)[17] – 4.62%, Free float – 75%- 1 share.

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

Disclaimer

(16) 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
(17) RCIF, an equity investment 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 second quarter can be reconciled to our consolidated statements of profit and loss as follows:

RUB m	IAS 17		IFRS 16	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Profit for the period	**1,357**	**1,902**	**737**	**2,098**
Add / (deduct):				
Finance income	(57)	(1)	(57)	(2)
Finance expense	765	606	1,354	855
Foreign exchange loss	205	104	204	104
Income tax expense	529	123	375	172
Depreciation and amortization	715	633	2,614	2,432
EBITDA	**3,514**	**3,367**	**5,227**	**5,659**
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)	46	93	46	93
Adjusted EBITDA	**3,560**	**3,460**	**5,274**	**5,752**

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

RUB m	IAS 17		IFRS 16	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Profit for the period	**1,357**	**1,902**	**737**	**2,098**
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	37	74	37	74
Adjusted profit for the period	**1,394**	**1,976**	**700**	**2,173**

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

RUB m	IAS 17		IFRS 16	
	1H 2020	1H 2019	1H 2020	1H 2019
Profit for the period	**1,102**	**2,192**	**384**	**1,935**
Add / (deduct):				
Finance income	(66)	(3)	(66)	(6)
Finance expense	1,250	1,164	2,481	2,422
Foreign exchange loss	1,471	286	1,471	286
Income tax expense	278	148	99	84
Depreciation and amortization	1,401	1,225	5,220	4,875
EBITDA	**5,436**	**5,013**	**9,589**	**9,596**
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)	384	322	384	322
Adjusted EBITDA	**5,820**	**5,335**	**9,973**	**9,917**

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

RUB m	IAS 17		IFRS 16	
	1H 2020	1H 2019	1H 2020	1H 2019
Profit for the period	**1,102**	**2,192**	**384**	**1,935**
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	307	257	307	257
Adjusted profit for the period	**1,409**	**2,450**	**691**	**2,192**

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)

	The first half-year ended June 30,	
	2020	2019
Revenue	**59,856**	**55,899**
Cost of sales	(41,890)	(38,308)
Gross profit	**17,966**	**17,591**
Selling, general and administrative expenses	(13,636)	(12,873)
Other operating income, net	39	2
Operating profit	**4,369**	**4,720**
Finance income	66	6
Finance expenses	(2,481)	(2,422)
Foreign exchange loss, net	(1,471)	(286)
Profit before tax	**483**	**2,018**
Income tax expense	(99)	(84)
Loss for the period	**384**	**1,934**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Effect of translation to presentation currency	(30)	45
Total comprehensive income for the period	**354**	**1,979**

Detsky Mir Group

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

	June 30, 2020	June 30, 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	9,174	9,755
Intangible assets	1,245	1,464
Right-of-use assets	32,126	32,988
Deferred tax assets	2,289	2,415
Other non-current assets	116	138
Total non-current assets	**44,950**	**46,760**
CURRENT ASSETS		
Inventories	41,997	38,636
Trade receivables	1,761	4,048
Advances paid and other receivables	985	1,435
Prepaid income tax	12	13
Cash and cash equivalents	2,931	1,769
Total current assets	**47,686**	**45,901**
Total assets	**92,636**	**92,661**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1	1
Treasury shares	(407)	(317)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(9,107)	(7,305)
Currency translation reserve	131	161
Total equity deficit	**(3,589)**	**(1,667)**
NON-CURRENT LIABILITIES		
Lease liabilities	27,678	27,635
Long-term loans and borrowings	11,000	8,980
Deferred tax liabilities	91	104
Total non-current liabilities	**38,769**	**36,719**
CURRENT LIABILITIES		
Trade payables	24,996	32,911
Short-term loans and borrowings and current portion of long-term loans and borrowings	16,839	10,270
Lease liabilities	7,241	7,145
Advances received, other payables and accrued expenses	7,792	6,042
Deferred revenue	476	436
Income tax payable	112	805
Total current liabilities	**57,456**	**57,609**
Total liabilities	**96,225**	**94,328**
Total equity and liabilities	**92,636**	**92,661**

Detsky Mir Group

Unaudited Consolidated Statement of Cash Flows with application of IFRS 16 "Leases"

(in millions of Russian Rubles)

	The first half-year ended June 30,	
	2020	2019
OPERATING ACTIVITIES:		
Profit for the period	384	1,934
Adjustments for:		
Depreciation and amortization expense	5,220	4,875
Finance expense	2,481	2,422
Foreign exchange loss, net	1,471	286
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	799	358
Income tax expense recognized in profit or loss	99	84
Expense on equity-settled share-based compensation	22	156
Loss/(gain) on disposal of non-current assets	2	(11)
Bad debts written-off and change in allowance for credit losses for doubtful accounts	(2)	(35)
Finance income	(66)	(6)
Other	(43)	(50)
Changes in working capital:		
Decrease in trade receivables	2,287	1,192
Decrease in advances paid and other receivables	494	263
Increase in inventories	(4,150)	(2,591)
Decrease in trade payables	(9,016)	(4,787)
Decrease in advances received, other payables and accrued expenses	(854)	(507)
Increase/(decrease) in deferred revenue	40	(251)
Cash (used in)/generated by operations	(832)	3,332
Interest paid	(2,390)	(2,248)
Interest received	52	3
Income taxes paid	(712)	(659)
Net cash (used in)/generated by operating activities	(3,882)	428
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(576)	(1,248)
Payments for intangible assets	(93)	(368)
Proceeds from disposal of property, plant and equipment	21	20
Net cash used in investing activities	(648)	(1,596)
FINANCING ACTIVITIES:		
Purchase of treasury shares	(90)	(139)
Sale of treasury shares	-	31
Proceeds from loans and borrowings	49,800	34,937
Repayment of loans and borrowings	(41,211)	(28,914)
Dividends paid	-	(3,274)
Lease payments	(2,807)	(3,490)
Net cash generated/(used in) financing activities	5,692	(849)
Net increase/(decrease) in cash and cash equivalents	1,162	(2,017)
Cash and cash equivalents, beginning of the period	1,769	3,335
Cash and cash equivalents, end of the period	2,931	1,318

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)

	The first half-year ended June 30,	
	2020	2019
Revenue	59,856	55,899
Cost of sales	(41,890)	(38,308)
Gross profit	17,966	17,591
Selling, general and administrative expenses	(13,938)	(13,806)
Other operating income, net	7	2
Operating profit	4,035	3,787
Finance income	66	3
Finance expense	(1,250)	(1,164)
Foreign exchange loss, net	(1,471)	(286)
Profit before tax	1,380	2,340
Income tax expense	(278)	(148)
Loss for the period	1,102	2,192
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Effect of translation to presentation currency	(3)	13
Total comprehensive income for the period	1,099	2,205

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)

	June 30, 2020	June 30, 2019
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	9,174	9,755
Intangible assets	1,245	1,464
Deferred tax assets	1,693	1,998
Other non-current assets	213	241
Total non-current assets	**12,325**	**13,458**
CURRENT ASSETS:		
Inventories	41,997	38,636
Trade receivables	1,761	4,048
Advances paid and other receivables	1,176	1,756
Prepaid income tax	12	13
Cash and cash equivalents	2,931	1,769
Total current assets	**47,877**	**46,222**
Total assets	**60,202**	**59,680**
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	1	1
Treasury shares	(407)	(317)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(6,720)	(5,637)
Currency translation reserve	127	130
Total equity	**(1,206)**	**(30)**
NON-CURRENT LIABILITIES:		
Long-term loans and borrowings	11,000	8,980
Deferred tax liabilities	91	104
Total non-current liabilities	**11,091**	**9,084**
CURRENT LIABILITIES:		
Trade payables	24,996	32,911
Short-term loans and borrowings and current portion of long-term loans and borrowings	16,839	10,270
Advances received, other payables and accrued expenses	7,894	6,204
Deferred revenue	476	436
Income tax payable	112	805
Total current liabilities	**50,317**	**50,626**
Total liabilities	**61,408**	**59,710**
Total equity and liabilities	**60,202**	**59,680**

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)

	The first half-year ended June 30,	
	2020	2019
OPERATING ACTIVITIES:		
Profit for the period	1,102	2,192
Adjustments for:		
Foreign exchange loss, net	1,471	286
Depreciation and amortization expense	1,401	1,225
Finance expense	1,250	1,164
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	799	358
Income tax expense recognized in profit or loss	278	148
Expense on equity-settled share-based compensation	22	155
Loss/(gain) on disposal of non-current assets	2	(11)
Bad debts written-off and change in allowance for credit losses for doubtful accounts	(2)	(35)
Finance income	(66)	(3)
Changes in working capital:		
Decrease in trade receivables	2,287	1,192
Decrease in advances paid and other receivables	625	73
Increase in inventories	(4,150)	(2,591)
Decrease in trade payables	(9,016)	(4,787)
Decrease in advances received, other payables and accrued expenses	(914)	(530)
Increase/(decrease) in deferred revenue	40	(251)
Cash used in operations	(4,871)	(1,415)
Interest paid	(1,158)	(991)
Interest received	52	3
Income tax paid	(712)	(659)
Net cash used in operating activities	(6,689)	(3,062)
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(576)	(1,248)
Payments for intangible assets	(93)	(368)
Proceeds from disposal of property, plant and equipment	21	20
Net cash used in investing activities	(648)	(1,596)
FINANCING ACTIVITIES:		
Purchase of treasury shares	(90)	(139)
Sale of treasury shares	-	31
Proceeds from loans and borrowings	49,800	35,537
Repayment of loans and borrowings	(41,211)	(29,514)
Dividends paid	-	(3,274)
Net cash generated by financing activities	8,499	2,641
Net increase/(decrease) in cash and cash equivalents	1,162	(2,017)
Cash and cash equivalents, beginning of the period	1,769	3,335
Cash and cash equivalents, end of the period	2,931	1,318